

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

# An Analysis of the National Budget for FY2022-23

Dhaka: 10 June 2022



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The CPD IRBD 2022 Team alone remains responsible for the analyses, interpretations and conclusions presented in this report.

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# I. INTRODUCTION

- ❑ The national budget for FY23 has been placed at a time when the economy is facing considerable challenges
- ❑ Indeed, the macroeconomic stability significantly weakened amid negative developments both on domestic and external fronts
- ❑ The Finance Minister has acknowledged the challenges and mentioned the following six points:
  - i. *containing inflation and enhancing domestic investment*
  - ii. *financing additional subsidy required for the increased price of gas, power and fertilizer in international markets*
  - iii. *utilizing funds available through foreign assistance and ensuring timely completion of high priority projects of ministries/divisions*
  - iv. *ensuring timely completion of projects in education and health sectors*
  - v. *increasing collection of local Value Added Tax and raising the number of individual tax-payers*
  - vi. *maintaining stability in the exchange rate of taka and keeping foreign exchange reserves at a comfortable level*

- ❑ CPD has earlier emphasised the need for protecting the low and limited earners in the country and focusing on inflation management and restoration of macroeconomic stability by coming out of GDP growth obsession
- ❑ To this end, use of appropriate fiscal policy supported by complementary monetary policy has been emphasised
- ❑ In view of this, CPD has recommended:
  - *allow tax concession to essential commodities at both import and domestic stages*
  - *provide tax reliefs to middle income groups*
  - *allocate adequate resources for subsidies for keeping the administered prices of petroleum products, electricity, gas, and fertiliser*
  - *expand social safety net provisions both in terms of coverage and the amount of per capita allocation*
- ❑ The following analysis of the budget for FY23 has been undertaken from these perspectives

- ❑ Before going to the analysis we may recall that according to the Open Budget Survey 2021, Bangladesh has a
  - Transparency score of **30** out of 100 (lower than Afghanistan)
  - Public participation score of **13** out of 100 (lower than Nepal)
  - Oversight by legislature and supreme audit institution score of **39** out of 100
- ❑ Bangladesh's budget transparency has decreased over the years due to fewer number of budget documents being publicly available
- ❑ *A transparency score of 61 or above indicates a country is likely publishing enough material to support informed public debate on the budget*
- ❑ Bangladesh's low public participation score is due to the fact that there are few opportunities for public participation during the formulation and approval of the budget, and no opportunities for public participation in the implementation or audit processes of the budget
- ❑ Bangladesh has weak legislative oversight and limited audit oversight in the budget process

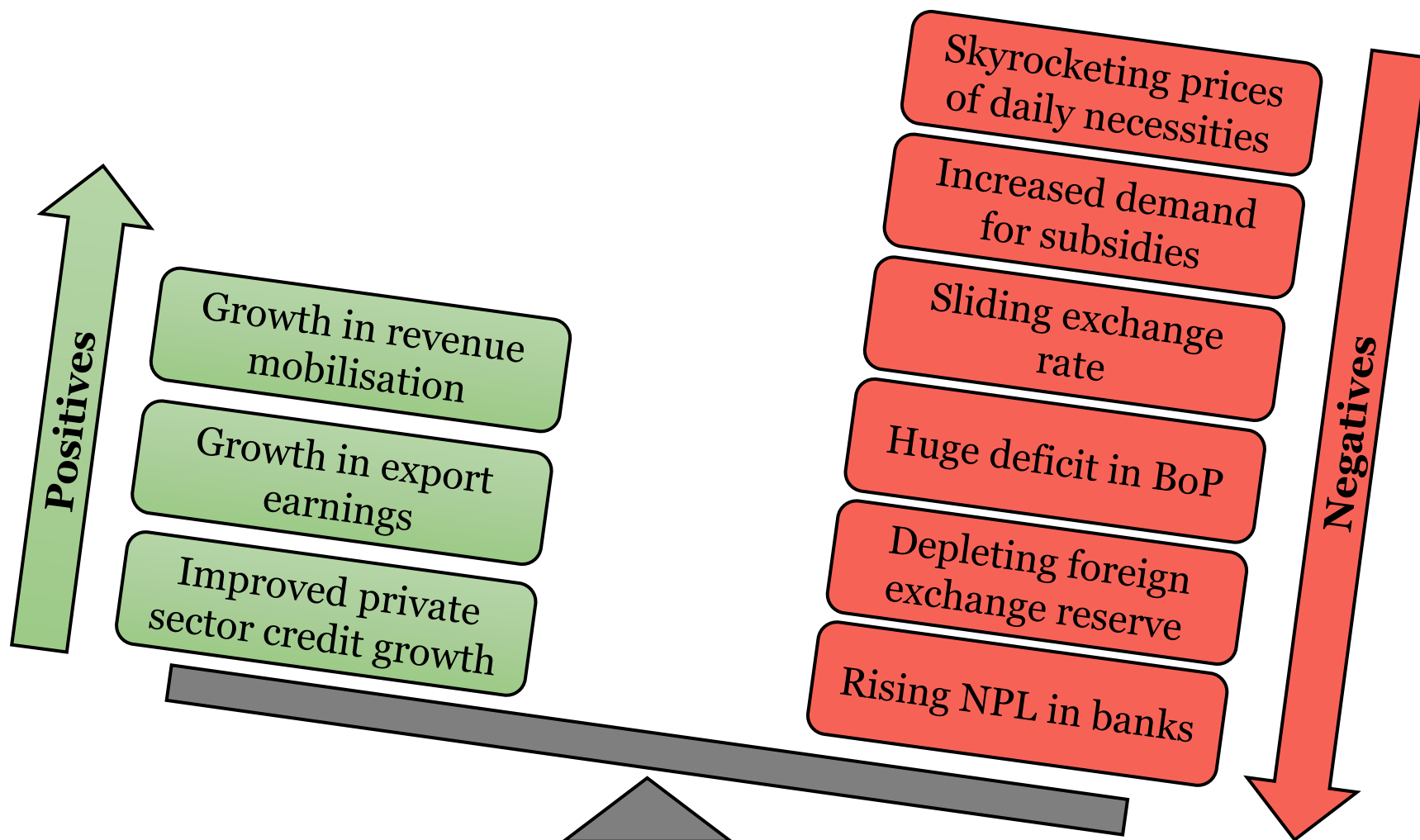




## **II. MACROECONOMIC PERSPECTIVES**

## II. MACROECONOMIC PERSPECTIVES

### *Macroeconomic stability under threat...*



## II. MACROECONOMIC PERSPECTIVES

### GDP and Investment

Indicator	AFY21	BFY22	RBFY22	Estimate	Projection	
				FY23	FY24	FY25
<b>GDP growth (%)</b>	6.9	7.2	7.3	7.5	7.8	8.0
<b>Gross investment (as % of GDP)</b>	31.0	31.7	31.7	31.5	32.8	33.6
<b>Private investment (as % of GDP)</b>	23.7	23.3	24.1	24.8	25.9	26.7
<b>Public investment (as % of GDP)</b>	7.3	8.4	7.6	6.7	6.9	7.0
<b>ICOR</b>	4.5	4.4	4.4	4.2	4.2	4.2

