Turning the budget's ambitions into reality will be a major test

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The size of the proposed budget for fiscal year 2026-27 is Tk 9,38,000 crore, of which Tk 3,16,075 crore has been earmarked for development spending and Tk 6,05,740 crore for operating expenditure. The revenue target is Tk 6,95,000 crore, resulting in an overall deficit of Tk 2,43,000 crore. In comparison to the FY2025-26 budget, the proposed budget for the upcoming fiscal year has been increased by 18.7 percent, while development spending, operating expenditure, as well as the revenue target have been raised considerably.

There is no doubt about some of the budget's priorities, such as development for all, support for SMEs, family and farmers' cards, bonded warehouse benefits, investment, education, health, social protection, energy security, and financial sector reform. But there is always many a slip between the cup and the lip, which reminds us of the budget's implementation challenges.

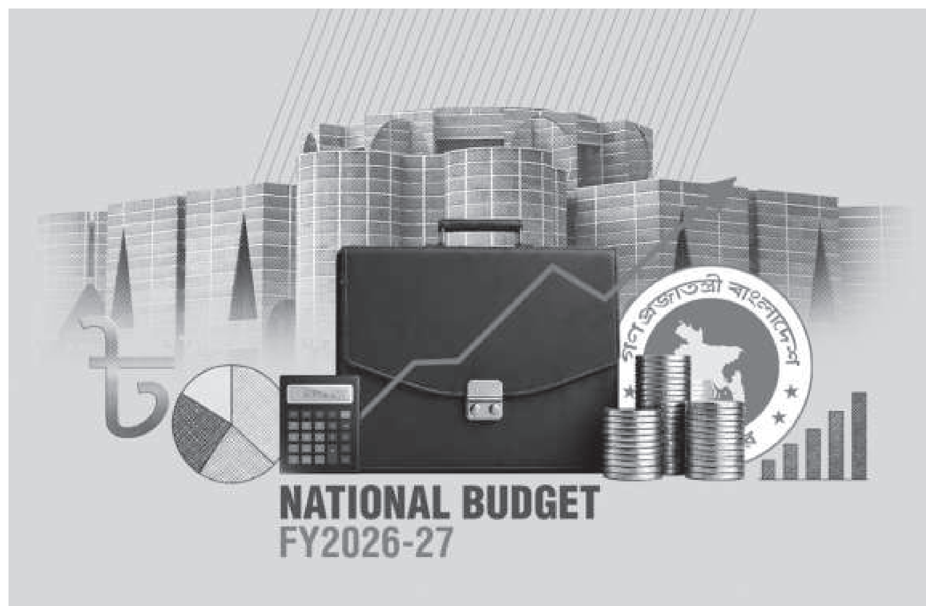
The first challenge revolves around the GDP growth target of 6.5 percent, which is 2.36 percentage points higher than the provisional growth rate for FY2025-2026 of 4.14 percent. An economy generally grows steadily, not abruptly, if no miracle happens. To achieve this target, the private investment must increase rapidly. But the reality is that investment in FY2024-25 was merely 22.03 percent, the lowest level in 11 years.

Furthermore, investment is primarily dependent on the interest rate, determined mainly by the risk-free interest rate, inflation and premiums for various risks. The inflation rate was 8.63 percent as of May 2026, which pushed the average interest rate to around 12 percent. This high interest rate or the cost of borrowing for businesses is bound to squeeze investment. Therefore, in addition to lowering the interest rate, bureaucratic red tape must be reduced, smooth utility supply must be ensured, law and order situation should be improved significantly, and investors' confidence needs to be restored. Otherwise, the investment will not increase as hoped in the proposed budget.

Meanwhile, the goal to bring inflation down to 7.5 percent, although it reached 8.63 percent as of May 2026, might prove challenging. This target may appear logical, but it must be noted that the sources of inflation in our country are driven largely by imports. The high dollar price, combined with the recent rise in fuel prices, will have a long-term effect on inflation. Moreover, local syndicates and extortion at different points of the supply chain will also impact inflation. Without considerable improvement in these areas, there is little hope that inflation will come down.

