Independent Review of

iRBD

Bangladesh's Development

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

An Analysis of the National Budget for FY2020-21

Dhaka: 12 June 2020

CENTRE FOR POLICY DIALOGUE

www.cpd.org.bd

CPD IRBD 2020 Team

Lead contributions were provided by *Dr Fahmida Khatun*, Executive Director; *Professor Mustafizur Rahman*, Distinguished Fellow; *Dr Khondaker Golam Moazzem*, Research Director; and *Mr Towfiqul Islam Khan*, Senior Research Fellow, CPD.

Excellent research support was received from

Senior Research Associates	
Mr Md Zafar Sadique	*Mr Mostafa Amir Sabbih*
Mr Muntaseer Kamal	*Mr Md. Al-Hasan*
Mr Syed Yusuf Saadat	
Programme Associates	
Mr Abu Saleh Md. Shamim Alam Shibly	*Ms Nawshin Nawar*
Mr Tamim Ahmed	*Mr Md Jahurul Islam*
Ms Iqra Labiba Qamari	
Research Interns	
Ms Fariha Islam Munia	*Ms Taslima Taznur*

Mr Towfiqul Islam Khan was the Coordinator of the CPD IRBD 2020 Team.

The CPD IRBD 2020 Team would like to register its profound gratitude to *Professor Rehman Sobhan*, Chairman, CPD and *Dr Debapriya Bhattacharya,* Distinguished Fellow, CPD for their support and guidance.

Acknowledgements

The Team gratefully acknowledges the valuable support received from the Dialogue and Communication Division and the Administration and Finance Division in preparing this report. Assistance of *Mr A H M Ashrafuzzaman*, Deputy Director, *Mr Md Irtaza Mahbub Akhond*, Programme Associate, and *Ms Projna Dasgupta*, Intern, CPD is particularly appreciated.

Finance Team	Dialogue & Communication Team	Administration Team
Mr M Shafiqul Islam	*Mr Avra Bhattacharjee*	*Mr A H M Ashrafuzzaman*
Mr Uttam Kumar Paul	*Ms Nazmatun Noor*	*Mr Md Mamun-ur-Rashid*
Mr Md Iqbal	*Mr Md. Sarwar Jahan*	*Ms Tahsin Sadia*
Ms Shakila Sultana	*Mr Sazzad Mahmud Shuvo*	*Ms Rezwana Rashid Antora*
Mr Md Samiul Mannan	*Ms Asmaul Husna*	
	Mr Md Irtaza Mahbub Akhond	
	Ms Projna Dasgupta	

Concerned officials belonging to a number of institutions have extended valuable support to the CPD IRBD 2020 Team members, for which the Team would like to register its sincere thanks.

The CPD IRBD 2020 Team alone remains responsible for the analyses, interpretations and conclusions presented in this report.

Contents

I. INTRODUCTION
II. MACROECONOMIC PERSPECTIVES
III. FISCAL FRAMEWORK
IV. ANNUAL DEVELOPMENT PROGRAMME
V. FISCAL MEASURES
VI. FOUR PRIORITY SECTORS
VII. SOME OTHER SELECTED ISSUES
VIII. CONCLUDING REMARKS

I. INTRODUCTION

I. INTRODUCTION

- The Centre for Policy Dialogue (CPD) would like to congratulate the Hon'ble Finance Minister for presenting his second budget under **difficult and trying circumstances**
- The national budget for fiscal year (FY) 21 has been announced at a time when the economy has been worst hit by the novel coronavirus (COVID-19) pandemic ever in the history of Bangladesh
- Even before COVID-19 attack in Bangladesh during Jul – Feb of FY20, except for the remittance flow, major economic indicators of Bangladesh economy exhibited some worrying signals; these include negative export and import growth, low FDI growth, subdued domestic resource mobilisation and low utilisation of allocated development expenditure and weak balance of payment situation
- COVID-19 has aggravated the performance of the economy which was already under pressure

I. INTRODUCTION

- CPD feels that risk mitigation and economic recovery in the backdrop of COVID-19 should be the twin overarching objectives of FY2020-21 budget – the COVID Budget.
- Because the Health-Humanitarian-Economic risks originating from the ongoing COVID pandemic make FY2020-21 Budget a budget with a distinction.
- Therefore, the budget for FY21 has to be looked at not only through the economic lens, but also health, humanitarian and social lens.
- In this context, CPD has examined the assumptions informing the budget, fiscal budgetary framework, fiscal space and resource mobilization targets, allocation of resources, deficit financing and budget implementation challenges with the lens of the above twin objectives.

Independent Review of iRBD Bangladesh's Development

I. INTRODUCTION

- In pursuit of the above, CPD has tracked the relevant correlates as they stand in FY2020 and has analysed the FY2021 budgetary proposals and reform initiatives (or lack of those) to assess the feasibility of achieving budgetary targets

- The presentation on CPD's budget analysis has been structured as follows:
  - Macroeconomic scenario
  - Fiscal framework
  - Annual Development Programme (ADP)
  - Fiscal measures
  - Sectoral issues
  - Concluding remarks

- The analysis of this presentation is based on data from relevant government publications

II. MACROECONOMIC PERSPECTIVES

II. MACROECONOMIC PERSPECTIVES

The Bangladesh economy, from the very beginning of the ongoing fiscal year, has been grappling with formidable challenges which have been exacerbated by the outbreak of COVID-19

Large shortfall in revenue mobilisation	***Stable inflationary trend***
Disrupted implementation of public investment projects	***Steady remittance inflow***
Escalated budget deficit and bank borrowing	***Comfortable balance of payments***
Decelerated export growth	***Steady exchange rate***
Negative import growth	***Increased foreign exchange reserve***

II. MACROECONOMIC PERSPECTIVES

GDP and investment

Indicator	Actual	Budget	Revised budget	Projection		
	FY19	FY20	FY20	FY21	FY22	FY23
GDP growth (%)	8.15	8.2	5.2	8.2	8.3	8.4
Gross investment (as % of GDP)	31.6	32.8	20.8	33.5	34.5	35.6
Private investment (as % of GDP)	23.5	24.2	12.7	25.3	26.6	27.7
Public investment (as % of GDP)	8.0	8.6	8.1	8.1	7.9	7.9
ICOR	3.9	4.0	4.0	4.1	4.2	4.2

Source: MTMPS

- For FY21, **GDP growth** target has been set at 8.2%
- The budgetary framework of MoF considered a 5.2% GDP growth in FY20
  - Provisional estimates from BBS for FY20 are not yet available
- CPD estimated that the GDP growth rate will not be more than 2.5% in FY20
- **Apparently, the impacts of the COVID-19 pandemic have been largely ignored!**

II. MACROECONOMIC PERSPECTIVES

- **Public investment-GDP ratio** in FY21 has been **assumed to be same as FY20** (8.1%)
- **Private investment** has been estimated to be 25.3% of GDP in FY21: a whopping 12.6 percentage point increase from the MoF estimate for FY20
  - In FY21, a staggering Tk. 446,000 crore (approx.) will be additionally required for private investment (125.2% increase in nominal terms!) based on the MoF estimate for FY20 (Tk. 356,330 crore)
- **ICOR** is expected to be 4.1 in FY21 – productivity of capital to decline (4.0 in FY20, 3.9 in FY19)

II. MACROECONOMIC PERSPECTIVES

Monetary sector and inflation

Indicator	Actual	Budget	Revised budget	Projection		
	FY19	FY20	FY20	FY21	FY22	FY23
CPI inflation (%)	5.5	5.5	5.5	5.4	5.3	5.2
Private sector credit growth (%)	11.3	16.6	14.8	16.7	16.8	16.8

Source: MTMPS

- Growth of credit to private sector has been set at 16.7% for FY21, which is projected to reach 16.8% in FY23
  - As of April 2020, private sector credit growth was 8.8% - lowest since July 2011!
  - **It is envisaged that a 125.2% increase in private investment will be attained in FY21 via a private sector credit growth of 16.7%!!**
- **Inflation** is assumed to be stable at 5.4% in FY21
  - Inflationary trends have broadly remained stable in the closing months of FY20 (5.4 % in May, 2020)

II. MACROECONOMIC PERSPECTIVES

External sector

Indicator	Actual	Budget	Revised budget	Projection		
	FY19	FY20	FY20	FY21	FY22	FY23
Export (growth in %)	10.5	12.0	-10.0	15.0	10.8	11.0
Import (growth in %)	1.8	10.0	-10.0	10.0	8.0	7.0
Remittance (growth in %)	9.6	13.0	5.0	15.0	10.0	10.0

Source: MTMPS

- Growth target for export has been set at 15.0% in FY21
  - Up to May FY20, total export growth was a dismal (-)18.0% with both RMG [(-)19.0% growth] and non-RMG [(-)12.7% growth] export in hot waters
- Growth target for import has been set at 10.0% in FY21
  - Up to Apr FY20, total import growth was negative (-)8.8%. Particularly alarming is the slowdown in capital machineries import [(-)33.5%]
  - Up to Feb FY20, total L/C opening exhibited a growth of negative (-)1.0% while that of capital machineries recorded a decrease by 0.6%

II. MACROECONOMIC PERSPECTIVES

- Remittance growth target for FY21 has been set at 15.0%. However, overall outlook on outward migration was somewhat bleak in the MTMPS [outward migration growth was negative (-)11.6% during Jul-May FY20 as per MTMPS]
  - Up to May FY20, remittance inflow posted a rise of 8.7% over corresponding figure. However, this dynamic might soon change due to job losses in the host countries, lower outbound remittance from GCC countries due to COVID-19 and oil price slump, various restrictive measures and stringent health related conditionalities in host countries
- Exchange rate is expected to be stable – reaching Tk. 84.0/USD on an average in FY21, but pressure on Taka may increase if current account falters
- It appears that the disquieting trends in external sector are either not recognised or projected to recover
  - Currently Tk. 84.95/USD – the budgetary framework predicted BDT to appreciate against USD – CPD proposed a gradual depreciation to aid export and remittance inflow!

II. MACROECONOMIC PERSPECTIVES

Public debt

- **Public debt** as share of GDP is at a **reasonable** state for Bangladesh (33.2% in FY19, 35.6% in the revised target of FY20)
  - May increase to some extent in FY21 (36.8%) – driven by higher domestic and external borrowing in view of the COVID-19 pandemic
- Currently, about 62.4% of the public debt is attributable to domestic debt
  - This composition is expected to decline (62.0% in FY23)
- Govt. needs to utilise low-cost foreign borrowings – which has not been the case in recent years
- Interest payments for domestic debt has already risen considerably
- As will be evinced later, 18.3% of total revenue expenditure will be spent for debt servicing in FY21 of which 91.3% is for domestic debt
- In future, debt servicing for foreign-financed large infrastructure projects financing may put additional pressure – **debt sustainability may become an issue**

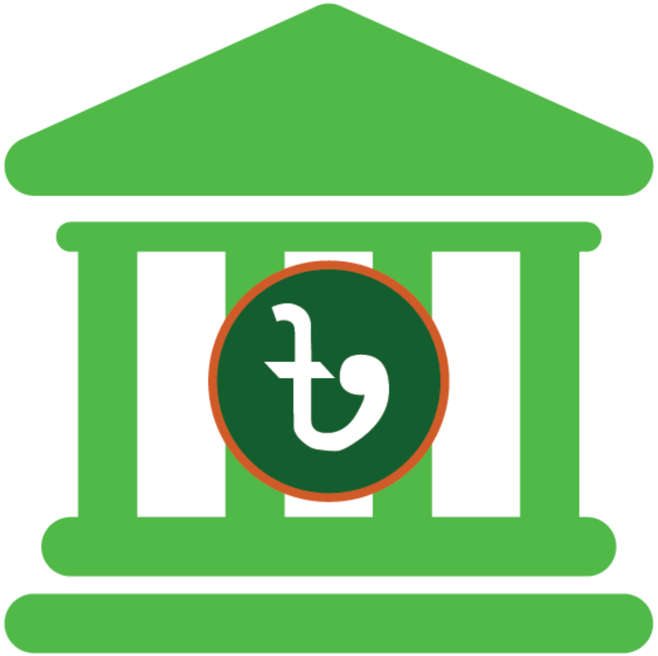
II. MACROECONOMIC PERSPECTIVES

Overall observations

- The reliability of the macroeconomic framework for FY21 and its relevance in the present context should come under rigorous scrutiny
- One notes that a "V-shaped" recovery path has been envisaged as regards GDP growth and that the economy will bounce back to pre COVID-19 level within a year of the pandemic and the associated disruptions
  - However, the underlying trends of private investment, productivity, private sector credit, export, import and remittances pose serious questions as regards the predicted recovery path
- CPD had repeatedly stressed that **GDP growth rate should not be the anchor outcome variable for economic policies**, including the national budget, in the current context. Instead, **focus should be on saving lives of people of the country and reduce the vulnerabilities of the marginalised groups,** particularly in the backdrop of the ongoing COVID-19 pandemic

II. MACROECONOMIC PERSPECTIVES

- An assessment of impact of the ongoing pandemic on *poverty, inequality and employment* should be the primary area of policy interest and policy focus
- CPD has conducted an analysis to explore short-term implications of COVID-19 on poverty and inequality of Bangladesh, using the unit-level data of the Household Income and Expenditure Survey (HIES) 2016
  - The analysis has applied negative shocks on household consumption in the range of 9-25%, which lead to **an increase of national (upper) poverty rate to 35.0% in 2020 from 24.3% in 2016**
  - At the same time, **consumption inequality**, measured by the gini coefficient, **is expected to rise from 0.32 in 2016 to 0.35 in 2020**
  - A similar analysis with a disaggregated income shock results in an **increase of the income gini coefficient from 0.48 in 2016 to 0.52 in 2020**
- **The budget did not try get out of 'GDP growth' centric philosophy, to focus more on poverty, inequality and employment**



III. FISCAL FRAMEWORK

III. FISCAL FRAMEWORK

Broad fiscal framework for FY21

- **Public expenditure** (13.2%) projected to grow **faster** than **revenue mobilisation** (8.6%)
  - Total budget expenditure is set at 17.9% of GDP (same as RBFY20)
  - Revenue income will be 11.9% of GDP (12.4% in RBFY20)
- **Operating expenditure** (17.9%) programmed to grow **faster** than **Development expenditure** (6.3%)
- **ADP**: 36.1 % of total public expenditure (38.5% in the RBFY20)
- **Budget deficit** has been projected at 6.0%of GDP (5.5% in RBFY20)
- The envisaged deficit is likely to be financed by significant increase in foreign borrowing and high bank borrowing

The targets set in the proposed fiscal framework are far from reality!