Source: MTMPS

- ❑ For FY23, **GDP growth** target has been set at 7.5% (7.7% in 8FYP)
- ❑ The budgetary framework of MoF projected a 7.3% GDP growth in FY22 – similar to the provisional estimates by BBS
- ❑ GoB's growth projection is **higher** than the forecasts by World Bank (6.7%, in January 2022), IMF (6.7%, in April 2022) and ADB (7.1%, in April 2022)

## II. MACROECONOMIC PERSPECTIVES

- ❑ **Public investment-GDP ratio** in FY23 has been assumed to be 6.7% (7.6% in FY22)
- ❑ **Private investment** has been estimated to be 24.8% of GDP in FY23
  - In FY23, Tk. 147,000 crore (approx.) will be additionally required for private investment (15.4% increase in nominal terms) based on the MoF estimates for FY22 (Tk. 956,736 crore)
- ❑ **ICOR** is expected to be 4.2 in FY23 – productivity of capital is projected to rise (4.4 in FY22; 4.5 in FY21)

## II. MACROECONOMIC PERSPECTIVES

### Monetary sector and Inflation

Indicator	AFY21	BFY22	RBFY22	Estimate	Projection	
				FY23	FY24	FY25
<b>Private sector credit growth (%)</b>	8.3	11.0	14.8	15.0	15.0	16.0
<b>CPI inflation (%)</b>	5.6	5.3	5.8	5.6	5.5	5.5

Source: MTMPS

- ❑ **Growth of credit to private sector** has been set at 15.0% in FY23 – almost same as the revised targets for FY22
  - As of April 2022, private sector credit growth was 12.5%
- ❑ **Inflation** is assumed to be stable at 5.6% in FY23
- ❑ Inflationary trends have exhibited an upward tendency in the closing months of FY22 (5.8% in April 2022)
  - Both food and non-food inflation appears to be creeping up (5.5% and 6.3% in April 2022, respectively)

## II. MACROECONOMIC PERSPECTIVES

### External sector

Indicator	AFY21	BFY22	RBFY22	Estimate	Projection	
				FY23	FY24	FY25
<b>Export (growth in %)</b>	15.4	12.0	34.1	20.0	18.0	18.0
<b>Import (growth in %)</b>	19.7	11.0	30.0	12.0	14.0	14.5
<b>Remittance (growth in %)</b>	36.1	35.0	1.0	16.0	10.0	10.0

❑ **Growth target for export earnings** has been set at 20.0% in FY23

➤ Up to May FY22, total export growth was 34.1%

❑ **Growth target for import payments** has been set at 12.0% in FY23 and projected to be 30.0% in FY22

➤ Up to April FY22, total import growth was a whopping 41.4%

▪ Capital machineries import recorded a 59.4% growth in this period

➤ Up to April FY22, total L/C opening exhibited a growth of 44.5% while that of capital machineries recorded an increase of 45.5%

❑ Export earnings are primarily volume driven, while import payments are price driven – not a robust structure

## II. MACROECONOMIC PERSPECTIVES

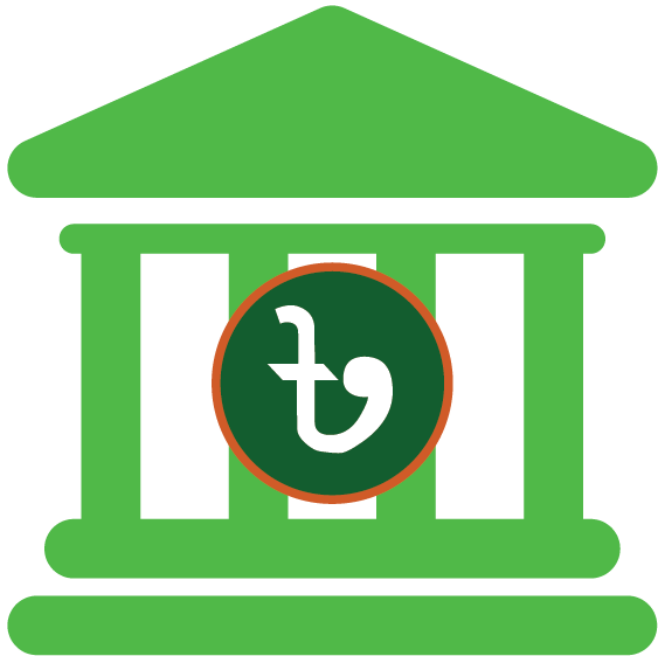
- ❑ Remittance growth target for FY23 has been set at 16.0%
  - During Jul-May FY22, remittance inflow posted a negative growth of (-) 16.0% over corresponding figure - annual growth rate mentioned in MTMPS for FY22 (1.0%) is not feasible as it would require 201% growth of remittance inflow in the month of June 2022
- ❑ Exchange rate is expected to appreciate and reach Tk. 86.2/USD on an average in FY23 – **does not reflect the realities on the ground**
  - Currently the official rate is Tk. 91.5/USD

## II. MACROECONOMIC PERSPECTIVES

### Public debt

- ❑ According to MTMPS data, **public debt** as share of GDP is at a reasonable state for Bangladesh (32.4% in FY21, 34.0% in the revised budget of FY22)
  - May increase to some extent in FY23 (35.9%) – driven by higher domestic and external borrowing in view of the ongoing COVID-19 pandemic
- ❑ At present, about 62.9% of the total public debt is attributable to domestic debt
  - This composition is expected to change in the coming years (domestic debt: 60.8% in FY25)
- ❑ Interest payments for domestic debt is already on an upward trajectory
  - The same will become true for foreign debt given the large number of foreign financed large infrastructure projects and the rising interest rate on non-concessional loans on account of middle-income graduation
- ❑ As is seen, 19.3% of total operating expenditure will be spent on debt servicing in FY23 (90.9% of the amount will be to service domestic debt)





## **III. FISCAL FRAMEWORK**

### Broad fiscal framework for FY23

- ❑ **Public expenditure** (14.2%) projected to grow **faster** than **revenue mobilisation** (11.3%)
  - Total expenditure is set at 15.2% of GDP (marginally higher than RBFY22 → 14.9%)
  - Revenue income will be 9.7% of GDP (marginally lower than RBFY22 → 9.8%)
- ❑ **Development expenditure** (17.0%) programmed to grow **faster** than **Operating expenditure** (12.2%)
- ❑ **ADP**: 36.3% of total public expenditure (35.4% in the RBFY22)
- ❑ **Budget deficit** has been projected at **5.5% of GDP (5.1% in RBFY22)**
- ❑ Share of foreign borrowing in financing the incremental budget deficit is expected to rise – **implementation is the issue**

## III. FISCAL FRAMEWORK

### Revenue mobilisation

FY23 (Crore Tk.)	4,33,000
FY22(Revised Budget) (Crore Tk.)	3,89,000
FY22 (CPD Projection) (Crore Tk.)	3,59,000
Target Growth (%) FY23 (Budget)	11.3
Target Growth (%) FY23 (CPD Projection)	20.6

