FY2026-27 budget targets: A bridge too far?

Professor Mustafizur Rahman
is distinguished fellow at the Centre for Policy Dialogue (CPD). Views expressed in the article are the author's own.

MUSTAFIZUR RAHMAN

In the budget for FY2026-27, the finance minister has proposed several important departures and new measures that deserve both attention and appreciation. These include some significant changes or initiatives in fiscal policies and measures, attempts to reset allocative priorities, and deregulation in several areas. The proposed budget has significantly increased allocations for health, education, and social safety nets, and set out plans to roll out targeted measures to stimulate investment and improve ease of doing business.

The above is reflected in measures to rationalise VAT and import duties, convert taxes deducted at source into advance income tax to be subsequently adjusted with payable taxes, widen the remit of bonded warehouse facilities and use of bank instruments to cover most export-oriented sectors, and calibrate import duties on intermediate and finished goods in support of import-substituting and export-oriented industries. Several measures have been proposed to encourage innovation, incentivise the creative economy, encourage youth-led entrepreneurship, and promote investment in IT-enabled services.

Whether these measures and signals would translate into real investment, supply-side response, job creation, lowering of the inflation rate, and attaining the government's aspiration to graduate to a welfare state built on high economic growth, social inclusiveness, and environment-friendly development process remains to be seen. Much will hinge on the implementation of the budgetary proposals and their delivery to produce expected outcomes. This is where the policymakers are likely to face formidable challenges, originating both from within the budgetary framework and from institutional factors.

To illustrate this point, one of the budget's key weaknesses concerns the FY2025-26 benchmarks against which the FY2026-27 targets have been set. Several instances may be cited in this connection. For example, while the BBS projection of GDP growth for the outgoing FY2025-26 is 4.14 percent, the corresponding figure cited in the budget is 5 percent. So to reach the target of 6.5 percent planned for FY2026-27, GDP will have to actually grow by 2.4 percentage points, and not 1.5 percentage points as envisaged in the budget. Similarly, revenue income for FY2025-26 has been estimated at Tk 5,88,000 crore, but the actual figure for the July-April period of FY2025-26 is only about Tk 3,27,000 crore. This will necessitate a 221 percent rise in revenue collection during the last two months of May and June 2026 compared to the corresponding two months of FY2024-25.

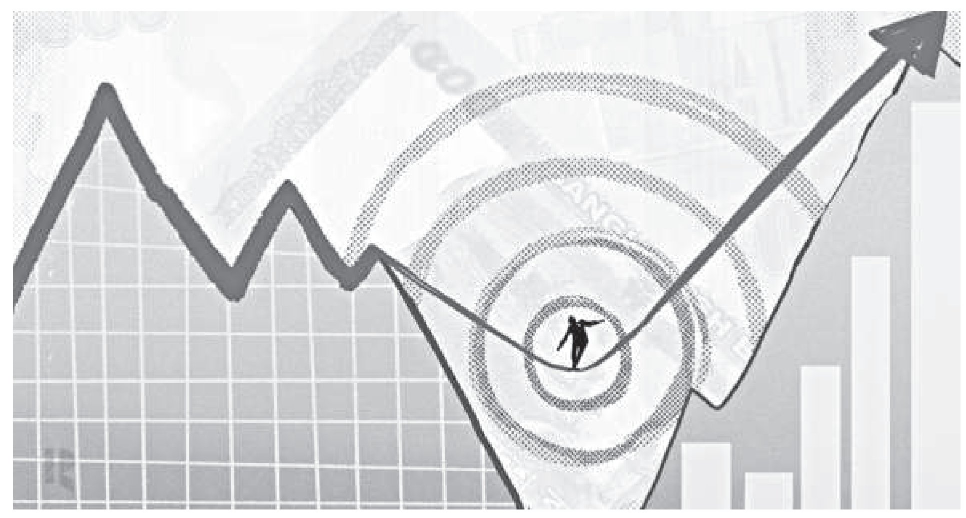
Thus, if the FY2026-27 revenue generation target is to be attained, the growth of revenue must be higher than the 18 percent mentioned in the budget speech. The growth rate will need to be perhaps as high as 35 to 40 percent, a formidable task by any count.