Furthermore, the private sector credit growth target has been set at 9.4 percent, which is almost double the rate as of April 2026: 4.75 percent. To reach the target, a lower cost of borrowing, minimum government borrowing from banks, and a robust banking system with low non-performing loans will be required. Whether such a conducive environment to boost private credit growth can be achieved remains a question. Even the export growth targeted at 8.7 percent is highly inconsistent with ground realities; exports fell by 2.60 percent year-on-year in the July-May period of the current fiscal year.

In general, the budget deficit should be within 5 percent of GDP and the proposed budget's deficit is 3.6 percent of GDP. As the volume of deficit increases with the increase in budget size, the ability to finance the deficit remains a major challenge for the government. The plan is to finance the deficit from local and foreign sources. The expected loans from local banks and foreign sources are 46 percent (Tk 112,000 crore) and 45 percent (Tk 109,850 crore), respectively. The target borrowing from banks may increase in the end because in the current fiscal year, the government already borrowed more than Tk 125,000 crore from the banking sector due to revenue shortfalls.



FILE VISUAL: **ANWAR SOHEL**

In contrast, the foreign loans are less expensive, but they come with many terms and conditions that often require strict compliance. Compared to the previous year's foreign loans, this year's target is almost double. The actual challenge is to mobilise these funds.

In the FY2025-26, the government failed to collect the target revenue and had to borrow more from banks. Without fundamental institutional reforms, how would the target revenue of Tk 6,95,000 crore be collected in the upcoming fiscal year? If the National Board of Revenue fails to collect this targeted revenue again and foreign loans do not come as expected, the alternative financing choice could either increase borrowing from local banks or the Bangladesh Bank. The former will crowd out private sector credit flow and the latter will increase inflation.

Besides, there will be inflationary pressure due to the new pay scale for which Tk 44,000 crore has been set aside. The prices of goods and services have already started rising in the market. The general mass living on fixed income will primarily face the heat of inflation. The higher pay scale is expected to reduce public sector corruption. However, there is no historical record of that happening in the country. Then how can it be expected that a higher pay scale would reduce corruption this time? To avoid inflationary pressure, wage indexation could be put in place to automatically adjust wages to keep pace with inflation every year, so that purchasing power remains unchanged as the cost of living rises.

Meanwhile, the banking sector, through which about 86 percent of the country's financial intermediation is conducted, is currently burdened with abnormally high non-performing loans. Besides, the sector's weak capital base and fresh unrest in the Islami Bank Bangladesh PLC may spread the systemic risk, affecting the entire banking sector. Without bringing stability in banking, the budget implementation will be difficult because our economy is exceedingly dependent on this sector.

Also, the effectiveness of social security programmes will depend on reaching the intended people, administrative efficiencies and prevention of leakages. Developing beneficiary databases without duplication is a precondition to attaining competence in this regard. When a slum-dweller or a rickshaw puller says that budgets come and go, but they don't get the benefits, it speaks a lot about the failure of the budget implementation process.

The philosophy of the budget should be driven by the concept that the rich will pay more taxes than the poor. Hence, more revenues must be collected from direct taxes rather than indirect taxes to make the process equitable. The implementation of the budget must focus on the efficiency of spending the allocations, ensuring it is not hindered by corruption, bureaucratic red tape and governance failure.

The increased allocation in priority sectors is only the first step. It does not guarantee proper implementation. The successful execution of the budget ultimately depends on institutional capacity, efficient use of funds, and evaluating and monitoring whether the programmes are delivering the expected results. A budget becomes successful only when it can improve the lives of people, particularly the poor.

Five ideas to turn PM's Malaysia visit into a strategic reset in ties

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When Prime Minister Tarique Rahman lands in Kuala Lumpur on June 21, the weight of this visit will be unmistakable. Choosing Malaysia as his first official overseas destination since assuming office underscores Dhaka's deliberate choice of a neutral Southeast Asian partner over regional giants like India and China. It reciprocates Malaysian Prime Minister Anwar Ibrahim's swift, supportive visit to Dhaka in late 2024 and signals a mutual desire to forge a modern, resilient alliance.