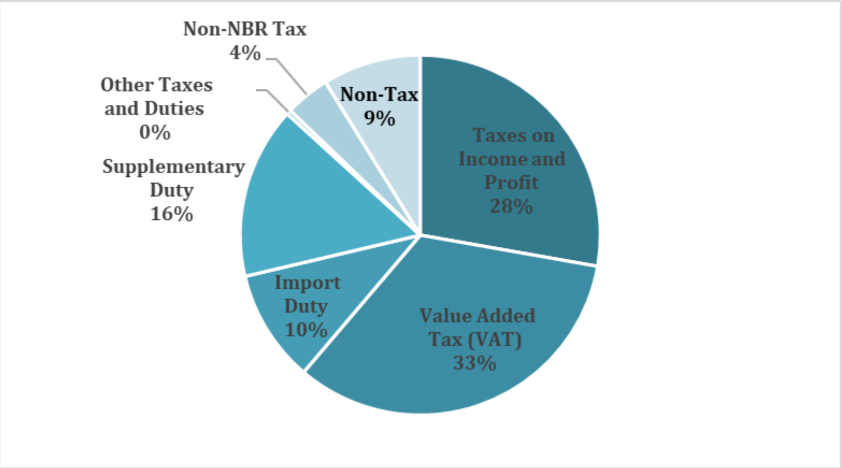
III. FISCAL FRAMEWORK

Revenue mobilisation

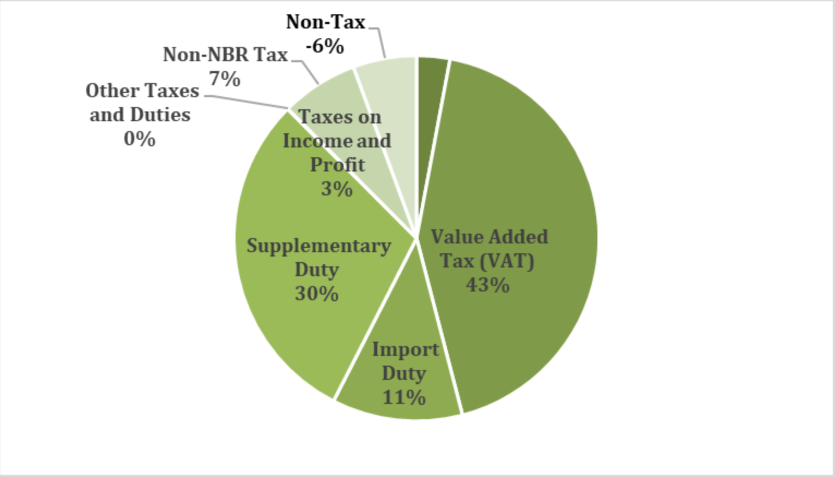
FY21 (Crore Tk.)	378,000
FY20(Revised Budget) (Crore Tk.)	348,069
FY20 (CPD Projection) (Crore Tk.)	252,811
Target Growth (%) FY21 (Budget)	8.6
Target Growth (%) FY21 (CPD Projection)	49.5

- Budget FY21 targets a 8.6% growth over RBFY20
  - CPD projection: 49.5% - approx. an additional about Tk. 125,000 crore may need to mobilised
- NBR to grow by 9.8% and deliver almost entire amount of incremental revenue (98.6%)
- To be primarily delivered by VAT (51.2% of total incremental revenue) followed by supplementary duty 35.7%
- Taxes on Income, Profits and Capital Gains is expected to provide on 3.5% of incremental revenue (about Tk. 1,051 crore)
- About Tk. 2,000 crore lower revenue is expected from the **non-tax revenue sources**

Share of revenue FY21



Incremental share of revenue FY21



III. FISCAL FRAMEWORK

Total Public Expenditure

Sector	Share in BFY21	Share in RBFY20	Change in FY21B over FY20R		Incremental Share
	%		Crore Tk	%	%
Public Service	19.9	16.0	32756.0	40.7	49.3
Education and Technology	15.1	15.4	8724.0	11.3	13.1
Transport and Communication	11.4	11.7	6093.0	10.4	9.2
Interest	11.2	11.5	6137.0	10.6	9.2
LGRD	7.0	8.1	-901.0	-2.2	-1.4
Defence Services	6.1	6.5	1777.0	5.4	2.7
Social Security and Welfare	5.6	6.1	1155.0	3.8	1.7
Agriculture	5.3	5.4	2963.0	11.0	4.5
Health	5.1	4.7	5555.0	23.4	8.4
Public Order and Safety	5.0	5.5	1229.0	4.5	1.9
Energy and Power	4.7	5.2	604.0	2.3	0.9
Housing	1.2	1.5	-509.0	-6.8	-0.8
Recreation, Culture and Religious Affairs	0.8	0.9	52.0	1.1	0.1
Industrial and Economic Services	0.7	0.8	-41.0	-1.0	-0.1
Others (Memorandum Item)	0.8	0.8	829.0	21.0	1.2
Total Expenditure	100.0	100.0	66423.0	13.2	100.0

- Public services sector alone account for 49.3% of total incremental expenditure; followed by education, and technology (thanks to Rooppur Power Plant)

III. FISCAL FRAMEWORK

- **Within Public Services Sector,** Finance Division receives an incremental amount of Tk. 33,399 crore which is about 50.3% of total additional public expenditure for FY21
- **Tk. 27,961 crore has been kept for Investments in Shares and Equities** in FY21 (Tk. 13,459 crore in RBFY20) in a year when every penny counts
- Tk. 22,771 has been allocated for providing loan to autonomous bodies
- **To compare, annual total new allocation in view of COVID-19 for FY21 is equivalent to Tk. 21,022 crore (3.7% of total budget)**
- Total incremental allocation for Interest Payments is Tk. 6,731 crore; of which, domestic - Tk. 5,456 crore (88.9% of total)

New Allocations (annualised) in view of COVID-19 for FY21	**Tk in crore**
Allocation for COVID-related emergency health response	10,000
Paying the interest on an incentive package for businesses	3,000
Subsidise the bank loan interest whose payment was postponed during the April-May period	2,000
Cash incentives for targeted population (2,500 for 50 lakh families)	500
Compensation for family members of the deceased public servants	322
Incentives for farm mechanisation	200
Refinancing scheme for small income farmers and traders in the agriculture sector	3,000
Credit for self-employment venture (through Palli Sanchay Bank, Probashi Kallyan Bank, Karmasangsthan Bank and PKSF)	2,000
Total	**21,022**

Contingent Liability

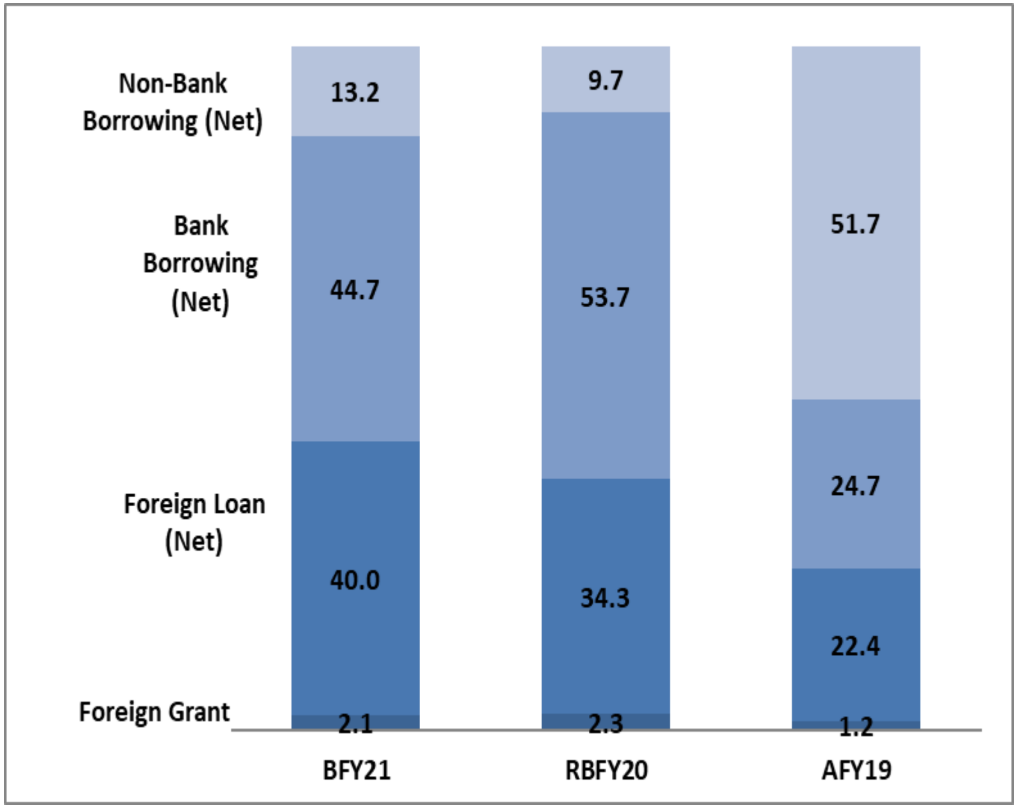
- Government's guarantee (contingent liability) has increased over the last one year – a negative development!
- Power and energy sector is currently the leading sector in terms of receiving guarantee from the government

List of Government Guarantees (Contingent Liability)

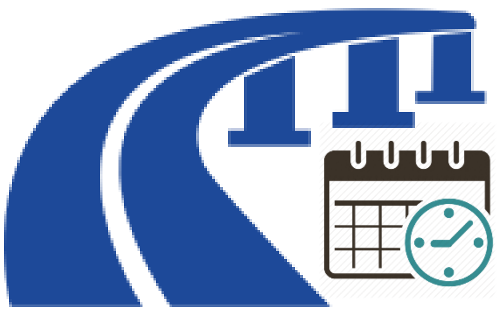
Sector	Amount (Crore Tk.)			Growth (%)		Share (%)		
	FY19	FY20	FY21	FY20	FY21	FY19	FY20	FY21
Agricultural Credit	9,155	3,143	3,681	-65.7	17.1	12.8	5.4	6.1
Biman	6,552	4,937	10,279	-24.6	108.2	9.2	8.5	16.9
Energy	**1,680**	**3,381**	**1,199**	**101.3**	**-64.6**	**2.3**	**5.8**	**2.0**
Power	44,744	33,777	33,742	-24.5	-0.1	62.6	58.4	55.6
Telecom	1,344	1,315	1,169	-2.2	-11.1	1.9	2.3	1.9
Miscellaneous	8,017	11,272	10,584	40.6	-6.1	11.2	19.5	17.4
Total	**71,493**	**57,826**	**60,653**	**-19.1**	**4.9**	**100.0**	**100.0**	**100.0**

Budget Deficit and Financing

- Share of **domestic financing 57.6**% in FY21 (63.4% in RBFY20)
- Tk 86,980 crore (44.7% of total) will come from the bank borrowing; while only Tk. 20,000 crore from net sale of NSD certificates
- Gross foreign aid requirement will be around **USD 11.1 bln** (USD 8 bln in RBFY20) – current commitments in view of COVID-19 **may not be enough**



- **Critical element will be utilisation of foreign aid through faster-paced ADP project implementation without corruption**



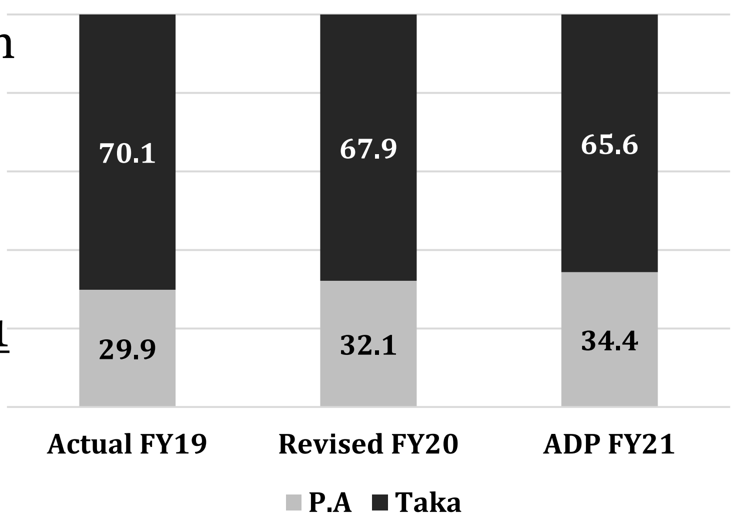
IV. ANNUAL DEVELOPMENT PROGRAMME

IV. ANNUAL DEVELOPMENT PROGRAMME

ADP FY2021 has regrettably pursued a business as usual framework

- ADP of Tk. 205,145 crore has been proposed for FY21
  - 6.5% of GDP in FY21 (5.8% in FY19 Actual and 6.9% in FY20 RADP)
- 1.2% higher than ADP and 6.3% higher than RADP for FY20
- The rate of implementation of original ADP in FY20 is likely to be **not more than 60%** even in best case scenario in view of COVID-19
- Project Aid implementation (74.3%) has always been lower than Taka component (95.3%) on an average in the last 10 fiscal years
- Project Aid to finance 34.4% of total ADP in FY21 (32.1% in RADP of FY20) – no high ambition
  - **Rooppur Power Plant** accounts for 18.4% of total project aid in ADP for FY21

ADP Financing Structure (% of total)



- **Revenue surplus as a share of financing ADP is declining in terms of allocation; but in terms of actual expenditure there may be no surplus**
  - Revenue surplus to finance only 3.7% (Tk. 7,660 crore) of total ADP in FY21, 17.4% in RADP of FY20, -1.8% in FY19 (Actual), 7.3 in FY18 (Actual)

IV. ANNUAL DEVELOPMENT PROGRAMME

Allocation concentration of top 5 sectors has increased – priority sectors in view of COVID-19 have not received due attention

- The **top 5 sectors** have received **70.5%** of total ADP allocation – share of allocation has increased from 70.1% and 70% in ADP FY20 and RADP FY20
  - **Transport Sector** once again has received the highest allocation (25.4% of total) for the highest number of projects (298); **Physical Planning, Water Supply & Housing** have received second highest share in ADP allocation
  - SICT has entered into the top five club for the second time in place of RDI – Rooppur project accounts for 70.3% of total allocation for SICT sector

Top Five Sectors in ADP FY21

Sector	No of Projects ADP FY21	Share (%) ADP FY21	Share (%) RADP FY20	Share (%) ADP FY20	Growth (%) ADP FY21 over RADP FY20
Total Five Sectors	**842**	**70.5**	**70.0**	**70.1**	**7.1**
Transport	298	25.4	24.6	26.0	9.8
Physical Planning, Water Supply &Housing	270	12.6	13.7	12.0	-2.7
Power	88	12.1	12.3	12.8	4.5
Education & Religious Affairs	136	11.4	10.6	10.5	14.5
Science, Information & communication Technology	50	9.0	8.7	8.7	9.8
Other 12 Sectors	**742**	**27.8**	**28.4**	**28.2**	**3.9**
Health, Nutrition, Population & Family Welfare	*74*	*6.4*	*5.5*	*6.4*	*23.9*
Development Assistance	**NA**	**1.7**	**1.6**	**1.7**	**16.4**
Total	**1,584**	**100.0**	**100.0**	**100.0**	**6.3**

Independent Review of IRBD Bangladesh's Development

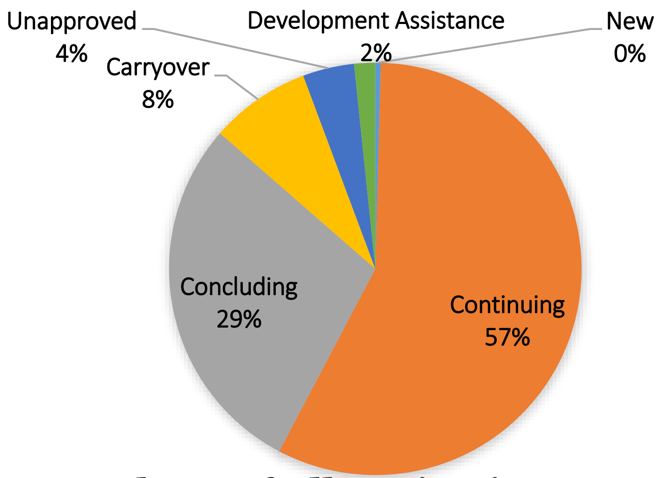
IV. ANNUAL DEVELOPMENT PROGRAMME

Allocation concentration of top 5 sectors has increased – priority sectors in view of COVID-19 have not received due attention

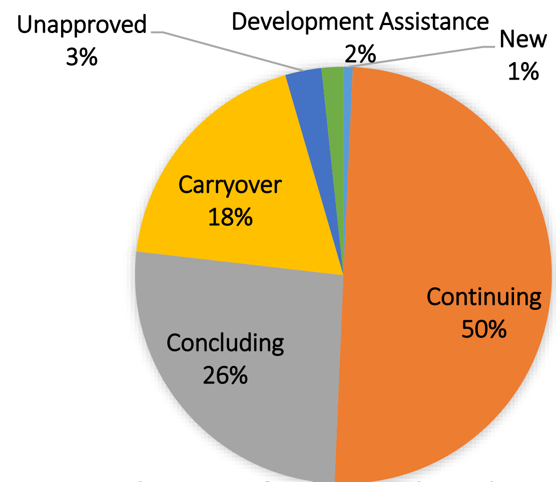
- Surprisingly share of **Health, Nutrition, Population & Family Welfare in ADP FY21 (6.4%)** remained same as in FY20 despite this being the most important sector in view of COVID-19
    - It includes only one new project related to COVID-19 titled "COVID-19 emergency response and pandemic preparedness" co-financed by World Bank
    - Also, no COVID-related project was found in the list of 'Unapproved projects without allocation'
- Shares have risen marginally **for Agriculture** (from 3.8% to 4.1%), **Social Welfare, Women Affairs & Youth Development** (from 0.4% to 0.5%) and **Labour & Employment sectors** (from 0.2% to 0.3%) compared to FY20

IV. ANNUAL DEVELOPMENT PROGRAMME

- The ADP for FY21 contains **1,584 projects** (1,475 for ADP of FY20)



Share of Allocation in FY20



Share of Allocation in FY21

- **Share of allocation for concluding projects has declined while increased for carryover projects**
  - Share of concluding projects declined to 26% in FY21 from 29% in FY20
- **46 new projects** are included in FY21 (41 in FY20): 1% of total ADP allocation (0.4% in FY20)
  - 161 new projects were included in the RADP for FY20
- 50% of allocation is provided to 430 continuing projects

IV. ANNUAL DEVELOPMENT PROGRAMME

- However, a total of 552 projects are scheduled to be concluded in FY21, according to project completion timeline
- **556** 'carryover' projects account for **18.7%** of the total allocation (7.9% in FY20, 7.6% in FY19 – highest since at least FY13)
  - Physical Planning, Water Supply & Housing sector has 120 of these projects, followed by Transport (116), Education (59), Agriculture (34), and Power (26)
  - Thus, total number of projects which should be concluded: **1108**
- Planning Commission has identified **380** projects which may be **completed in FY21**
  - Many of these are unlikely to be completed by FY21
- 61 projects were included in the separate PPP list in FY21 (62 in FY20) – They are mainly **Transport** (82%) and **Physical Planning** (18%) sector projects
- 1,347 projects are listed without allocation (in a separate list) in FY21 – Highest since at least FY09!

