

**Press Briefing**

# *An Analysis of the National Budget for FY2009-10*

**Prepared under the CPD programme  
*Independent Review of Bangladesh's Development (IRBD)***

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CENTRE FOR POLICY DIALOGUE (CPD)  
B A N G L A D E S H

*a c i v i l s o c i e t y t h i n k - t a n k*



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# Introduction



## Benchmarks of FY2009-10

- **A government recently elected on a platform for change**
- Creditable economic growth: around 5.88% GDP growth in FY2008-09
- **Low inflationary pressure: Declining global commodity prices**
- Global recession yet to perceptibly affect the economy
- **Weak investment: Lack of business confidence**
- Stable exchange rate
- **Comfortable Balance of Payments situation**

## Challenges for FY2009-10

*Two Defining Goalposts*

## 1. Meeting high public expectations

- delivering on Vision 2021

## 2. Addressing global recession

- delayed impact of global economic crisis on Bangladesh

*Five Challenges Identified by CPD-IRBD*

## 1. Energising Investment

- **improving both quantitative and qualitative aspects of ADP to stimulate and crowd-in private sector investment**
- strengthening institutional and human resource capacities of government agencies
- **ensuring quality of output and monitoring of outcomes as critical factors in implementing ADP**
- prioritising infrastructure development in power and energy
- **reducing the spread between lending and deposit rates**
- encouraging FDI to overcome constraints in mobilising adequate domestic resources



## Challenges for FY2009-10

## 2. Consolidating Agriculture

- **balancing the conflicting interest between producers and consumers**
- adopting policies to benefit farmers from procurement price
- **ensuring timely delivery of fertiliser and HYV seeds**
- ensuring better storage facility

## 3. Protecting External Sector

- **adopting measures to address negative impacts of the crisis on demand for exports of goods and services from Bangladesh**
- consolidating stimulus package in view of recent developments
- **strengthening efforts towards market and product diversification of exports**
- adopting supportive measures for workers returning from abroad due to global financial crisis

## Challenges for FY2009-10

#### 4. Strengthening Public Finance

- strengthening capacity of revenue mobilisation authorities, particularly in the area of generating direct taxes
- ensuring that deficit financing is non-inflationary and is made through budgetary support from aid component to the extent possible

#### 5. Reviving Public Administration

- continuing and consolidating previously taken reform measures
- strengthening local government institutions
- putting in place appropriate institutional support and incentives to ensure private sector's interest in PPP
- strengthening partnership with NGOs to ensure effective delivery of services in such sectors as health and education

## Election Manifesto and Objective Priorities

- Priority sectors identified in the Budget FY2009-10: Agriculture, Rural development, Human resource development, Industry, Trade, Social Safety Net
- These broadly tally with the priority areas identified in the AL election manifesto
- As stated in the AL manifesto, power sector received one of the largest shares in ADP
- Stimulus package to the tune of Tk.5000 crore has been set in the context of the global financial crisis
- A number of employment generation schemes has been declared in the budget to fulfil election pledges of comprehensive employment policy
- However, agriculture sector development and the promise of food security seem to have lost out in the proposed budget in terms of allocation
- Investment targets also do not reflect ambitions of the manifesto

## Departures and Distinguishing features of the Budget for FY2009-10

- **First budget by the newly elected government**
- **Inspired by and reflection of election manifesto of AL**
- **Commitment towards continuation of the 3-year PRSP (2009-2011)**
- **Revival of mid-term planning with a long term vision (Vision 2021)**
  - **Five year plan (2010-2015)**
  - **Perspective plan (2010-2021)**
  - **Introduction of spatial planning**
  - **District plan**
- **Mainstreaming private-public partnership (PPP)**
- **Recognition of importance of reform agenda (e.g. anti-corruption measures, local government strengthening, right to information)**
- **Sensitivity to global economic crisis**
  - **Second stimulus package worth Tk.5000 crore**
- **Lack of clarity regarding policy initiatives and budgetary allocations**
  - **A number of initiatives that appeared to be new have actually been in existence for a couple of years**
  - **Absence of detailed information on subsidy and social safety net**
- **Inadequate interpretation of data**
  - **Exchange rate position has been deemed stable, but it is mentioned that the Taka was devalued by 0.6% in March**
- **Recognition of need to revisit budgetary framework (e.g. unified budget deepening MTBF, ADP implementation)**
- **Budget speech went beyond economic issues undermining its focus**



# Growth, Investment and Macroeconomic Outlook



## Growth - Investment Outlook

Medium Term Macroeconomic Framework 2009-10 to 2011-12					
Indicator	Actual	Provisional	Projection		
	2007-08	2008-09	2009-10	2010-11	2011-12
Real Growth (%)	6.2	5.9	5.5	6.0	6.5
Gross Investment (% of GDP)	24.2	24.2	23.7	24.3	25.2
<b>ICOR</b>	<b>3.9</b>	<b>4.1</b>	<b>4.3</b>	<b>4.1</b>	<b>3.9</b>
Annual Development Expenditure	3.3	3.7	4.4	4.6	4.7

- ❑ Growth target for FY10 has been conservatively set at 5.5% (particularly in context of last year's budget) – lowest target in last six years.
- ❑ However, higher GDP growth target has been set for later years.
- ❑ Investment target for FY10 suggests -
  - ❑ considerable deceleration in investment rate (as percentage of GDP)
  - ❑ another deterioration in capital productivity.
- ❑ Considering average ICOR for last five years (3.9), attainment of investment target (23.7% of GDP) would imply around 6% GDP growth.

### Growth - Investment Outlook

- ❑ As projected, a significant enhancement in public investment would thus imply a rather depressing future (FY10) for private investment – it is going to decline further as % of GDP (from 19.6% in FY09)
- ❑ This would imply either a complete contradiction to the expectation expressed in the budget about private investment or a priori acceptance of less than full delivery of ADP.
- ❑ The growth-investment nexus remains perplexing, particularly in comparison to the fiscal structure .
- ❑ Nothing on savings – the concern over falling domestic savings remain valid.
- ❑ Overall growth-investment nexus does not match with the liberal public finance framework targeted for FY10.

## Global Outlook

Global GDP Growth Projections (%)									
	IMF (WEO)			WB (GEP)			ADB (ADO)		
	Actual 2008	2009(P)	2010(P)	Actual 2008	2009(P)	2010 (P)	Actual 2008	2009(P)	2010(P)
<b>World</b>	3.2	-1.3	<b>1.9</b>	1.9	-1.7	<b>2.3</b>	n/a	n/a	<b>n/a</b>
<b>US</b>	1.1	-2.8	<b>0.0</b>	1.1	-2.4	<b>2.0</b>	1.1	-2.4	<b>1.6</b>
<b>EU</b>	0.9	-4.2	<b>-0.4</b>	0.7	-2.7	<b>0.9</b>	0.8	-2.6	<b>0.5</b>
<b>Middle East</b>	5.9	2.5	<b>3.5</b>	5.5	3.3	<b>4.3</b>	n/a	n/a	<b>n/a</b>
<b>Bangladesh</b>	5.6	5.0	<b>5.4</b>	6.2	4.5	<b>4.0</b>	6.2	5.6	<b>5.2</b>

- ❑ 2009 is expected to be the worst year for the global economy since World War II.
- ❑ However, an end to “free fall” is also expected in near future; world economy is projected to be at least stabilising, if not recovering!
- ❑ **How far Bangladesh economy will suffer during FY10, particularly the manufacturing sector, may turn out to be the crucial determinant of next year’s growth performance.**
- ❑ **Bangladesh: late entry, late exit in terms of impact of global crisis.**

## Growth Outlook

### Attainment of GDP growth target does not require an outstanding achievement!

- ❑ In the backdrop of robust performance this year (4.7% for agri-sector; 5.2% for crop-sector in FY09), attaining a significant performance in **the agricultural sector** will be a major challenge.
  - ❑ However, a near 3% growth (average in this decade) can be expected in the event of continuation of policy support and absence of any natural disaster.
  - ❑ Crop sector will be a major determinant of agricultural growth.
- ❑ Historically, steady performance by the **services sector** has been rewarded by moderate achievements in the other sectors.
  - ❑ Average growth during this decade is 6%; expectation of a near performance in FY10 may not be overreaching.
- ❑ Global recession adversely impacted the **industrial sector**, particularly manufacturing sector .
  - ❑ A near 6% to 6.5% growth can be expected given resilience shown by manufacturing sector and an early recovery predicted from the global recession.
  - ❑ Construction ought to reclaim lost momentum given high expenditure planned in ADP.

## Monetary Outlook

Medium Term Macroeconomic Framework 2009-10 to 2011-12					
Indicator	Actual	Provisional	Projection		
	2007-08	2008-09	2009-10	2010-11	2011-12
Inflation (12 month annual average %)	9.9	7.0	6.5	6.0	6.0
Net Domestic Assets (% change)	18.1	18.6	17.5	17.1	17.1
Credit to Private Sector (% change)	24.9	17.5	18.3	18.5	18.5
Broad Money (M2) (% change)	17.6	17.2	16.3	16.2	16.0
Exchange Rate (Tk/USD)	68.6	69.6	70.7	71.8	72.9

- ❑ Inflationary pressure is expected to come down gradually within the next three years.
- ❑ Expected contraction of M2 growth would imply a conservative monetary expansion; however, a moderately expansionary monetary policy stance was earlier suggested by CPD.
- ❑ Enhancing private sector credit at the same time would mean a possible reduction in public sector credit growth – **potential mismatch between fiscal and monetary policy.**

## External Sector Outlook

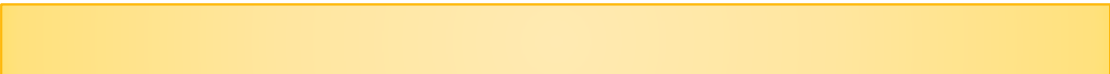
Medium Term Macroeconomic Framework 2009-10 to 2011-12					
Indicator	Actual	Provisional	Projection		
	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Balance of Payments</b>					
Export (% change)	15.7	12.0	12.5	17.5	18.5
Import (% change)	25.6	13.0	13.0	17.0	16.0
Remittances (bn USD)	7.9	9.4	10.6	11.6	12.8
Current Account Balance (% of GDP)	0.8	0.6	0.2	-0.1	-0.4
FOREX Reserve (In Months of Imports)	3.2	2.7	2.5	2.3	2.0
FOREX Reserve (bn USD)	6.2	6.5	7.5	8.5	9.5

- ❑ Targets were kept at earlier levels in anticipation of lagged response to possible global recovery in the second half of FY10.
- ❑ An upturn is expected in the following fiscal year (FY11), but balance of payments may come under pressure.
- ❑ A lot will depend on when and how the global economy recovers in coming months.

## Fiscal Outlook

Medium Term Macroeconomic Framework 2009-10 to 2011-12					
Indicator	Actual	Provisional	Projection		
	2007-08	2008-09	2009-10	2010-11	2011-12
Total Revenue	10.8	11.2	11.6	11.3	11.5
Tax	8.8	9.0	9.3	9.2	9.5
Non-Tax	2.0	2.2	2.3	2.1	2.1
Total Expenditure	15.9	15.3	16.6	16.1	16.2
Current Expenditure	9.6	10.4	10.3	10.0	10.0
Annual Development Expenditure	3.3	3.7	4.4	4.6	4.7
<b>Overall Balance (exc. Grants)</b>	<b>-5.1</b>	<b>-4.1</b>	<b>-5.0</b>	<b>-4.8</b>	<b>-4.7</b>
<b>Financing</b>	<b>5.1</b>	<b>4.1</b>	<b>5.0</b>	<b>4.8</b>	<b>4.7</b>
<b>Domestic Financing</b>	<b>3.5</b>	<b>2.3</b>	<b>3.0</b>	<b>2.6</b>	<b>2.3</b>
Banking System	3.0	1.7	2.4	2.0	1.8
Non Bank	0.5	0.6	0.6	0.5	0.5
<b>Net Foreign Financing</b>	<b>1.6</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>	<b>2.4</b>

- ❑ Other than ADP (and hence deficit), revenue earnings and revenue expenditure projections seem to be of regular nature.
- ❑ Advocated enhancement of domestic demand through higher public expenditure (reflected through higher deficit) as well as crowding-in private investment through higher public investment do not tally with the projected growth investment nexus.



# Public Finance Framework

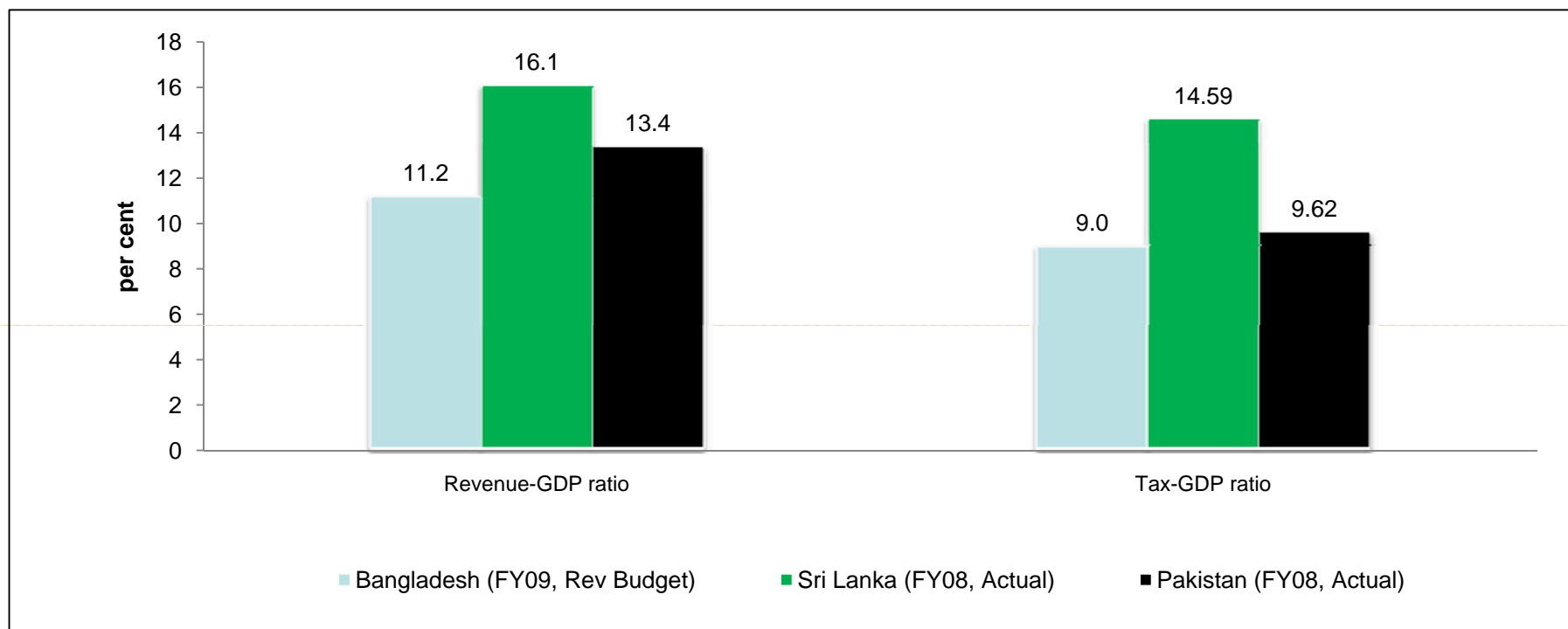


## Main Features of the Proposed Fiscal Structure

- ❑ Public expenditure growth target for FY10 is set at 20.9% over the revised budget of FY09, against much lower growth target for revenue earnings of 14.9%.
- ❑ Share of Development expenditure set to rise with an overreaching ADP target of 30,500 crore, accounting for 26.8% of total public expenditure (24.4% in the revised budget of FY09, 20.9% in FY09 according to CPD projection).
- ❑ Budget deficit has been projected at 5.0% of GDP for FY10.
- ❑ High foreign financing target (28.3% growth over the revised budget of FY09) has been set with anticipated gross foreign aid flow of \$2.6 billion.
- ❑ As the revised budget targets for FY09 are set on the high side, growth targets for FY10 would be higher when calculated over the actual figures of FY09.
- ❑ Real anchors in the framework are: revenue earnings and spending, high estimates for ADP, foreign financial and fiscal deficit.