Yet, if the public and media discourse back home is any indication, the purpose of this trip is being viewed by many through a narrow lens: reopening the traditional, low-wage manpower sector and regularising undocumented workers.

While resolving migration bottlenecks is crucial, an obsession with the "labour supply" status quo risks reducing this milestone summit to ceremonial damage control. If Dhaka approaches Kuala Lumpur with the same old blueprints, it will miss a generational window of economic alignment. To truly honour this relationship, the prime minister should pitch a data-driven, strategic framework that moves Bangladesh away from servicing Malaysia's low-wage sectors and inserts it directly into the high-value, high-wage segments of Malaysia's rapidly expanding economy.

The structural stars are perfectly aligned for this shift. Both nations are sitting at a critical development threshold. By 2030, Malaysia is projected to transition into a high-income nation. Concurrently, Bangladesh is scheduled to graduate from Least Developed Country (LDC) status, if not sooner than later. Furthermore, Dhaka's strategic master plan aims to massively increase the ICT and telecom sector's contribution to national GDP from its current 1-2 percent up to 10 percent over the next five years, steering the country towards a trillion-dollar economy by 2034. In Bangladesh, Malaysia has an ambitious partner hungry for digital transformation. However, we need to deploy five bold, interconnected, and high-value ideas.

First, we must unlock post-study work rights for Bangladeshi students in Malaysia. Bangladeshi students currently constitute the second-largest group of foreign students in Malaysia. They are already acclimated, educated, and integrated into Malaysian society. By granting these graduates temporary post-study work rights, Malaysia can immediately tap into a pre-existing pool of skilled talent to fuel its growth. For Bangladesh, the long-term payoff is immense: these professionals can eventually return home with premium global corporate experience, ready to catalyse Bangladesh's domestic industries and permanently fortify the Dhaka-Kuala Lumpur economic bridge.

Second, Bangladesh must target Malaysia's high-tech industrial expansion. Malaysia is currently facing a critical structural deficit of roughly 60,000 skilled engineers required to meet surging industry demand driven by an influx of global tech investment. Meanwhile, Bangladesh boasts an army of surplus, tech-savvy engineering graduates. A bilateral preferential agreement explicitly designed to absorb, train, and retain Bangladeshi engineers in Malaysia's industrial hubs would be an absolute win-win, satisfying Malaysia's urgent industrial hunger while giving Bangladeshi professionals world-class exposure.

Third, beyond university graduates, this partnership should carve out a specialised pathway for Bangladesh's polytechnic graduates within Malaysia's expanding semiconductor sector. Specifically, Bangladeshi polytechnic graduates can be trained in advanced chip packaging and sent to Malaysia on probation. If an initial cohort of 300 trainees excels, they can become industry brand ambassadors at a modest promotional cost of about Tk 10 crores by the Bangladesh government. In the long run, according to the Bangladesh Semiconductor Industry Association (BSIA) leaders, this will produce a hefty return: if 30,000 skilled Bangladeshis work in Malaysia for 10 years based on semiconductor packaging, they will earn an estimated $10 billion (approximately Tk 18,000 crore). This model will allow many to eventually return home to develop Bangladesh's own domestic semiconductor packaging industry.

Fourth, the two nations share a pressing ecological and economic challenge: the modernisation of agriculture. Both countries desperately need to transition towards precision and smart farming, and both face the dilemma of an ageing farming demographic. The shared solution lies in getting tech-literate youth back into agribusiness through coordinated Technical and Vocational Education and Training (TVET) collaboration. By linking Bangladeshi TVET institutions with Malaysian expertise, we can train a new generation of Bangladeshi youths as precision farmers. They can provide high-skill agricultural labour in Malaysia, master the mechanics of smart agronomy, and return to rebuild Bangladesh's agro-future.