Project Status	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Unapproved projects without Allocation	702	720	662	624	857	1,172	1,315	1,338	1,045	1347
Projects listed to seek Foreign Funds	259	327	346	338	382	349	360	326	242	96
Total Number of Projects in the ADP	**1,039**	**1,037**	**1,046**	**1,034**	**999**	**1,141**	**1,192**	**1,347**	**1,475**	**1,584**
PPP	16	13	44	40	40	32	36	78	62	61
Possible Completion (PC identified)	305	330	305	324	324	354	411	446	355	380

IV. ANNUAL DEVELOPMENT PROGRAMME

- It is observed that **the share of projects with symbolic allocation (the minimum to keep these projects in the ADP list) is on the rise and majority of these are carryover projects**
  - **64 projects (4%) under ADP received only Tk. 1 lakh** for FY20; 62 projects received such allocation in FY19
  - Inclusion of projects under Tk. 1 lakh have been a perpetual practice (64 projects in FY19)
  - **55 (86%) of those are carried over from ADP FY20**
  - 11 of the 64 projects are in Physical Planning, Water Supply & Housing sector (14 in FY20)

IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Ageing projects (the Zombies!) on the march!

- **Average age** of 1,387 investment projects are **4 years**
- **211** (15.2%) of these 1,387 projects are more than 6 years old (this is because of repeated extension of projects)
- **39** of these 1,387 projects are 10-17.5 years old while **3** of them are more than 15 years old
  - Tannery Industrial Estate, Dhaka (17.5 years), Third Local Government Support Project (LGSP-3) (15 years), and Construction of Bangladesh Chancery Complex in Islamabad, Pakistan (15 years) – revised more than once
  - Average implementation rate of these three projects was about 67% up to Feb 2020
- 20.2% of such projects have already been revised between 1-4 times
- Number of revisions of projects: once (201), twice (68), three times (9), four times (2)
- Revised unapproved projects: 66

IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Projects with expected foreign aid both in terms of allocation and number are declining since FY17

- 96 projects have been listed with expected foreign aid financing
- The estimated cost of all of these projects was USD 34.1 billion
- Estimated Project Aid to be obtained from different sources was USD 24.8 billion
- Highest share of Project Aid to be obtained is in Transport (47.3% for 36 projects) and Power (23.6% for 21 projects) – emphasis on infrastructure to continue!
- Labour and Employment are expected to receive the third highest share (18.6%) of project aid – mainly for one single project "To Support the Returnee Migrant Workers and Incentives for Expatriates" (accounting for 16.3% of total project aid expected) from GEF – will help returnee migrants to cope with COVID-19 if can be successfully implemented

IV. ANNUAL DEVELOPMENT PROGRAMME

Mega Projects: Allocations have risen, but not the pace of implementation

Project Name	Project Cost (Tk.cr.)	Progress till Feb, 2020 (%)	Possible Progress till June, 2021 (%)	End date
Construction of Rooppur Nuclear Power Plant	113,093	22.8	44.8	30/12/25
Padma Bridge Rail Link	39,247	30.4	47.6	30/06/24
Matarbari 2x600 MW Ultra-Super Critical Coal-Fired Power Project	35,984	32.4	46.1	30/06/23
Padma multipurpose Bridge project	30,193	71.4	94.2	30/06/21
Dhaka Mass Rapid Transit Development Project (Metro Rail)	21,985	39.9	74.1	30/06/24
Construction of Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and Ramu to Ghundum near Myanmar Border	18,034	25.1	36.2	30/06/22
Construction of Dhaka-Ashulia Elevated Expressway	16,901	0.0	8.4	30/06/22
SASEC Road Connectivity: Improvement of Elenga-Hatikumrul-Rangpur-Highway into 4-Lane Highway	11,899	13.2	28.6	31/08/21
Ghorasal Polash Urea Fertilizer Project (GPUFP)	10,461	20.8	68.1	30/06/22
Construction of Multilane Road Tunnel under River karnaphuli	10,374	43.5	66.5	30/06/20
Rupsha 800-Megawatt Combined Cycle Power Plant	8,499	7.0	10.6	30/06/22
Installation of Single Point Mooring (SPM) with Double Pipe Line	6,568	14.0	42.9	30/06/22
SASEC Road Connectivity: Improvement of Joydebpur-Chandra-Tangail-Elenga Road (N-4) to 4-Lane Highway	5,593	68.8	87.7	30/06/20
Developing Port Infrastructure/Support Facilities of Payra Port for Commencing Port Operations	3,506	61.2	85.5	30/06/20

IV. ANNUAL DEVELOPMENT PROGRAMME

Mega Projects: Allocations have been raised, but pace of implementation remain slow

- Tk. 41,382 crore is allocated for 14 projects (all infrastructure including fast-track and based on project size) which is 20.2% of total ADP of FY21
  - Tk. 40,225 crore and 20.9% in RADP FY20
- 4 out of 14 projects are scheduled to be completed by FY21
  - Given the progress of work, it would not be possible to complete any of these projects including the PMB project
  - Shockingly, the 'Installation of Single Point Mooring (SPM) with Double Pipe Line' project will progress by a maximum 42.9% even if it spends all its allocated funds for FY21 – carried over from FY19!
- China is co-financing 4 out of these 14 projects, and progress of implementation of these projects are very poor

IV. ANNUAL DEVELOPMENT PROGRAMME

Five important observations can be made for ADP FY2021 in view of COVID-19

- The ADP for FY2021 did not follow required allocative priorities in view of the need to respond to the ongoing COVID-19 pandemic
  - Allocation for **HNPFW** remained unchanged; has risen only marginally for **Agriculture**, **Social Welfare** and **Labour & Employment sectors** compared to FY20
- Limited effort towards exploring new projects to address COVID-19 emergencies
  - **Only one COVID-related project was included in Health sector**
- No high ambition in financing ADP from foreign aid. Indeed, foreign aid expectation in terms both allocation and number of projects decreased drastically in FY21. Financing from revenue surplus is also on a declining trend
- GoB could not restrain itself from including and allocating funds for the 'carryover' and 'ageing' projects in FY21 – in fact both of them have increased!
- The government could avoid taking populist projects (e.g. 'symbolic projects' for transport and physical planning sectors)

V. FISCAL MEASURES

Personal Income Tax (PIT)

- **Major revisions in the income tax structure**
  - Annual tax-free income threshold for personal income has been raised to Tk. 3.0 lakh from Tk. 2.5 lakh
  - For female taxpayers and elderly taxpayers : To Tk. 3.5 lakh from Tk. 3 lakh
- Tax-free income threshold remains the same at Tk. 4 lakh and Tk. 4.5 lakh for specially abled and freedom fighters
- Earlier CPD had proposed to raise the threshold to Tk. 3.5 lakh and reduce the first three slabs of tax rates by 5 per centage points

Current provision		Proposed provision	
Total income	**Tax rate**	**Total income**	**Tax rate**
First 2,50,000	Tax free	First 3,00,000	Tax free
2,50,001 to next 4,00,000	10%	3,00,001 to next 1 lakh	5%
6,50,001 to next 5,00,000	15%	4,00,001 to next 3 lakh	10%
11,50,001 to next 6,00,000	20%	7,00,001 to next 4 lakh	15%
17,50,001 to next 30,00,000	25%	11,00,001 to next 5 lakh	20%
Over 47,50,000	30%	16,00,001 and above	25%

Independent Review of Bangladesh's Development (IRBD)

V. FISCAL MEASURES

- **CPD feels the changes to be welcome in view of the adverse affects of COVID-19 pandemic**
  - Following the change, the lowest segment of income earners will gain the most (about 28-67%) i.e. whose monthly income is between Tk.30,000 and Tk. 60,000
  - However, benefit will start to increase again for monthly income earners of 4 lakh and above *– not promoting tax justice*

Annual taxable income (Tk.)	Monthly taxable income (Tk.)	Tax relief (Tk.)	Tax relief as (%) amount of tax (old rate)
2.5 lakh	20,833	0	
3 lakh	25,000	-5,000	-100
4 lakh	**33,333**	-10,000	**-67**
6.5 lakh	**54,167**	-10,000	**-25**
7 lakh	**58,333**	-12,500	**-26**
11 lakh	91,667	-12,500	-12
11.5 lakh	95,833	-10,000	-9
16 lakh	1,33,333	-10,000	-5
17.5 lakh	1,45,833	-2,500	-1
48 lakh	4 lakh	-2,500	0
60 lakh	**5 lakh**	-62,500	**-5**
1 crore 20 lakh	**10 lakh**	-3,62,500	**-11**
48 crore	**4 crore**	-2,37,62,500	**-17**

- First online return submission will receive rebate of Tk. 2,000 *–will encourage digital transformation of tax department*
- **Ease of tax return**
  - One page Tax Return form has been proposed for small taxpayers *– simplification of tax return form may incentivize more individuals to submit return*
  - E-TIN has been made compulsory for Zilla Parishad Chairman and Vice Chairman - *will improve transparency as regards income of these elected people*

V. FISCAL MEASURES

Corporate Tax

- 2.5% reduction in tax rate of **non-publicly traded companies** to fix it at 32.5% from 35% *-the tax differential between listed and non-listed companies to reduce; listing of companies to be discouraged*
- Tax rates for publicly traded companies, publicly traded banks, insurance and financial institutions, and merchant bank will remain unchanged
- For **RMG**s, the present provision of 12% (10% for green industry) has been extended for another two years - *will help reduce environmental degradation by limiting negative externality*

Withholding Tax

- Reduced at 0.5% from 1% on **all types of export proceeds including that of RMG**
  - However RMG has been currently enjoying the further reduced rates through an SRO, which will continue to be in force till 30th June 2020. *The current rate may be continued for one more year in view of the pandemic*

Advanced income tax

- AIT has been raised by 50-67% for private cars, jeeps and microbus *- CPD welcome the rise in tax on motor car/jeep.*
- *Tax on micro bus will likely be shifted to consumers*

Untaxed/undisclosed money provision

- Individual taxpayers are allowed to disclose any type of undisclosed house property including land, building, flat and apartment on paying tax at a particular rate on per square meter
  - *CPD has along argued against this move on grounds of moral hazard, disincentive for honest taxpayers and not having been effective in the past*
- Individual taxpayers can invest money in the capital market and show it in their tax returns on paying tax at a rate of 10% on the value of the investment subject to satisfying certain conditions including a lock-in period of three years *– such moves undermine the cause of transparency and good governance*

Untaxed/undisclosed money provision (contd.)

- Individuals can disclose undisclosed cash, bank deposits, savings certificates (Sanchayapatra), shares, bonds or any other securities on paying taxes at a rate of 10% on the value of the said declaration *– if this type of provisions are to be at all allowed, the rate should be applicable tax rate plus penalty – will discourage the honest taxpayers*
- These facilities will be available only for FY21

Money-laundering Prevention

- Introduction of a new section in the Income Tax Ordinance to prevent money-laundering
- 50% tax will be levied on the proven amount of over- or under-invoicing, or on the proven amount of false declaration of investment
- CPD calls for heightened forensic capacity of the Transfer Pricing Cell. At the same time, they should be able to access to international trade database
- Good initiative to discourage illicit financial outflows through over and under invoicing. **Coordination among the concerned various agencies** (NBR, dealing banks) is required. NBR's Transfer Pricing cell should take the lead

V. FISCAL MEASURES

Tax deducted at source

- TDS reduced to 2% from existing 5% on import of garlic and sugar
  - *May impact the local producers of garlic and sugar adversely*
- TDS reduced to 2% from existing 5% on import of raw material for poultry feed
  - *Will promote the domestic poultry industry*

Tax Holiday – *good rationalisation*

- Existing 26 sectors to continue enjoying the facility
  - Inclusion of 8 more potential manufacturing sectors under the facility – Electrical transformer, Artificial fiber or manmade fiber manufacturing, Automobile parts and components manufacturing, Automation and Robotics design, manufacturing including parts and components thereof, Artificial Intelligence based system design and/or manufacturing, Nanotechnology based products manufacturing, Aircraft heavy maintenance services including parts manufacturing – ***will provide support to domestic enterprises to grow. However, misuse of the facility should be checked***

Independent Review of Bangladesh's Development

V. FISCAL MEASURES

Changes in VAT and SD Rules

- VAT and SD Rules 2016 have been amended
  - **time limit** for input tax credit has been proposed to extend up to 4 tax periods from existing 2 tax periods
  - 80% expenditure incurred in the transportation services will be eligible for **input credit** claim
  - **partial input tax credit** mechanism has been made effective and easier
  - **multiple withholding of VAT has been avoided** by simplification of rules
  - *Will provide flexibility to businesses*
- VAT-free annual turnover threshold stands at Tk. 50 lakh; turnover tax ceiling has not changed either (upto Tk. 3 crore); 4% turnover tax also remained unchanged
  - *CPD proposed an upward revision for VAT-free annual turnover threshold to Tk. 1 crore*
- Online-based new VAT law requires mandatory record keeping of VAT challan/invoice during sales/supply through **Electronic Fiscal Device (EFD)** and **Sales Data Controller (SDC)**
  - *Government is yet to distribute EFD among the businesses*

V. FISCAL MEASURES

Changes in tax and duty structure at local level

COVID-19 emergency response

- VAT exempted at import, manufacturing and trading stage for 17 types of medical equipment including soapy alcohol, COVID-19 testing kits, PPE, 3-ply surgical masks, protective spectacles, goggles, and raw materials for hand sanitisers, surgical masks, and disinfectants – *welcome decision*
- Continues exemption on meditation service for one more year in view of the adverse affect of pandemic on mental health

Development of agro-based industries

- VAT reduced from 15% to 5% for manufacturing of potato flakes made of locally produced potatoes – *will help promote agro-related investment*
- Reduction of VAT from 15% to 5% for manufacturing maize starch – *will help boost domestic maize production*
- VAT exemption on locally produced mustard oil – *will encourage mustard oil production*
- VAT exempted on agricultural machineries such as Power Ripper, Power Tiller operated Seeder, Combined Harvester, Rotary Tiller, etc. at the trading stage – *will encourage mechanization of agriculture*

V. FISCAL MEASURES

Development of domestic industrialisation

- Reduced Advance Tax (AT) on imported raw materials for manufacturing industries from existing 5% to 4%- *will encourage local manufacturing industries*
- Only 5% VAT rate on domestic production of Loaded PCB (Printed Circuit Board), Unloaded PCB and Router have been proposed – *will encourage growth of local ICT sector*
- Imposed fixed VAT at the rate of 6 taka per kg from the existing 5% ad valorem VAT on Polyester, Rayon and all other synthetic yarn, and at the rate of 3 taka per kg from the existing 4 taka per kg on all kinds of Cotton Yarn – *expected to promote the cause of local textile development*

Promoting clean energy

- VAT exemption on up to 60 amp solar battery production for partner organisations of Infrastructure Development Company Ltd (IDCOL) – *will support environment-friendly clean energy growth*

V. FISCAL MEASURES

Priority on big project implementation

- VAT exemption facility in cases of government's priority and fast track projects, such as Rooppur Nuclear Power plant Project, High Tech Parks, Economic Zones and the Public-Private Partnership (PPP) projects – *will have adverse impact on revenue mobilisation and induce demonstration effect for future projects*

Tobacco tax sees new height

- Both base price and SD increased for different categories of bidi, cigarettes, gul and zarda – *will discourage consumption of health hazardous products and also generate higher revenue*

Taxes on luxury products and services taxed

- SD increased to 30% from 25% for chartered aircrafts and helicopters – *welcome move*
- SD increased to 10% from 5% on locally manufactured cosmetics – *No mention about imported products*

Toll on Furniture industries and ceramics

- Raised VAT to 7.5% from the existing 5% on the showroom prices of furniture to adjust with factory price
- SD imposed at 10% on Ceramic Sink, Basin, etc. at the manufacturing stage – *additional fiscal burden for the concerned sectors*

V. FISCAL MEASURES

Additional cost on mobile phone use and for registration of private vehicles

- SD raised to 15% from 10% on services provided through mobile phone SIM/RIM – *will generate additional revenue; no significant impact on the consumer base*
- SD increased to 15% from 10% for all types of services provided by the BRTA for car and jeep registration and related services – *revenue generating measure; will have adverse impact for private car owners*

Changes in duties at import stage

- Existing (six) slabs of Customs Duty (0%, 1%, 5%, 10%, 15%, and 25%) will remain unchanged
- 12 slabs (10%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 300%, 350%, and 500%) of SD to also continue
- There are two broad rationales as regards duty changes:
  - A wide range of tariff reduction at import stage has been proposed – particularly for import of raw materials and for almost all potential sectors
  - Some duties have been raised to protect local industry
- Existing provisions of bonded warehouse licensing rules will be rationalised in order to ensure proper utilisation of bond facilities

V. FISCAL MEASURES

Changes in duties of selected items

- ❑ Zero rated customs duty will remain unchanged for import of essential commodities, fertilisers, seeds, lifesaving drugs and raw cotton along with raw materials for some industries. Incentives and exemptions will be extended to imports of **agricultural equipment and spare parts** – *welcome move*
- ❑ 5% CD has been imposed on **imported onion** – *will protect local onion producers to get fair market price*
- ❑ Reduced tax rate on **import of SME product-related raw materials**. At the same time, to protect SMEs, duty and taxes have been raised on some other products (e.g. nails, screws, small machinery parts, etc.)
- ❑ CD reduced on import of refractory cement for **steel industry** – *will promote expansion of steel industry*
- ❑ CD reduced to 15% from 25% on import of **photographic plates of plastic** – *will* help support *growth of plastic and packaging industry*

