How the new budget repeats the habits of the past

Dr Badiul Alam Majumdar
is secretary at SHUJAN: Citizens for Good Governance.

BADIUL ALAM MAJUMDAR

Four habits appear to have been defining budget-making in Bangladesh for decades, regardless of who headed the finance ministry. The first is a near-automatic inflation of the budget's size every year, with little concern for affordability. The second is an ambitious projection of revenue—mainly tax revenue—needed to finance that ever-larger budget. The third is tinkering at the margins: shuffling allocations across more or less the same expenditure heads while leaving the underlying structure and priorities largely untouched, with one distinct aberration after the one-sided 2014 election, when Sheikh Hasina's government poured money into highly visible infrastructure that, evidence now suggests, served as much as a vehicle for plunder as for development. The fourth is an instinct to placate everyone, especially organised vested-interest groups such as the beneficiaries of energy sector subsidies, rather than make the hard choices that reform requires.

The proposed Tk 9.38 lakh crore budget for FY2026-27, the first since the BNP's landslide win in February and Tarique Rahman's installation as prime minister, offers a useful test of whether these habits persist.

Let's start with the size. The budget has grown almost every single year this past decade: from roughly Tk 5.23 lakh crore in FY2019-20 to Tk 5.68 lakh crore, Tk 6.04 lakh crore, Tk 6.78 lakh crore, Tk 7.62 lakh crore, and Tk 7.97 lakh crore by FY2024-25, before settling at Tk 7.88 lakh crore after revision this outgoing year. The proposed budget leaps to Tk 9.38 lakh crore—a nearly 19 percent jump over the outgoing budget, easily the largest single-year increase in recent memory—despite serious concerns about the revenue source.

This ambitious increase rests, as always, on the second habit: revenue projections divorced from the National Board of Revenue's (NBR's) actual record. The NBR has missed its annual collection target for roughly a decade, and in the outgoing year, too, it expects to fall Tk 88,000 crore short of the revised target. The tax-GDP ratio has fallen to about 6.8 percent, among the lowest in the world. Against this backdrop, the government has set an NBR target of roughly Tk 6.04 lakh crore for FY2026-27, a jump of nearly 20 percent over the revised FY2025-26 target, which can at best be termed elusive because it assumes collection growth approaching 40 percent in a single year—a figure with no logical basis. We have seen this game before: set an unreachable target, watch it fall short, plug the gap with borrowing or printing money, and repeat the following year.

The third habit—keeping the structure intact while occasionally redirecting money towards "visible" infrastructure that enriches only insiders—is harder to undo because the liabilities were locked in years ago. The Rooppur Nuclear Power Plant (RNPP), built at a cost of roughly Tk 1.13 lakh crore, is now the subject of a probe into an alleged $5 billion embezzlement scheme. The Padma Rail Link, built at a cost of about Tk 39,246 crore and now 95 percent complete, runs only 10 trains a day against a planned 48 and seems to be a white elephant. These are not isolated lapses but illustrations of how "development" became, in the post-2010 period, a euphemism for procurement designed more to be looted than to serve public interests. A budget that does not reckon with this legacy—through radical efforts to stop such corruption and waste—is choosing continuity over reform.

VISUAL: **ALIZA RAHMAN**

The fourth habit, pleasing entities with vested interests, shows up most starkly in the energy sector. Total subsidies are nominally being trimmed in the proposed budget to about Tk 89,538 crore from an actual Tk 1,08,673 crore in FY2024-25. But power and energy subsidies alone still exceed Tk 40,000 crore, and the core problem—capacity payments to private plants for electricity they don't generate—remains essentially untouched. Bangladesh has paid more than $9 billion in such capacity charges since 2009; in FY2023-24 alone, the figure reached roughly Tk 38,000 crore, accounting for the bulk of all power sector subsidies. These are guaranteed, largely non-competitive payments to a politically connected set of private power producers. The government needed to think outside the box and restructure or renegotiate these contracts. Instead, the old arrangement survives, untouched, inside a brand new budget.

All of these landed at a moment when expectations were genuinely high. The July 2024 uprising demanded deep reform: an end to democratic deficits and governance failure, a serious assault on corruption and bank looting, job creation that finally captures the country's demographic dividend, a reversal of widening disparity in opportunity, and the repair of broken constitutional and statutory institutions. The much discussed "plan" of Tarique Rahman carried the implicit promise that the budget-making process would be rethought, not merely repeated. His government's own stated vision—a $1 trillion democratic human welfare state by 2034—requires exactly the kind of structural departure that the proposed budget conspicuously avoids. Freezing the tax structure for five years "for policy continuity," while pinning an ambitious target to a largely underperforming NBR, appears to be a deliberate avoidance of reform.

None of this is to claim malice on the part of the present government. Bureaucratic inertia, fiscal-year deadlines, and the sheer difficulty of overhauling tax administration or unwinding power-purchase contracts within months of taking office are real constraints. But the uprising did not ask for a budget that is merely larger and somewhat reordered. It asked for a different road. Going back to the drawing board would have meant matching revenue targets to NBR's demonstrated capacity, opening the RNPP and other megaproject files to genuine scrutiny, renegotiating the capacity payment regime that bleeds the exchequer for power nobody uses, and tying new spending visibly to job creation and reduced disparity rather than headline size. Travelling the same old path, however briskly, will not take the country to the new destination its people demanded in 2024.