## Revenue Earnings

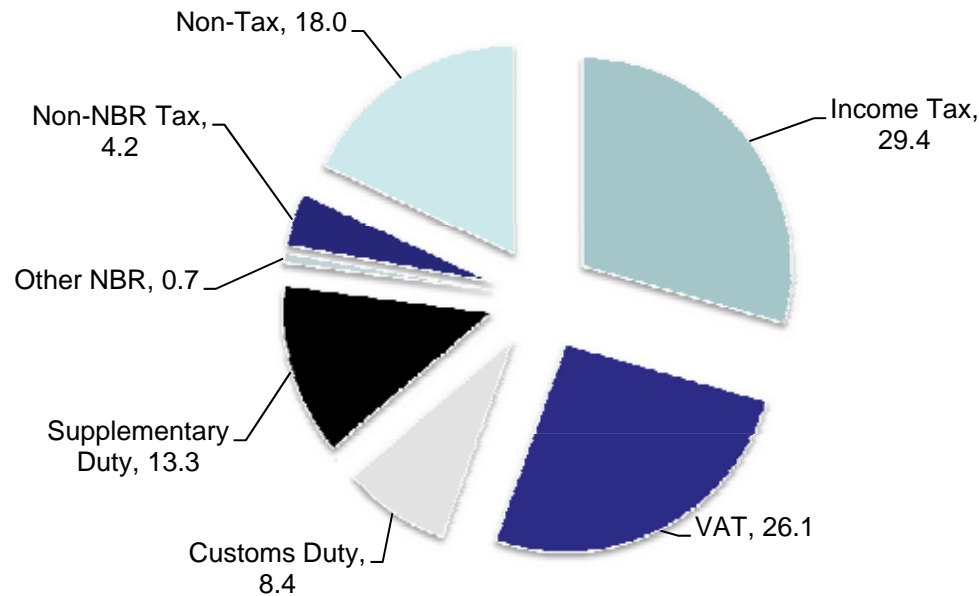
- ❑ The government has targeted to collect Tk 79461 crore as revenue in FY10 i.e. Tk 10281 crore (14.9%) more than the matching figure for FY09 (revised). Target for FY10 would be 16.9% higher over FY09, according to CPD projection)
- ❑ Revenue-GDP ratio and Tax-GDP ratio for FY10 are targeted at **11.6 %** and **9.3 %** respectively (11.2% and 9.0% in the revised budget of FY09).



## Revenue Earnings

- ❑ NBR growth target for FY10 has been set at 15.1% over the revised figure of FY09. The growth rate was 15.8% in FY09 (revised).
  - ❖ *A realistic target in the backdrop of fall in import prices*
  - ❖ Share of NBR in the total revenue will be 76.8% (76.6% in the revised figure of FY09).
- ❑ Non-NBR tax component growth target for FY10 is 17.0% ( The growth rate for FY09 was 9.2%)
  - ❖ *Optimistic over the low benchmark growth of the previous year*
  - ❖ Non-NBR component will contribute 3.7% in the total revenue. (3.7% in the revised figure of FY09)
- ❑ Non-Tax component has to grow at 13.6% in FY10 (This registered a growth of 35.5% in FY09)
  - ❖ *A conservative target considering the high growth of the last fiscal year*
  - ❖ Non-tax component's share is estimated at 19.5%, while this was 19.7% during FY07.

## Revenue Earnings



- Within the additional revenue intake of Tk 10,281 crore (100%) in FY10:
  - Contribution of Income Tax: 29.4% (17.1% in FY09)
  - Contribution of VAT: 26.1% (29.4% in FY09)
  - Import Duty will add 8.4% (7.3% in FY09)
  - Non-NBR Tax will contribute 4.2% (1.9% in the previous year)
  - Non-Tax component will add 18.0% (32.5% in FY09)

**Slowdown in trade related duties resulted in higher incremental share of income tax.  
Success in achieving revenue target will hinge on expanding income tax and VAT net.**

## Public Expenditure

- ❑ Total public expenditure budget of FY10 amounts to Tk 113,819 crore (13.9% higher than the original and 20.9 % higher than the revised budget of FY09).
- ❑ Total public expenditure as a percentage of GDP stands at 16.6% in FY10 (15.3 % in the revised budget of FY09).
- ❑ Share in total expenditure:
  - ❖ Non Development Revenue expenditure – 61.1% (66.6% in FY09)
  - ❖ ADP 26.8% (26.3 % in FY09)
  - ❖ Other expenditures 12.1 % (7.2 % in FY09)

## Public Expenditure

## Sector-wise Distribution of Total Expenditure (Non Development and Development)

Sector	Share in RB FY09	Share in B FY10	Change in FY2010 B over FY2009 R	
			Crore Tk	%
Public Service	10.8	16.8	8544	85.90
Fuel and Energy	3.2	3.9	1401	48.16
Transport and Communication	5.7	6.7	2178	41.45
Interest	14.5	14.3	2494	18.73
Social Security and Welfare	8.2	8.1	1317	17.41
LGRD	8.1	7.9	1284	17.28
Education and Technology	13.6	13.0	1852	14.77
Health	6.7	6.3	784	12.65
Public Order and Safety	6.6	5.7	208	3.41
Defence Services	7.5	6.4	166	2.41
Industrial and Economic Services	1.0	0.8	-56	-6.09
Housing	1.5	1.1	-113	-8.30
Recreation, Culture and Religious Affairs	1.1	0.8	-129	-12.89
<b>Agriculture</b>	<b>11.3</b>	<b>8.1</b>	<b>-1465</b>	<b>-14.07</b>
<b>Total Expenditure</b>	<b>100.0</b>	<b>100.0</b>	<b>18465</b>	<b>20.11</b>

**Total development and non-development allocations for agriculture is set to decline by about 14.1%, Industrial and Economic Services by 6.1%.**



## Revenue Expenditure

- ❑ Enhanced revenue expenditure target for FY10 is Tk **71,774** crore (Tk **65,051** crore in the revised budget of FY09) which is an increase of Tk **6,723** crore from FY09
  - ❖ Targeted growth: **10.3%** (revised target growth for FY09 is **29.9%** higher than the actual figure of FY08).
- ❑ Revenue expenditure as a percentage of GDP is targeted at **9.4 %** (**9.2%** in the revised budget of FY09)
  - ❑ *Interest Payments* will rise by **18.7%** in FY10 (**6.8%** in FY09) → **Major concern**
    - ❑ Domestic: 20.6%    Foreign: 2.0%
  - ❑ Expenditure on *Pay and Allowances* is set to grow by **5.8%** in FY10 (**21.6%** growth in FY09) → Introduction of pay commissions award
  - ❑ Expenditure on *Subsidies and Current Transfers* is set to decline by (-) **0.5%** (**45.8%** growth in FY09) → due to fall in global prices of food, fuel and fertilizer
- ❑ Share of these three major heads in total augmented revenue expenditure will reduce to **80.2%** in FY10 from **83.5%** of FY09 → Marginalised residual.

## Revenue Expenditure

## Economic Analysis of Revenue Expenditure

Indicators	Growth RB09/A08	Growth F10/RB09	Share RB FY09	Share B FY10
Pay and Allowances	21.6	5.8	23.2	22.3
Goods and Services	34.2	-3.2	14.1	12.4
Interest Payments	6.8	18.7	20.5	22.0
Domestic	8.5	20.6	18.5	20.2
Foreign	-6.3	2.0	2.0	3.5
Subsidies and Current Transfers	45.8	-0.5	39.8	35.9
Block Allocation	-21.8	918.5	0.6	6.0
Deduct				
Recoveries	-11.1	-1.1	1.9	1.7
Acquisition of Assets and Works	66.6	-4.4	3.7	3.2
Total Augmented Non-Development Revenue Expenditure	29.9	10.3	100.0	100.0

- Within the additional revenue expenditure of Tk 6,723 crore in FY10 (over RB FY09):
  - higher payment on block allocations will contribute the most (57.5%)
  - 37.1% addition will be made by growth in “interest payments”
  - growth in “Pay and Allowances” will account for 13.1%
  - contribution of “Subsidies and transfers” will be negative (-) 2.0%.

**Interest payment on both domestic and foreign debt is set to rise in FY10 (compared to FY09)**

## Annual Development Programme (ADP)

### ADP 2008-09

- ❑ ADP allocation for FY2008-09 was Tk. 25,600 crore.
- ❑ Up to April 2009, the project implementation status remains rather low at 46 %.

### RADP 2008-09

- ❑ Total allocation for RADP of FY2008-09 was Tk. 23,000 crore, a reduction of 10.16 % from the original ADP.
  - ❑ Major cut was on project aid – reduced by Tk. 1800 crore, and Local currency funding was reduced by Tk. 800 crore.
- ❑ Petroleum, Gas & Mineral sector (- 75.26%), Mass Communication (- 39.28%) and Social Welfare (- 31.26%) experienced the highest downward revision.

**It is projected that actual implementation would be only about Tk. 19,500 crore for FY09.**

## Annual Development Programme (ADP)

**ADP FY2009-10**

- ADP of FY10 has been targeted at Tk. 30,500 crore.
  - 19.1% higher than ADP FY09 and 32.6% higher than RADP FY09 (in reality this could even be 55% higher than CPD's estimate for FY09).
  - Project aid component of the new ADP is targeted at 42.1% (43.9% in the original ADP of FY09), while the local currency share will be 57.9% (56.1% in ADP of FY09).
- The five priority sectors according to share in ADP allocation are Transport, Education & Religion, Local Government, Infrastructure Planning and Power (Electricity)

Sector	Share FY09 (original ADP)	Share FY09 (revised ADP)	Share FY10	Growth over RADP FY09
Transport	13.5	11.0	15.3	84.9
Education & Religion	13.8	14.1	13.6	27.8
Local Government	13.8	15.6	11.9	1.2
Infrastructure Planning	8.7	10.8	11.9	46.1
Power (Electricity)	13.7	11.6	11.7	33.5

**The new ADP of FY10 could be over 1.5 times larger than the actual ADP of FY09!**



## Annual Development Programme (ADP)

**ADP FY2009-10**

- Total no. of projects in ADP FY10: 886
  - 165 of these projects (combined allocation of Tk 3515.9 crore) were scheduled to finish by June 2009
  - **Only 35 are new for the fiscal year with an allocation of Tk 376 crore (1.2% of total allocation).**
  - Out of the total increment in sectoral allocations of 4054 crore (from the original ADP of FY09 to ADP of FY10), increased allocations for unapproved projects account for Tk 985.7 crore (3.23% of total allocation) and block allocations account for Tk 845.27 crore (2.77% of total allocation).

**Without the carryovers the new ADP would have been of Tk 26,985 crore**

**But the projected ADP size remains inadequate in the context of the country's need, but overblown in the context of implementation capacity**

## Annual Development Programme (ADP)

**In the budget FY10, the Finance Minister has set out the following reforms for ADP implementation:**

- I. The project approval process which is currently time consuming and complex needs to be reformed.
- II. In order to reform the public procurement process both the PPA and PPR will be amended.
- III. The efficiency and role of the Project Director will be closely monitored.
- IV. 10 ministries could be brought under special and intensive monitoring arrangement.
- V. Monitoring of some major projects could be implemented through the Critical Path Method (CPM) process.

**We agree with the Finance Minister's proposals for implementation. However, we would like to suggest the following measures.**



## Annual Development Programme (ADP)

### **Suggestions to Improve ADP Implementation**

To improve ADP implementation, the government may consider the following steps:

- prepare project-wise action plans for timely completion of all the ongoing projects.

These action plans should be prepared by the respective project authorities and to be approved by the head of their implementing agencies. As these projects have already been duly approved by the competent authorities, these action plans should not require any further approval;

- funds allocated for local governments, UZs, UPs in the ADP may be released upfront preferably in the first quarter of the fiscal year, so that these bodies can start implementing from the first quarter of the financial year;

## Annual Development Programme (ADP)

**Suggestions to Improve ADP Implementation (Cont..)**

- role of local government should be enhanced in the formulation, implementation and monitoring of development projects. UZ authorities may be asked to prepare a local level development plan on the basis of a guideline to be provided by the planning commission;
- MTBF approach to budgeting should be fully implemented in all ministries. Line ministries which are already under MTBF should be empowered to allocate resources to different projects of their ministries within the resource envelope provided by the Finance Division.