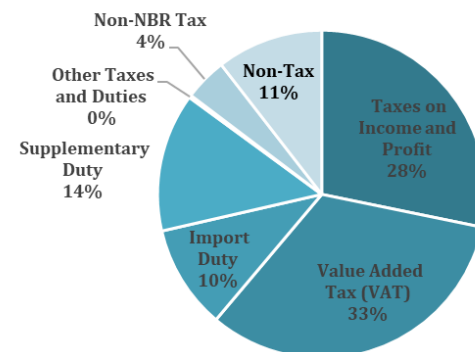
- ❑ Budget FY23 targets 11.3% growth over RBFY22
  - CPD projection: 20.6% on actual FY22 - approx. an additional Tk. 44,000 crore may need to mobilised

- ❑ NBR revenue to grow by 12.1% and deliver the lion's share of the incremental revenue (90.9%)

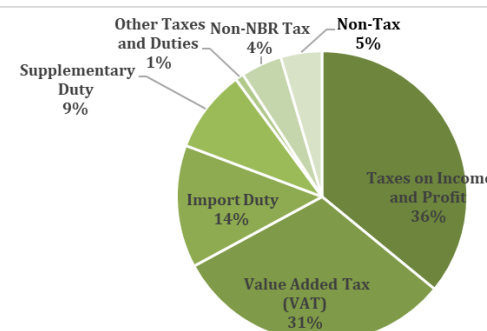
- ❑ Collection from LTU to grow by only 10.0%
- ❑ To be primarily delivered by Taxes on Income, Profits and Capital Gains (35.7% of total incremental revenue) –collection from both personal and company to grow equally (14.9%)
- ❑ VAT to provide on 31% of incremental revenue
- ❑ Non-tax revenue growth is expected to be only 4.7%

- ❑ Only Tk. 123 crore additional revenue is expected to be mobilised from Tolls – the Padma Bridge alone should be able to mobilise significantly more!

### Share of revenue FY23



### Incremental share of revenue FY23



### III. FISCAL FRAMEWORK

#### Total Public Expenditure

Sector	Share in BFY23	Share in RBFY22	Change in FY23B over FY22R		Incremental Share
	%	%	Crore Tk	%	%
<b>Public Services</b>	19.9	18.7	23764.0	21.4	28.1
<b>Education and Technology</b>	14.7	14.8	12238.0	13.9	14.5
<b>Transport and Communication</b>	12.0	11.1	15639.0	23.7	18.5
<b>Interest</b>	11.9	12.0	9131.0	12.8	10.8
<b>LGRD</b>	6.6	7.2	2165.0	5.1	2.6
<b>Agriculture</b>	6.2	5.9	7135.0	20.4	8.4
<b>Defence Services</b>	5.9	6.3	2869.0	7.7	3.4
<b>Social Security and Welfare</b>	5.5	6.0	1683.0	4.7	2.0
<b>Health</b>	5.4	5.4	4589.0	14.2	5.4
<b>Public Order and Safety</b>	4.6	4.9	2004.0	6.9	2.4
<b>Energy and Power</b>	3.8	4.1	1547.0	6.3	1.8
<b>Housing</b>	1.0	1.2	-22.0	-0.3	0.0
<b>Recreation, Culture and Religious Affairs</b>	0.8	0.9	-56.0	-1.0	-0.1
<b>Industrial and Economic Services</b>	0.6	0.7	-238.0	-5.6	-0.3
<b>Others (Memorandum Item)</b>	1.0	0.8	2116.0	43.0	2.5
<b>Total Expenditure</b>	<b>100.0</b>	<b>100.0</b>	<b>84564.0</b>	<b>14.2</b>	<b>100.0</b>

**❑ Public services sector accounts for 28.1% of total incremental expenditure; followed by Transport and Communication (18.5%)**

### III. FISCAL FRAMEWORK

Sectors with higher share in BFY23	Change (percentage points)
Public Services	1.2
Transport and Communication	0.9
Agriculture	0.3
Sectors with lower share in BFY22	Change (percentage points)
LGRD	-0.6
Social Security and Welfare	-0.5
Defence Services	-0.4
Public Order and Safety	-0.3
Interest	-0.2
Housing	-0.1
Industrial and Economic Services	-0.1
Recreation, Culture and Religious Affairs	-0.1

- ❑ **Within Public Services Sector, Finance Division receives** an incremental amount of **Tk. 20,607** crore (about 24.4% of total additional public expenditure for FY23) – of which **Tk. 9,181** crore additional allocation has been kept for **investment in equity and shares** (about 10.9% of total additional public expenditure for FY23)
- ❑ Total incremental allocation for **Interest Payments** is **Tk. 9,131** crore (about 10.8% of total additional public expenditure for FY23); of which, **domestic interest** is **Tk. 8,175 crore**

### Subsidy

- ❑ According to MTMPS, in BFY23 allocation for **total subsidies and incentives is Tk. 82,745 crore (12.2% of total public expenditure and 1.9% of GDP)**
- ❑ In RBFY22, it was Tk. 66,825 crore (12.2% of total public expenditure and 1.9% of GDP)
- ❑ According to the budget speech, the estimated budget for subsidy and incentives can be 15-20% higher than the initial estimates and could reach around Tk. 95,000-99,000 crore
- ❑ Of the additional Tk. 15,920 crore earmarked for BFY23, Tk. 4,000 crore (25.1%) is for fertiliser & other agricultural incentives
- ❑ There is no doubt that the administered prices are set to rise in FY23  
*“The sales price of fossil fuel, gas, electricity and chemical fertilizers will be adjusted gradually and on a small scale”*
- ❑ Government should consider reducing import duties on subsidised commodities (such as fuel for which total tax incidences on import are in the range of 22%-34%) before for any upward price revision

### Contingent Liability

- ❑ Government's guarantee (**contingent liability**) is about 2.3% of GDP and 45.3% of RBFY22 budget deficit
- ❑ **Increased** by 25.4% over the last one year – **a negative development!**
- ❑ Power and energy sector remains the leading sector in terms of receiving guarantee from the government (53.5% of total)

