With opposition inputs, the budget debate finally matures, but constraints persist

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On Thursday, Finance Minister Amir Khosru Mahmud Chowdhury unveiled the BNP government's first budget in two decades. Only days earlier, Bangladesh Jamaat-e-Islami, for the first time in its history as the parliamentary opposition, presented a complete shadow budget of its own in a press conference. As did the National Citizen Party. This trend is something new, something to be welcomed. A mature democracy needs an opposition that responds to the budget with serious governing alternatives, not merely louder criticism. We have a gift for economists here: competing fiscal visions for FY2026-27, based on the same national accounts, side by side. The striking fact is not how far apart they sit, but how close.

The same skeletal structure

Start with the headliner numbers, since they look eerily similar. The government wants to spend Tk 9.38 lakh crore (proposed outlay) with a projected revenue of Tk 6.95 lakh crore and a deficit of around Tk 2.43 lakh crore. Jamaat's shadow budget calls for total expenditure of Tk 8.39 lakh crore with a projected revenue of Tk 6.66 lakh crore and a deficit of Tk 1.73 lakh crore. Both remain well below the commonly accepted five-percent-of-GDP benchmark for deficits. And both come up with the same number of Tk 1.27 lakh crore for interest payments, one of the largest single-line items each must support.

Convergence is the first finding. The fiscal arithmetic facing any government in Dhaka today is relatively non-negotiable. A revenue-to-GDP ratio at seven percent is fixed; debt service consumes the greatest share of revenue; and an IMF programme still under negotiation leaves very little room to manoeuvre, no matter who writes the check. Where the documents differ significantly is not in the amounts, but in the theoretical framework for escaping the trap.

Revenue: Shared diagnosis, different ambition

Both budgets reject the instinctual response to fill shortfalls by increasing taxes. The finance minister has criticised the tax administration, which always fills gaps by forcing existing taxpayers to bear additional burdens. Instead, he has made efforts to expand bases through TINs (tax identification number), automation, and a higher threshold. Jamaat has made the same arguments regarding conversion of TINs into NIDs, automation of the National Board of Revenue (NBR), and rationalisation of tax expenditures, but has pushed further, suggesting the revenue crisis is institutional and constitutional and not simply a matter of rates. Additionally, Jamaat has suggested a more aggressive approach to increase revenue towards 14-15 percent of GDP through reforms of the NBR and Anti-Corruption Commission (ACC).

In this regard, Jamaat has shown some innovation. In contrast to the cautious plans put forth by the government, it sees direct taxation as a question of justice and not solely as a source of revenue. It would raise the tax-exempt ceiling to Tk 4.5 lakh, provide a per-dependent allowance, and allow expense rebates for education expenses, none of which appear in the government's plan. The honest admission is that these are predictions from an opposition bench, yet to test their viability against the discipline of collection. Meanwhile, the government must account for the Tk 1.04 lakh crore shortfall that the NBR fell short by April. Ambition is cheaper outside treasury walls.

FILE VISUAL: ANWAR SOHEL

Investment versus welfare state spending

There is an evident philosophical difference in what each side seeks to purchase. The government's organising theme is "economic democratisation and deregulation": a single-window "Banglabiz" approval portal, four test gates for project approvals, a creative economy fund, and a green tilt via solar tax holidays, EV duty reductions, and import subsidies for staple goods and medicine. It is a supply-side, investment-led gamble.

Jamaat's budget is unmistakably a welfare state document. It increases social protection allowances to Tk 1,000 per month immediately and Tk 3,000 over time, establishes an Islamic pension scheme, provides free healthcare to children under five years old and adults above sixty-five years old, and perhaps most boldly, nationalises all primary and secondary schools. Together, education and technology occupy nearly 15 percent of its total allotments. While the government also moves education and health closer to 5 percent of GDP each, Jamaat's commitment is wider and more costly.

Two procedural ideas worth keeping

Hidden in the shadow budget are two changes to the fiscal process that the government should consider.