V. FISCAL MEASURES

- Budget has proposed to rationalise duty structure and allowed import of raw materials at a concessional rate to facilitate protection, expansion and diversification of a number of export-oriented sectors including footwear, electronics industry, shipbuilding industry etc. *–welcome move*
- CD has been withdrawn for two raw materials of poultry feed *–welcome move*
- VAT at import stage has been withdrawn for **import of Gold** *–to encourage import through legal routes*
- Exemption of all import duties and taxes on **coronavirus testing kits, masks and personal protective equipment (PPE) and on the raw materials** required to locally produce hand sanitisers, masks and PPE – *a timely decision*
- CD reduced on **essential raw materials** for locally produced Autoclave machines used for sterilising medical instruments – *will help the health sector*

V. FISCAL MEASURES

- Rationalisation of existing import tax concessions for manufacturing of cellphones– *will encourage cellular phone manufacturing at local level*
- Withdrawal of exemption benefit on **import of furnace oil** – *will discourage installation of furnace oil-based power plants*
- CD reduced on **import of electrical signaling equipment**, one of the main components of deep sea fishing – *will encourage fishing sector and help tap the potential of the blue economy*
- Shrimp production has been disrupted severely due to Amphan cyclone. However, the sector has received only limited support in terms of duty benefits. CD remains 5-25% for all major feed and aqua inputs used in shrimp sector – *impact on shrimp sector should be revisited and acted upon accordingly*
- Rationalisation of duties are often administered on an ad-hoc basis. However, these need to be based on revenue rationale and economic return

V. FISCAL MEASURES

Reform initiatives

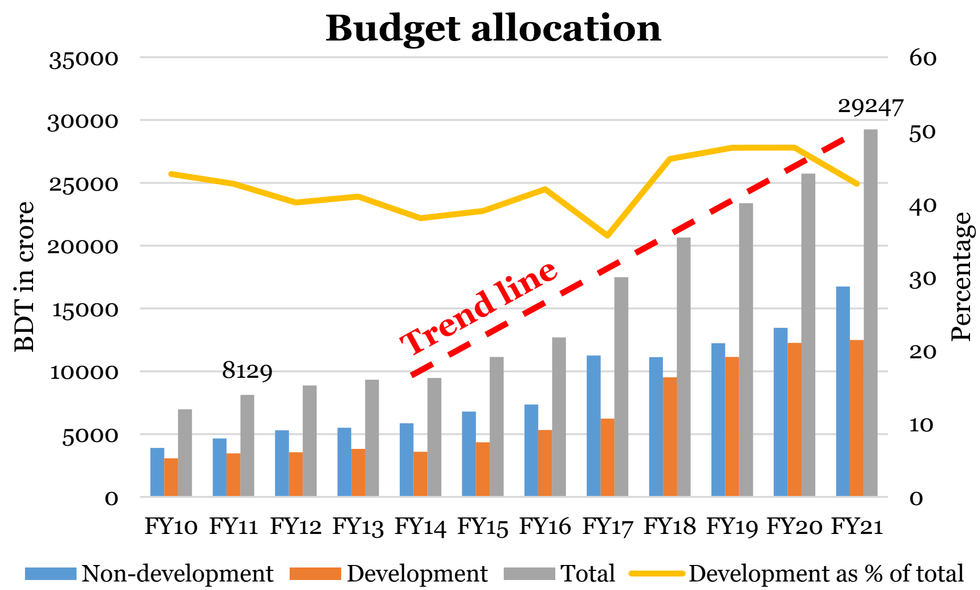
- **Modernisation of the Income Tax Ordinance** – No concrete deadline proposed
- Government has taken initiatives to establish the **Bangladesh Single Window Commissionerate** – in this context amendments of Customs Act, 1969 is necessary
  - CPD has been persistently advocating in favour of speedy passing of Customs Act and Direct Tax Act 1969
- **Expansion of the tax net** and implementation of the **BITAX project**
  - Government is going to make income tax returns mandatory for every TIN holder
  - At the same time, online filing of return has been introduced and tax payment process is much easier than before
- CPD urges the need for broader use of technology to boost revenue mobilisation efficiency: Introduction of an e-TDS system will make tax evasion difficult

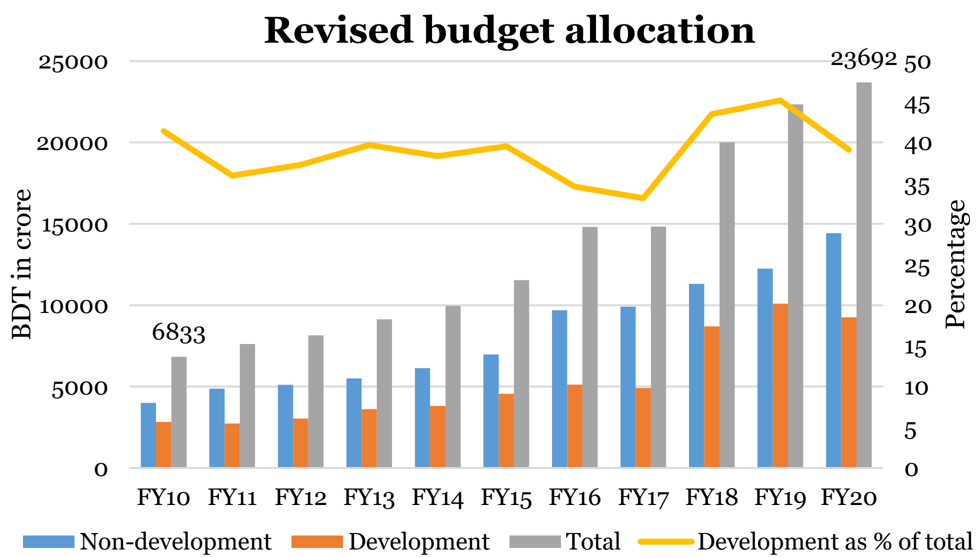
VI. FOUR PRIORITY SECTOR SELECTED BY CPD

Health

Health

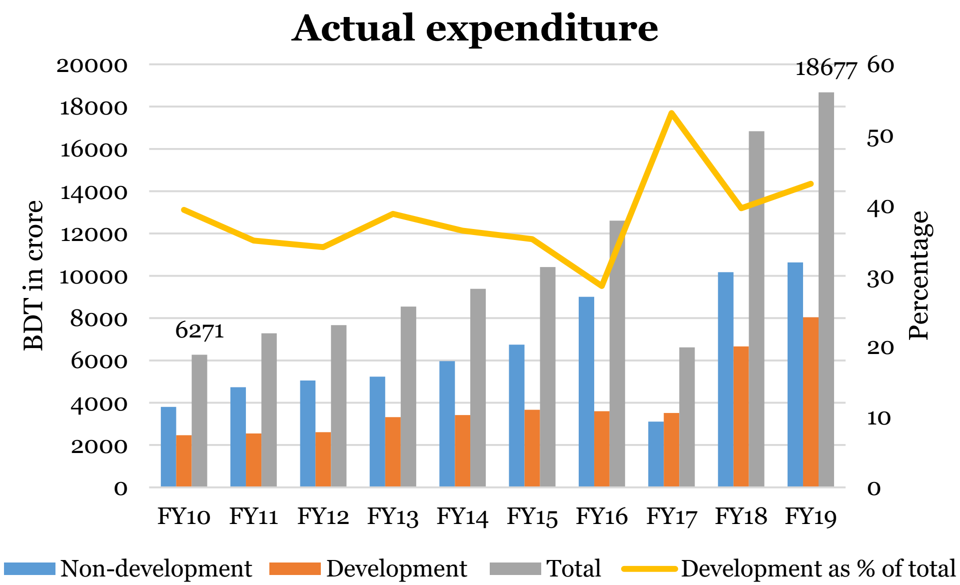
- **Total** budget allocation for health **increased only by 14%**, from BDT 25,733 crore in FY20 to BDT 29,247 in FY21
  - **Development** budget allocation **increased by only 1.90%**, whereas **non-development** budget allocation **increased 24.37%**
  - **Share of development budget allocation** in total budget allocation **decreased** from **48%** in **FY20** to **43%** in **FY21**
- **Average annual change** in total budget allocation for health between **FY11** and **FY21** was also **14%**
  - **Increase** in total budget allocation for health in FY21 followed a linear trend line, indicating that the rise was **business-as-usual** and nothing out of the ordinary, despite the fact that the healthcare sector is reeling from the shocks of COVID-19
- Share of revised development budget allocation in total budget allocation decreased from 45% in FY19 to 39% in FY20

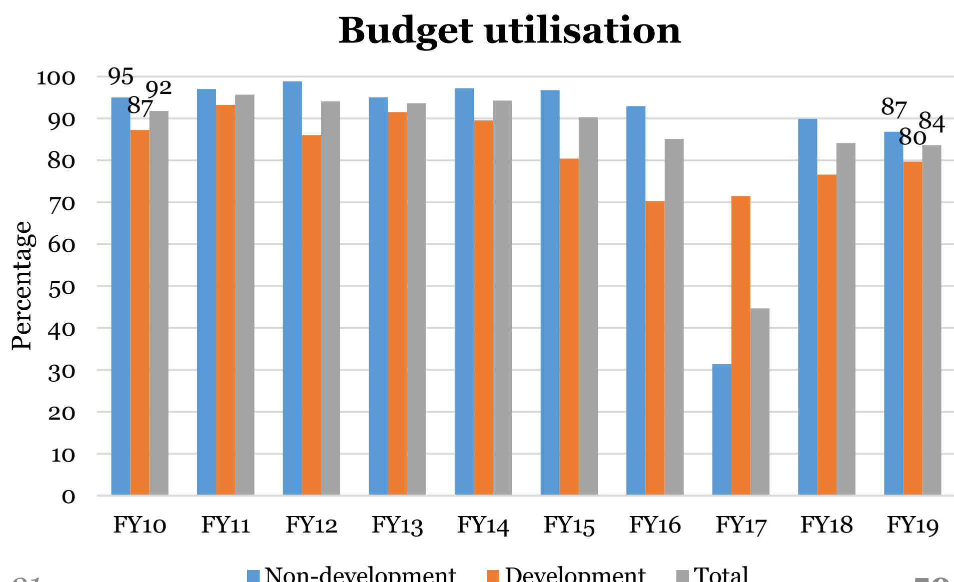




Health

- Actual expenditure increased by 11% from BDT 16,839 in FY18 to BDT 18,677 crore in FY19
- **Budget utilisation** (actual expenditure as a percentage of revised budget allocation) has **worsened significantly over the past decade**
  - **Non-development** budget utilization decreased from **95%** in **FY10** to **87%** in **FY19**
  - **Development** budget utilization decreased from **87%** in **FY10** to **80%** in **FY19**
  - **Total** budget utilization decreased from **92%** in **FY10** to **84%** in **FY19**
- Over the past several years, non-development budget utilization has been consistently higher than development budget utilisation

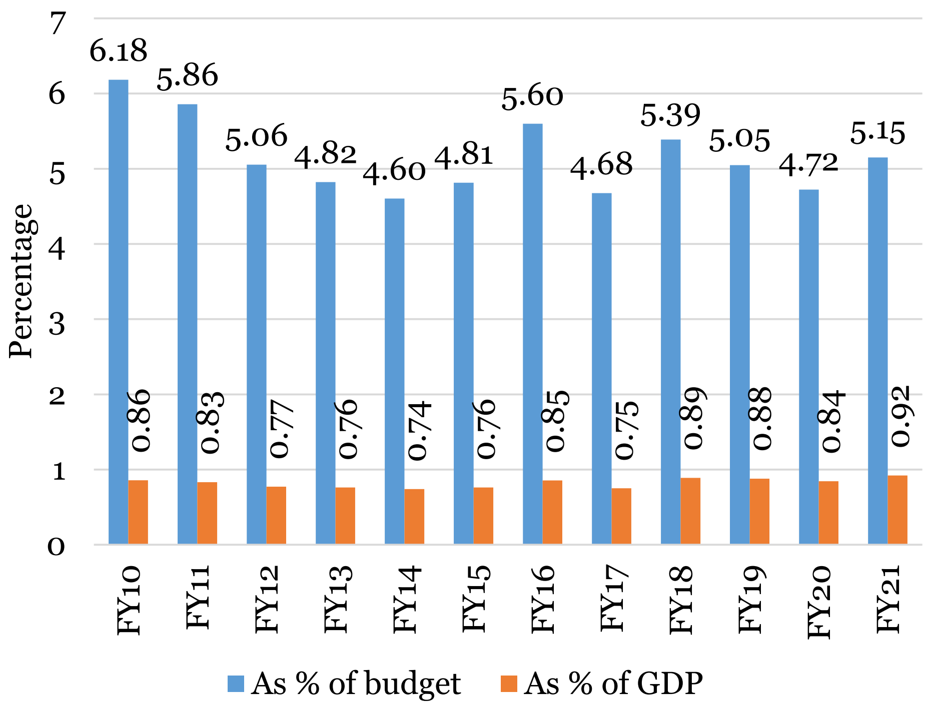




Health

- Allocation for health as a share of the total budget has increased from 4.72% in FY20 to 5.15% in FY21
  - However, this is lower than the allocation of 6.18% of budget in FY10 when there was no pandemic
- Allocation for health as a share of GDP has increased from 0.84% in FY20 to 0.92% in FY21
  - Such allocation is only marginally higher than the average allocation of 0.82% of GDP during FY10 to FY21

Health allocation as % of total budget and GDP



- Budget allocation for health has been **less than 1% of GDP** for the past 12 years indicating that healthcare was never a priority sector for the government; *in 2017 at least 30 LDCs spent more than 1% of GDP on health*
  - **Surprisingly, even the COVID-19 pandemic was not reason enough for the government to prioritise the healthcare sector in FY21**

If the government spends BDT 1 on health from the budget allocation

Then the average Bangladeshi spends BDT 4.42 on health from their own pocket

Source: World Health Organization Global Health Expenditure database (http://apps.who.int/nha/database).

Table: Out-of-pocket expenditure (% of relevant health expenditure)

Year	Bangladesh	Bhutan	India	Nepal	Pakistan	Sri Lanka
2001	65.14	7.93	74.11	51.27	60.11	41.09
2003	62.39	19.01	73.42	53.81	65.53	37.61
2005	64.85	16.79	73.15	49.22	71.02	40.50
2007	65.82	14.34	70.82	60.96	72.43	44.85
2009	67.24	16.58	66.76	57.62	72.34	53.29
2011	67.37	16.34	62.22	58.38	67.14	51.22
2013	68.51	20.31	69.07	63.53	65.17	48.93
2015	71.82	19.79	64.66	59.44	66.18	48.93
2017	73.88	13.31	62.40	57.80	60.24	49.76

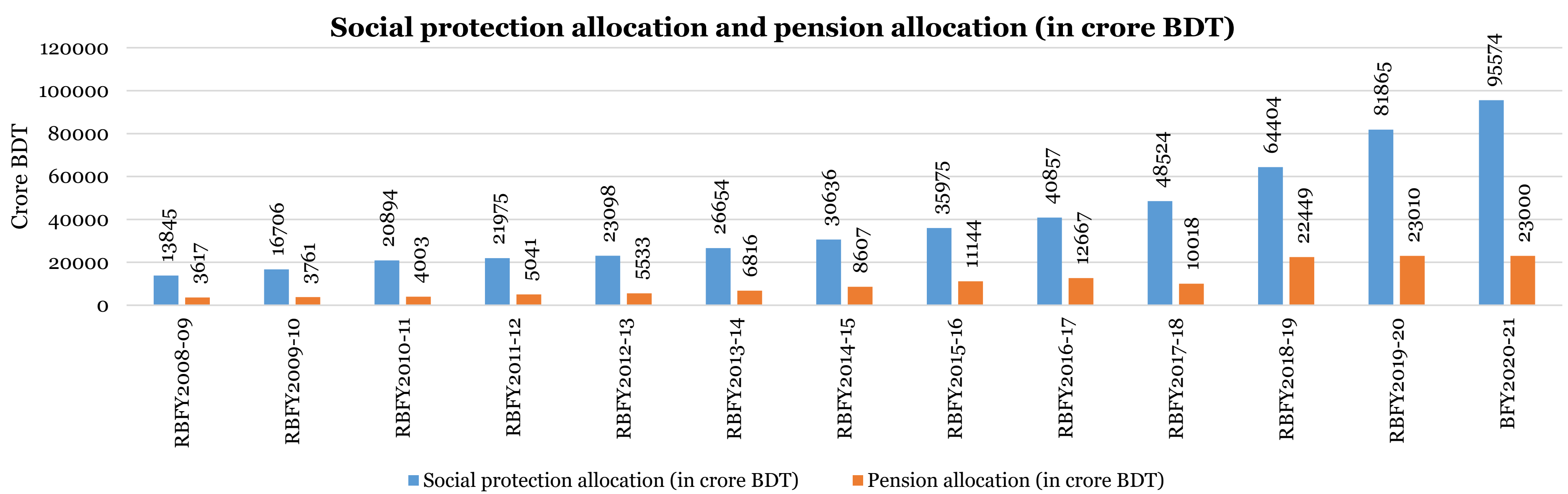
Source: World Health Organization Global Health Expenditure database (http://apps.who.int/nha/database).