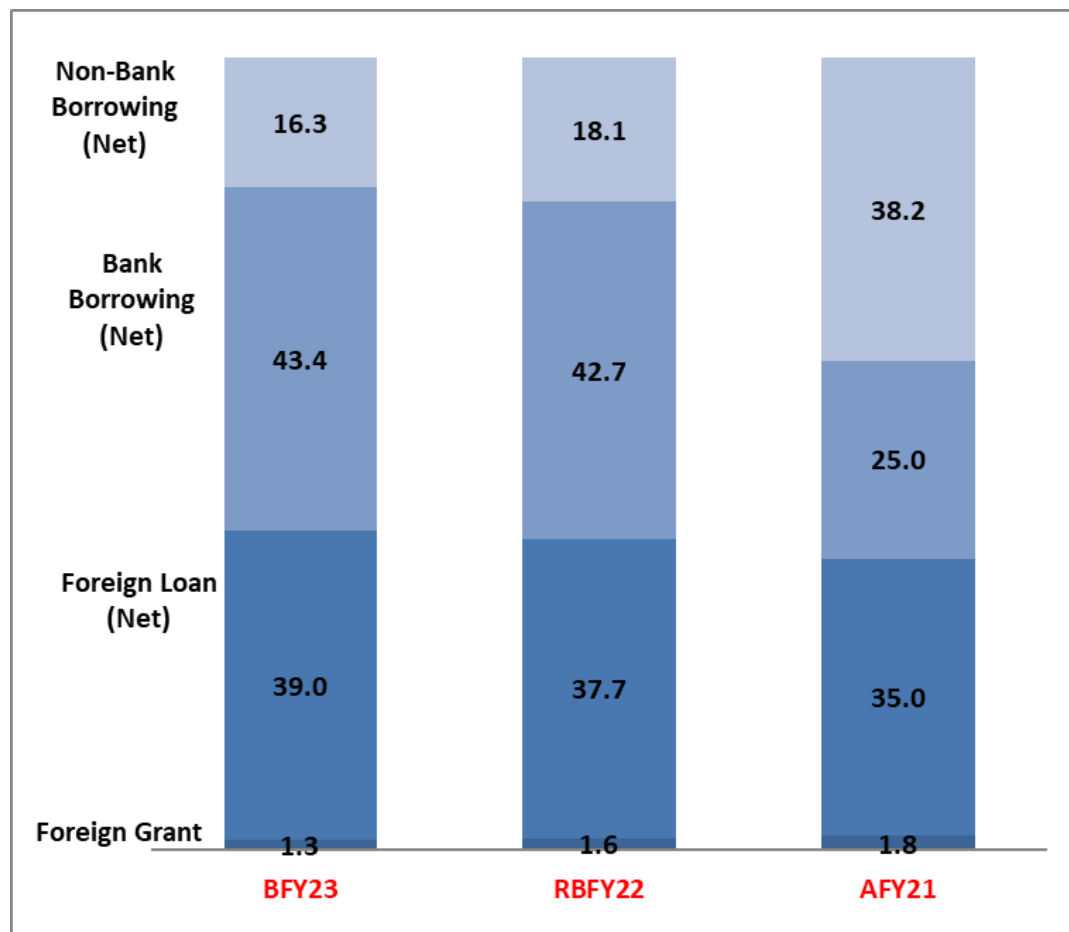
#### List of Government Guarantees (Contingent Liability)

Sector	Amount (Crore Tk.)			Growth (%)		Share (%)		
	FY21	FY22	FY23	FY22	FY23	FY21	FY22	FY23
Agricultural Credit	3,681	4,967	2,752	34.9	-44.6	6.1	6.7	3.0
Biman	10,279	10,909	7,796	6.1	-28.5	16.9	14.8	8.4
<b>Energy</b>	1,199	1,522	3,990	27.0	162.3	2.0	2.1	4.3
<b>Power</b>	<b>33,742</b>	<b>41,692</b>	<b>49,516</b>	<b>23.6</b>	<b>18.8</b>	<b>55.6</b>	<b>56.5</b>	<b>53.5</b>
Telecom	1,169	1,109	925	-5.1	-16.6	1.9	1.5	1.0
Miscellaneous	10,584	13,637	27,623	28.8	102.6	17.4	18.5	29.8
<b>Total</b>	<b>60,653</b>	<b>73,836</b>	<b>92,602</b>	<b>21.7</b>	<b>25.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## III. FISCAL FRAMEWORK

### Budget Deficit and Financing

- ▶ Share of domestic financing **59.7%** in FY23 (**60.8%** in **RBFY22**)
- ▶ Tk 106,334 crore (43.4% of total) will come from the bank borrowing
- ▶ Tk. 35,000 crore from net sale of **NSD** certificates
- ▶ Gross foreign aid requirement will be around **USD 13.8 bln** (USD 11.3 bln in RBFY22)
- ▶ Foreign debt repayment to increase from \$2.3 bln in BFY23 from \$1.9 bln in RBFY22



- ▶ **Utilisation of foreign aid will hinge on ability to implement the planned ADP projects → 96% of foreign loans are tied with ADP**



### III. FISCAL FRAMEWORK

- ❑ The budget documents of FY23 have failed to publish data on how much funds were disbursed through the fiscal support measures launched in response to the COVID-19 pandemic
- ❑ Such lack of transparency and accountability threatens to reduce the effectiveness of the government's COVID-19 response
- ❑ Disaggregated data on the implementation status of all liquidity support packages should be published on a monthly basis



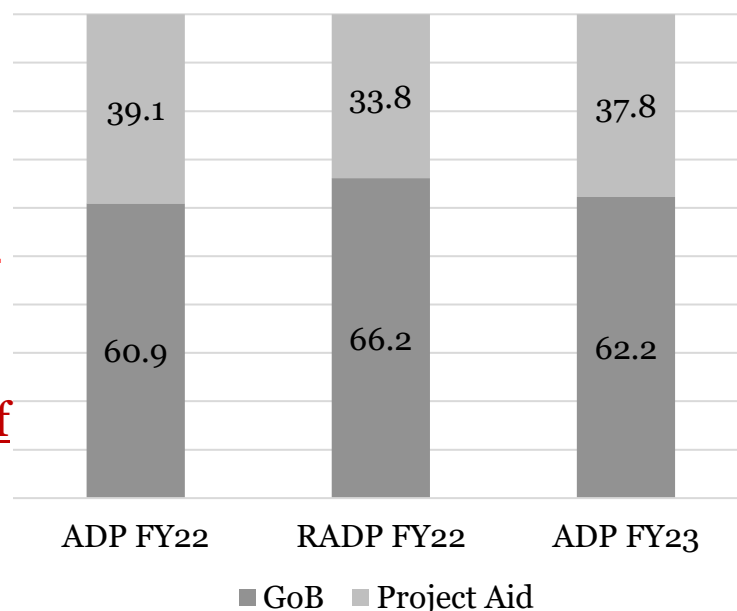
## **IV. ANNUAL DEVELOPMENT PROGRAMME**

## IV. ANNUAL DEVELOPMENT PROGRAMME

□ ADP of Tk. 246,066 crore has been proposed for FY23

- 5.5% of GDP in FY23 (5.7% in BFY22 and 5.3% in RBFY22)
- 9.2% higher than the ADP for FY22 and 17.2% higher than RADP for FY22
- The rate of implementation of original ADP in FY22 is likely to be **no more than 80%** even in best case scenario in view of current economic volatilities
- In that case, ADP for FY23 will be more than **36.5% higher than the actual spending in FY22**
- Project Aid to finance 37.8% of total ADP in FY23 (39.1% in ADP of FY22)
- **Rooppur Power Plant** accounts for 12.9% of total project aid in ADP for FY23

ADP Financing Structure (% of total)



## IV. ANNUAL DEVELOPMENT PROGRAMME

❑ The **top 5 sectors** have received **74.4%** of total ADP allocation

- **Transportation and Communication Sector** once again has received the highest allocation (28.7% of total) for the highest number of projects (256). **Power and Fuel** have received second highest share (16.0%) in ADP allocation as before
- These two sectors account for about 44.8% of total ADP allocation
- Rooppur Nuclear Power Plant project accounts for 34% of total allocation for Power and Fuel sector