The first is Jamaat Ameer Shafiqur Rahman's suggestion to bring the fiscal year into alignment with the calendar year. The fiscal year runs from July to June; thus, the last week of June is a mad dash to spend development funds at a time when road construction during the rainy season (and quality) is at its worst. Anyone watching roads being placed during rainstorms, dissolved into dust by autumn, knows the waste. Bringing the fiscal year into alignment with the calendar would place the biggest portion of its investment in dry weather, when construction is easiest, and that quality is best.

The second idea is simple. Submit the supplemental budget three months before the closure of the fiscal year, rather than tuck it in amongst the other budgetary revisions passed by parliament at a point when there is not enough scrutiny left for anything. As it exists currently, supplemental budgets pass along with new budgets, and the House passes a year's reallocation, leaving no room to scrutinise the past budget. Getting supplemental bills out sooner allows the parliament to see where any money was spent before approving where money will go next year. This is neither a BNP nor a Jamaat issue; this is simply better public finance.

Is the shadow budget macro right?

The macro in the shadow budget is mostly right, although there are some important caveats. The deficit and debt ratios were internally consistent and conservative. However, its confidence in revenue rests upon assuming away corrupt practices and administrative inefficiency that have thwarted every previous reform effort. The recovery of laundered funds as a funding source is morally attractive, but operationally speculative; repatriation depends upon foreign court rulings and treaties—not budget lines.

The government plan has reversed weaknesses. Financing a seemingly modest deficit on paper requires large domestic bank borrowings in an environment where private credit growth has fallen to record lows and the banking sector carries a 30.6 percent non-performing loan ratio (as of December)—the highest in South Asia. A 6.5 percent growth-rate target seems ill-suited compared to less-than-four percent actual growth and an oil price shock due to conflict in Iran. Both budget documents are candid about the problem—but optimistic about solutions.

Should we take an opposition document seriously?

On evidence, yes—though not because its numbers cannot be challenged, but because it confronts real constraints rather than trying to evade them. It assumes the same deficit ceiling, the same revenue floor, and the same burden on debt service that faces the government and argues for a different set of priorities among them. That is what a viable alternative budget should attempt to do. A healthy fiscal debate is not one where the opposition suggests a different mathematics, but where it accepts that mathematics and debates values.

As the national budget heads to parliamentary debate, the consideration should not be which document is bolder, but which institution can produce either document. Each document represents bets on whether the country can finally collect what it owes and spend it as promised. The numbers surprisingly agree with the magnitude of that bet.

How falling real prices threaten Bangladesh's apparel sector

RMG NOTES

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MOSTAFIZ UDDIN

For the past decade—since Rana Plaza, in fact—Bangladesh's garment industry has been told to improve: raise wages, invest in safer factories, decarbonise, install solar, reduce emissions, improve chemical management, meet new reporting demands, prepare for digital product passports, and prove every claim with data.

Many, if not all, of these demands are reasonable. As a garment manufacturer myself, I'm not arguing against better wages, safer factories, or cleaner production. These are things our industry must be doing for its own sake. There's one question, however, that still doesn't get a straight answer: Who is going to pay for it? Because, from where I am standing, the economics appear unsustainable.

While our costs have been rising sharply and continuously, the unit prices paid for apparel have been falling in real terms. No business survives indefinitely when prices fall, and costs keep climbing. In the RMG sector, the pressure is now visible everywhere. Take labour where wages have quite rightly been rising (many would argue not enough). Minimum wage in this sector has gone from Tk 5,300 to Tk 12,500 over the past decade, a rise of around 135 percent.

Energy costs have moved in the same direction. Electricity prices are up around 69.75 percent over the last decade, with a further 16.7 percent tariff increase reported in June 2026 as the government cuts subsidies. For a factory, energy isn't optional. This means manufacturers are being asked to transition to cleaner energy while conventional energy is becoming more expensive.

So, if you want to do business with brands, you will need to invest in decarbonisation plans, renewable energy targets, Higg reporting, GRI, CSRD preparation, science-based targets, ZDHC, zero liquid discharge, audits, certifications, and so on. To offer some examples, a Higgs assessment alone runs to around $4,000 a year once platform fees and verification are included. Other audits and certificates can cost $2,000 to $5,000 each. Larger factories can absorb some of this. Smaller ones often can't. All of these costs stack up, and the cost of compliance is becoming more onerous year by year.