Moreover, BBS figures show that the average inflation rate for the July-May period of FY2025-26 was 8.63 percent. However, the budget mentions a relatively lower average inflation rate for the year: 7 percent. Although export growth for July-April, FY2025-26 is negative, at -2.5 percent, the budget envisages a growth rate of 9 percent in FY2025-26! Indeed, exports will have to grow by an impossible 155 percent in June compared to the previous year if the growth mentioned in the budget is to be attained in FY2025-26. The projection of remittance flows is also quite surprising. During the first 11 months of FY2025-26, $32.76 billion remittance has been received—a 19 percent growth over FY2024-25, averaging almost $3.0 billion each month. Yet, the budget's projection for FY2025-26 is only 10.1 percent growth from the $30.328 billion of remittance received in FY2024-25. This would mean remittances in June 2026 would be a meagre $0.6 billion when in June 2025 the amount was $2.8 billion, or a negative growth of 78.6 percent.

These misalignments of key performance indicators for FY2025-26, used as reference points for designing the FY2026-27 budget, call into question the veracity and soundness of the performance targets set out for the upcoming fiscal year. The newly elected government had a reason and an opportunity to depart from this budget tradition often followed by previous political governments, too. BNP was at the helm of power only during the fourth quarter of FY2025-26 (March-June, 2026) and didn't have control over attaining the FY2025-26 budget targets. As such, a more realistic baseline would have allowed it to set more attainable macroeconomic targets, but the government didn't choose to take advantage of this opportunity.

As noted before, the quality of budget implementation will determine whether investment is stimulated, inflation is reduced, and new jobs are created as planned. Here, three factors would be crucial: (a) institutional capacity to deliver the budgetary targets, (b) quality of macroeconomic management, and (c) good governance and accountability in all spheres of budget implementation.

Reduction of import duties and waiver of VAT and advance income tax on many items would no doubt have revenue implications. Against this backdrop, full-scale digitalisation, based on interoperable and integrated systems, should be implemented to attain the high revenue mobilisation target of Tk 6,95,000 crore. Many countries have established a QR-based and cashless system of transactions, which Bangladesh should adopt if the tax base is to be broadened and income and expenditure statements are to be reconciled.



FILE VISUAL: REHNUMA PROSHOON

While astute budgetary proposals, resource allocations, and fiscal measures are necessary, they are not sufficient for implementation to produce the expected results. For that, a conducive business environment, broader macroeconomic management, and institutional capacity to implement the proposals and measures are required.

Concerned institutions, therefore, must have the capacity to manage resources, ensure allocative efficiency, and attain expected outcomes and impacts. For example, the education and health sectors have been allocated significantly higher allocations in the FY2026-27 budget compared to any time in the past. This is justified. However, experience shows that these sectors have previously struggled to spend even much lower allocations. Thus, the ability to spend the newly allocated resources by ensuring good value for money is a must to achieve the education and health sector-related outcomes on the ground.

Close involvement of local communities and service-receivers in implementing the social safety net programmes, including the Family Cards and Farmers Cards; transparency and accountability in resource utilisation; and an effective system of grievance redressal are necessary to implement these programmes effectively. A welcome initiative in this context is the budget's promise to set up digital platforms and dashboards for monitoring progress and redressing grievances.

Curtailing inflation will depend, to a large extent, on stimulating supply-side response through higher investment. But of no less importance will be the quality of market management. Overseeing, monitoring, and managing the various players operating between customs points and retail points, and between farm gate and consumers, will be crucial. Public institutions tasked with these responsibilities will need to play a proactive role here.

There is hope that the government will employ its best effort to ensure that the allocated money is actually spent on the ground. In case revenue mobilisation cannot reach the very high growth target set in the budget, the government might be compelled to borrow more than it was envisaged in the budget. Higher domestic borrowings could crowd out the private sector. Higher foreign borrowings are already creating a pressure of increased external debt servicing obligations in the budget. Already, a significant amount of money is being allocated in the budget against repayment of domestic and external debt; this amount is expected to rise over the near-term future. The debt situation should be kept under active monitoring and periodic review to reduce the attendant risks of falling into the dreaded debt trap.