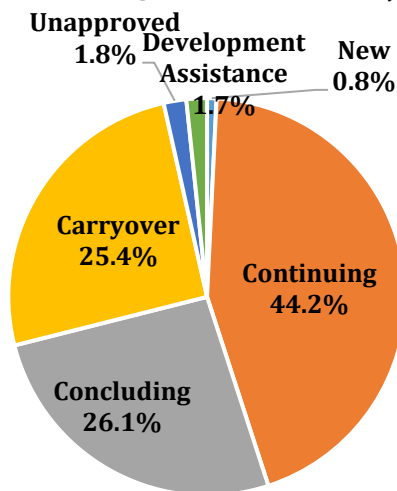
Sector	No of projects in ADP FY23	Allocation share (%) ADP FY23
<b>Top five sectors</b>	<b>674</b>	<b>74.4</b>
Transportation and Communication	256	28.7
Power and Fuel	66	16.0
Education	110	11.8
Housing and Community Facilities	184	10.0
Health	58	7.8
<b>Other 10 Sectors</b>	<b>675</b>	<b>25.6</b>
Development Assistance	NA	1.8
<b>Total</b>	<b>1349</b>	<b>100.0</b>

## IV. ANNUAL DEVELOPMENT PROGRAMME

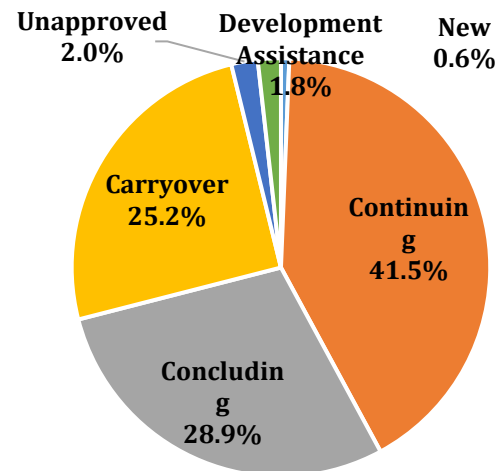
- **Education** sector has received 11.8% share of total ADP in FY23 from 10.3% in FY22
  - However, it remains way below the prescribed level of share for developing countries
- The share of **Health** sector in ADP FY23 (7.8%) has marginally increased from 7.7% in ADP FY22
- Share in ADP allocation has declined marginally for **Agriculture** sector, from 4.1% in FY21 to 3.4% to FY22 at a time when ensuring food security remains a high priority

## IV. ANNUAL DEVELOPMENT PROGRAMME

❑ The ADP for FY23 contains **1,356 projects** (1,426 for ADP of FY22)



Share of allocation in FY22



Share of allocation in FY23

❑ **Share of allocation for continuing projects has further declined while that of concluding projects has increased**

- Share of allocation for continuing projects declined to 41.5% in FY23 from 44.2% in FY22
- 41.5% of allocation is provided to 326 continuing projects in FY23 (similar to 334 in FY22)
- Indeed, 7 out of 10 highest allocated projects are continuing projects

❑ **40 new projects** are included in FY23 (29 in FY22)

- However, share has declined: 0.6% of total ADP allocation in FY23 (0.8% in FY22)
- 192 new projects were included in the RADP for FY21 - tradition of allocating new projects in the RADP continues

## IV. ANNUAL DEVELOPMENT PROGRAMME

- ❑ A total of **462 projects** are scheduled to be concluded in **FY23**, according to project completion timeline
- ❑ **527** 'carryover' projects (account for **25.2%** of the total allocation)
  - This share is on the high side for the second consecutive year over last 10 years
  - Transportation and Communication has 110 of these projects, followed by Housing and Community Facilities (92), Environment, Climate Change and Water Resources (52), Education (50), Industrial and Economical Services (48), and Local Government and Rural Development (36)
  - Higher share of carryover project would imply need for additional allocation due to cost escalation
- ❑ Thus, total number of projects which should be concluded in FY23: **983**
- ❑ Planning Commission has identified **269** projects which may be **completed in FY23** (355 were listed in FY22)
  - **Many of these are unlikely to be completed in FY23**

## IV. ANNUAL DEVELOPMENT PROGRAMME

Project Status	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Unapproved projects without Allocation	662	624	857	1,172	1,315	1,338	1,045	1347	596	633
Projects listed to seek Foreign Funds	346	338	382	349	360	326	242	96	141	150
<b>Total Number of Projects in the ADP</b>	<b>1,046</b>	<b>1,034</b>	<b>999</b>	<b>1,141</b>	<b>1,192</b>	<b>1,347</b>	<b>1,475</b>	<b>1,584</b>	<b>1,426</b>	<b>1,356</b>
PPP	44	40	40	32	36	78	62	61	0	0
Possible Completion (PC identified)	305	324	324	354	411	446	355	380	355	269

- ❑ 633 projects are listed without allocation (in a separate list) in FY23
- ❑ 150 unapproved projects have been listed to seek foreign funds
- ❑ It is observed that **the share of projects with symbolic allocation (token allocation to keep these projects in the ADP list) is on the rise again! Majority of these are carryover projects**
  - Inclusion of projects under Tk. 1 lakh have been a perpetual practice (barring FY22)
  - **59 projects (4.4% of total number of projects) under ADP FY23 have received only Tk. 1 lakh or below; (31 projects (2.2%) received such allocation in FY22)**
  - **52 (88.1%) of those are carried over from ADP FY22**

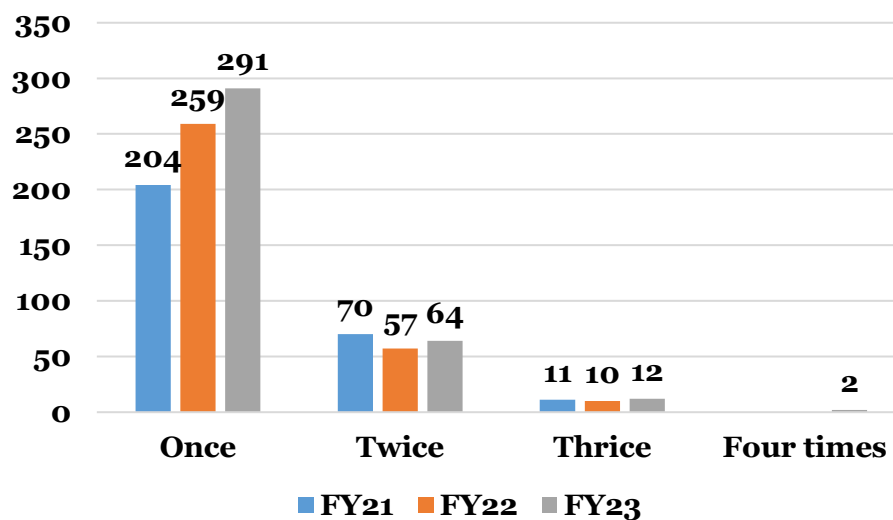


## IV. ANNUAL DEVELOPMENT PROGRAMME

### ❑ Time-overrun projects continue!

- **Average age** of 1,243 investment projects is **4.6 years**
- **219** (17.6%) of these 1,243 projects are 6-10 years old (due to repeated extensions of projects)
- **39** of these 1,243 projects are 10-15 years old
- **29.7%** of investment projects in ADP for FY23 have already been revised between 1-4 times
- Number of **projects with time extension** increased from **326 in FY22 to 369 in FY23**