## Budget Deficit and Financing

	RB 08-09		B09-10		Growth
	Crore Tk	% of GDP RB FY09	Crore Tk	% of GDP B FY10	FY10 over RB FY09
Revenue Collection	69180	11.2	79461	11.6	14.86
Total - Expenditure	94140	15.3	113819	16.6	20.90
ADP	24712	4.0	30500	4.4	23.42
Non-ADP	69428	11.3	83319	12.1	20.01
Overall Deficit (Excl Grants):	24960	4.1	34358	5.0	37.65
Financing					
Foreign Grants	4929	0.8	5130	0.7	4.08
Foreign Loan-Net	5833	0.9	8673	1.3	48.69
Foreign Loan	10215	1.7	13215	1.9	29.37
Amortization	4382	0.7	4542	0.7	3.65
Domestic Borrowing	14198	2.3	20555	3.0	44.77
Bank Borrowing (Net)	10698	1.7	16755	2.4	56.62
Non-Bank Borrowing (Net)	3500	0.6	3800	0.6	8.57
Total Aid Requirement (Net)	10762	1.8	13803	2.0	28.3
Total Aid Req (Net, bln US\$)	1.5	--	2.0	--	40.6
Total Aid Req (Gross)	15144	2.5	18345	2.7	21.1
Total Aid Req (Gross, bln US\$)	2.2		2.6		

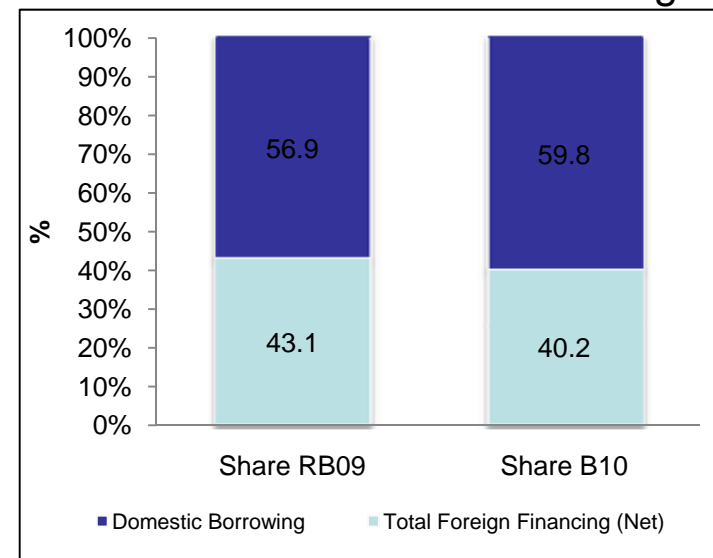
- Budget deficit (excl. grants) has been estimated at Tk 34,358 crore (5.0% of the GDP) for FY10 (Tk 24,960 crore in revised budget of FY09, 4.1% of GDP).

Budget Deficit and Financing

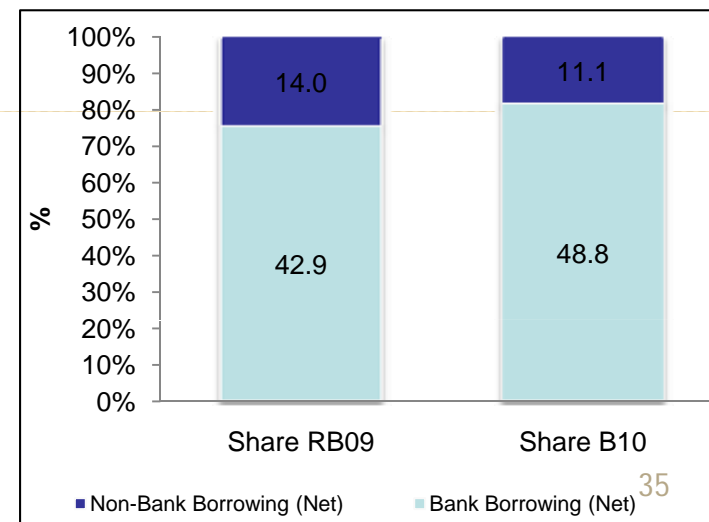
- ❑ Share of domestic financing will be 59.8%:
  - ❖ Tk 16755 crore (81.5%) of the domestic financing will be from the banking system (Tk 10698 crore or 75.3% in revised budget of FY09).
  - ❖ Tk 3800 crore (18.5%) will be from non-bank instrument (Tk 3500 or 24.7% in revised budget of FY09).
- ❑ Share of foreign financing will be 40.2% in FY10 (43.1% in the revised budget of FY09).

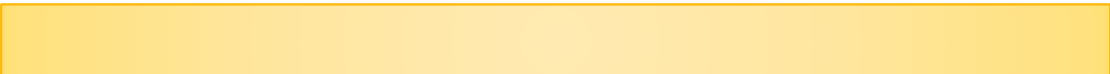
- ❑ Net foreign aid requirement will be around Tk 13803 crore (about US\$ 2 bln) which is 28.3% more than that of FY09.
  - ❑ Gross foreign aid requirement will be around \$2.6 bln (2.2 bln in FY09) → Highly improbable if not based on large flow of budgetary support .

Sources of Financing



Sources of Domestic Financing





# Overview of Fiscal Measures



## Key Fiscal Measures

*An all out effort to collect tax from all possible sources*

- No change in taxable amount and income tax slab, but lowering of the age bar of senior citizens
- No major changes in corporate tax rates
- Emphasis on broadening tax base rather than imposing more of a tax burden through higher rates
- Trade liberalisation
- Protection of import substituting industries and encouragement of local industries
- Money whitening via a flat rate of 10% on undisclosed income if invested in certain industries or in certain public listed companies
- No tax holiday; but lower and varying spatial rates
- Continuation of tax administration reforms with focus on digitalization

## Personal Income Tax

- All tax slabs remain the same in FY 2009-10 with a tax exemption limit of Tk 165,000.
- Tax free income for female is Tk 165,000 which is same as FY 2008-09.
- The age bar of senior citizens has been lowered to 65 years from 70 years last fiscal year who will get tax exemption up to Tk 180,000.
  - *This was done to ease tax burden of seniors, keeping in mind the current retirement age of government employees (57 years).*

## Personal Income Tax

- In FY 2008-09 ceiling for taxable income from agriculture was increased to Tk 200,000 for men and Tk 215,000 for women.
  - *Continuation of this is appreciated and encouraging for rural taxpayers.*
  - *However, a large section of people engaged in the agricultural and rural economy is out of tax net.*
- Pensioners' Savings Certificate has been made tax free
  - *This is a very good proposition towards social justice*

## Income Tax Slabs

Rate	FY2002-3	FY2003-4	FY2004-5	FY2005-6	FY2006-7	FY2007-8	FY2008-9	FY 2009-10
Nil	75000	90000	100000	100000	120000	150000	165000*	165000**
10% on next	150000	150000	200000	200000	250000	275000	275000	275000
15% on next	150000	150000	250000	250000	300000	325000	325000	325000
20% on next	250000	250000	350000	350000	350000	375000	375000	375000
25% on balance	on balance amount	on balance amount	on balance amount	on balance amount	on balance amount	on balance amount	on balance amount	On balance amount
Minimum Tax	1200	1200	1500	1500	1800	2000	2000	2000

Source: [http://www.riraproject.org.bd/income\\_tax.php](http://www.riraproject.org.bd/income_tax.php)

\* Subject to the condition that in case of female, senior citizen over 70 years age and handicapped taxpayer, tax exemption limit is Tk. 180,000.

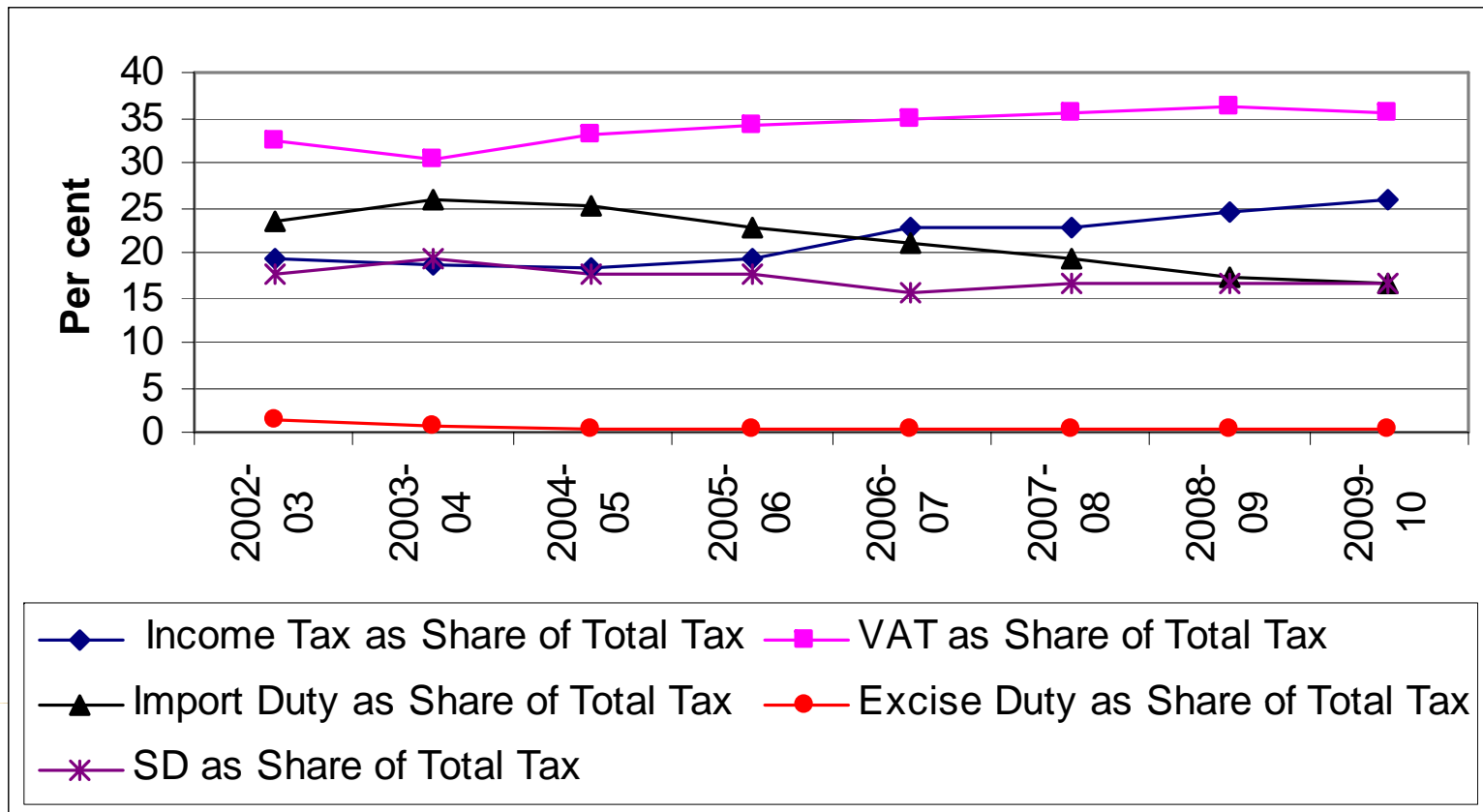
\*\*Subject to the condition that in case of female, senior citizen over 65 years age and handicapped taxpayer, tax exemption limit is Tk. 180,000.

## Corporate Tax

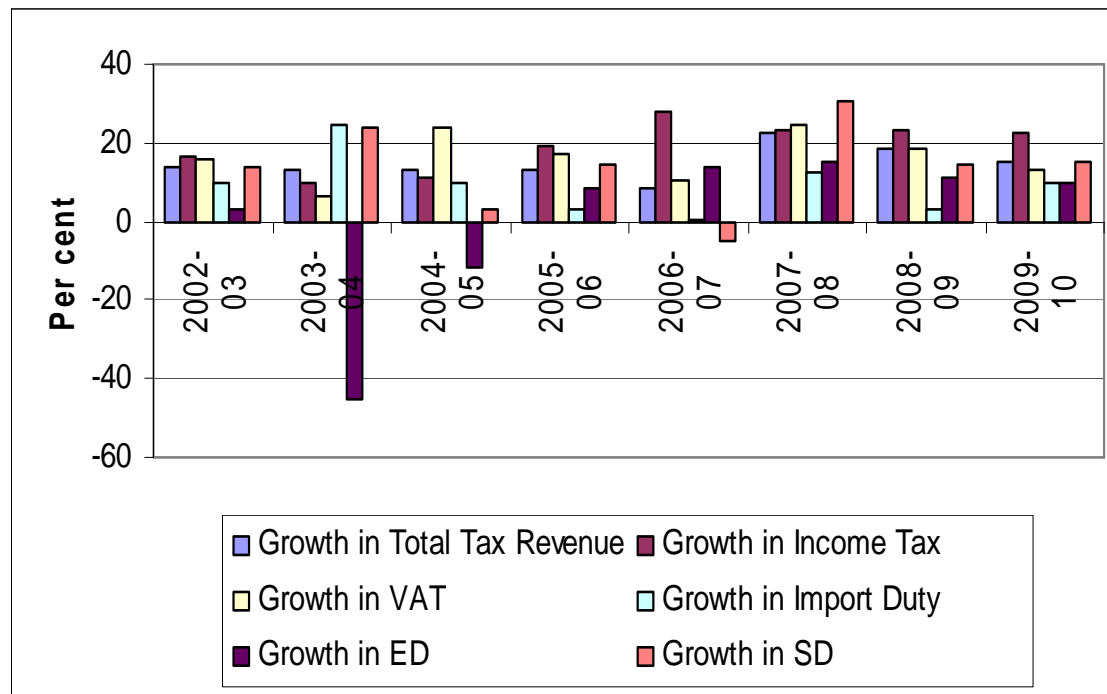
- There has not been any change in the corporate tax structure and incentives
- Though there has been tax incentives for mobile phone on condition that they are listed in the stock exchange as a public limited company and at least 10% share of the company's paid up capital is transferred through IPO, there has not been much move. Only one company is in the process of offloading its share in the share market.
  - *Continuation of this facility will encourage participation of mobile phone operators in the capital market*

Company	FY2007-08	FY2008-09	FY 2009-10
Listed for public trade	30	27.5	27.5
Not listed for public trade	40	37.5	37.5
Bank, insurance and other financial institutions	45	45	45
Dividend income of corporate tax payers	15	20	20
Mobile phone operator	45	35	35

## Various Taxes as % of Total Tax



## Growth of Taxes



- Figure depicts growth in various tax structures in the economy
- Growth in total tax revenue has fallen to 15.18% on 2009-10 from 18.28% in 2008-09
- Growth in income tax 2009-10: 22.32% and 2008-09: 23.02% (minimal decrease)
- Growth in VAT 2009-10: 13.32% and 2008-09: 18.24% (decrease)
- Growth in import duty: 2009-10: 9.56% and 2008-09: 2.9% (increase)
- Growth in excise duty 2009-10: 10.13% and 2008-09: 11.27% (decrease)
- Growth on supplementary duty 2009-10: 19.95% and 2008-09: 14.44% (increase)

## Value Added Tax, CD & SD

- **Imposition** of 5% regulatory duty in addition to 12% customs duty on milk powder imported in bulk.
- To further protect the interest of the domestic dairy industries, 2.5% **supplementary duty applicable** on the processing of liquid milk converted to powdered milk will be withdrawn.
- Moreover, to reduce incidence of VAT, tariff value for powder milk has been fixed at Tk. 100/kg .
  - *These are positive initiatives towards protecting the local producers.*
- **Imposition** of VAT on travel agents, manpower exporters, plastic furniture, sanitary ware, etc and increase of VAT on restaurants from 15% to 25%.
  - *Workers going abroad will have to bear additional costs as VAT would possibly be transferred to customers. This should be revised keeping in mind the extra burden it could create for workers going abroad.*

## Indirect Taxes

- **High supplementary duty** on luxury items such as air-conditioner (60%), luxury light fittings (60%), ceramic tiles (45%) and refrigerators (30%).
  - *Shift in tax burden to high end consumption. Reducing pressure on demand for electricity.*

## Customs and Regulatory Duties

- Duty decreased on basic raw material from 7% to 5%. Other slabs of 3% (capital machinery and parts), 12% (intermediate raw materials) and 25% (finished products) are to remain unchanged.
  - *Will help reduce cost of production.*
- Zero customs duty on fertilizers, seed, major food grains, medicine and raw cotton. New additions include solar panel, energy saving lamps, ocean going vessels with capacity of 3000 MTs or more (to increase registration), and, Phosphoric acid
  - *This will help improve food security*
  - *This will be useful to reduce energy crisis*

## Value Added Tax

- Threshold level VAT increased to 40 lakh from 24 lakh
  - *This is very encouraging for SME*
- Incentive to small savers: Raised threshold level for imposing excise duty on bank deposits to Tk 20,000 instead of Tk 10,000
  - *This is a positive measure towards encouraging savings*
- Withdrawal of VAT and supplementary duty on the screening of Bangladesh made films awarded national or international prizes and films produces with the assistance of government grants
  - *A good proposal but implementation will be difficult as awards are given at a later stage while VAT has to be paid initially.*
  - *Moreover, all good films do not win prizes*

## Customs Duty

- *Government has proposed to impose 5% CD on the import of newsprint to be used in the newspaper industry in the FY2010 budget. Earlier, in FY2009, CD on printed papers was raised from 12% to 25%.*
  - *This will be useful for the local newspaper industry, but will constrain competitive access of local newspapers to imported newsprint.*
- *Imposition of 12 % CD on imports of milk powder*
  - *This will protect the local industry in conjunction with VAT relief on local production*
- **CD lowered from 12% to 5% on Pictorial and drawing books for children**
  - *This is encouraging for knowledge*
- **25% CD on mobile phone set on an ad valorem basis.**
  - *This is going to affect the expansion of ICT, may encourage smuggling*
- Total tax incidence due to decrease in import duty on raw materials will be:
  - Maximum decrease                      -28.57%
  - Minimum Decrease                      -7.19%
  - Reduction on duty on raw materials will positively contribute to domestic market oriented industries.