Solar is a good example of how these issues play out in practice. Brands want renewable energy in their supply chains, which is fair enough. But solar installation depends on factory size, roof space, available finance, grid rules and payback periods. It's not a quick fix, and it's certainly not cheap. Zero liquid discharge is similar. For some facilities, it might be feasible, but for others, it means major capital expenditure and high running costs. Neither can be treated as a simple checkbox. Yet too often, there is an assumption that suppliers can just absorb these investments without any adjustment to price. This is the nub of the issue: costs keep rising, but unit prices don't.

The OTEXA data on Bangladesh's US apparel exports is stark. Between 2015 and 2025, the nominal unit price of Bangladeshi apparel shipped to the US rose by about 6.4 percent. US inflation over the same period was around 35.8 percent. In real terms, the price Bangladesh received per unit fell by roughly 22 percent. In the past two years, unit prices have even been falling in nominal terms.

In 2025, the average unit price was around $3.08 per square metre equivalent. This was down from $3.11 in 2024. Meanwhile, global inflation is rampant. Quite simply, a manufacturer cannot pay 2026 wages, 2026 energy bills, and 2026 compliance costs on 2015 economics. And, of course, there are consequences. When margins keep being eroded, factories can't reinvest in machinery, efficiency, worker training, and cleaner technology. When prices stay low, factories become dependent on volume just to cover fixed costs, which creates a race to the bottom that rewards whoever accepts the lowest margin, not whoever invests most responsibly.

When buyers demand higher standards but don't pay prices that support those standards, the system creates incentives for shortcuts. Most reputable manufacturers don't want to cut corners. But if the commercial model doesn't work, weaker actors will always find a way to make it work for them. The other consequences of constantly falling margins are that the industry becomes less attractive for serious long-term investment. Investors look at returns while banks look at repayment capacity. Manufacturers look at risk. Falling real prices and rising costs don't make a compelling case for spending heavily on decarbonisation or automation.

My central argument is that the conversation about responsible sourcing must move beyond audits and statements of intent. There are practical steps that would help. Buyers need to recognise cost inflation in price negotiations. Wage rises, energy hikes, and mandatory compliance investments are not supplier problems alone. If a buyer requires higher standards, the price has to reflect the cost of meeting them.

Long-term purchasing agreements should be more common. A manufacturer won't confidently invest in solar panels or wastewater systems if orders can disappear next season. Predictable volume and a stable commercial relationship are preconditions for serious investment.

Compliance needs rationalising. The industry doesn't need endless duplicate audits and certificates. Buyers should recognise equivalent standards, share data where possible, and reduce repetitive assessments. Every unnecessary audit is money and time that could go into actual improvement.

Critically, brands should co-invest in decarbonisation. If you want lower Scope 3 emissions (indirect greenhouse gas emissions), you have to help fund the transition in your supply chains. Grants, low-cost finance, shared investment models, price premiums tied to verified improvements—these are more credible than asking suppliers to do more with less. Payment terms also need to improve. Factories shouldn't be financing production, compliance and sustainability investments while waiting to be paid. Faster payment is one of the simplest levers available.

And there needs to be more honesty in the public conversation. Consumers are told that fashion can be cheap, fast, ethical, low-carbon, traceable, and compliant with every new regulation. Maybe that's possible in theory, but it isn't possible at prices that keep falling in real terms. Somebody always has to pay a price.

Bangladesh's garment industry has shown tremendous resilience over the past decade, recovering from crises, improving safety, and holding its position as one of the world's most important sourcing destinations. But resilience isn't the same as an unlimited capacity to absorb cost. The future of responsible sourcing has to be built on fair commercial terms, long-term partnerships, and an honest acknowledgement that sustainability without viable suppliers isn't sustainability at all.