**ADP Projects with number of revisions**



## IV. ANNUAL DEVELOPMENT PROGRAMME

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

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 21 (%)	Possible Progress till Jun 23 (%)	End date
Construction of Rooppur Nuclear Power Plant	01-07-16	113,093	37.7	62.6	30-12-25
Dhaka Mass Rapid Transit Development Project (Line 1)	01-09-19	52,561	1.5	6.7	31-12-26
Matarbari 2x600 MW Ultra-Super Critical Coal-Fired Power Project (1st revised)	01-07-14	51,855	32.6	57.3	31-12-26
Dhaka Mass Rapid Transit Development Project (Line 5): Northern route	01-09-19	41,239	3.1	14.1	31-12-28
4th Health, Population and Nutrition Sector Development Programme (HPNSDP) (Health services)	01-01-17	40,323	53.3	87.7	30-06-22
Padma Bridge Rail Link (1st revised)	01-01-16	39,247	46.6	77.1	30-06-24
Fourth Primary Education Development Programme (PEDP4)	01-07-18	38,397	14.5	53.3	30-06-23

## IV. ANNUAL DEVELOPMENT PROGRAMME

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

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 21 (%)	Possible Progress till Jun 23 (%)	End date
Padma Multipurpose Bridge project (2nd revised)	01-01-09	30,193	84.4	100.0	30-06-23
Dhaka Mass Rapid Transit Development Project (Line 6) (2nd revised)	01-07-12	23,490	65.1	95.4	30-06-24
Transformation of Meter Gauge Railline to Dual Gauge in the Akhaura-Sylhet section	01-04-19	21,555	0.0	0.0	30-06-25
Expansion of Hazrat Shahjalal International Airport (1st phase) (1st revised)	01-07-16	21,399	23.9	68.2	30-06-25
Construction of 329 technical schools and colleges at the upazilla level	01-01-20	20,526	0.0	1.2	31-12-24
Expansion and Strengthening of Power System Network under DPDC Area (1st revised)	01-01-17	20,468	14.3	38.9	30-06-24
Construction of Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and Ramu to Ghundum near Myanmar Border (1st revised)	01-07-10	18,034	32.2	45.4	30-06-22

## IV. ANNUAL DEVELOPMENT PROGRAMME

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

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 21 (%)	Possible Progress till Jun 23 (%)	End date
SASEC Dhaka-Sylhet Corridor Development	01-01-21	16,919	0.0	6.4	31-12-26
Construction of Dhaka-Ashulia Elevated Expressway	01-09-17	16,901	8.3	33.9	30-06-22
Construction of Bangabandhu Sheikh Mujib Railway Bridge	01-07-16	16,781	22.7	58.6	31-12-23
SASEC Road Connectivity: Improvement of Elenga-Hatikumrul-Rangpur-Highway into 4-Lane Highway (1st revised)	01-09-16	16,662	25.6	50.0	31-12-24
4th Health, Population and Nutrition Sector Development Programme (HPNSDP) (Health education)	01-01-17	14,494	30.5	51.3	30-06-22
Power Grid Network Strengthening project under PGCB (revised)	01-10-16	14,326	12.7	28.6	30-06-24

## IV. ANNUAL DEVELOPMENT PROGRAMME

- ❑ **Mega Projects: Allocations for these have increased, but not the pace of implementation**
- ❑ **Tk. 76,715 crore is allocated for 20 mega projects** (mostly infrastructure including fast-track and based on project size) which is **31.2% of total ADP** of FY23.
- ❑ Only two out of 20 mega projects are scheduled to be completed in FY23
  - These are the Padma Multipurpose Bridge project and the Fourth Primary Education Development Programme (PEDP4)
    - Maximum possible completion for PEDP4 by FY23 is 53.3% - indicating a need for time extension in the future
- ❑ Four projects were targeted to be completed by FY22
  - Two of these are related to the 4th Health, Population and Nutrition Sector Development Programme (HPNSDP)
    - The need for time and cost extension is evident from the ADP allocation so far for these projects

## IV. ANNUAL DEVELOPMENT PROGRAMME

- ❑ **Future projects with expected foreign aid both in terms of allocation and number have increased from previous year (FY22)**
  - 150 projects have been listed with expected foreign aid financing in FY23
  - The estimated cost of all of these projects was USD 45.5 billion in FY23 (the same figure for FY22 was USD 41.6 billion)
  - Estimated Project Aid to be obtained from different sources was USD 31.6 billion in FY23 (USD 28.7 billion in FY22)
  - Highest share of Project Aid to be obtained is in **Transport and Communication** (60.8% for 47 projects) and Power and Fuel (13.1% for 24 projects) – emphasis on infrastructure to continue!
  - Housing and Community Facilities are expected to receive the **third highest share (12.3%) of project aid**

## IV. ANNUAL DEVELOPMENT PROGRAMME

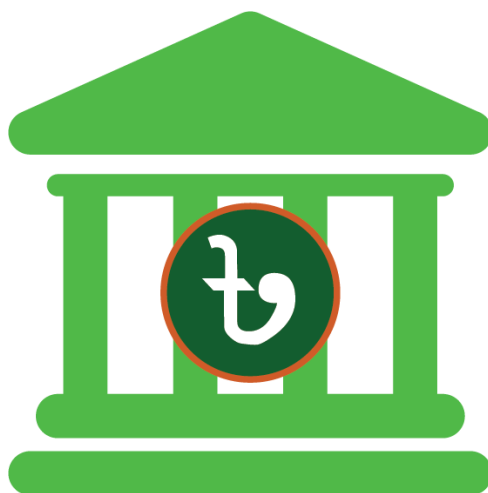
### Six important observations **can be made for ADP FY23**

- ❑ No significant change in the structure of ADP allocation for FY23 can be observed
  - Physical infrastructure-related sectors have continued to dominate
- ❑ **Utilisation of foreign aid** will be critical for ADP implementation
- ❑ The problems of **‘carryover’ and ‘time-overrun’ projects** will persist in FY23
- ❑ Progress of **mega projects implementation is unsatisfactory**
  - The wait may continue with consequent adverse impacts on public service delivery and crowding-in private sector investment
  - The delay in implementing mega projects will also have repercussions in the form of cost escalation

## IV. ANNUAL DEVELOPMENT PROGRAMME

- ❑ The prioritisation exercise of ADP projects is confusing
  - 269 **completing projects** have been tagged as “**low priority**”
  - 17 of the 20 mega projects in the ADP for FY23 are marked as “low priority” but have received significant allocations
  - However, most of the unapproved new projects (633 and another 150 seeking foreign funds) have been tagged as “**high priority**”
- ❑ ADP for FY23 again marked with high number of projects with ‘**symbolic allocations**’





## **V. FISCAL MEASURES**

### ❑ *Personal Income Tax (PIT) structure remains unchanged in FY23*

- Tax exempt threshold for PIT remains the same at Tk. 300,000
- **In view of the skyrocketing prices of essentials, CPD had proposed to either increase this threshold to Tk. 350,000 in order to provide some respite to the general citizens or raise the range of the next tier (at 5% tax) from Tk. 1 lacs to Tk. 3 lacs**
- CPD also proposed to increase the highest PIT rate, applicable for top earners, from 25% to 30% in FY23
  - It needs to be mentioned that this rate was reduced (from 30% to 25%) in FY21
  - **Raising this rate would have promoted tax justice and could have become an additional source of revenue**

### ❑ **Wealth Surcharge** free limit remains unchanged at Tk. 3 crore

- Changes were not introduced in the other slabs as well
- This is perhaps a **missed opportunity to introduce more progressive tax measures**