## Supplementary Duty

- *Increase of SD from 20% to 60% on refrigerator and imposition of 45% SD on its parts.*
  - *This will affect the purchasing power of the lower income groups. SD can be imposed on the bases of the capacity of the refrigerator*
- *Increase of SD on luxury light fittings and fixtures from 20% to 60%*
  - *This is a good measures towards increasing tax collection.*
- **Imposition of 10% SD on Zarda and Gul.**
  - *Serve public health interest*
- **Excess of 20% waived on supplementary duty and regulatory duty, following fulfillment of some pre-conditions for taxi-cabs (Vehicles 1500cc to 1800 cc)**
  - *Ffacilitate growth of public transport system*

## Some More Tax Measures

- In FY 2008-09, CD on ocean going vessels with capacity of 3000 MTs were at 7%. The current rate is 0%. This decrease implies positive impact on sea transport and trade.
- In FY 2008-09, there was a reduction in dealer's commission from 30% to 20% and imposition of supplementary duty of 20% on microbuses. These specification apply for vehicles (1500 to 1800cc). This year dealer's commission remains unchanged at 20%, however excess of 20% has been waived on supplementary duty and regulatory duty, following the fulfillment of some pre-conditions for taxi-cabs. This decrease will facilitate transportation of industrial raw materials and passengers.

## Change in Tariff Structure: Impact on Revenue Earnings

- **Government's decision to reduce customs duty on basic raw materials from 7% to 5% will reduce cost of production**
  - This will impact on import duty earnings for 774 items defined at HS8 digit level, depending on elasticity of demand for these items → **result in Tk 383 crore loss in revenue earnings**
  - NBR estimate shows that with the proposed changes in customs duty, the government will have an additional revenue earnings of about 9% or Tk. 870 crore (only from customs duty)
- **A CPD analysis estimates that if FY2008 import value is taken as base year and FY2010 tariff structure is applied on that (import value), government revenue earnings will amount to Tk 19818 crore – an increase of Tk 1060 core (5.65%) over FY2008**
- **However, if the MTMF import growth of FY2009 and FY2010 is taken into consideration (import growth is estimated to be 13% for both FY2009 and FY2010), then total revenue earnings from imports would amount to Tk 25305 crore – a significant increase on the import revenue earnings if compared to FY2008 (27.5%) and FY2009 (12.3%)**
  - CPD estimates project FY2009 import related revenue earnings to be around Tk 21196 crore

## Change in Tariff Structure: Impact on Revenue Earnings

- **Expected increase in GoB revenue earnings by 19.4% from import related duty (CPD estimate)**
  - This is because of the specific changes (increase and decrease) in some commodities in terms of CD, SD, VAT and ATV for the protection of domestic industries and pressure from other sources

TABLE: SIMULATION WITH PROPOSED CHANGES IN TARIFF STRUCTURE

	CD	SDI	VATI	ATVI	AIT	TTI	Change in TTI and Impact on Revenue Earnings
<b>CD Decreased from 7% to 5%, ATV increased from 1.5% to 2.25% (yarn of combed wool)</b>							
Old	7.00	0.00	16.05	1.77	3.00	27.82	<b>-1.47</b>
New	5.00	0.00	15.75	2.60	3.00	26.35	
<b>CD Decreased from 7% to 5%, ATV remains 0 (ginger, turmeric)</b>							
Old	7.00	0.00	0.00	0.00	3.00	10.00	<b>-2.00</b>
New	5.00	0.00	0.00	0.00	3.00	8.00	
<b>CD Decreased from 3% to 0%, ATV increased from 1.5% to 2.25% (Solar Panel)</b>							
Old	3.00	0.00	15.45	1.70	3.00	23.15	<b>-2.67</b>
New	0.00	0.00	15.00	2.48	3.00	20.48	
<b>SD increased from 20% to 45% (Sport Footwear)</b>							
Old	25.00	25.00	22.50	2.48	3.00	77.98	<b>37.95</b>
New	25.00	56.25	27.19	4.49	3.00	115.92	
<b>SD increased from 20% to 60% (AC)</b>							
Old	25.00	25.00	22.50	2.48	3.00	77.98	<b>59.98</b>
New	25.00	75.00	30.00	4.95	3.00	137.95	

- CD changed to 5% from 7% (with ATV remaining 0), the total tariff incidence (TTI) decreases by (-) 2%.
  - However, the incentive is quite low for importers of raw materials, when ATV is raised to 2.25% from the existing 1.5% - with CD remaining at 5%, the TTI decreases by 1.47%
- The government's proposition to raise the SD on luxury items is purely from revenue perspective and this will increase the TTI ranging from 30% to 60% and more



### Special Tax benefits

#### Capital gain from sale of land

- Tax rate will be reduced for deductions of income tax at source against capital gain from the sale of land:
  - *within the areas under city corporations, municipalities and cantonment boards, to 2% from 5%*
  - *and for other areas where the price of nonagricultural land exceeds Tk. 1lakh, the rate will be slashed to 1% from the existing 5%. This will streamline land sale related transactions*

#### Benefit for buyers of property

- Acceptance of investment incurred for the purchase of flat or construction of house without any question by paying a tax at a specific rate according to the measurement of the flat/house
  - *This may inflate the housing price with the entry of black money and put pressure affordability of flats by the fixed income groups. This will not solve the housing problem of the poor.*

### Special Tax benefits

#### Investment of Undisclosed Money

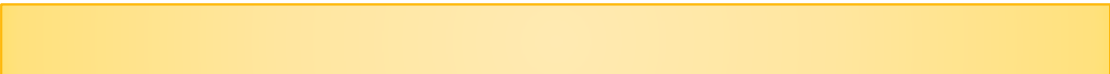
- Undisclosed money will be accepted without any question during the period from 1 July 2009 to 30 June 2012 provided that a payment of 10% tax is made and it is invested in (1) certain new industries and also BMRE of units in the same industries and in the provision of physical infrastructure facilities shares of listed companies of stock exchange.
  - *This decision may have been taken in light of the global recession and the need for funds in investment purposes in Bangladesh.*
  - *However, this runs counter to the principle of rewarding conscientious tax payers and punishing tax evaders and people with undisclosed income.*
  - *No distinction has been made between income earned legally and undisclosed and income earned illegally and undisclosed.*
  - *The duration of acceptance of undisclosed money up to 30 June 2012 will again encourage tax evaders to wait till the last minute and maximize on untaxed income. Hence actual benefit of this measure may not see any success till 2012.*
  - *The list of industries getting this benefit is long and general. This list should have included a few thrust sectors, such as infrastructure, agro-processing and capital market.*

### Special Tax benefits: *Tax Holiday*

- Tax holidays will not be extended beyond 2012, and there are no provisions for new tax holidays.
- Newly established industries in Dhaka Division and Chittagong Division (barring Rangamati, Bandorbon and Khagrachori districts) to enjoy for first and second year 5%, for third and fourth year 10% and for fifth year 15% tax rate.
- In Rajshahi, Khulna, Sylhet, Barisal divisions and Rangamati, Bandorbon and Khagrachori districts of Chittagong Division same as above for first, second and third year 5%, for fourth, fifth and sixth year 10% and for seventh year 15% tax rate.
  - *The government cannot go on giving tax holiday for years after year.*
  - *The tax structure fixed for newly established industries as depicted above for various divisions are in fact on the lower side.*

### Tax Administration

- The tax base and tax net will be broadened and there will be measures to bring discipline in the management of the Taxpayers Identification Number (TIN).
- Increase of manpower and expansion of organisational structure have been proposed.
- A National Tax Tribunal has been proposed
  - *There are already Income tax Tribunal, VAT Tribunal and Customs Tribunal. So what this National Tax Tribunal will do is not clear.*
- To broaden tax net up to upazila level and identify new tax payers survey will be conducted at various places.
  - *These are positive initiatives*
  - *However, transparency, accountability, efficiency and motivation are key to enhance tax collection.*
  - *While doing the survey to identify new taxpayers harassment of people should be avoided.*
  - *Out of about 22 lakh TIN number holders, 7 lakh 22 thousand has tax files while files of around 12 lakh are closed who never filed tax.*
  - *Initiatives should be taken to revive those files.*
  - *At least 1 crore people are eligible for tax payment. Hence only 7.2 per cent pays tax.*
  - *Without massive drive the targets cannot be achieved.*



# Public Private Partnership



## Design of the PPP Budget

**Total allocation:** Tk 2,500 crore (0.3 bln USD) – **2.2% of Total Budget**

- Size of the budget somehow matched with the India where in the PP budget in 2007 Rs 100 crore was kept

**Allocation Breakdown:**

- **Infrastructure Investment Fund (Loan and equity participation in PPP project):** Tk 2,100 crore
- **Viability Gap Fund (for subsidy to any project “which is risky but essential”):** Tk 300 crore
- **Technical Feasibility (studies) Fund:** Tk 100 crore

**Future plan for the government to raise fund under the PPP:**

In the future a new fund, Bangladesh Infrastructure Investment Fund (BIIF) may be created which may be used for private sector infrastructure development under PPP initiative.

Government through securitisation may transform loan to tradable debt securities which can be traded to mobilise funds. (In this regard fund mobilisation through Jumuna Bridge and Padma Bridge securitisation is being discussed).

## Public Private Partnership (PPP)

Priority Sectors	Number of projects	Expected Expenditure (bln USD)
Power and Energy	1	1.8
Transport Infrastructure (roads, rail, ports, airport and water transport)-	6	25.9 USD

**Priority: Mega Projects**

Priority Sector	Project name	Expected Expenditure (mln USD)
Transportation	Bus Rapid Transit (BRT)	3.6 mln
	Articulated Bus Service	
	Bus Route Franchise (BRF)	

**Priority: Short term Projects**

Priority Sector	Project name	Expected Expenditure (bln USD)
Health	List of Projects in Education and Health Sectors	Not specified
	Setting up cancer and/or other hospitals	
Education	Setting up quality secondary schools	
	Setting up dormitories, health centers, auditoriums, gymnasiums in public universities	
	Development, expansion or improvement of present Degree colleges	
	Setting up research institutions or research foundations dedicated to the institution	



**PPP Budget:**

- The concept is nothing new. What is new this time is that an allocation is being made for it in the budget.
- Post-hoc Rationalisation for Institutional and Legal Set up

**PPP is to be tested out on a number of issues:**

- Whether it will ease pressure on the ADP as an instrument to deliver energy, infrastructure, and social services (since the sluggish ADP utilisation record)?
- Whether the short-term projects will be able to attract the private investors?
- Can PPP projects receive donor fund?
- In case of big projects like monorail, elevated express highway the question of acquiring land is involved. Necessary laws have to be formulated and enacted in this regard. To what extent PPA and PPR will be applicable?
- If the government cannot improve its administrative efficiency and capacity for negotiation the public-private partnership concept would not succeed.
- Pricing of products of PPP projects e.g. private clinic?
- Whether private-public partnership will act as a major incentive for FDI?



## The challenge for the government will be

**Operationalising the funds:** to operationalise the different elements of PPP from

**Creation of PP Cell and its terms of reference:**

*Institutional:* It will also depend on the effective staffing and institutional support for the proposed PPP cell

*Policy support:* It also needs to attract global infrastructure funds to participate in Bangladesh PPP projects. India really only began their PPP programme in earnest in 2007 and has already made good progress. They proactively took support from the World Bank and ADB to develop their PPP capabilities and if the Bangladeshi government does the same along with private sector expertise, there is no reason we cannot make similar tangible progress over the next 6-12 months.