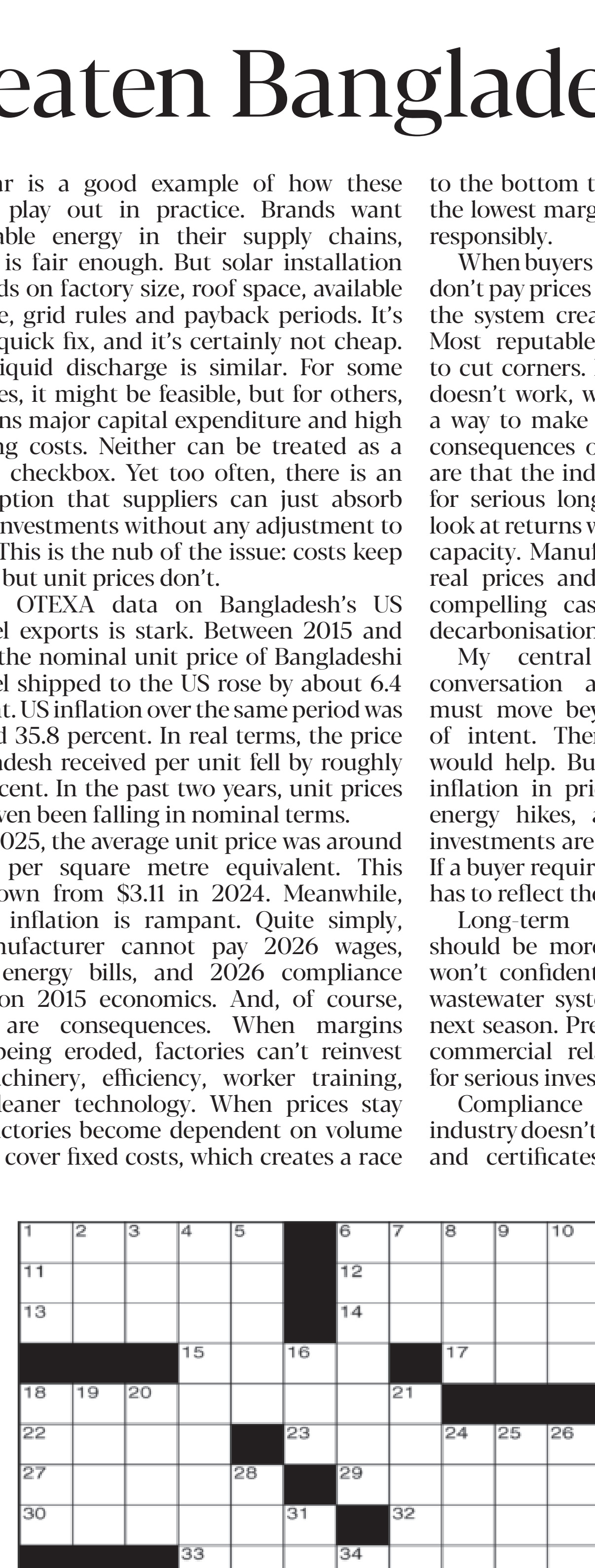
CROSSWORD BY THOMAS JOSEPH

ACROSS

1 Grayish color
6 Test the flavor of
11 Prefix with violet or violent
12 Basketball's Shaquille
13 St. Louis NHL team
14 Dallas NHL team
15 Owed amount
17 Pampering place
18 Words with a handshake
22 Mob revolt
23 Decrees
27 Flexible conjunction
29 Concur
30 Long looks
32 Fireplace output
33 Goes here and there
35 Nabokov novel
38 Actor Rickman
39 Anaheim NHL team
41 Los Angeles NHL team
45 Concede
46 Follow as a result
47 Gets together
48 Banded quartz

DOWN

1 Soaking spot
2 Everything
3 Sumerian sun god
4 Nashville NHL team
5 Moved slowly
6 Fried tortilla
7 Termite's cousin
8 Vast expanses
9 Field protector
10 Snow Queen in "Frozen"
16 Hive resident
18 Some nest eggs
19 Color
20 Fizzy drink
21 Tampa Bay NHL team
24 Ontario tribe
25 Rip
26 Workout makeup
28 Chooses new actors for
31 Mule of old song
34 "I can __ hint"
35 Genesis name
36 Slacker address
37 High point
40 Model buy
42 Top-secret govt. org.
43 Stomach
44 Behold



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YESTERDAY'S ANSWERS

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