In the 1977 film titled *A Bridge Too Far*, directed by Sir Richard Attenborough, the heroic objectives of the Allied mission could not be achieved because of delays, coordination failure, and unexpected resistance. One hopes that the present government will rise to the occasion and confront prevailing formidable challenges successfully to accomplish the mission, get to the bridge, and attain the lofty goals set out in the FY2026-27 budget.

Why Keir Starmer's fall should surprise no one

Syed Raiyan Amir
is a researcher and journalist.

SYED RAIYAN AMIR

When Keir Starmer stepped up to the lectern outside 10 Downing Street and announced his resignation on June 22, the moment carried a quiet, unsettling weight of recognition—that Britain had been here before. Just two years earlier, Labour had swept back into power with 412 seats and the largest parliamentary majority in a generation. The crowds that greeted Starmer on Downing Street in the summer of 2024 had not been seen since Tony Blair's landslide of 1997. That such a commanding mandate could dissolve so completely and so quickly suggests the problem runs deeper than any one leader's failures.

The immediate triggers of Starmer's fall are not difficult to enumerate. His government began badly, with the politically costly withdrawal of winter fuel payments from pensioners, a move that stung the very voters Labour needed to retain. A string of policy reversals followed, each one chipping away at the image of serious, principled governance Starmer had carefully cultivated in opposition. The appointment of Peter Mandelson as British ambassador to the United States, and the subsequent revelation that Mandelson had failed security vetting before being approved anyway, was damaging as it raised the question of whether Starmer was actually in control of the government he nominally led. Then came the local elections in May—Labour's worst performance in decades, with nearly 1,500 council seats lost across England—and the decisive blow: Andy Burnham's emphatic by-election victory in Makerfield, defeating Reform UK for a seat the insurgent right had been expected to challenge. Burnham's return to Westminster made Starmer's position untenable almost overnight. More than 90 Labour lawmakers called for the prime minister to go, including his own health secretary.

Burnham's entry into this unfolding story is rich with political symbolism. Nicknamed the "King of the North" for his tenure as Greater Manchester's mayor, during which he overhauled public transport and oversaw genuine economic regeneration, his appeal rests on something conspicuously rare in British national politics: a record of actually delivering. Burnham is a career politician who reinvented himself as a regional administrator, and that combination of insider knowledge and outsider credibility has made him a distinctive figure. His defeat of Reform UK in Makerfield is being read by some as evidence that Labour can compete against populist right-wing politics if it finds the right messenger.

Yet, the questions surrounding Burnham remain substantial. He has been deliberately vague about his policy programme beyond broad commitments to devolution and cost-of-living relief. His stance on immigration—the issue that arguably contributed more than any other to Starmer's political erosion—remains strategically ambiguous. Political charisma without clear direction has a way of burning through quickly, as this past decade of British leadership has repeatedly demonstrated.

Which brings the argument to the number that matters most: seven prime ministers in roughly a decade. David Cameron gambled the country's constitutional future on a referendum and lost. Theresa May spent three bruising years attempting to deliver a Brexit deal that satisfied nobody. Boris Johnson—whose personal mandate was genuine and substantial—collapsed under the weight of his own conduct. Liz Truss lasted 45 days, her brief tenure ending in a near-financial crisis of her government's own making. Rishi Sunak governed with competence but without conviction in a party that had lost its bearing. And now we have Keir Starmer's exit, who rescued Labour from its post-Corbyn collapse only to be pushed out by the party he had rebuilt. This is not a series of individual misfortunes, but instead points to a structural issue.

It is not incidental that this period of sustained turbulence began almost precisely a decade ago with the Brexit referendum. While the vote did not cause every problem Britain now faces, it catalysed a volatility that hasn't fully subsided even a decade later. It divided the country along cultural and generational lines that cut cleanly through both major parties. The referendum introduced a political culture of purity testing—in Labour and the Conservatives alike—that made sustained governance harder. The promise of "taking back control"—of borders, laws, trade, and national identity—has not been redeemed in terms that ordinary voters can feel in their daily lives.