**Confidence building measures for public-private partnership**

While PPP can play an important catalysing role in infrastructure projects, a broader partnership between the government and private sector in policy formulation and implementation can also help overcome slow policy implementation



# Real Sectors

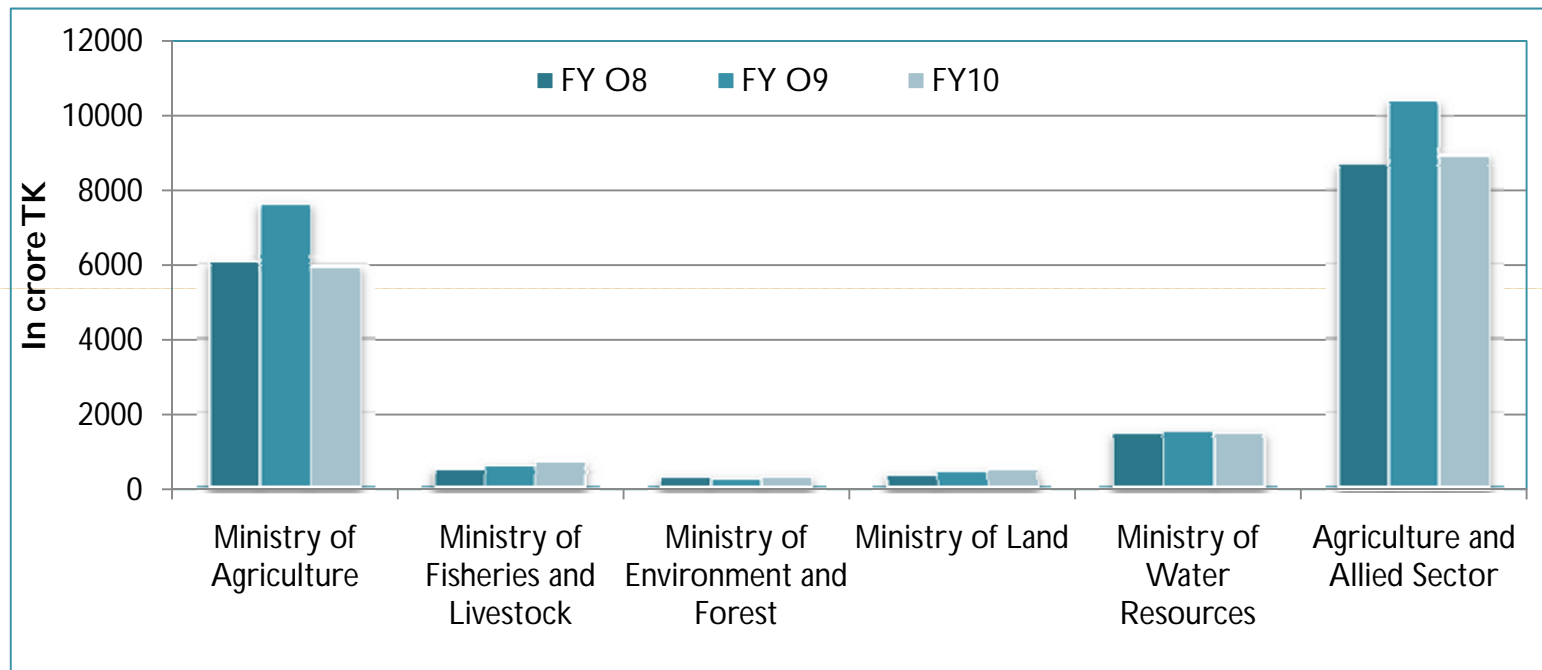


## Agriculture

### Allocation for Agriculture and Allied Sector

- Total allocation for agriculture and allied sectors (crop, livestock, fisheries, forestry, land, and water resources): Tk 8950 crore (14.1% lower than RB-FY2008-09)
- Allocation for MoA in FY2009-10 (Tk 5965 crore) is 22.0% lower than RB- FY2008-09 (Tk 7643 crore) and 2.2% lower than RB-FY2007-08 (Tk 6100 crore)
- Total ADP allocation for agriculture in FY2009-10 is Tk 1697.62 crore (8.86% lower than FY2008-09)

### Total budget (development and non-development) allocation to the agriculture and allied sector

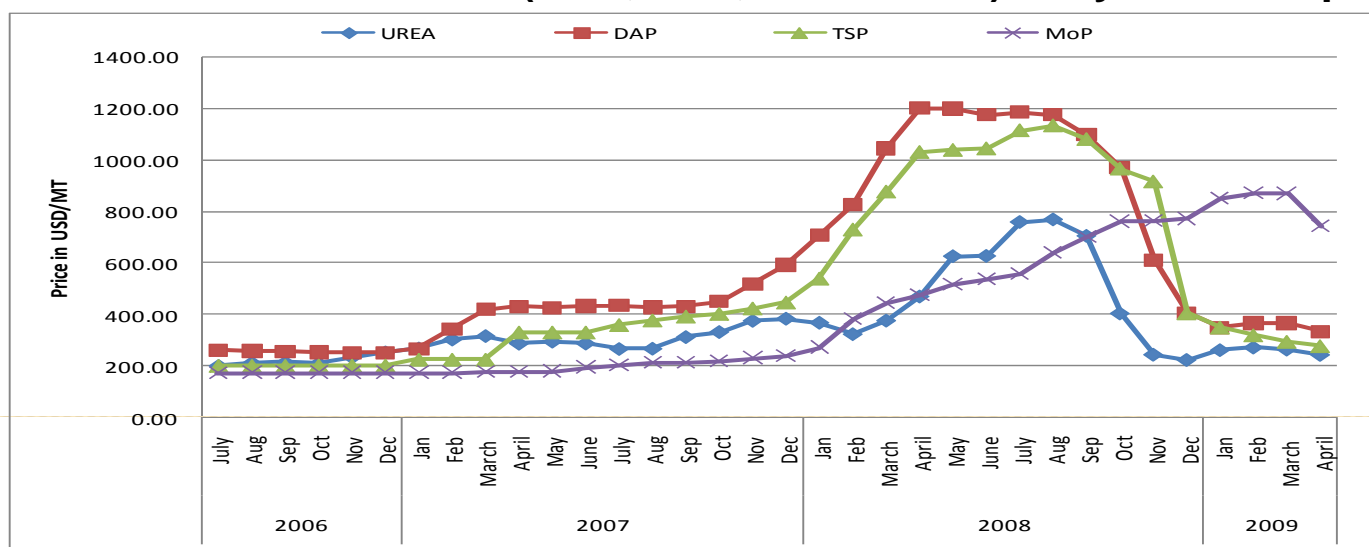


# Agriculture

## Subsidy for Fertiliser

- Subsidy for fertilizer and agricultural inputs reduced to Tk 3,600 crore in FY2009-10, from Tk. 5,785 crore in RB- FY2008-09
- International prices of all types of fertilisers except for MoP declined substantially between July 2008 and April 2009
- During this period, price of urea, TSP and DAP decreased by 67%, 75% and 72%, respectively. On the other hand, price of MoP increased by 33%.

### International Price of Fertilisers (urea, DAP, TSP & MoP): July 2006 to April 2009



(a) Fertiliser Subsidy requirement (for planned amount of fertiliser distribution with current administered price): **Tk. 1069 crore**

(b) Fertiliser Subsidy requirement (for increased amount of fertiliser distribution with reduction in administered price of TSP and DAP to Tk 30 per kg): **Tk. 2836 crore**

Allocated amount should be able to cover the downward adjustment of administered price of fertilizer



## Agriculture

### Irrigation and Drainage Projects in the South and South-Western Region

- Proposed allocation for irrigation and drainage projects in FY2009-10 is Tk. 4,000 crore. Planned several actions such as expansion of irrigation facility using surface water in southern areas, addressing water logging in the south-western region, expanding cultivable land by improving drainage system in the *haor* areas and by creating opportunities for multiple-cropping. *This is a good initiative. CPD in its budget recommendations advocated for such projects. Successful implementation of the proposed projects will benefit the farmers of south and south-western region and the country will be benefited through increased production of agricultural commodities.*

### Fund for Seed Production

- Allocated Tk. 280 crore for production of HYV seeds, which will be implemented by BADC and DAE. Seed storage capacity will be increased from 40,000 to 100,000 tons. *These are good initiative. Currently, private sector and NGOs are engaged in production and marketing of HYV seeds and hybrid seeds, which are constrained by availability of Breeders seed of latest released varieties. It will be beneficial for rapid expansion of latest HYVs if allocated amount is also spent for production of Breeders seed and provided to the interested private companies and NGOs at subsidized rate for subsequent production of Truthful Level seed.*

### Agricultural Research

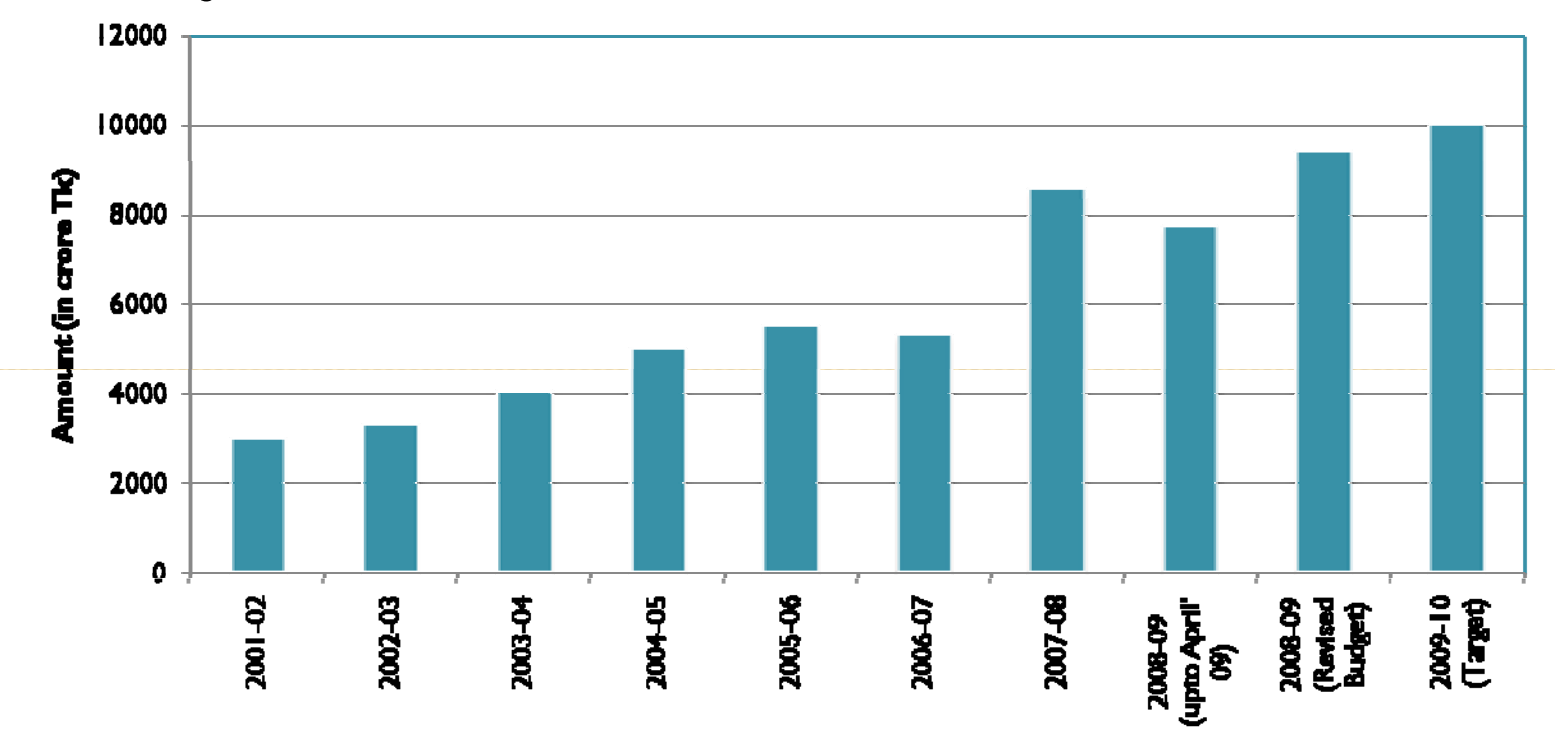
- Tk. 185.21 crore has been allocated for agricultural research and rehabilitation assistance in the budget of 2009-10. *It is not clear how much amount of this will be for agricultural research and how much for rehabilitation.*

## Agriculture

### Agriculture Credit

- Target for disbursement of agricultural credit increased from Tk. 9,379 crore in RB- FY2008-09 to Tk. 10,000 crore in FY2009-10 (6.62% higher). Actual disbursement (Tk 7729.09 crore) of agriculture credit up to April 09 was 82.4% of the target in FY2008-09. *This is a realistic target.*

Trends in Agricultural Credit Disbursement: 2001-02 to 2009-10



## Agriculture

### Foodgrain Procurement

- Target for internal procurement of Boro rice in FY2009-10 as 16 lakh metric tons. *Setting the target and declaring a reasonable price is not adequate to ensure that farmers receive this price.* This year government declared to procure 12 lakh metric tons of rice (11 lakh metric tons of rice and 1.5 lakh metric tons of paddy) at the price of Tk 14 per kg of paddy and Tk 22 per kg of rice. *Unfortunately, farm level price of paddy and rice are much below than the declared price as well as cost of production. It was necessary to mention some mechanism how successful implementation will be ensured.*
- Initiatives to establish 137 new godowns in northern region (with storage capacity of 1.1 lakh metric tons) and 333 godowns all over the country (with storage capacity of 2.54 lakh metric tons). Besides, Repair and maintenance of old and damaged godowns will be continued in the budget FY2009-10. *These are good initiatives. Establishment of new storage capacity for food was put forward by CPD through its Budget Recommendations submitted to the Finance Minister.*

## Agriculture

### Other Measures

- Zero tariff on imports of fertilizer, seeds (including maize seed). *It is likely to benefit farmers and domestic production.*
- Zero-rate tax will continue for major food items. *To safeguard the interest of the rice farmers by discouraging rice import, CPD suggested imposing 15 percent duty on rice import.*

## Agriculture

### Livestock and Fisheries

- To enhance daily per capita availability of fish, meat, milk and egg, the government has commenced a number of initiatives.
- To implement these programmes, a ***total allocation of Tk. 716 crore*** (combining development and non-development budget) was proposed for this sector, which is ***19% higher than the revised budget of FY2008-09.***
- Programmes in progress for the development of poultry and livestock:
  - Production and supply of vaccine for cattle and poultry
  - Supply of pullet and duckling at reduced price
- Planned programmes:
  - Establishment of farms for lambs and buffaloes
  - Incentives to 12,000 farmers for increasing milk and meat production
  - Strengthening quality control management system at every stage from production point to consumer's end.