- High out-of-pocket expenditure on health will push many people into poverty during the COVID-19 pandemic, as they struggle to bear health-related expenses on their own

Social Safety Net Programmes

Social Safety Net Programmes

- Allocation for social safety nets has been increased from **BDT 81,865** crore in revised budget for FY2019-20 to **BDT 95,574 crore** in budget for FY2020-21
  - **This represents an increase of only 17% which is lower than the average rate of increase of 18% between FY10 and FY21**
- Allocation for pension of government officials has decreased in FY21 by BDT 10 crore
  - **This is only the second time in the last 13 years that the allocation for pension of government officials has decreased in the budget**

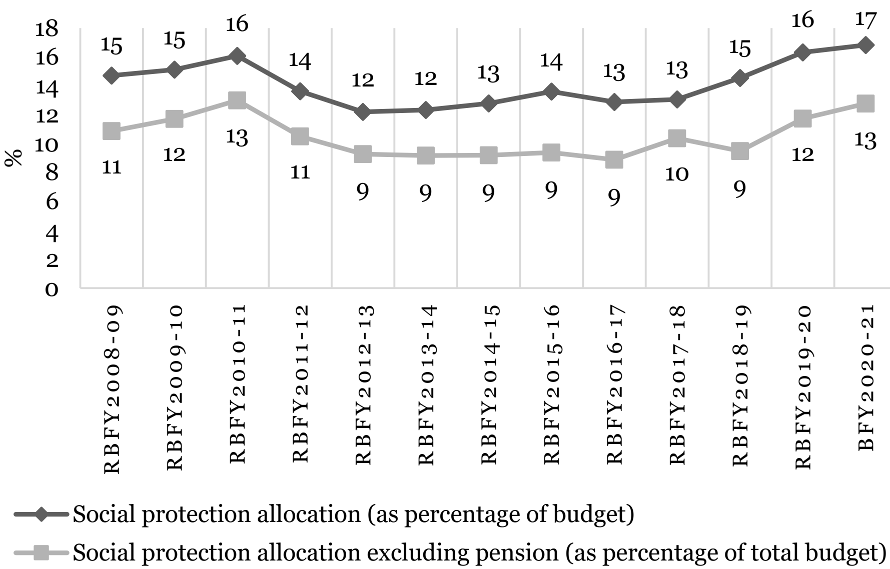


Independent Review of iRBD Bangladesh's Development

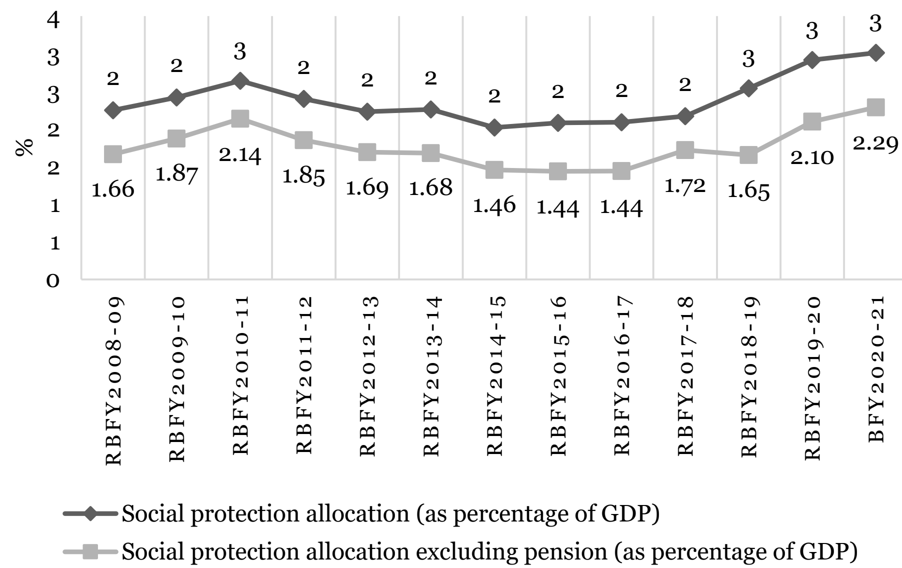
Social Safety Net Programmes

- ❑ Overall social safety net budget <u>has increased as a percentage of budget and as a percentage of GDP</u>
- ❑ Social safety net budget <u>excluding pension has also increased</u>, both as percentage of budget and as percentage of GDP
  - ➢ **Most of this increase has been <u>allocated to COVID-19 related programmes, loans, interest payments and subsidies</u>**

Social protection allocation and pension allocation (as % of budget)

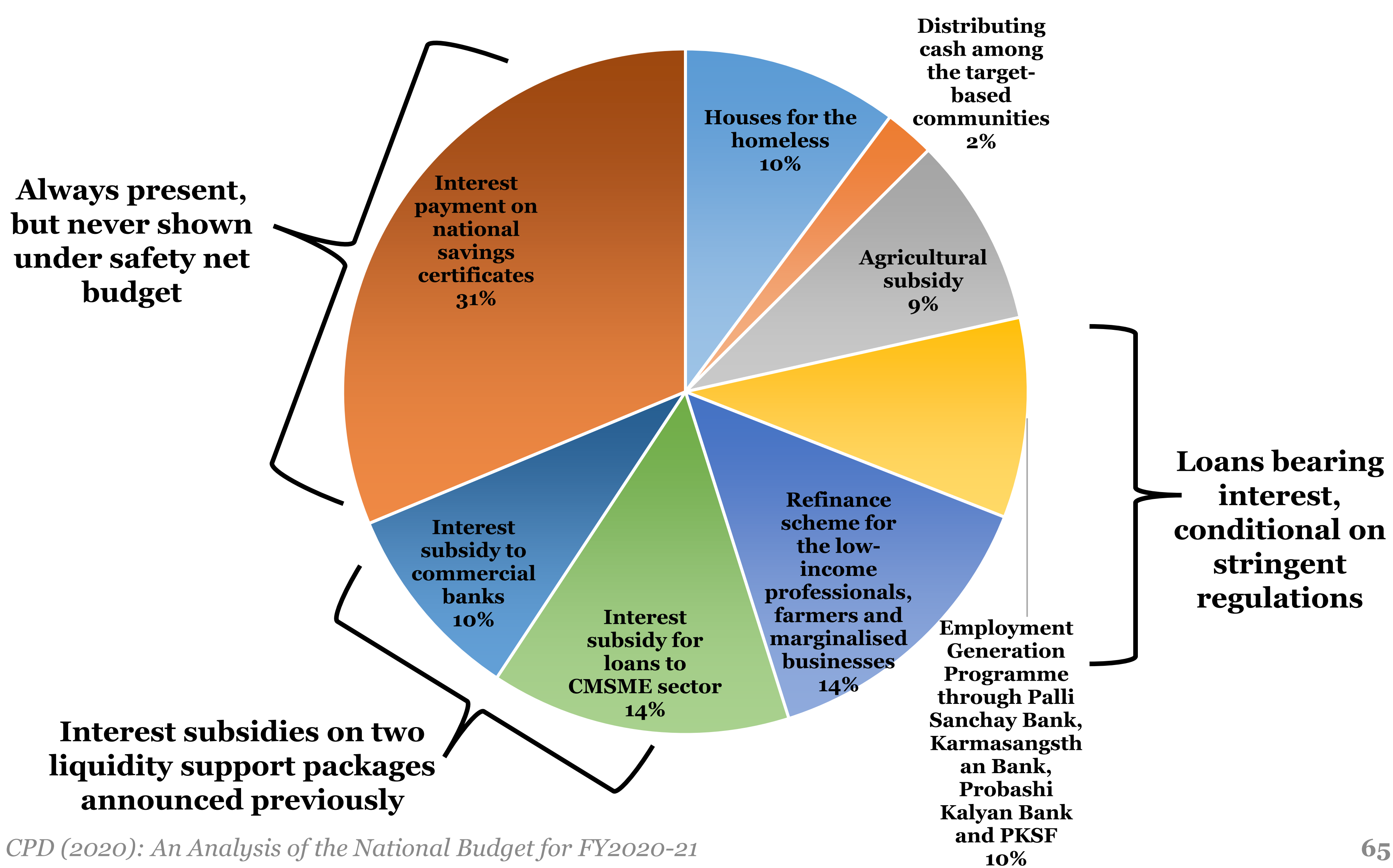


Social protection allocation and pension allocation (as % of GDP)



Social Safety Net Programmes

Distribution of new additions to safety net budget



Social Safety Net Programmes

- The budget speech for FY21 has mentioned:
  - *"We are providing direct cash transfers of* ***Tk. 2,500*** *each to 50 lakh selected families nationwide."*

Table: Minimum cost of essential food items for a family of 4 persons for 1 month

Item	Unit	Minimum price per unit in BDT (as of 11 June 2020)	Average per capita per day intake	Minimum total cost (in BDT)
Rice (coarse)	kilogram	36	0.3672	1,586
Soyabean oil (loose)	litre	88	0.0252	266
Lentils (local)	kilogram	70	0.0157	132
Potato	kilogram	26	0.0648	202
Onions (local)	kilogram	40	0.0311	149
Garlic (local)	kilogram	90	0.0301	325
Chilli (powder)	kilogram	250	0.0129	387
Tumeric (local)	kilogram	130	0.0301	470
Ginger (local)	kilogram	100	0.0301	361
Sugar	kilogram	60	0.0064	46
Eggs (farm)	20 eggs (roughly 1 kilogram)	150	0.0136	245
Fish (Rui)	kilogram	300	0.0626	2,254
Chicken (broiler)	kilogram	140	0.0171	287
Total minimum cost per household (4 individuals) per month				**6,710**

Source: CPD calculations using data from TCB and BBS

Social Safety Net Programmes

- The budget speech for FY20, just like the budget speech for FY19, had mentioned the intention of the government to introduce a ***Universal Pension Scheme***.
  - Unfortunately, no budget allocation was made for such a scheme in the budget for FY21, although it was mentioned that the target is to provide universal health coverage by 2030.
- According to CPD's preliminary cost estimation,
  - the cost of providing unemployment support, equal to 100 per cent of the national poverty line for 100 days per year for 1 person at working age per vulnerable household would be **2.14% of GDP**
  - providing USD 2 at PPP per day for 100 days per year for one person at working age per vulnerable household would cost only **1.27% of GDP**

CENTRE FOR POLICY DIALOGUE

Giving Voice, Promoting Inclusive Policy

POLICY BRIEF

2020 (2)

Highlights

Cost of cash benefits equivalent to 25 per cent of the national poverty line for all children less than 5 years old only 1.04 per cent of GDP.

Maternity cash benefits equivalent to USD 1 at PPP per day for all mothers during four months around childbirth only 0.09 per cent of GDP.

Cost of cash benefits equivalent to 100 per cent of the national poverty line for all persons with severe disabilities only 0.93 per cent of GDP.

cpd.org.bd

cpd.org.bd

cpdbd

CPDBangladesh

House - 6/2 (7th & 8th floors)
Block - F, Kazi Nazrul Islam Road
Lalmatia Housing Estate
Dhaka - 1207, Bangladesh
Telephone: (+88 02) 58152779, 9141703, 9141734, 9143326, 9126402
Fax: (+88 02) 48110414
E-mail: info@cpd.org.bd

Social Protection Floors

A Preliminary Cost Estimation for Bangladesh

Fahmida Khatun and Syed Yusuf Saadat

1. The Context

Beneficiary targeting, or to bring in the right group of people, has been a major weakness of social safety net programmes (SSNPs) in Bangladesh. Even according to government estimates, of the 24.5 per cent households who reported benefitting from at least one of the 30 SSNPs covered in the Household Income and Expenditure Survey, 18 per cent of the beneficiaries were non-poor in 2010 (GED, 2015). The lists of targeting criteria for the existing SSNPs are huge, obsolete and sometimes impractical (MSUK, 2013). However, Khatun *et al.* (2010) observed that beneficiary targeting was found to be more or less good in case of Employment Generation for Hardcore Poor (EGHP) programme but mistargeting was frequent in solvent areas such as Chattagram. The weak supervision of the SSNPs creates both targeting errors and leakages (MSUK, 2013).

It is not fully clear how and when the so-called well-off get included in these safety net programmes. Reducing leakages and proper targeting can help release a significant amount of resources that can serve the more vulnerable and deserving groups more effectively. Although 18 per cent of the non-poor population gets into the SSNP coverage, they effectively account for nearly 47 per cent of the total funds that accrue to SSNPs (BBS, 2011). Whether this is due to the negligence of identification or a conscious pursuit is unclear. Nevertheless, this requires an appropriate assessment to provide greater transparency and legitimacy.

Universal social protection resolves the problem of beneficiary targeting by simply including all relevant individuals under the aegis of social protection. This policy brief contains a preliminary estimation of the cost of providing universal social protection floors in Bangladesh, which may be useful to estimate the necessary financial commitment of universal social protection. It provides an insight into the associated challenges to implement a social protection strategy that is commensurate with the vision of Bangladesh becoming an upper middle-income country and to realise Sustainable Development Goal (SDG) target 1.3 (implement nationally appropriate social protection systems and measures for all, including floors, and achieve substantial coverage of the poor and the vulnerable) by 2030.

2. Universal Social Protection Floors ~~in Bangladesh~~

The International Labour Organization's (ILO) Social Protection Floors Recommendation, 2012 (No. 202) (ILO, 2012) asserts that social protection is a human right. It mentions that social protection is a necessity for development, a tool for reducing social exclusion, an investment in workers' empowerment and a mechanism that is conducive towards gradual formalisation of employment (ILO, 2012). The recommendation calls upon countries to establish and maintain social protection floors, and progressively make the transition to higher levels of social security. In this regard, the ILO recommends that countries abide by 18 broad principles, which include, inter alia, universality, entitlement, adequacy, non-discrimination, transparency and tripartite

— 1 —

CPD (2020): An Analysis of the National Budget for FY2020-21

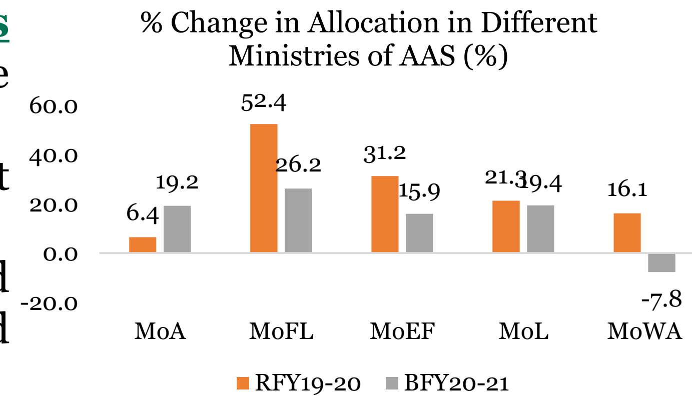
Agriculture

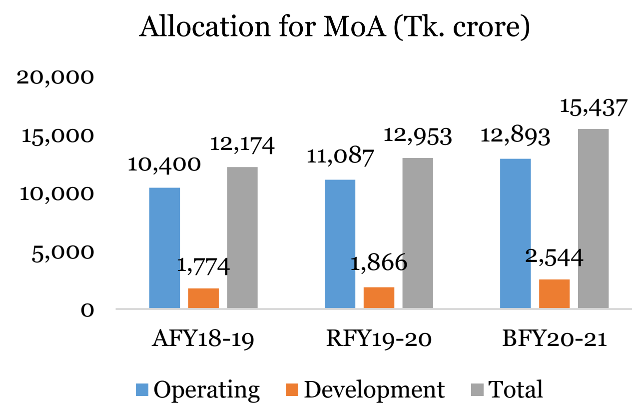
Agriculture

- The National Budget for F2021 has **echoed one of CPD's budget proposals. 'Agriculture sector' was identified as one of the priority sectors for FY2021 in view of COVID pandemic**
  - Various studies have tried to assess level of damage caused by COVID-19, followed by cyclone 'Amphan' on agriculture sector. This is estimated to be as high as $633 mill. (ADB, 2020)
  - Poultry, dairy, fishery and livestock sub-sectors have been affected at varying degrees. This called for special attention in the national budget for FY2021 (CPD, 2020)
  - **CPD made a number of monetary, fiscal and sectoral proposals in order to increase acreage of cultivation and attain higher level of food production. The idea was to create additional employment in agriculture and improve food and nutrition security for the marginalised**
- Allocation for Agriculture and Allied Sectors (AAS) is to increase by 5.7% in BFY21 (from Tk. 27,018 crore in FY20 to Tk.29,981 crore in FY21) compared to that in RBFY20
  - Despite this, the share of AAS in total budget has experienced a declining trend over the recent past years – from 6.03% (AFY19) to 5.38% (RB20) to 5.27% (BFY21)
- MoA received the highest share of allocation within the AAS (51.5% which has significantly increased from RFY20, 47.9%). The share of MoFL has also increased
  - The rise in share in allocation is well-appreciated considering the important role of these sub-sectors during the crisis period
  - MoWR, on the other hand, has received a reduced budget allocation in BFY2021 perhaps due to reprioritizing other activities in BFY21 in view of COVID-crisis