Fifth, the visit offers an opportunity for institutional learning in higher education. As Bangladesh targets an ambitious leap in its education spending to 5 percent of GDP over the next five years, it must study Malaysia's long legacy of high public spending on education and the Malaysian Higher Education Blueprint 2026–2035 (MHEB). This strategic blueprint successfully transformed Malaysia's public universities into top-tier, globally ranked QS institutions. By collaborating directly with Malaysia's academic leadership, Bangladesh can acquire the institutional framework needed to reform its own higher education sector and revive the lost regional glory of flagship institutions like Dhaka University.

However, these novel proposals will remain confined to paper if Dhaka repeats its mistakes. Many historical diplomatic initiatives—particularly during the recent interim rule—failed because they lacked policy champions and bureaucratic ownership. MoUs are too frequently reduced to ceremonial photoshoots, left to gather dust without rigorous follow-up.

To break this cycle, the PM must establish an institutionalised advisory council. The Ministry of Foreign Affairs should look beyond traditional bureaucratic channels and leverage the sizeable, untapped pool of academics and intellectuals who possess deep public-sector and policy-level exposure in Malaysia. By binding independent academic expertise to state execution, Dhaka can ensure that high-value negotiations are backed by rigorous data and tracked with unyielding accountability. Bangladesh must show Kuala Lumpur that it is no longer just a source of raw, low-skilled labour, but a sophisticated partner ready to co-author Asia's high-tech future.

CROSSWORD BY THOMAS JOSEPH

ACROSS
1 Tibia's place
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9 Stately home
11 Circus worker
12 Texas mission
13 Atlanta school
14 Force member
15 Paging gizmos
17 Things to hang on to
19 Stake
20 Put away
21 Was inactive
22 Map division
24 Auction buy
26 Painter Rivera
29 Sermon topic
30 "Golly!"
32 Small tree frogs
34 West of films
35 Nostalgic song
36 Come together
38 "Message received"
39 Longed
40 Some sheep
41 Tops

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2 Luminous rings
3 Sulking
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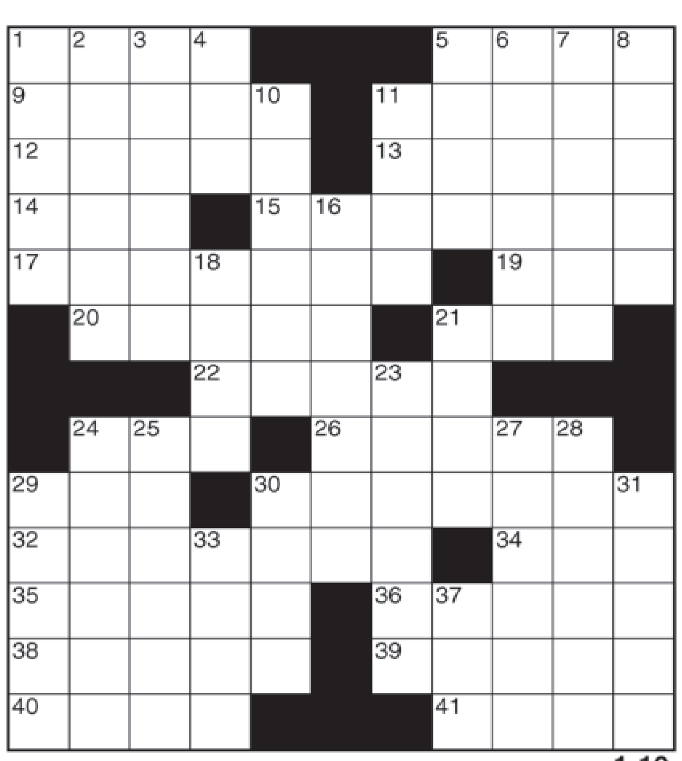
5 Highway exit
6 One-celled organism
7 Weasel's kin
8 Secret meeting
10 Inventor Fulton
11 Casual tops
16 Device for a book lover
18 Fence part
21 Ooze
23 Occupies
24 Keep out of sight
25 Nervous
27 Zodiac twins
28 Made speeches
29 Puffball bit
30 Taunt
31 Garden starters
33 Diner desserts
37 Zero



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TUESDAY'S ANSWERS

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