## Agriculture

### Livestock and Fisheries

- In 2008, import of milk powder increased as international price decreased substantially, pushing domestic milk producers and companies in crisis.
  - During January-March of 2009, compared to January-March of 2008
    - ✓ Average price of milk powder declined by 33% (from USD 4586 to USD 3065 per mt)
    - ✓ Import of milk powders (HS040210 and HS040221) increased to USD 20.995 million (2.3 times of import in comparable months of 2008)
    - ✓ In quantitative terms, import might be about 3.5 times of comparable months of 2008
- To protect the interest of the domestic dairy industries, budget of FY2009-10 proposed to *withdraw 2.5% supplementary duty applicable on the processing of liquid milk to convert into powdered milk was proposed.*
  - Moreover, it proposed to *fix tariff value for powder milk at Tk. 100/kg.* This would result in only *Tk. 15/kg as VAT instead of current Tk. 50/kg.*

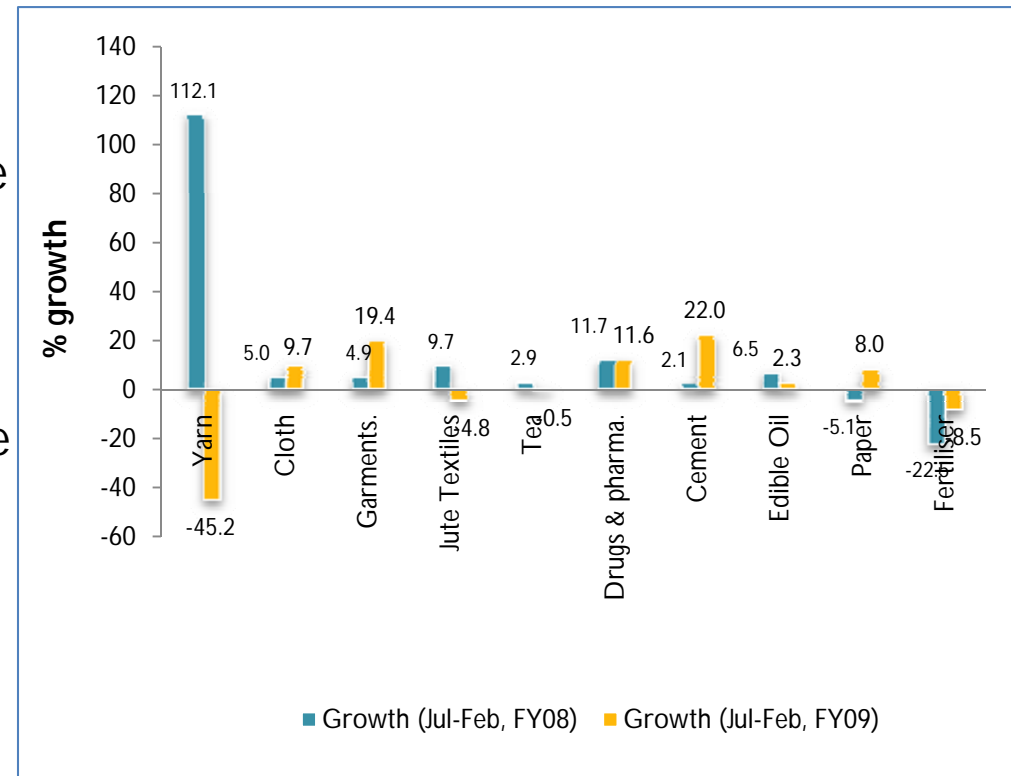
## Agriculture

### Livestock and Fisheries

- Programmes Taken to enhance Fisheries development :
  - ✓ Prevention of “*Jatka*” netting
  - ✓ Creation of sanctuaries to protect the local variety of the species
  - ✓ Community-based fisheries management in water bodies and flood plains.
- Micro-credit programmes were designed to generate alternative employment
- *Establishment of a Broodstock Bank is essential for production of quality fingerlings, but this is not proposed in the Budget.*

# Industry

Production Growth in Selected Products (Jul-Feb, FY08 and FY09)



- Manufacturing sector registered a relatively low level of growth during FY2009.
  - Major export-oriented industries have attained either decelerated or negative rate of growth except RMG;
  - Domestic market based industries did not maintain any specific trend
  - Most of the service industries because of their domestic market-oriented nature have performed well.
- A strong monitoring of the performance of manufacturing industries, particularly export-oriented industries, is strongly called for.
- In the budget FY2009 -10, special support given to the affected industries under the first phase of the 'stimulus package' has been continued.
  - Total amount of support will be Tk.5000 crore; no detail breakdown is provided.
  - Continuation of most of the provisions made for selected industries in the stimulus package of FY2008
  - Other affected industries such as textiles should be included under the stimulus package.

# Industry

- Stimulus package for FY2008-09 is Tk.3400 crore.
  - Seriously affected industries such as jute goods, leather and leather products, frozen foods and shrimp have been selected for additional support (to the tune of 2.5 per cent in addition to existing support)
  - Sectors (such as backward linkage textile, bicycle, light engineering products, agro processing) which are already receiving cash incentive will continue to get this financial support.
  - Several policy supports for export-oriented industries in the form of timely disbursement of cash incentive, increase in allocation under export development fund (from US\$ 1 million to US\$ 1.5 million), expansion of export credit to all sectors at a reduced rate (7 per cent), and rationing support for garment workers.
  - Government has further announced special financing scheme under investment promotion and financing facilities (IPFF) worth Tk.400 crore, SME fund of Tk.600 crore, house building fund of Tk.500 crore, and EEF of Tk.300 crore.
- These supports are expected to contribute towards boosting domestic industries, keeping the business of export-oriented industries running in view of falling prices of export products.

# Industry

- Proposed changes in CD and SD for various products have been in done with a view to providing support to domestic industries keeping in view the ongoing economic down turn.
  - SD increase: particle board, hard board, medium density fibre board, plywood, leather goods, mosquito coil, imitation jewelry, corrugated cartoons, tooth brush
    - Sectors which would be benefited: footwear, ceramic, tiles, tableware, sanitaryware and other ceramic items, liquid glucose, dextrose,
  - CD increase: lid cap, zylene
  - SD exemption: phosphoric acid, Dioctyl Orthophthalates (DOP)
  - CD reduction/exemption: DOP, sulphur, titanium based pigments, compound plasticizer
  - VAT withdrawal: Ferro Manganese and silicon Manganese, processing of liquid milk, local production of hard board, paper pulp
  - VAT exemption for one year: manufacturers of refrigerators, motorcycles
- Some of the service oriented industries have been taken under VAT net in a more organised manner.
  - Truncated base VAT system for certain industries: event management (30%), human resources supply and management (30%) and manpower export (30%).
  - VAT base for local restaurants be fixed at 60% of the sale instead of gross VAT of 15%.
  - Exemption of VAT from physician's fees; its implication is not clear

# Industry

HSCode	TAR_DSC	Before (TTI)	After (TTI)
17023010	Dextrose, Anhydrous/Monohydrate Bp/Vsp Pyrogen Free	48.81	77.98
17023020	Glucose & Glucose Syrup,Containing <20% Fructose,Liquid Glucose	48.81	77.98
19053100	SWEET BISCUITS	136.30	194.63
42022100	Handbags With Outer Surface Of Leather, Or Composition Or Patent Leather	48.81	77.98
42023100	Articles Normally Carried In Pocket/Handbag,Of Leather/Comp.Or Patent Lea.	48.81	77.98
44101100	Particle board	48.81	77.98
44111200	Medium density fiberboard (MDF) of a thickness not exceeding 5 mm	48.81	77.98
44111300	Medium density fiberboard (MDF) of a thickness exceeding 5 mm but not exceedin	48.81	77.98
44111400	Medium density fiberboard (MDF) of a thickness exceeding 9 mm	48.81	77.98
44121000	Plywood, veneered panels and similar laminated wood of bamboo	48.81	77.98
44123100	Other plywood consisting solely of sheets of wood(othr than bamboo),each ply =	48.81	77.98
44123900	Other plywood consisting solely of sheets of wood (othr than bamboo), each ply	48.81	77.98
47073090	PAPER OR PAPERBOARD MADE MAINLY OF MECHANICAL....EXCL.NEWSPAPER,OLD..	16.65	21.65

# Industry

- Total ADP allocation for ministry of Industry in FY2010 is 529.18 crore
  - It is -1.27% lower compared to the the actual ADP for FY2009 and 17.4% higher than revised ADP for FY2009.
- New projects included in the ADP FY2009-2010 under the ministry of industry are: technical training to women, establishment of centre for fashion design and basic training
  - Unallocated projects in the FY2009-10: establishment of garments industrial park, expansion of BSCIC industrial estates, reconstruction of two BSCIC estates, support monga affected people by small and cottage industry, development of benarasy palli, BSCIC plastic estate, BSCIC automobile estate, expansion of three BSCIC estates, industrial park
  - Establishment of South Asian Regional Standards Organisation (SARSO) in Bangladesh is a welcome initiative; government should allocate fund for this project
  - Establishment of four textile institute, modernisation of textile processing centre, HYV jute and jute seed rotting
  - Expansion of buildings at Chittagong and Ishawardi EPZs

# Industry

- CPD proposed a number of proposals, which are highly important but are not considered for the ADP
  - To promote and support the process of upgradation in apparels and to access high-end markets, a *Technology Development Fund* needs to be put in place. This can be managed in collaboration with private sector associations in the industry.
  - A *Cluster Development Fund* may be set up for entrepreneurs to obtain financial support and develop specialised service facilities in various RMG-factory zones.
  - Import duty on ETP can be reduced from the existing level of 1% to 0%. This measure should be applicable to ETP imported in CKD from various sources.
  - Enactment of laws for ensuring wider use of jute goods at domestic level.
  - Establishment/expansion of separate academic departments dealing with production and innovation of jute products, under the institutional set up of textile colleges, should be considered with special importance.
- A special allocation is needed to take preventive action against bacterial infection of shrimp.
  - This fund could be used for taking curative action at the level of shrimp production as well as development of laboratory testing facilities.
- Shipbuilding industry should get priority in the 'Export Development Fund' which allows access to credit to the tune of US\$1.0 million to US\$1.5 million.

# SME

- As part of stimulus package for FY2008-09 a number of initiatives for SMEs:
  - SME fund of Tk.600 crore from Tk.500 crore in FY2008
- In the budget of FY2009-10, EEF relating to ICT promotion has been increased from Tk. 100 crore to Tk.200 crore
  - More allocation and inclusion of new sectors required under EEF
- A number of projects related to small and cottage industries have been included in the ADP of FY2009-10 but without any allocation
  - Some of those projects are highly important and hence allocation of fund should be ensured. (u.e. establishment of industrial park)
- Government has created three funds with the seed money of Tk.1,000 crore to provide refinancing facilities against loans disbursed by the commercial banks and financial institutions.
- SME financing is proposed to target women entrepreneurs.
  - The proposal for at least 15% of the allocation earmarked for the women with an interest rate of only 10% would contribute positively to women entrepreneurs.
  - This will encourage women enterpruship
- Eligibility for exemption of VAT in case of cottage industries has been proposed to increase to Tk.25 lakhs from Tk.15 lakhs.
  - Increase of the limit of turnover to Tk.40 lakhs from existing Tk.24 lakhs.
  - This provision would contribute positively to develop cottage industries

## Services

### **Civil Aviation and Tourism**

- The proposed withdrawal of the VAT exemption which is currently enjoyed by travel agents and manpower exportes is unlikely to help the recession-hit travel agents.
  - In addition, the services of event management, human resources supply or management, inspection and certification service provision, all of which are crucial components of the tourism industry, will also be brought under the VAT umbrella.

### **Civil Aviation and Tourism**

- The ADP for the Ministry of Civil Aviation and Tourism has substantially increased in FY2009-10 (Tk 200) crore. It was Tk. 27 core in actual ADP of FY2008-9 and Tk.25 crore in the Revised ADP for FY2008-9.
  - It appears from the ADP that the money will be used primarily for infrastructure development (i.e. building of tourism resorts in Teknaf and Saint Martin, building of tourism facilities in five different parts of the country)

## REAL ESTATE AND HOUSING

- Total ADP allocation under the ministry of housing and public works will be increased by 70% higher in FY2010 compared to that of FY2009 – from Tk.319.12 crore to Tk.544.61 crore (1.79% of total ADP)
  - Ministry worked out a plan to develop 22,800 plots and construct 26,000 apartments in the next 3 years for the lower and middle income groups.
  - It seems that this project is a continuation and extension of projects ongoing in the previous year
- Government has taken steps to revise the National Housing Policy, 1999.
  - Government has also taken up the task of reforming Bangladesh National Building Code 1993
  - A national land use policy is required in order to ensure use of land in an efficient manner
- The opportunity provided in the budget for accepting investment incurred for the purchase of flat or construction of house without any question by paying a tax at a specific rate, would have significant impact in the real estate sector
  - It appears that a large amount of undisclosed money may target real estate sector.
  - The initiative to provide accommodation for the insolvent freedom fighters and build shelter-homes for the floating population urban areas are well appreciated.

## Capital Market

- There is no changes in the corporate income tax for banks, insurance companies, leasing and finance companies (45%).
  - The provision for reduced duty (35%) in case of off-loading shares of at least 10% of its paid up capital in the stock exchange is not a new issue.
  - CPD proposed to reduce corporate tax rate (e.g. 30 per cent) for the part of banking finance that is targeted to SME related activities
  - The process of offloading shares of Grameen Phone is slowed down due to various reasons.
- Government had declared its intention to off-load shares of 21 SOEs
  - 9 from power sector, 10 from industrial sector and 2 from telecommunication sector.
  - CPD proposed that the government should fix a timeline to offload shares of the SOEs in the capital market and implement this timeline.
  - Offloading shares of SOEs is not commensurate with Finance minister's comment on not to disinvest any SOEs in FY2010
- The proposed PPP projects will have options to collect capital from the capital market.
  - This will positively contribute to deepen the market base of the capital market

## Capital Market

- The proposed opportunity of investment of undisclosed money in share market (with a payment of 10 percent tax) would increase flow of fund in the capital market.
  - However, there should have been a penalty provision in case of legalising the undisclosed money otherwise it would be unjust to the real taxpayers. It simple and transparent way of collecting the tax has to be devised.
- New merchant banks have been registered including State-owned Commercial Banks (SOBs) with a view to strengthen the capital market.
  - Performance of a number of existing merchant banks is not satisfactory. Hence SEC should monitor the operation of merchant banks and take necessary regulatory measures against improper actions.
- CPD proposed that In view of the large amount of funds required to establish 'Padma Bridge' government may offload bond in the capital market to mobilise a part of required fund.

## STATE OWNED ENTERPRISES

- The budget FY2009-2010 in principle follows the major guidelines mentioned in the Draft Industrial Policy 2009 as regards SOEs.
  - Possibility of divesting any SOE in FY2010 remains uncertain because of the current economic situation.
  - Without making any alternative arrangement for displaced workers SOEs will not be closed.
- A number of projects is included in the ADP for FY2010, though no allocation has been made.
  - Machine transplanting in 7 sugar mills
  - BMR of Faridpur Sugar mills
  - Establishment of organic fertilizer plant at Keru
  - Boiler transplant project in different sugar mills
  - 10 projects under BSCIC
  - 6 projects under textile and jute ministry
  - 1 project under BSTI
- There is no direction in the budget as regards payment of huge amount of debt (classified loan Tk.1054 crore out of total outstanding of 6300 crore as of December, 2009).
  - Although government took the burden in case of all liabilities of SOEs to be privatised, it was not clear as to how the significant debt burden this will entail will be absorbed by the government.



# Physical Infrastructure



### ICT

- **ICT education to be made compulsory at Secondary and Primary stages respectively by 2013 and 2021**
- **E-Governance**
  - **File-based administration to be turned into digital administration: ICT Road Map to be finalised to achieve this goal**
- **E-Commerce**
  - **Implementation by 2012**
- **E-Business**
  - **Incentives to enhanced for software industries**
  - **Internet services to be expanded to remote areas**
  - **Internet charges to be reduced**
- **100% increase in allocation for Equity Entrepreneurship Fund (EEF)**

- Budget proposals are mostly in line with the government's vision of Digital Bangladesh
- No specific indications with regard to coverage and price of internet connectivity

## ICT

- Allocation for ICT under the ADP in FY2010 will be Tk. 544. 47 crore for 64 projects to be implemented under different ministries.
  - This allocation is 49.8% lower than the actual allocation of FY2009; but 84.9% higher than the revised ADP for FY2009 (Tk.294.31 crore)
- The proposed allocation of Tk. 100 crore to meet the emergency expenditure in the ICT sector would be necessary in case the industry being seriously affected by the global crisis.
- The proposed withdrawal of VAT on the internet services in the educational institutions will help students to reach the internet services.
- Undisclosed money can be invested in telecommunication sector other than mobile phone.
  - How much undisclosed money will be invested in this sector under this facility is not sure?