Agriculture

- ADP allocation under the **MoA in BFY21 has increased by 10% (Tk.8382 crore).** The comparable figure for RFY20 was 6.8%
- Despite the higher allocation of budget, poor budget utilisation capacity of the MoA remains a major concern
  - MoA had actually utilized only 67.9% of its allocated budget during FY18. The utilization rate has increased in FY19 (87.5%)
- Subsidy & incentives in agriculture sector will be increased by 18.7% in BFY21 (Tk.9500 crore) compared to RFY20
  - A large amount of unutilised subsidy in past years make it difficult to justify a further rise in subsidy. However, there may be higher demand for additional allocation in view of COVID-19
  - Agriculture sector needs to ensure full and proper utilization of subsidy during FY2020-21
- The agriculture sector would have been able to better handle the COVID crisis/cyclone Amphan if the FY20 budget commitments made had been implemented as per timeline -
  - E.g. commitment to undertake a project on 'crop insurance scheme'





Subsidy in Agriculture (Tk crore)

	Allocation	Revised	Utilised	Unustisiled
FY17-18	9,000	6,000	5,268	3732
FY18-19	9,000	8,070	7,763	1237
FY19-20	9,001	8,001		
FY20-21	9501			

Agriculture

- As many as 33 projects are reported in the 'probable list of completion in FY21'. These are related to production of non-crop, livestock, food stock, fisheries, dairy and information system development
  - 13 new projects have been included in BFY21
- Some of the projects demand special attention in view of COVID-19 but are behind schedule in terms of completion. These projects need additional allocation for timely completion
  - Modern food storage project (6/FY20: 66.5%); Increase fish production through reservoir reform (6/2020: 85.9%); strengthening flower marketing (6/2020:50.6)
- The stimulus packages for agriculture sector which were announced earlier were reiterated in the budget document
  - Tk.200 crore as incentive for farm mechanisation; procurement of 2 lakh ton of rice to ensure fair price for farmers; Tk.5000 crore for refinance scheme to provide agriculture credit
  - CPD (2020) proposed that farmers' list should be publicly disclosed; procurement should be done in open places; paddy procurement should be given priority over rice
  - Timely disbursement of credit among affected farmers, vegetable producers, small dairy & livestock farmers, fruit growers and shrimp farmers are urgently needed

List of Projects Supposed to be Completed in FY2021

Project Name	Completion rate (by 6/2021)
Nutrition development through year-round fruit production	69.8
Strengthening the flower marketing system through market infrastructure, storage and transportation facilities	50.6
Cultivation of high value spices in the Chittagong Hill Tracts	88.3
Fisheries development in Cumilla division	88.1
Development and expansion of Black Bengal breed goats	66.3
Dairy Development Research	100.0
Red Chittagon Cattle Breed Development and Storage	81.9
National Agricultural Technology Program-Phase II	102.1
Sustainable Small Water Resources Development	31.8

Independent Review of Bangladesh's Development

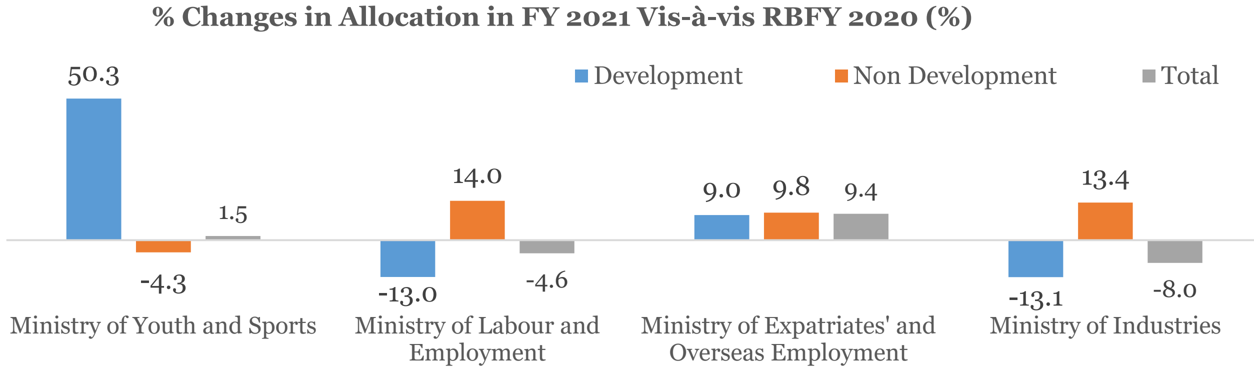
Employment Generation

Employment Generation

- The National Budget for F2021 has echoed one of CPD's budget proposal by announcing 'employment generation' as one of the priority areas for FY2021 in view of COVID pandemic
  - Various studies have identified pandemic-induced losses in terms of reduced economic activities, working hours and employment – this could be 0.14-0.33% in agriculture, 0.09-0.21% in business and trade sector and 0.08-0.2% in hotel and restaurants (ADB,2020)
  - MTBS (2021-23) estimated a decline in private investment by 12.7% of GDP in RFY20 if 24.2% of GDP in AFY19 is taken as reference points
  - The strategy for employment generation should focus on employment for recently unemployed workers in formal and informal domestic economic activities, for recently repatriated migrant workers and new entrants in the job market
- In this backdrop, projection made as regards private investment for FY2021 (25.3% of GDP) was unrealistically high compared to that in FY2020 at a time when the economy is burdened with significant un/underutilised production capacity
  - To achieve the projected private investment in FY21, an amount of Tk.445142 crore additional investment would be required (at a growth rate of 125% p.a.)
- Among the four ministries related to employment generation and human resource development, MoI received the highest allocation of Tk.1615 crore (decline by -8%) followed by MoY with an allocation of Tk.1478 crore (increase by 1.2%)
  - MoEOE received an allocation of Tk.641 crore with a growth rate of 9.4%; on the other hand, MoLE received a meagre amount of Tk.350 crore (decline by -4.6%)
  - None of the ministries have received an allocation which could be indicative of prioritization of employment in the national budget

Employment Generation

- However, ensuring employment is one of the four areas of focus of the stimulus packages which are largely being implemented by commercial banks through subsidized credit line facility. There is limited budgetary allocation for employment related activities



- FM's budget speech has reiterated Stimulus Packages for different sectors/economic activities
  - BDT 5,000 crore for the export industry, BDT 20,000 crore for SMEs, BDT 30,000 crore for large industries and services, and BDT 5,000 crore for agriculture sector
- Given the huge demand from enteprises, such allocation is not likely to be adequate. Enterprises with shortages of working capital, which in turn could force them to go for downward adjustment and operating with fewer people
  - CPD (2020) suggested that the government consider additional allocation of subsidised credit for the SMEs
  - Introduction of credit guarantee scheme for new entrepreneurs and risky borrowers will encourage banks to invest in CMSMEs. Government could extend budgetary support to introduce such a scheme

Independent Review of iRBD Bangladesh's Development

Employment Generation

- Selected projects which have been targeted to be completed in FY 2021: Positive impact on emp.

Project Name	Max Completion by FY21
Establishment of Three handloom service centers (July 2013- June 2020)	99.1
Making muslin yarn and cloth (July 2018- June 2021)	53.9
Training for helpless women in Faridpur and Rajbari (July 2019-June 2021)	73.5
Driving training for the poor, widows and orphans (Jan 2020- Dec 2021)	44.5
Employment Guarantee Program for the Poor (April 2014-Jun 2021)	100.0

- Selected projects which are likely to complete in FY 2021: Potentials on employment generation

Project Name	Max Completion by FY21
Establishment of Economic Zone in Jamalpur (Jan 2016- Dec 2020)	103.5
Development of capacity of youth development department (Jul 2016-Jun 2021)	100.0
Creating employment and self-employment opportunities in 7 districts (Jan 2018- Dec 2020)	100.0

- Selected projects which can be completed by increasing allocation in FY 2021: Potentials on emp

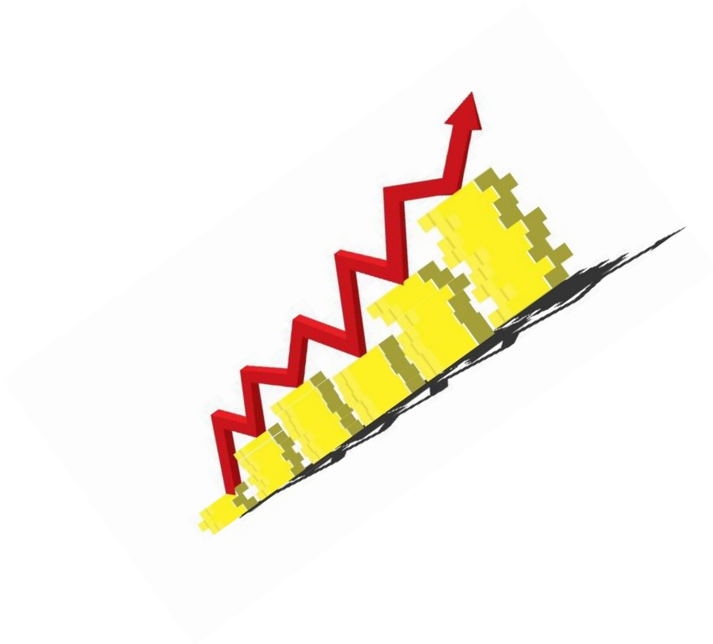
Project Name	Max Completion by FY21
API Shilpa Park (Jan 2008-Jun 2020)	74.8
Establishment of 4 multi-storey factories in Chattagram EPZ (Jul 2017-Dec 2019)	94.6
Extension of Small Holding Tea Cultivation in Northern Bangladesh (Sep 2015- Jun 2021)	94.0
Will Do E- Business, Will build my own business (July 2018-June 2021)	92.3
BSCIC Shilpa Nagari Tangail (July 2015- June2020)	73.4
BSCIC Shilpa Nagari Chuadanga (1st Revised) (July 2014- Jun 2020)	82.2

- Selected projects with lowest implementation progress: Will miss creating emp. opportunity

Project Name	Max Completion by FY21
Establishment of leather training Center for Self-Employment Youth (Jan 2018-Jun 2021)	1.3
Establishment of Indian Economic Zone in Mirsharai (Apr 2019-Jun 2021)	4.4
Modernization of three mills under Bangladesh Jute Mills Corporation (Jul 2018-Jun 2020)	10.6

Employment Generation

- CPD welcomes the initiative of tax holiday facility for 7 sectors which could have positive impact on investment and employment
  - Misuse of the facility should be checked
- Continuation of additional 1% export incentive for RMG sector, reduction of import duties of some of the raw materials of SME products and 1% reduction of AT on imported raw materials for manufacturing industries: *will contribute to higher production and employment*
- A range of sectoral measures for industries such as footwear, electronics, detergent, sanitary napkin & diaper, steel, plastic & packaging, paper and lube-blending: *will hopefully contribute to employment generation*
- Creation of BDT 2,000 crore fund for returned expatriate workers, unemployed youths and village farmers: *will hopefully encourage self-employment activities*
  - In this context, timely implementation of insurance scheme for expatriate workers (as was announced in last year's budget) will benefit them at this time of forced repatriation due to COVID



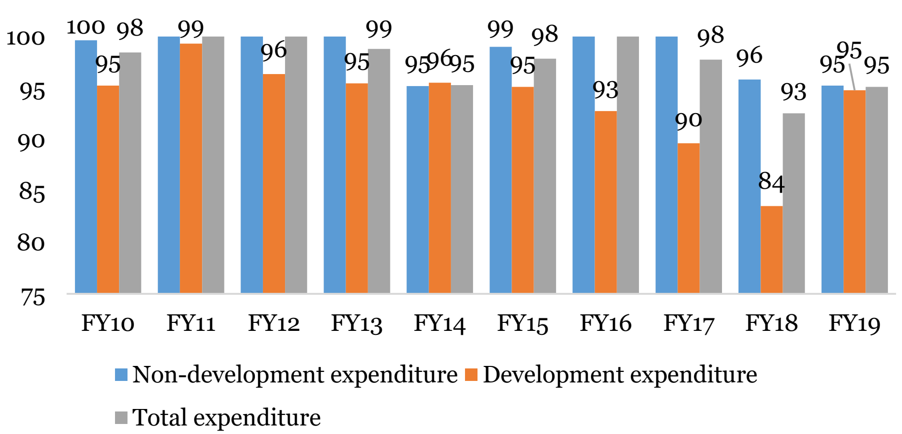
VII. SOME OTHER SELECTED ISSUES

Education

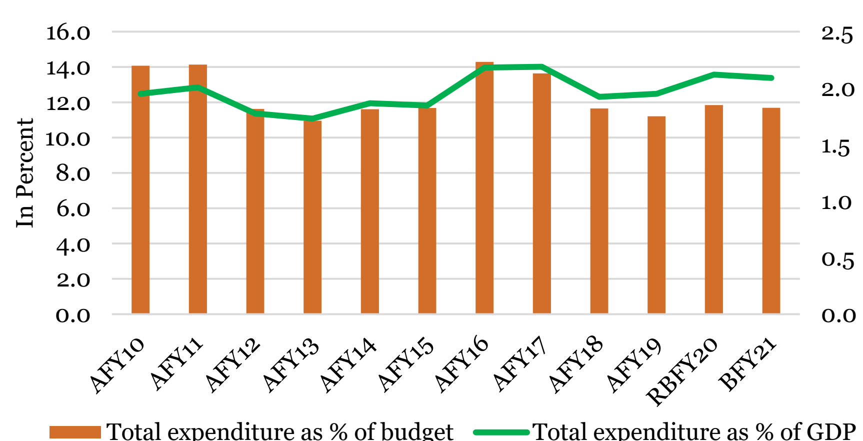
Education

- Total Allocation for education sector in BFY 2021 is BDT 66401 crore, an increase of 8.6% compared with RBFY2020 (in BDT 61118 crore)
- As a share of total budget, education budget decreased from 14% in FY10 to 11.7% in FY21
- Education budget as a share of GDP remained stagnant during recent fiscal years. The Education Budget of Government as a share of GDP decreased to 2.09% in FY21 from 2.12% in RBFY20
- This is also significantly lower than the respective 7th FYP targets of 2.5% and UNESCO targets (of 4-6%)
- Budget utilisation (as % of revised budget) has been decreasing over the years, specially for the development expenditure, except for FY19 (actual) which stood at 95%. Operating budget accounted for major portion of allocation each year

Budget utilisation (actual expenditure as a % of revised budget)



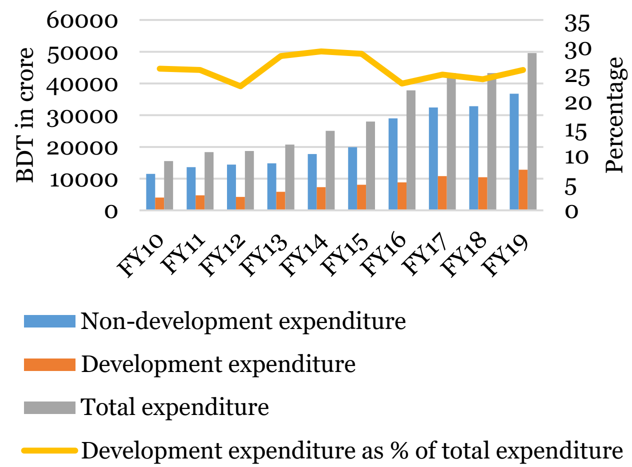
Education Budget as share of total budget and GDP



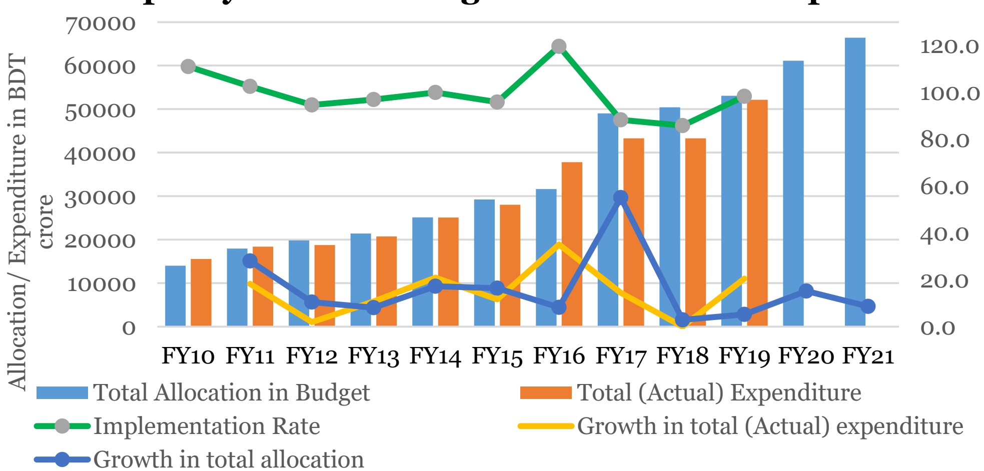
Education

- ❑ Development expenditure as percentage of total actual expenditure in the education sector remained steady during recent fiscal years. This trend is similar both for revised and proposed budget allocation. However, the amount expended gets reduced in the case of the revised and actual expenditure
- ❑ There was a jump in growth in terms of the allocation of education budget in FY17 (8.18% in FY16 to 55% in FY17), which then observed a sharp decline in the following FY