### ❑ Rate of investment tax rebate has been fixed at 15% on eligible amount

- This would mean higher taxpayers i.e. **top earners will get higher tax rebate benefits** whereas those with annual income below 15 lacs will not get any additional tax benefits

Annual taxable income	FY22		FY23		Annual Tax Benefits
	Allowable investment 25% of total income or 1 crore whichever is lower	Investment rebate 10% if total taxable income is above 15 lacs	Allowable Investment 20% of total income or 1 crore which ever is lower	Investment rebate 15% if total taxable income is above 15 lacs	
1,500,000	375,000	37,500	300,000	45,000	7,500
3,000,000	750,000	75,000	600,000	90,000	15,000
5,000,000	1,250,000	125,000	1,000,000	150,000	25,000
10,000,000	2,500,000	250,000	2,000,000	300,000	50,000
40,000,000	10,000,000	1,000,000	8,000,000	1,200,000	200,000

- ❑ The allowable ceiling of perquisite has also been raised from Tk. 5.5 lacs to Tk. 10 lacs in FY23
  - This would mean **those with annual income between Tk. 16.5 lacs to Tk. 30 lacs will get additional tax benefits of up to Tk. 112,500 in a year**
  - This is **another instance where the proposed tax measures would benefit the high income groups**

Particulars	FY23	FY22	Tax exempted income increased	Tax benefits
Gross Estimated Annual Salary	3,000,000	1,650,000		
Gross Estimated Monthly Salary	250,000	137,500		
Perquisites	1,000,000	550,000	450,000	112,500

### ❑ *Reduction in Corporate Income Tax (CIT) was observed for three successive years*

- This **cut was provided under the condition** that receipts and income must be transacted through bank and all expense and investment over Tk. 12 lacs must be made through bank transfer

Description	Existing FY22	Proposed FY23	Applicable tax rate in case of failure to meet condition
Publicly traded company that issues shares worth more than 10% of its paid up capital through IPO	22.5%	20%	22.5%
Publicly traded company that issues shares worth 10% or less of its paid up capital through IPO	22.5%	22.5%	25%
Non-publicly traded company	30%	27.5%	30%
One Person Company (OPC)	25%	22.5%	25%
Association of persons	30%	27.5%	30%
Artificial juridical person and other taxable entity	30%	27.5%	30%

- ❑ CIT rates for banks, insurance and financial institutions (both listed and unlisted), merchant banks, tobacco item producers, mobile operators (both listed and unlisted), and private educational institutes (college and university level) **remained unchanged from FY22**
- ❑ **Given the uncertainties** prevailing in the domestic and global arena, and without other measures to improve business environment, **whether the reduction in CIT will stimulate investment remains a question**
- ❑ **Reduction in CIT, without any upward adjustment in the tax exempt threshold for personal income tax, also raises questions as regards tax justice**

- ❑ Mandatory proof of submission of tax return to avail 38 various services **was a welcome move**
- ❑ Source tax on bank interest for company taxpayers to go up to 20% from the prevailing 10% - **will mobilise additional revenue**
- ❑ Rate of source tax on export proceeds has been raised to 1% from 0.5% - **welcome move** but **whether it can be enforced remains a question as in recent past similar measure was not finally passed in the parliament**
- ❑ From FY23, **all export oriented industries will start enjoying a reduced tax rate similar to that of RMG industries**
  - 12% for general industries and 10% for green industries
  - **Will include sectors exporting both goods and services**
  - **Expected to incentivise export diversification**
- ❑ Textile sector will continue to enjoy 15% tax rate till FY25 – **will provide some competitive advantage and encourage backward linkage in export oriented apparels sector**

### *Special Tax Treatment in respect of undisclosed offshore assets*

- ❑ A new provision added in the Income Tax Ordinance 1984 with a view to mainstreaming money earned and asset acquired abroad into the economy
- ❑ According to the proposed provision, **no authority**, including the income tax authority, **shall raise any question as to the source of any asset located abroad if a taxpayer pays tax on such asset**
- ❑ The proposed rates are:
  - **15% for immovable property not repatriated to Bangladesh; 10% for movable property (including cash and cash equivalents) not repatriated to Bangladesh; and 7% for cash and cash equivalents repatriated to Bangladesh**
- ❑ This opportunity **will be in force for the full FY23 period**
- ❑ **Such an initiative is ethically unacceptable, will discourage honest taxpayers, and unlikely to generate the intended revenue – CPD strongly urges for removal of this provision**



The **following provisions** are **still in place to legalise undisclosed income** and asset under Income tax ordinance, 1984

- ❑ **Section 16H:** An assessee (taxpayer) can legalise his income by paying 50% tax on the disputed amount if there is any discrepancy between:
  - Actual transaction value of the export/import business and the value shown in the statement submitted by him to the tax authority
  - Actual investment and investment claimed in the statement submitted by him to the tax authority
- ❑ **Section 19BBBBB:** Investment in the construction, purchase of any building or apartment shall be deemed to have been explained if the assessee (taxpayer) pay tax at certain rate in certain areas mentioned in the ordinance
- ❑ **Section 19DD:** No question shall be raised regarding the source of the fund invested in any economic zone declared under Bangladesh Economic Zone Act, 2010 or in any hi-tech park declared under Bangladesh High Tech Park Authority Act, 2010 for setting up industrial undertaking within the period from the first day of July, 2019 and the thirtieth day of June, 2024 (both days inclusive) by a company subject to paying 10% tax

The **following provisions to legalise undisclosed income and asset** under Income tax ordinance, 1984 were **cancelled**

- ❑ **19AAAA:** Special tax treatment in respect of investment in securities
- ❑ **19AAAAA:** Special tax treatment in respect of undisclosed property, cash etc.
- ❑ **19AAAAAA:** Special tax treatment in respect of investment in new industrial undertaking (investment between 1st July 2021 & 30th June 2022)

### ❑ Indirect tax measures

#### ❑ Changes in the VAT and SD Act 2021 and Rule 2016

- VAT free annual threshold for business enterprises remains unchanged at Tk. 50 lakhs
- Turnover tax ceiling has also not changed (Tk. 3 crore)
- 4% turnover tax remains unchanged

#### ❑ Necessary amendments have been proposed to expand VAT net and for easing procedural complexities

- VAT payment encouraged by reducing penalties and increasing adjustment time  
- *will leave more space for VAT evasion and compliance*
- Amendments to ease availing of input tax credits, partial input tax credit, VAT deduction at source. A new section has been added to the law to introduce VAT refund – *positive move towards more simplicity*
- Incorporation of MFS payments (VAT invoice) along with bank transactions – *will create more options for easier payments and ensure transparency*

❑ Existing (six) slabs of Customs Duty and 12 slabs of SD will remain unchanged

### ❑ Measures to tackle inflation

- VAT exemption at the trading stage for sugar and puffed rice; reduced duties for gluten, sugarcane, molasses
- Continuation of zero tariff rates and other concessions given in the past for import of food items – *CPD has identified many daily necessary items which will continue to have higher duties*
- VAT exemption at manufacturing and trading stage for Power Tiller – *expected to reduce the cost of agricultural production*
- VAT exemption on manufacturing and trading for poultry, dairy and fish feed products; Advance Tax exemption on import of machinery and equipment by registered poultry farms – *will reduce the cost of poultry, dairy and fish production*
- Animal feeds: VAT exemption at trading stage (which already have exemptions at import and manufacturing stages) – *timely move*
- VAT exemption on first stage purchase of LPG in bulk, which will be sold in bulk later