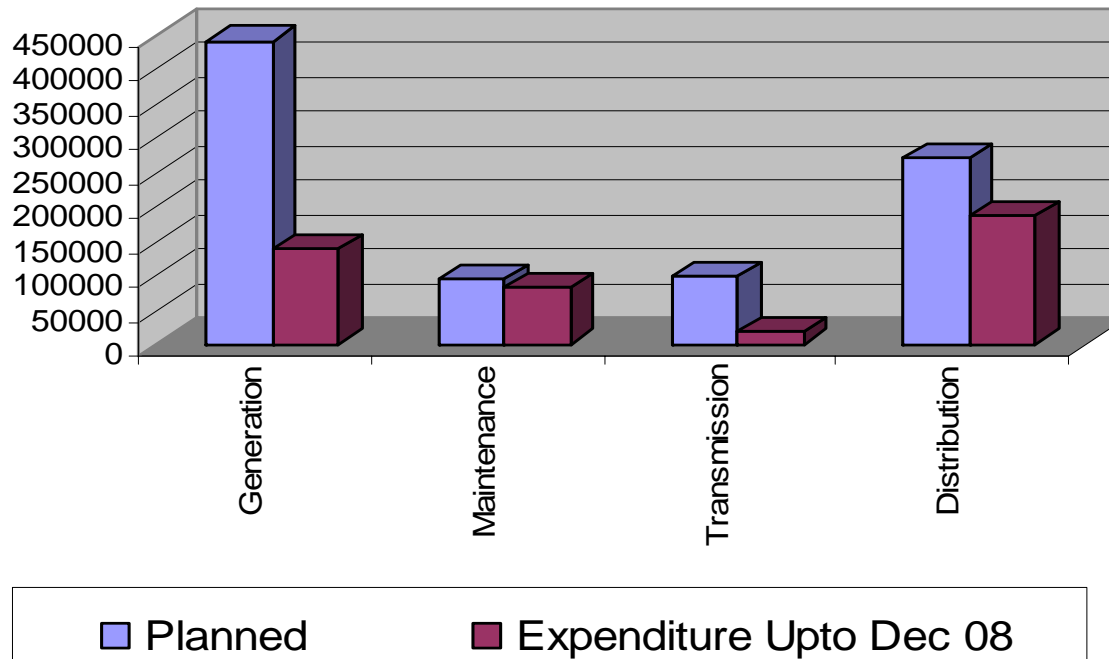
### ICT

- The announcement of 25% supplementary duty on mobile phone sets on an ad valorem basis instead of existing specific duty of Tk.300/set will have several implications.
  - This would entail higher duty on high priced sets and lower duty on low priced sets.
  - This may encourage smuggling.
  - Government may consider withdrawal of this duty
- Corporate tax rate for mobile phone operators if enlisted in the share market to be 35% is not a new option.
  - No tangible initiative observed among mobile telephone operators other than Grameen Phone to take initiative to offload share for taking the benefit of reduced interest rate.
- An access network will be built covering 23 districts including 6 divisional headquarters.
  - It will make Bangladesh more integrated in terms of business, education and other activities.
- CPD proposed to increase ADP allocation for High-tech park and Software Technology Park (STP) in FY2009-10 and complete the work within the shortest possible time.

## Physical Infrastructure

Budget proposed an allocation of Tk 4,310 crore for the sector in the FY 2009-10 (48% higher than the revised budget)- Normal phenomena in each Fiscal raised questions of implementation

**Power Sector projects (investment) scheduled to be completed by 2009**



- Total 916.9 crore taka was allocated to power sector projects scheduled to be completed by 2009, of which 429.7 crore taka (46.87%) was disbursed. Strikingly, of the generation projects, only 31.5% of total project cost was disbursed.
- Though no new approved projects has been included in the ADP 2009-2010, government has to carry forward the unfinished task of 2008-2009.

## Physical Infrastructure

Table: Status of the Power Sector Project: life cycle 2010-2012

in crore taka

	Planned	Expenditure Up to Dec 08	Completion (%)
<b>A. Investment</b>			
<b>Generation</b>			
By 2010 (Shikalbaha 150 MW peaking power plant)	77.8	0.124	0.16
By 2011 (Sylhet 150 MW combined cycle power plant)	103.7	5.550	5.35
By 2012 (Construction of Horipur 360 MW combined cycle power plant)	327.8	0.05	0.01
<b>B. Technical Assistance</b>			
Power sector Capacity Development programme (2007-2010)	3.9	0.002	0.05
Technical assistance for tendering process for IPP plant 2007-2010)	0.45	0.15	33.33
<b>C. Japan Debt cancellation fund</b>			
PBDB-power plant maintenance and overhaul (renovation of the Karnaphuli 4th and 5th unit) (2005-2010)	21.6	2.621	12.11

- Challenge for the government to finish the underperformance projects

**Power and Energy: Overall budget highlights:** Environment friendly energy technology, greater use of renewable energy like solar power, tapping coal in an environment friendly way, setting up a gas development fund for Bapex, conservation of energy and greater emphasis on partnership between private and public sectors

**Electricity Demand and New Electricity Generation:**

By 2021, demand will be increased from 5000 (June 2009) to 20,000 MW. But Existing power plants have the generation capacity of 3800 MW. Target is to generate additional 5000 MW by 2013.

<b>Measures (Generation)</b>	
By 2009	By 2013
<b>Total : 940</b> From public 500 MW >> 4 projects From private 440 MW >> 11 projects	<b>Total: 4160 MW</b> From public 2810 MW >> 13 projects From private 1350 MW >> 3 projects (including 450 MW of Bibiyana).
<b>Measures (Distribution): By 2013</b>	
837 kilometres of power grid line.	
1.17 sub-stations.	
2.15,000 kilometres of distribution line.	

**Coal:**

- Emphasized for finalization of Coal Policy- It needs to implemented without delaying
- Government is also planning to import coal to generate fuel in the power plants- Decisions needs to be taken quickly since it is also time consuming and some infrastructural facilities needs to taken at the Chittagong port .



### ***Renewable Energy: Priority placed by the government***

- **Fiscal measure:** -Existing CD of 3 per cent has announced to be abolished on solar panel. Vat exemption also has been made at stages of import, domestic production and supply (CPD Proposal). Establishment of solar energy plant has been placed under the heads of investment by undisclosed income:
  - It is proposed to abolish 7 % import duty and VAT on parts/raw materials of Florescent Energy Saving Bulb.
  - Energy Saving Bulb Production Project of Tk. 105 crore-will save 350 MW.
- **Policy Measures:** use of solar and bio-gas plan to turn from rural areas to cities.

### ***Rural Electrification:***

Rural Electrification Board will transmit the renewable energy to the households in remote areas. Duty reduction on solar panel will facilitate this initiatives. Besides Bangladesh Bank 200 crore fund for setting up solar panel- is also a good move.

### ***Withdrawal of Renewal fees on the CPP is a positive move (CPD Proposal)***

***For transmission-distribution of power,*** the government has a three-year plan. An additional 837 km power grid line, 17 sub-stations and 15,000 km distribution line will be built. – **Transmission and distribution cannot be seen as a tool for political preference.**

### Nuclear:

Government is considering setting up a GOB-financed nuclear power project at Roopur with a capacity of 1,000 MW. However, no definite statement of commencement of projects- contradicting the overall status/aims of the projects.

**Gas Exploration:** In 2009-11: plan to drill 5 development wells, 4 work-over wells and 4 production wells- This will provide an additional supply of 208 MMCF. However, in the ADP nothing has been mentioned in this regard. Modernisation and utilisation of BAPEX (mentioned in the last ADP) could be one instrument. The budget speech mentioned about the commencement of exploration of offshore areas- quick decisions needs to be taken in this regard.

Setting up a **Gas Development Fund** to enhance the capacity of BAPEX- is a good move. However, effective intuitional mechanism and utilisation will be challenge ahead.

**Importation gas:** Government has mentioned about the initiatives to import gas from the neighbouring countries through pipelines on the basis of mutual cooperation. However the whole modalities yet to be disclosed to the public.

## Physical Infrastructure

	Sectors and Projects	Number of project/areas	Percentage
	<b><i>Roads and Bridges</i></b>		
Carry Forward by the Current Government	Integrated Transport System	2	40%
	Priority for Padma Bridge construction:		
New initiative	Emphasis on PPP for development of transportation and communication	3	60%
	Linking growth centres to District Headquarters		
	Environment friendly transport system in the capital city		
	<b><i>Railways:</i></b>		
Carry Forward by the Current Government	Bangladesh Railway to be corporatised	4	66.7
	Construction of a double-line rail track between Tongi and Bhairab Bazaar.		
	Railway network to be restructured for long distance journeys		
	Bangladesh Railway to be linked to Trans-Asian Railways		
New initiative	A feasibility study for Underground railway system	2	33.3
	consider development of both metre-gauge and broad-gauge in the same track		



## Physical Infrastructure

	Sectors and Projects	Number of project/areas	Percentage
	<b>Water</b>		
New initiative	Dredging of waterways emphasized:	1	
	<b>Port</b>		
Carry Forward by the Current Government	Establishing of deep-seaport being expedited:	3	75%
	Mongla port to be made more operative:		
	Land Ports to be developed under BOT:		
New initiative	construct a multi-purpose jetty with highly sophisticated facilities and to excavate the Poshur river and the harbour areas. Two incomplete jetties at the Mongla Port will be developed in the long term	1	25%
	<b>Civil Aviation</b>		
Carry Forward by the Current Government	Purchasing of Aircrafts	3	75%
	The Capetown Convention signed to facilitate early and cheaper procurement:		
	Emphasis being given on improving the management of Biman:		
New initiative	Biman will be brought under ecommerce Immediately	1	25%





# Social Infrastructure



## Climate Change and Environment

- Allocation of Tk. 700 crore to Fund for Climate Change (FCC).

Provide an internal financial safety net against natural disasters.

- Special initiative to save the *Buriganga* from pollution. Industrial units barred from setting up in this area without appropriate waste disposal system

Will salvage river network and source of water from pollution.

- Japan International Cooperation Agency (JICA) has provided Tk. 490 crore as budgetary support to cope with environment related disasters.

As global climate change is hardly a fault of LDCs, such support will help us bear the burden of the cost and consequences.

## Ministry-Wise ADP Allocation: FY10 vis-à-vis FY09

(crore Tk.)

Sub Sectors	ADP FY09	ADP FY10	% change
<b>Health</b>	<b>2416.43</b>	<b>3063.79</b>	<b>26.79</b>
M/O Health and Family Welfare	2416.43	3063.79	26.79
<b>Education and Technology</b>	<b>2781.79</b>	<b>3914.55</b>	<b>40.72</b>
M/O Primary and Mass Education	2369.35	2828.43	19.38
M/O Education	286.05	947.54	231.25
M/O Science, Information and Communication Technology	126.39	138.58	9.64
<b>Women Advancement and Children Affairs</b>	<b>118.16</b>	<b>201.68</b>	<b>70.68</b>
M/O Women and Children Affairs	118.16	201.68	70.68
<b>Social Safety Net</b>	<b>347.98</b>	<b>307.68</b>	<b>-11.58</b>
M/O Social Welfare	47.70	102.31	114.49
M/O Food and Disaster Management	210.66	191.74	-8.98
M/O Labour and Employment	89.62	13.63	<b>-84.79</b>
<b>Total for Social Sectors</b>	<b>5664.36</b>	<b>7487.70</b>	<b>32.19</b>

Source: Ministry of Finance, GoB

- Health and Education remain priority areas with increased allocation
- Allocation for SSN related Ministries reduced by 11.58%
- Surprising reduction in ADP allocation for M/O Labour and Employment!!



## Health

- 13500 Community Clinics (CCs) to be established
  - Not clear whether all are going to be new or includes the already operational 8464 CCs
- National Nutrition Programme to be extended to 134 upazillas: Allocation of Tk.173 crore
- Maternal Healthcare Voucher Scheme to be expanded to 45 upazillas: Allocation of Tk. 70 crore
- Upazilla and district-level hospitals will be modernized and upgraded to 50-bed and 250-bed hospitals respectively
  - Reflection of CPD budget proposal
- Drug Policy 2005 to be reviewed; Directorate of Drug Administration to be modernised
- Budget proposed to earmark Tk.498 crore, development and non development combined, for the procurement of birth control related materials and equipment
  - A timely initiative in the context of increasing population

- Most of the proposed initiatives target development in the health sector
- No mention about strengthening of management and implementation capacity

## Education

- **New Programmes announced:**
  - Free education by phases up to graduation level
  - Stipend to male students: *No specific allocation*
  - Modernisation of *Madrasha* education
- **Medium Term Programme for recruitment of Science Teachers at secondary level**
  - *Reflection of CPD budget proposal*
- **Setting up laboratories in each secondary school for the development of science education under medium term programme**
  - *Reflection of CPD budget proposal*
- **Model schools with all modern equipment and amenities to be established in 306 selected upazillas: *Continuing project***
- **Salary of Registered and Community Primary School Teachers to be at par with that of the Government Primary School Teachers**
- **Allocation of Tk.300 crore for free distribution of text books at secondary level**
- **School-feeding programmes to be introduced in poverty-prone *Monga* and slum areas and areas affected by river erosion and cyclone**
  - This is a welcome initiative aiming at increasing enrolment rate

## Gender

- This year's budget witnessed a sincere move toward increasing the level of gender sensitivity regarding the allocation of funds.
- For the first time, a separate statement was presented before the Parliament regarding the allocations that have been earmarked for women's advancement for the Ministries of Education, Social Welfare, Health & Family Welfare and Food & Disaster Management.
- The share of participation of women in different activities and the level of service they are receiving from the government's activities will be evident from that information.
- At the same time, **Allowances for the Destitute Women** will be **Tk. 300 per person**. The allocation for FY 2008-2009 was **Tk. 61.20 crore**. This year's allocation is **Tk. 331.20 crore**.
- An increase in the **Allowance for Poor Lactating Mothers** by Tk. 50 to **Tk. 350** is also in the cards. This will require an allocation **Tk. 33.60 crore** which is **Tk. 11.1 crore** higher than last year. At the same time, **Tk. 25 crore** will be allocated for launching a similar programme namely '**Allowance for Lactating Low Income Working Mothers in Urban Areas**'.