The economic picture offers little comfort. Britain's productivity has been weak for nearly two decades. Real wages remain squeezed by the long legacy of austerity and successive global shocks. Bank of England estimates suggest the UK economy underperformed by roughly 6 percent compared to where pre-Brexit trajectories might have placed it—not an argument for relitigating the 2016 referendum, but a figure that helps explain why successive governments have been unable to make voters feel materially better off. Starmer's Labour raised business taxes and still failed to generate the growth it had promised. The cost-of-living crisis did not relent on Labour's watch, and with it, public patience ran out.

Starmer's government also attempted to walk an inherently unstable line on Europe: pursuing a closer relationship with the EU while ruling out rejoining the single market, the customs union, or accepting free movement. The resulting "reset" was modest—welcoming in Brussels, but too incremental to produce the economic dividends that deeper integration might have offered. Labour had boxed itself in. It could neither fully exploit the benefits of EU alignment nor speak honestly to voters who had backed Brexit expecting something transformative. The paralysis reflects a wider British reluctance to confront the post-Brexit question directly.

Meanwhile, the old two-party architecture is under visible strain. Reform UK, polling around 30 percent nationally, reflects a genuine realignment among post-industrial communities that once formed Labour's electoral base. The Conservatives face what serious observers describe as an existential crisis. The Greens, the Liberal Democrats, the SNP, and Reform UK have each claimed significant portions of an electorate that neither major party can reclaim simply by changing its leader. In Washington and in European capitals, this revolving door of prime ministers has generated a mixture of concern and puzzlement.

Andy Burnham, should he become Britain's next prime minister, will inherit a governing challenge that personal warmth and political skill cannot alone resolve. The deeper task facing him would be rebuilding public trust after years of broken promises, costly reversals, and scandals that confirmed the electorate's worst suspicions about political elites.

Britain's relationship with its post-Brexit identity remains unresolved. The country is neither fully reconciled to the consequences of leaving the European Union, nor politically prepared to revisit that question openly. Rejoining is not a straightforward option; it would require negotiating re-entry under terms far less favourable than those Britain voluntarily surrendered in 2020. But the present arrangement—a semi-detached relationship with the continent, constrained trade flexibility, and a domestic debate conducted mostly in code—reflects evasion rather than a settlement.

Britain's next prime minister needs to offer an honest account of where the country stands—economically, geopolitically, and in relation to the European neighbourhood it chose to leave but cannot afford to ignore. This demands not only political talent, but also the kind of strategic honesty that British politics has conspicuously lacked for the better part of a decade.

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BY THOMAS JOSEPH

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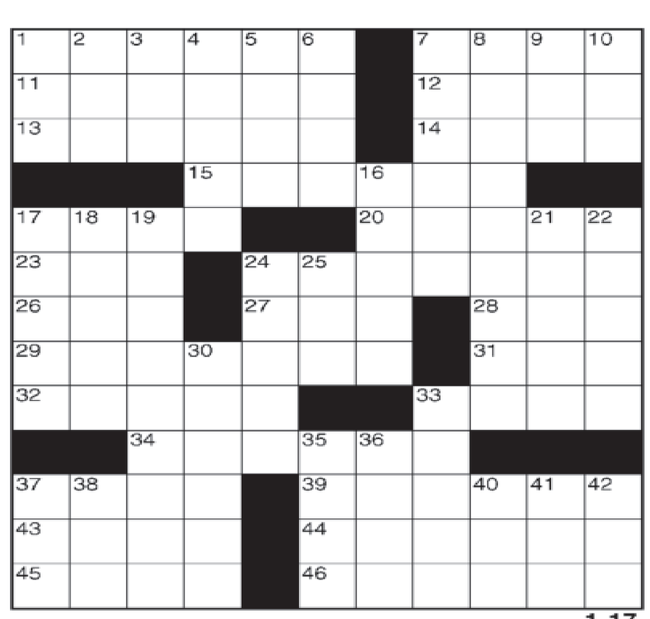

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YESTERDAY'S ANSWERS

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