The real test after Beijing

Zillur Rahman
is a political analyst and president at the Centre for Governance Studies (CGS). He hosts 'Tritiyo Matra' on Channel i. His X handle is @zillur.

ZILLUR RAHMAN

Prime Minister Tarique Rahman's visit to China is an important milestone in Bangladesh's foreign policy. While the agreements signed on trade, investment and connectivity are vital, the fact that Dhaka and Beijing decided to elevate their relationship to a comprehensive strategic cooperative partnership is even more significant. Cooperation between the two states was also defined in a few other areas such as artificial intelligence, green development, water management, maritime affairs, industrialisation, education, and defence. In other words, the relationship entered a new phase and became more institutionalised. From Bangladesh's perspective, it offers new opportunities but also entails certain responsibilities.

China is among Bangladesh's most important partners in the sphere of economic development. It has invested heavily in infrastructure construction in Bangladesh and plays an important role as a source of investment and manufacturing capacity. As Bangladesh prepares to graduate from the Least Developed Country (LDC) status, China will be an important partner in industrial relocation, renewable energy, digitalisation, and logistics. Bangladesh should be happy about such opportunities.

However, no matter what kind of relationship, the country should never become dependent on a strategic partner. This principle applies not only to China but to all major countries. The fact that relationships between countries in terms of the economy, technology or defence become too unbalanced reduces their ability to make independent decisions. Bangladesh's main strength has always been the ability to establish productive relations with various rival countries without joining any alliance. This strength will become especially important in the future.

The question is not whether Bangladesh should deepen cooperation with China; it should. The question is whether the partnership enhances Bangladesh's strategic opportunities or reduces them. It is important because the country's prosperity is based on extremely diverse relationships.

The conclusion from the Beijing visit is not just about the need to exercise caution in dealing with China but about strategic consistency as well. Each major relationship, be it with China, the US, India, the EU, Japan or any other country, should be assessed using the same criteria: does it strengthen Bangladesh's productive capacity? Does it allow the preservation of the independence of policy?

The United States is the largest export market for Bangladesh, and the country is increasingly an important source of investment and innovation for the state. The European Union remains Bangladesh's largest trading partner and will play a key role in the economic transition following the country's LDC graduation. India will always remain Bangladesh's indispensable neighbour, whose importance extends far beyond economic issues to include geographical, connectivity, water, energy, and regional security aspects. These relations cannot be replaced with each other.

The international environment today differs greatly from the situation a decade ago. Now, major countries are assessing cooperation in trade, infrastructure, technology and defence, not in commercial terms but in strategic ones. No matter why Bangladesh enters some kind of relationship with other states, it will be assessed by others in geopolitical terms. It is especially true in the context of defence cooperation.

The pledge in the joint statement by Bangladesh and China to deepen exchanges in the sphere of defence and to explore the possibility of establishing structured diplomatic and defence dialogue marks a new phase in bilateral relations. The problem of defence cooperation is not inherent; Bangladesh has maintained defence relations with various countries for a long time. However, there are many differences between defence and commercial cooperation. Systems of procurement, training, interoperability, and strategic trust usually define the relationship for many years. As strategic competition intensifies, such relationships attract the attention of the international community.

The US's changing approach to China's expanding defence relations demonstrates this tendency. It is not the question of whether Bangladesh will resist others' pressure, but it is crucial to understand how major countries perceive their strategic cooperation. Perception may affect trade, investments, technology transfer, and diplomatic relationships.

India, too, will pay close attention to the implementation of the new partnership. In the joint statement, cooperation on water resources, maritime affairs, connectivity, and Teesta River Comprehensive Management and Restoration Project was declared. Such initiatives may provide development opportunities for Bangladesh, but they should be implemented in a way that strengthens trust in the region, rather than generating mistrust. Geography dictates that Bangladesh and India will always remain indispensable neighbours regardless of the changes in global politics.

Europe's attitude is somewhat different. The main concern in Brussels is not geopolitical alignment but governance, transparency, sustainability, and regulation. As Bangladesh prepares for post-LDC trade arrangements and seeks to integrate into Europe's economy, this confidence will be equally important for attracting Asian investment.

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Each major relationship, be it with China, the US, India, the EU, Japan or any other country, should be assessed using the same criteria: does it strengthen Bangladesh's productive capacity? Does it allow the preservation of the independence of policy? Does it diversify the opportunities? Does it increase Bangladesh's strategic opportunities or reduce them?

Many middle powers have already adopted this approach. Vietnam, Indonesia, and Malaysia cooperate closely with China while also improving their relations with the US, EU, Japan, and other regional countries. Their goal is not strategic alignment but strategic flexibility. Bangladesh should adopt the same approach.

China will remain an indispensable partner of Bangladesh in economic development. The US will remain an important export market and technology partner. Europe will remain key to Bangladesh's economic transition. India will remain the indispensable neighbour.

In this way, the success of the prime minister's visit to China will be determined by the ability to strengthen Bangladesh's strategic opportunities. For the middle power, strategic autonomy is preserved not by keeping a distance from rivals but by maintaining freedom of choice.