## Gender

Measures	FY 08-09	FY 09 -10	% Increase	Implications
Gender Equity Expenditure	26.3% of total budget	No mention of change	-	To increase gender sensitivity
Allowance for Poor Destitute, Deserted and Widowed Women	Tk 270 Cr, Tk 250/month, Target: 9,000,00 women	No mention of change	-	This falls short of the anticipated rise to keep up with inflationary pressures
Maternity Allowance For Poor Lactating Mothers	Tk 21.6 Cr with Tk. 300/month. Target 60,000 women.	Tk. 33.60 crores, with Tk. 350/month. No mention of a change in target number.	55.6 % increase in absolute allocation	A change in the monthly allowance of 16.67% of announced. This is a positive step forward.
Maternity Allowance for Low Income Mothers in Urban Areas	Tk. 20 crores	Tk. 25 Crores	25% increase in absolute allocation	Another positive step taken to help ameliorate the position of poor women with children.
Acid Burned and Disabled Women	Tk 10 crores	Tk 2 crores for acid victims and <i>all</i> disabled	An 80% decline in absolute terms.	Hints at lower level of importance accorded to this particular subsection within Gender Equity section of the Budget .

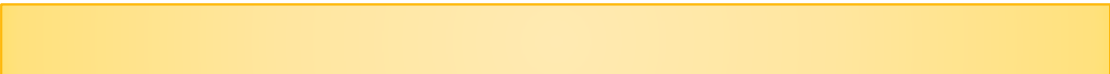
## Gender: New Ventures

<b>Women and Freedom Fighters Self-employment Fund</b>	Tk. 20 crores
<b>Assistance to Poultry Farms</b>	Tk. 100 crores
<b>Projects for the Poor</b>	Allocation of <b>Tk. 170 crore</b> for the <b>Rural Roads Maintenance Project</b> which employs poor working people, <b>Tk. 76 crore</b> for the rural employment facilities for the protection of Government assets <b>Tk. 12.85 crore</b> for Employment Generation in the Northern Region for Hard Core Poor Of <i>Monga</i> area, <b>Tk. 75.60 crore</b> for the <i>Char</i> areas, Rehabilitation Package for the Poor and <b>Tk. 57.83 crores</b> for the Economic Empowerment of the Poor will be allocated. Most of the workers in such programmes will be women
<b>Political Empowerment</b>	The number of reserved seats for the women in Parliament will be increased to 100. Direct election will be held against these seats
<b>Women Entrepreneurs</b>	In order to encourage women entrepreneurship, the government will ensure separate banking arrangement, loan and technical facilities of women entrepreneurs. The Budget also states the government's commitment towards eradicating gender differences not only in the field of business, but in all economic and social spheres with focus on having more women in top management positions.



## Climate Change and Environment

- Allocation of Tk. 700 crore to Fund for Climate Change (FCC).
  - *Provide an internal financial safety net against natural disasters.*
- Special initiative to save the *Buriganga* from pollution. Industrial units barred from setting up in this area without appropriate waste disposal system
  - *Will salvage river network and source of water from pollution.*
- Japan International Cooperation Agency (JICA) has provided Tk. 490 crore as budgetary support to cope with environment related disasters.
- *The total tax incidence for effluent treatment plant is 24%. Even though CPD has suggested to reduce the duty on this but there has been no significant changes. It should be considered in line with capital machineries.*



# Local Government and Regional Development



## Agriculture

### Local Government

- Tk.8,321 crore has been allocated for the rural development and local government in the next fiscal year, which is 24 per cent higher than the allocation of last year. Majority of this allocation is under rural development.
- ADP allocation in the local government for FY10 is 11.89 per cent of the total ADP which was 15.58 per cent in the RADP of FY09.
- Block Allocation for the local government in FY10 has been increased at 34 per cent compared to RADP of FY09. Allocation for ultra poor area has been discontinued in FY10.
- In the next fiscal year 13,700 km. of roads and 54,260 metres of bridges/culverts will be constructed and reconstructed by LGED in rural areas. To this end an allocation of Tk.3,575 crore is proposed in ADP.
- The Government will construct 6,114 arsenic-free water sources in FY 2009-10. Tests will also be conducted on a further 20,000 water sources. Sanitation coverage is expected to raise to 100 per cent by next year which seems to be a great challenge for implementation

# Agriculture

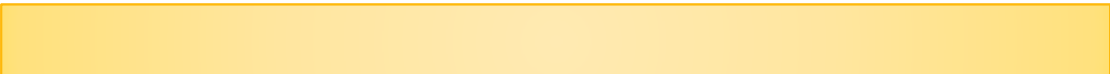
## Regional Development

- Government has already initiated “One House One Farm” project (July 2009 to June 2014) at an estimated cost of 1246 crore taka. Tk. 92 crore is proposed to allocate for the implementation of the programme in this fiscal year. It is expected to reduce poverty through generating employment for 29 lakh people in the rural areas.
- In rural development initiatives government will strengthen micro credit programme, expand ICT network in rural areas, raise agricultural production, protect the environment, improve socio-economic conditions and empower rural women, train people in income generating activities, develop rural human capital and encourage applied research in rural development.
- Government will also cover the sloth in the labour market in industry and manpower export sector by emphasising investment and focusing on rural and agriculture sector.

# Agriculture

## Regional Development

- Government is going to take up different programmes for the marginalised rural people to extend credit, impart training on social and skill development provide significant activities for women empowerment through PKSF.
- Compact townships would be developed at union centres, growth centres, growing villages, mufassil towns and suburbs of Metropolitan Cities to reduce the pressure on agricultural land. Government will provide civic amenities and other incentives to attract private initiatives in the areas identified for building townships.
- It is mentioned that provision will be made for the ethnic minorities and aborigines in terms of providing them education and employment opportunities, however, no specific instruction or allocation has been mentioned.



# Social Safety Net



Employment Generation

- Target to create Employment opportunities for 7 lakh people (40% of 18 lakh new entrants)
- Employment Target under ADP: 264.8 lakh man-months of work
- 100 days Employment Generation Programme replaced by the *Employment Generation for the Hard Core Poor* with an allocate of Tk. 1176 crore: **No Regional Targeting**
- New programme titled National Service for HSC or equivalent qualified youths
  - Special allocation for Tk. 20 crore
  - Pilot programme launched at Borguna and Kurigram
  - 3 month's training and will get a job for two years in different fields
- Beneficiary list of various programme to be prepared using database of National ID card
  - **Reflection of CPD budget proposal**

Employment Opportunities  
Prioritising Women

Projects	Allocation in FY10
Rural Roads Maintenance Project	Tk. 170 crore
Rural employment facilities for the protection of Government assets	Tk. 76 crore
Employment Generation in the Northern Region for Hard Core Poor Of Monga area	Tk. 12.85 crore
Employment for <i>Char</i> Area	Tk. 75.60 crore
Rehabilitation Package and Economic Empowerment for the poor	Tk. 57.83 crore



## Social Safety Net

- Per person Allowance and Beneficiary Coverage of most of the allowance programme is raised:  
*Reflection of CPD budget proposal*
- Stipend Programme for the Social Safety Net- Allocate Tk. 1137.50 crore
- PKSF to distribute Tk.200 crore received from foreign sources: *No other comment on flexible repayment schedule or strengthening microcredit programme*

**New Programmes**

- Disabled Service and Assistance Centre: One stop centre for Disabled person.
  - Total Allocation worth Tk.5.41 crore
- Welfare for the shelter for street children: Allocation to the tune of Tk. 5.67 crore
- Assistance for insolvent cultural workers: Allocation of Tk. 148.55 crore (Dev + Non-Dev B)
- One House One Farm Programme: Allocation of Tk.92 crore
- Allocation of Tk.9.80 crore for Stipend Programme for the Disabled Students and for their schools
  - Very Encouraging Programme
- Initiative to build shelter home for the floating population in Urban Areas
  - Housing project for lower and middle income group (development of 22800 plots and 26000 apartments)

**PFDS: Allocation of Tk. 5877 crore**

- FFW, VGF, VGD, TR (Food) and GR (Food)
- Food assistance in the form of Food Security programmes for the Chittagong Hill Tracts
- *No mention of allocation for public food distribution through monetised channels*

# Reforms



## *Recognition of the Need for Reforms in the Budget*

### **Decentralisation :**

- ❑ **District Level Budget** will be initiated from FY 2010-11 (initially for one district in each division) to ensure transparency and accountability of the government expenditure.
- ❑ Ministry wise separate planning and budget wing will be established to strengthen the ministerial support in introducing new budget framework.
- ❑ Decentralizing the police administration and setting up a public representative board to supervise and oversee police forces.

### ***Financial Sector Reform***

- ❑ To bring enhanced quality of service and dynamism in banking operation a 5 year strategic business plan has been prepared.
- ❑ In order to augment agricultural loans programmes and micro credit Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnayan Bank (RAKUB) and Karmashangstan Bank has been recapitalized.

### **Strengthening of ADP Implementation process:**

- ❑ Reform in project approval, amendments in PPA and PPR, increasing efficiency of project director in project implementation, special and intensive monitoring arrangement of the programmes of 10 ministries, monitoring projects through critical path method (CPM) process

### **Combating Corruption**

- ❑ In order to curb corruption and remove inefficiency, reform will be initiated in procurement, selection, bidding, evaluation and project monitoring process. Effective steps will be taken to get rid of the credit default culture and will monitor rescheduling of loans in the private sector.

### **Good Governance**

- ❑ In order to curb corruption and remove inefficiency, accountability and transparency will be strengthened in the procurement process, selection of projects, determination of project costs, bidding process and evaluating the quality of completed projects.
- ❑ Use of ICT in government operations to reduce corruption in Police, Land Administration and Tax Administration.



**Institutional Measures:**

- ❑ The 3 Year MTBF plan will be extended to 5 Year MTBF plan.
- ❑ At the end of the Five Year Plan, 32 Ministries will have come under MTBF Budget Process (20 of them have already implemented this and 12 will be included soon).
  - *The 16 Ministries which were under MTBF in FY 09 had a lower ADP implementation than the overall average of 46 % as of April 2009!*
- ❑ To avoid the artificial dichotomy between non-development and development expenditure, national budget will be unified
- ❑ Budget allocation will be divided into capital and recurrent expenditure at the disaggregated level to understand the expenditure pattern.
- ❑ **Public Private Partnership (PPP)** has been initiated to meet the probable investment gap in the infrastructural development and maintenance.

## Institutional Measures

- ❑ To strengthen the operation of a unified investment bank government has a plan to merge **Bangladesh Shilpa Bank** and **Bangladesh Shilpa Rin Shangstha** and create a public limited company
- ❑ **Better Business Forum (BBF)** will continue to function. But no indication about RRC in the budget ?
- ❑ Establishment of Special Economic Zone instead of EPZs. EPZs and BSCIC Industrial Estates will continue for the time being (However, the period wasn't specifically spelled out)

## Gender Responsive Budget

- ❑ Government is planning to incorporate gender and poverty related disaggregated data in the budget separately through the Medium Term Budget Framework.
- ❑ Ensuring separate banking arrangements, loan and technical facilities to encourage women entrepreneurship.

## Strengthening Local Government

- ❑ To bring a balance in the duties and powers of the MPs and the Upazila Chairmen and to devolve administration to local level, functions listed in the **Upazilla Parishad Act 2009** will be transferred to the Upazilas and budget will be allocated accordingly.
- ❑ To empower people and to decentralise the power of the central government, the Union and Upazila Parishads will be vested with additional powers.
- ❑ All Upazila headquarters and flourishing centres of trade and industry will be converted into Pourashavas (municipalities) with modern amenities.

## Policy Reforms

- ❑ **Consumer Rights Protection Act 2009** has been enacted in order to protect consumer interests and to ensure supply of quality commodities at fair price. In this regard, Trading Corporation of Bangladesh (TCB) will be strengthened.

## Policy Reforms:

- ❑ **Access to Information Act 2009** has been enacted in order to ensure freedom of mass media. Government will modernise institutions such as the Bangladesh Shangbad Shanghta, Press Council and Press Institute.
- ❑ **Money Laundering Prevention Act 2009** has been enacted through which the banks, financial institutions, money changers and insurance companies will be brought under accountability discipline of Bangladesh Bank.
- ❑ For ensuring trial of war criminals, the Office of the Prosecutor, under the **International Crimes (Tribunal) Act 1973**, has been set up.
- ❑ Time limit for the delivery of registered documents for Land Registration will be reduced to 15 days and in future it will be further scaled down to 2 to 7 days. Entire Land Survey and Management will be digitized.
- ❑ Government will make some amendments to the **Anti-Corruption Commission Act** (Not Clearly Defined what type of Amendments??)

### Policy Reform:

❑ The government is going back to previous 5 Year Plan for 2010 -2015 which will reflect development goals and targets. Implementation of the FYP will be a big challenge considering the previous experiences.

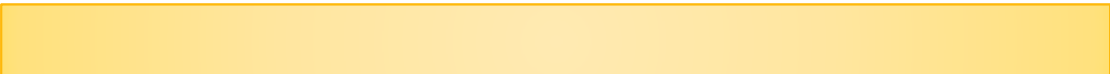
➤ *Will Donor Pressure continue in the Five Year Plan as in the case of PRSP?*

### Rights for Ethnic Minority Group

❑ Abolition of all kinds of discrimination against backward community (different religions, castes, groups and communities). backward communities

➤ For the first time, the definition of minorities has been broadened from Aboriginal Community to Backward Community.

***Although the government has identified several vital sectors for the reform agenda, no specific policies has been initiated. Without any specific policies this reform agenda will remain another political rhetoric.***



# Challenges for Implementation



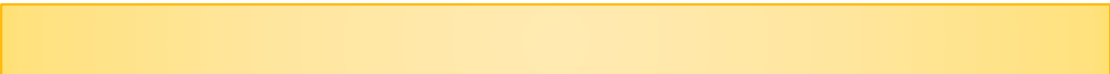
## CHALLENGES FOR IMPLEMENTATION

**The key challenge is not resource availability, but the followings:**

- ❑ Ensuring proper utilisation of the surplus national savings, excess liquidity in the banking system and foreign aid in the pipeline.
- ❑ Appropriate sequencing of public expenditure for maximising development outcomes.
- ❑ Maintaining complementarity of macroeconomic framework, fiscal policy and monetary policy.
- ❑ Maintaining integrity of the public finance framework and adhering to fiscal discipline.
- ❑ Strengthening capacity of the line Ministries so that allocated funds are appropriately utilised under the leadership of Ministers in charge.

## CHALLENGES FOR IMPLEMENTATION

- Building a fiscal and financial partnership towards a participatory development process.
- Deepening relationship of trust with private sector by way of strengthening competitive market behaviour.
- Catalysing partnership with private development agencies including NGOs and CBOs for social mobilisation and social service delivery.
- Pursuing institutional reforms for improving overall efficiency of development administration.
- Indeed, budget implementation is too important a matter to be left to budget process alone.



*THANK YOU*