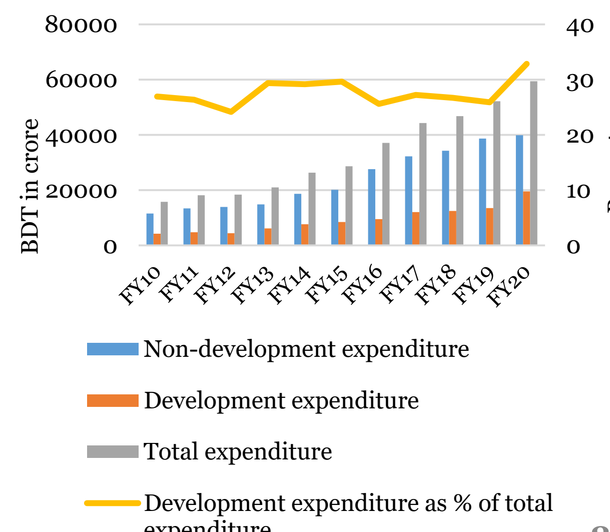
Actual expenditure



Discrepancy between Budget Allocation and Expenditure

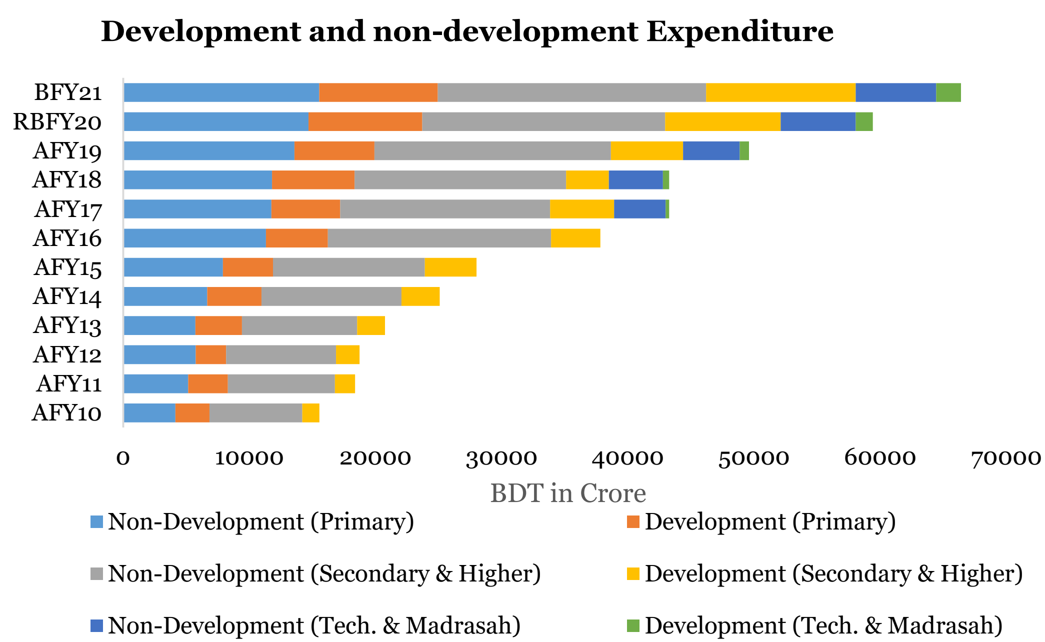


Revised budget allocation



Education

- **Primary Education**: There is an insignificant rise in the budget of FY21 for the Ministry of Primary & Mass Education compared to that of the RBFY20. However, there is decrease in growth rate of development (16.7% to 4.3%) and non-development (24.5% to 5.80%) expenditure from FY11 to FY21
- **Secondary & Higher Education**: At the secondary level, the growth rate of non-development expenditure decreased from 15.23% (FY11) to 10.40% (FY21). However, for the development expenditure, growth increased from 18.20% (FY11) to 29.67% (FY21)
- This reduced expenditure further raises the concern of addressing the issues such as low quality teachers, poor infrastructural management, chances of dropouts etc.



Education

Commitment made in Previous Budget (FY2019-20)	Achievement/ Status
The Fourth Primary Education Development Project (PEDP-4) to continue, geared to expansion and quality enhancement of primary education.	❑ Quality of primary education still matters ❑ Access and participation in primary education enhanced ❑ Governance and management of primary education system needs more improvement
A pilot project titled 'Digital Primary Education' will be undertaken to facilitate qualitative improvement in education	❑ E-classes have been started in majority of primary schools ❑ The program has not shown any significant results as teachers are either not skilled or not willing enough; internet speed is also very slow
A five year Secondary Education Development Programme will be implemented.	SEDP covers grades 6-12, annually supporting more than 12 million students and 357,000 teachers from more than 20,300 general schools, 9,400 madrasahs, and 1190 general schools with SSC vocational stream programmes; this is an welcome move.
Science Research & Development Fund	BDT 50 crore were allocated for research

Proposed Initiatives on Education Sector in BFY21 Budget

- Due to the outbreak of COVID, Govt. had to discontinue all regular academic activities of around 4 crore students across the country. The finance minister stated that they have devised various plans in the education sector keeping in mind science and technology based education and especially needs of fourth industrial revolution
- The Cabinet approved the National School Meal Policy 2019. Under this policy, mid-day meals will be introduced in all primary schools across the country
- Work is underway (mandated in previous budget FY20) to establish interactive classrooms in 503 schools. Soon internet connectivity will be provided to all primary schools, including two laptops and two multimedia projectors
- Some exceptional initiatives, such as special school feeding in poverty stricken areas, preparing profile of each student, setting up of ICT labs in schools and expanding cub scouting, which will be initiated in the next fiscal year (FY21)
- For improving quality of higher education, Govt. has allocated Tk. 3,200 crore in fiscal year 2019-20 to implement 42 projects for improving and expanding physical infrastructure and other facilities of public universities. Out of these, 5 projects are being completed and the remaining 37 ongoing projects will be implemented to improve physical infrastructure and provide scientific equipments to various public universities
- A 'Skills Competition' will be organised nationwide. This type of competition is expected to play a positive role in helping expand science-based education in future

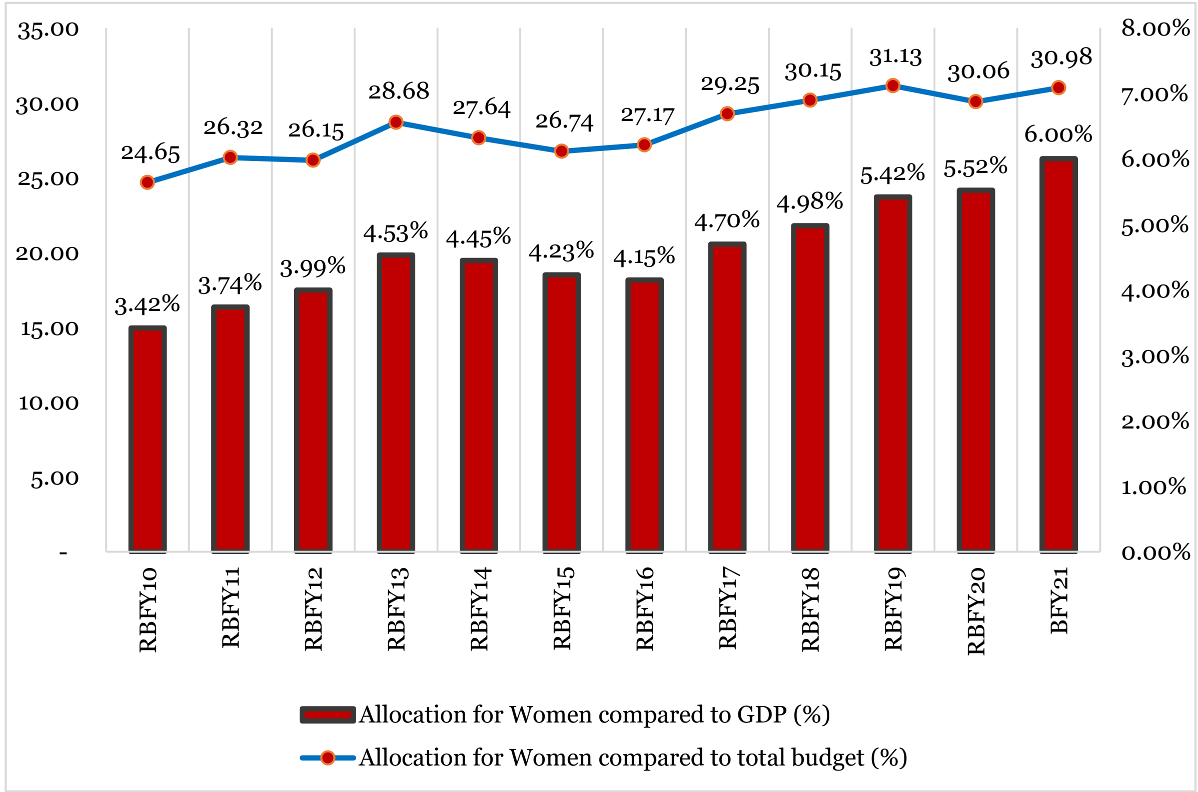
Gender

Gender Budget (43 Ministries and Divisions)

- Allocation for Gender Budget in FY21 (Tk 169,083 crore) has been increased by 9% against RBFY20.

- Growth rate of gender allocation was 12% in FY 2019-20
- Gender budget as a percentage of total budget has increased slightly from 30.06% in RBFY20 to 30.98% in BFY21
- Allocation for gender budget of FY 2020-21 accounts for nearly 6% of total GDP
- The budget proposal also saw an increase in the allocation for Ministry of Women and Children Affairs to Tk3860 crore for FY2020-21, from Tk 3789 crore (revised) in the last fiscal year
- Poor inter-ministry coordination and lack of transparency are the two burning issues

Trend of Gender Budget



Independent Review of iRBD Bangladesh's Development

Gender Budget (43 Ministries and Divisions)

Top 5 Ministries/ Divisions contributing 55% of the Total Gender Budget in FY 2020-21

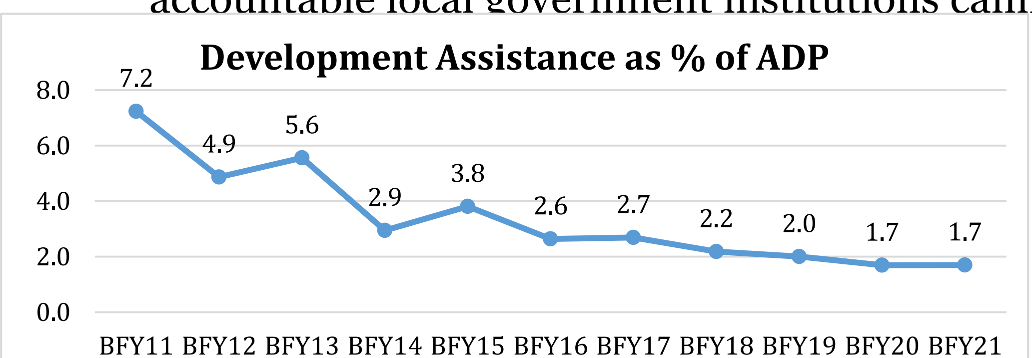
Rank	Ministry/Division	Budget 2020-21 (BDT Crore)	Gender Budget (BDT Crore)	Percentage of Total Gender Budget	Percentage of Ministry Budget on Gender Programs
1	Finance Division	156077	38081	23%	24%
3	Ministry of Primary and Mass Education	24937	14627	9%	59%
2	Local Government Division	36103	15353	9%	43%
4	Road Transport and Highways Division	29442	12501	7%	42%
5	Power Division	24853	12487	7%	50%

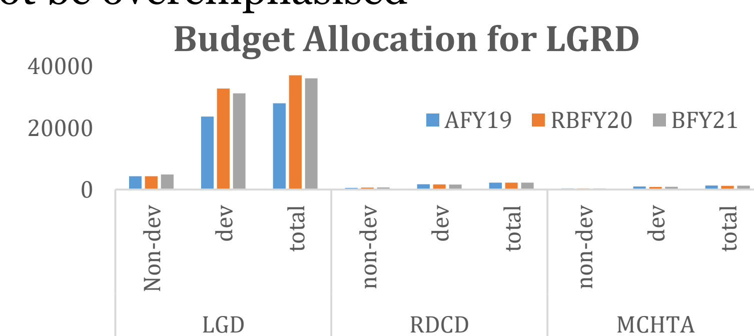
Impact of COVID-19 on Women	Gender Projects and Programs mentioned in Budget Speech FY 2020-21
Gender based wage discrimination	No Measures Taken
Insecurity in jobs for engaging mostly in low paying, informal sectors	No Measures Taken
Burden of unpaid care work at home	A plan to set up **"The Department for Children"** and build children complexes in all districts and child day care centers in all upazillas
Increase in Gender based violence	Initiatives to establish a **"National Forensic DNA Profiling Laboratory Management Directorate"** to ensure speedy and fair justice for abused women and children
More susceptible to health risks	No Measures Taken

Local Government and Rural Development

Local Government and Rural Development

- The COVID-19 has once again reemphasised the need for local government capable of addressing challenges caused by disasters such as the ongoing pandemic. Addressing he challenges at grass roots level through effective local government institutions has emerged as an urgency in view of rising poverty in times of pandemic (from 22% to 35%: CPD, 2020)
  - An additional 22.9% population have become 'new poor' and 77.2% of the vulnerable non-poor fell below the poverty line due to income shock (PPRC and BIGD, 2020). Income of 74% of total families has reduced (BRAC, 2020)
  - LGRD's activities could effectively contribute by addressing poverty reduction, rural infrastructure development, rural level direct and indirect employment generation etc
- Allocation for LGRD will be decreased by 2.2% in BFY21 compared to that in RBFY20. Among the three divisions, MCHTA will experience a rise in allocation (3.3%) followed by RDCD (0.31%)
  - Allocation for LGD in BFY21 , which accounts for a share of 91.2%, will be decreased by 2.6%. This marginal reduction is expected not to undermine its important role in efficient management of local level relief and other support activities
  - In this period of demand for time-bound public distribution, efficient, transparent and accountable local government institutions cannot be overemphasised





Local Government and Rural Development

- Development assistance, which is highly demanding at present, have not increased in comparison to rise in total outlay of the budget
  - Share of development assistance in ADP has been declining over the years (BFY18-BFY21) including in the areas of zilla parishad, hill tracts etc.
- Selected ADP projects which are expected to be completed within FY21 include-
  - Rural infrastructure development projects (06/2020: 99.2%); My home My farm (06/2020: 97.4%)
  - One project is not expected to be completed within due time (Rural Development Project in Chittagong Hill Tracts (06/2020: 50.0%)
- A number of projects demand additional allocation for early completion. This is important for creating employment, improving rural supply chain & social infrastructure and improving living standard of marginalised group and food security of rural households
- Proposed LGRD progarmmes for BFY21 expected to generate 12 crore person-hours of direct jobs in rural and urban areas. This is of crucial importance at present

Selected LGRD related Projects

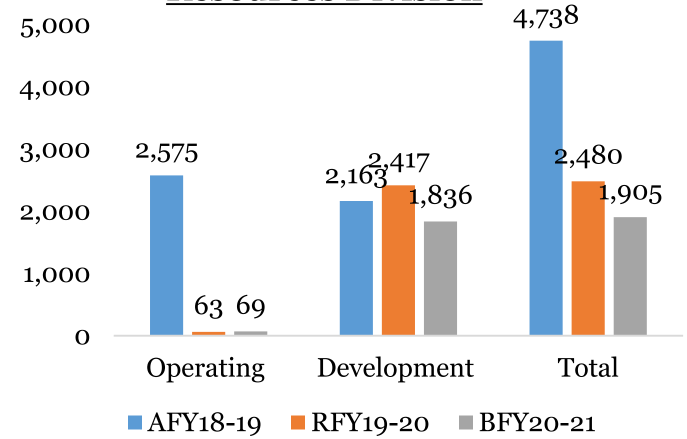
Project Name	Completion by FY21
Public social infrastructure development project (01/07/2017- 30/06/2020)	100
Important rural infrastructure development projects on priority basis (1st Amendment) – (01/07/2015- 30/06/2020)	99.2%
My home My farm (3rd amendment) (01/07/2009- 30/06/2020)	97.4%
Haor Region Infrastructure and Quality of Life Development Project (1st Amendment) – (01/07/2012- 30/06/2020)	94.0%
Rural Infrastructure Development in Greater Mymensingh (2nd Amendment) (01/01/2014- 30/06/2020)	92.1
Rural infrastructure development in Barishal Division (2nd Amendment) (01/07/2013- 30/06/2021)	81.3
Providing sustainable social services in the Chittagong Hill Tracts area (1st Amendment) (01/04/2018- 30/06/2021)	63.3%
Rural Infrastructure Development in Khulna division (01/01/2017- 31/12/2021)	42.2%
Rural Development Project in Chittagong Hill Tracts (Phase 2) (2nd Amendment) – (01/07/2011- 30/06/2020)	50.0%
Income Support for the Poorest – (01/04/2015- 30/06/2020)	24.4%
Construction of important bridges on rural roads – (01/01/2017- 30/06/2021)	20.7%

Power and Energy

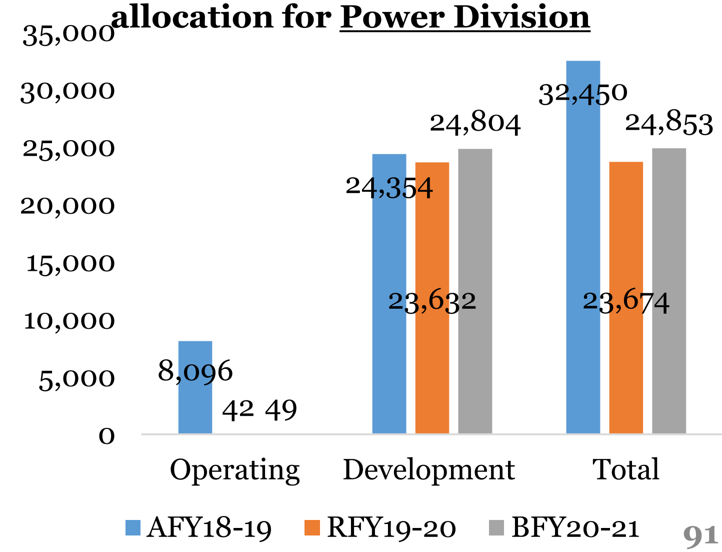
Power and Energy

- The issue of budgetary allocation for the power sector in FY2021 received a lot of attention during pre-budget discussion
  - Huge unutilized capacity and inefficient energy-mix based on imported petroleum, LNG and coal led to significant misallocation of limited resources as also economic losses (e.g. subsidy, capacity charges, import payment). The resources could be redirected to other important activities
  - Given the state of demand for electricity during COVID and post-COVID period, much lower than generation capacity, there are scopes for rationalization of energy-mix in power generation. Renewable energy should be given heightened attention in this backdrop
- Budget allocation for the energy and power sector has increased by 2.3% in BFY2021 (Tk.24853 crore) compared to that in RFY2020 (Tk.26154)
  - Allocation for the power division has increased by 4.9% in FY21
  - On the other hand, allocation for the energy and mineral resources division has decreased by 23.2%

Non-development, development & total allocation for Energy and Mineral Resources Division



Non-development, development and total allocation for Power Division



Power and Energy

- Despite the rise in overall outlay, both energy and power divisions have a lower share in the total budget in BFY21 (4.71% & 0.33%) compared to that in RFY2020 (5.21% & 0.49%) respectively
- CPD plans to undertake a detailed analysis of the budgetary allocations for the power sector

Climate Change

Climate Change

❑Climate change budget allocation for FY2020-21

➢The cumulative budget allocations for the **25 Ministries/Divisions** accounts for 56.69% of which **7.52%** is **climate relevant.** The climate relevant allocation has **reduced** this time has by **0.29%** of the initial budget announced in FY2019-20.

➢In absolute figures, from FY2016-17 to FY2020-21, this allocation for the 25 Ministries/ Divisions has increased from **BDT 14323.06 crore** to **BDT 24,225.68 crore** (almost **0.8 %** of the GDP)

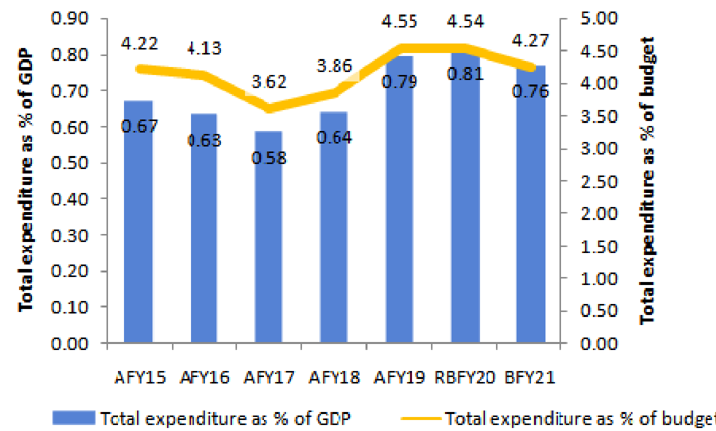
➢Maximum CC allocation, in accordance to six thematic areas, was made to **Food Security and Social Security and Health** at **41.25%** followed by Infrastructure at 26.0 %.

➢ Operating budget has increase by 18 %, while **development budget** rose by around **146 %** since FY2016-17.

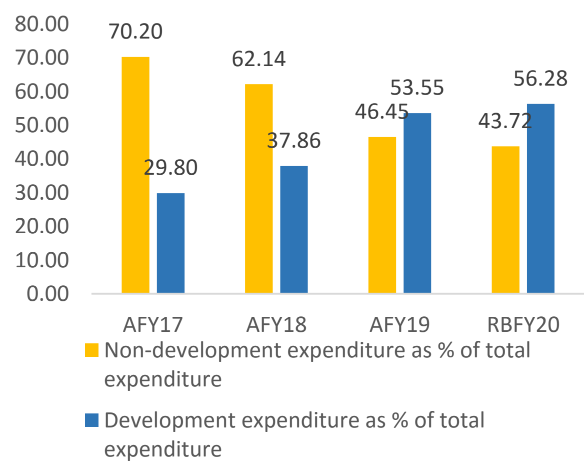
➢The CC relevant allocation as % of total budget of 25 Ministries/Divisions for FY2020-21 has **declined to 7.52%** as compared to last year's allocation of 7.81%.

➢Notably, there were **minimum differences** among the CC allocations between revised and actual expenditure in FY2018-19.

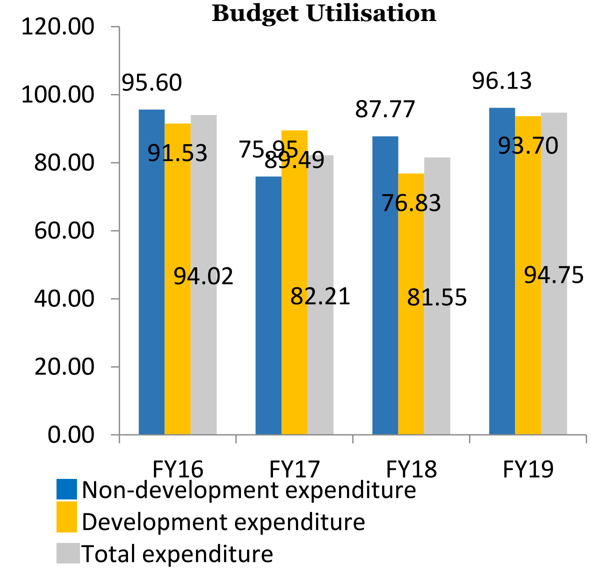
Climate relevant allocation as share of total budget and GDP (%)



Operational and development expenditure as % of total expenditure



Budget Utilisation



Climate Change

❑ Climate Change in the time of COVID-19

- Bangladesh has taken over the presidency of **Climate Vulnerable Forum (CVF)** for the term of 2020-22 and has pledged to take bold steps to tackle climate change despite the economic setback caused by the pandemic.
- The **decrease** in the climate relevant allocation as % of total budget of 25 Ministries/Divisions rom **7.81%** of FY 2019-2020 to this year's **7.52%** can be attributed to other sectoral allocations made for the preparedness against COVID-19.
- A imposed lockdown caused a drop in daily carbon emission by **24%**
- The adverse effects of climate change fell heavy on vulnerable communities during the pandemic—Bangladesh faced the super-cyclone **Amphan** which caused at least 20 fatalities and almost BDT 1,100 crore worth of damage with **The Sundarbans** bearing the brunt of it.
- Focus had to be shifted towards humanitarian relief due to **COVID-19**, however, mitigation of climate related adversaries is still a high government priority.

Notable Climate Relevant Funds, Plans and Projects

Bangladesh Delta Plan 2100	A long-term holistic plan for mitigating climate change that annually requires 2.5% of total income by 2030. **At present, it is granted (0.8-1.0)% of total income.**
Bangladesh Climate Change Trust Fund (BCCTF)	**BDT 3,800 crore** has been allocated from FY2009-10 to FY2019-20..
Green Climate Fund	GCF has till now granted USD 94.7 million for 4 climate change related projects. **However, the public-sector entities will not get anymore grant if they cannot meet the grant accessing criteria.**
Nationally Determined Contribution (NDC)	A long term project to ensure the country becomes climate change resilient. **For FY2020-21, the allocation will be BDT 23192.12 crore.**
Country Investment Plan for Environment, Forestry and Climate Change (EFCC-CIP)	Allocation against CC criteria accounts for approximately **95 %** of the resources allocated for the implementation of EFCC-CIP programmes in FY2020-21.

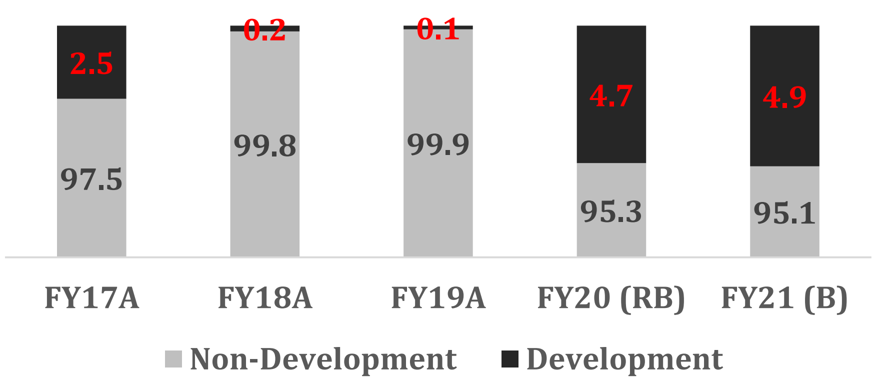
To protect and preserve forestry and wildlife, a target has been set to create mangrove forestry in 18000 hectors of land during 2020-21 to 2022-23.

Defence Services

Defence Services

- The budget allocation for Defence Services for FY21 is Tk. 34,427 crore, which is 7.2% higher than the revised allocation for FY20
  - Overall, share of defence services in the budget has decreased (from 6.5% in RBFY20 to 6.1 % in FY21 budget)
  - The share of non-development component in the overall defence budget has always been more than 95%
  - The share of development component has increased to 4.9% in FY21 which has been the highest since FY06

Share, % (Non-Development vs. Development)



Defence Allocation and Expenditure in Recent Years (In crore Tk.)

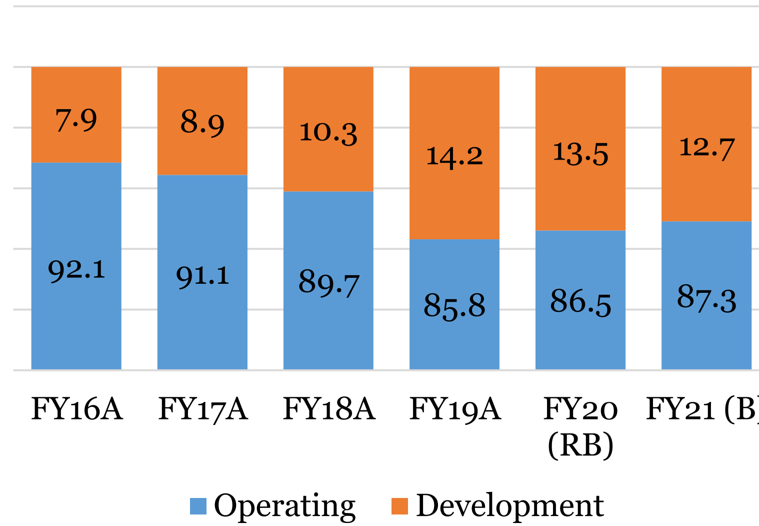
	FY18 (A)	FY19 (A)	FY20 (RB)	FY21 (B)
Ministry of Defence-Defence Services				
Non-Development	20,253	28,467	29,659	31,274
Development	42	38	1,550	1,672
Total	20,295	28,505	31,209	32,946
Ministry of Defence-Other Services				
Non-Development	827	1,450	1,310	1,440
Total	827	1,450	1,310	1,440
Armed Forces Division				
Non-Development	24	34	131	41
Total	24	34	131	41
Total-Defence Services	21,146	29,989	32,650	34,427
Growth	-10.5	41.8	6.3	7.2
% of Total Budget Allocation	6.6	7.7	6.5	6.1

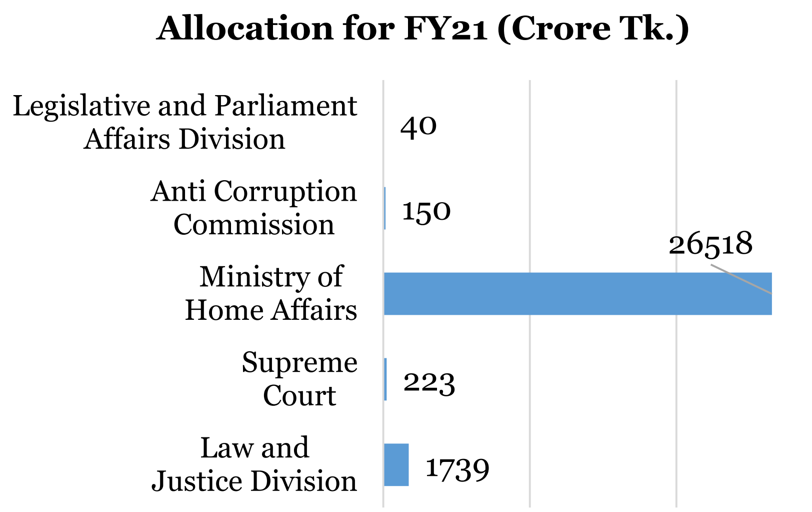
Independent Review of IRBD Bangladesh's Development

Public Order and Safety

Public Order and Safety

- The allocation for Public Order and Safety for FY21 is Tk. 28,670 crore, which is 3.7% higher than the revised allocation for FY20
  - Overall, share of the sector in total budget has been declining (from 6.2% in FY17 to 5.0% in FY21)
  - The share of operating expenditure within the budget for the sector has always been higher – both in terms of allocation and actual expenditure
- Following the usual trend, Ministry of Home Affairs (MoHA) has taken the lion's share of the total allocation for POS in FY21
  - From 91.5% in FY17 to 92.5% in FY21
  - Within the budget of MoHA, operating expenditure has taken the lead





VIII. CONCLUDING REMARKS

Independent Review of Bangladesh's Development (IRBD)

VIII. CONCLUDING REMARKS

- *The government has mostly opted for a business as usual budget*
- COVID-19 induced health, economic, humanitarian and social crises are unprecedented, and the budget for FY21 needed to be more innovative to address this multidimensional crisis
- The government appears to have prepared the budget under the assumption that the fallout from COVID-19 will be managed in a very short period, and the economy will bounce back in FY21
- However, COVID-19 situation is an evolving one; there are significant uncertainties regarding its duration and extent of impact
- CPD, in its budget recommendations, had urged to give priority to four sectors: health, social safety net, agriculture and employment generation
- The government has rightly put emphasis on these sectors. However, its promises and priorities have not been translated into actions (through innovative approaches and allocation of adequate resources)

VIII. CONCLUDING REMARKS

- *COVID-19 has exposed the high cost of weak implementation capacity which CPD has drawn attention to over successive budget presentations*
- Recent incidences as regards procurement and management in the health ministry itself are a stark example of this
- Government's inability to undertake the much needed reforms, which it had announced earlier in FY2020 budget (e.g. direct tax, customs duty, banking commission, Shashya Bima) has constrained its ability to cope with adverse impacts of the pandemics and implementation of budgetary measures
- Rising number of new poors, and increasing income and consumption inequality, require differentiated measures which the budget have not adequately addressed

VIII. CONCLUDING REMARKS

- *Macroeconomic framework of the budget does not reflect the realities on the ground*
- During a crisis such as the COVID-19 pandemic the main objective should be supporting the poor and affected people, instead of being too much concerned with GDP growth. Several countries have been facing negative growth which is natural during a pandemic. The focus should be on coping, adjustment and mitigation with a view to subsequently get on the recovery track
- A realistic estimate on our economic performance is also necessary because Bangladesh needs to access COVID-19 related funds from international organisations, particularly when the government is expecting to underwrite a large part of the budget deficit from foreign borrowing
- Perhaps the government did not want to depart from the MTBF, which was prepared before COVID-19
- In view of the evolving COVID-19 scenario the government should be ready, if required, to revisit the budget and undertake necessary corrective measures in view of realities on the ground

Independent Review of Bangladesh's Development

Stay Well, Stay Safe