### ❑ Supports to protect and develop local industries

- LPG manufacturers: VAT at concessionary rate of 5% will continue
- Manufacturers of refrigerator compressors: VAT exempted

- Local VAT exemptions for manufacturing of Active Pharmaceuticals Ingredients (API) – *important in view of upcoming LDC graduation and TRIPS enforcement*
- VAT exemption at manufacturing stage for mobile phone batteries, chargers and interactive displays; customs duty imposed on imported mobile chargers – *domestic protection at both ends as well as revenue generation*
- Complete manufacture of motor vehicle and car (up to 2,500 cc): manufacturing VAT exemption; also duty exemption for importing raw materials – *will incentivise local production*

### ❑ Measures to generate more revenue

- First class railway services: 15% VAT imposed – *welcome move, tax on the rich*
- COVID-19 Test Kit, PPE, protective garments, plastic face shields, medical protective gear, protective spectacles, and goggles for medical use and mask, meditation services: VAT exemption withdrawn – *may slowdown maintenance of health protocols and hygiene*
- SD and CD raised on GI fittings, different types of pipes, wires, rods, tubes, plates, electrodes; SD raised on screws, nuts bolts etc.; – *may increase the cost of essential repairing tools used by households*
- VAT on concrete ready mix – *may generate additional revenue, but also raise the cost of construction*

- Trading of mobile sets: 5% VAT exemption withdrawn – *generate more revenue; should continue exemption for low-end sets*
- VAT on imported laptops; SD on imported optical fibre cable – *may have negative impact on learning opportunities, digitalization and internet accessibility*

### ❑ Welfare measures

- Imports of wheel chair and battery for hearing aid, brail materials: VAT, AIT, AT exempted – *will benefit persons with disabilities*

### ❑ Inconsistent measures

- 5% VAT for both AC and non-AC restaurants – *only wealthy customers will be benefitted; non-AC restaurants should be exempted from VAT to make meals for low-income earners cheaper*
- Advance Tax exemption for import of aircraft by registered organisations – *why should it be a priority measure considering the current context*

### Reform Initiatives

- ❑ Slow implementation of various measures, absence of required reform measures and inadequate administrative capacity are constraining revenue mobilisation over the past years
- ❑ The draft Income Tax Act 2022 was prepared to replace the Income Tax Ordinance, 1984
  - The need for holistic revision in the Income Tax Ordinance, 1984 was first mentioned in the budget speech of FY2010-11
  - *The focus should be on the speedy passing of the draft Income Tax Bill to modernise the tax collection system*
- ❑ The VAT and SD Act 2012 was finally passed in the parliament in FY2019
- ❑ To collect VAT at local stage, NBR could install only **4,595 EFD** / SDC machines at existing businesses against the target to reach 10,000 mark by June 2022
  - The NBR provided the first 3,500 EFD/SDCs at free of cost to commercial outlets. These at present have to pay Tk 20,500 for EFD installation and Tk 24,000 for SDC device installation
  - Presenting the national budget for FY2023, the Finance Minister has revised stated the plan to reach the target of 10,000 by June 2023 - *CPD has been repetitively drawing attention to the need for a faster installation of these for expansion of the VAT-net*

- ❑ NBR, in a joint initiative with ICAB, introduced the Document Verification System (DVS) in November 2020 – *a welcome move to curb fake reporting by taxpaying companies. The tax authority should proactively pursue similar initiatives to curb tax evasion in the future*
- ❑ With a view to replace the existing Customs Act of 1969, a new Customs Act, 2021 has been drafted
  - However, the draft Act is yet to be enacted. This needs speedy action
- ❑ No specific mention of implementing actions under *Money Laundering Prevention (Amendment) Act, 2015* despite expressing the need to curb money laundering, capital flight and tax evasion. Rather there has been a reversal through opportunities offered to whiten money laundered through capital flight
- ❑ The budget speech also did not present a full report on the state of progress towards implementation of the Public Financial Management (PFM) Action Plan 2018-2023



### Summary of observation on fiscal measures

- ❑ The dependence on indirect tax has continued in FY23. Fiscal proposals to raise the share of direct tax in total tax was wanting. For example, the highest tax slab which was reduced to 25% from 30% in view of Covid should have been reinstated at the earlier 30%
- ❑ The Budget FY23 did not offer any significant respite through fiscal measures from the inflationary pressure originating from high import prices and recent significant BDT depreciation, particularly as far as the low-income people were concerned
- ❑ There was no strong move to go for import duty reduction of essential commodities to signal a lessening of imported inflation burden on low- and fixed-income groups
- ❑ There was a welcome attempt to provide support to domestic import-substituting industries through (a) imposition of import duties and supplementary duties on import of finished goods and (b) reduction of duties on imports of raw materials and intermediate inputs

- ❑ While the government has continued with corporate tax rationalisation in FY2023, CPD analysis shows that without parallel initiatives in areas of reforms, ease of doing business, implementation of one stop service and improving business environment, such measures do not translate into enhanced investment
- ❑ The move to make proof of submission of income tax return mandatory for availing of certain services is a welcome measure
- ❑ The proposed measures for whitening of capital flight is not morally acceptable, economically justified and politically wise



## VI. SELECTED PRIORITY SECTORS

# Health

❑ Total budget allocation for health has increased **only by 13%**, from BDT 32,731 in FY22 to BDT 36,864 in FY23

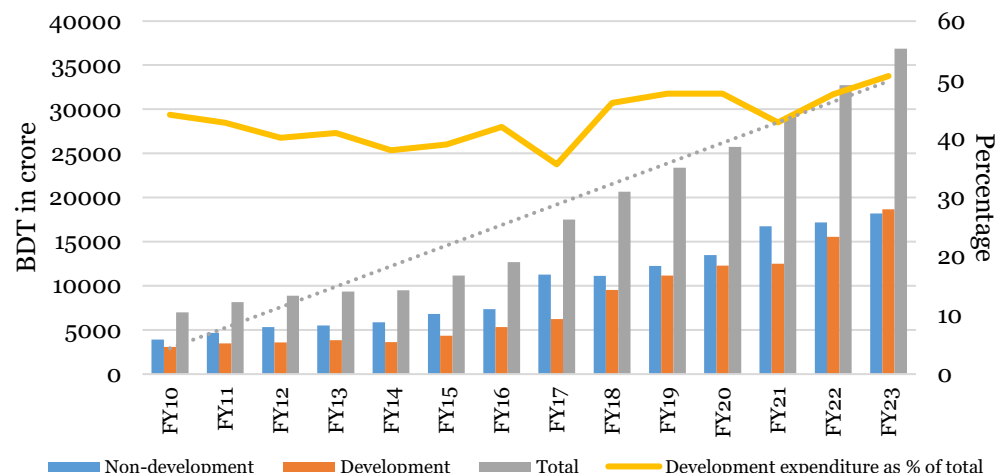
➤ Increase in total budget allocation for health in FY23 followed a linear trendline, indicating that the rise was gradual, even though **the challenges of recovering from the pandemic still have not ended**

➤ Development budget allocation has increased by 49.7%, whereas non-development budget allocation increased by 22%

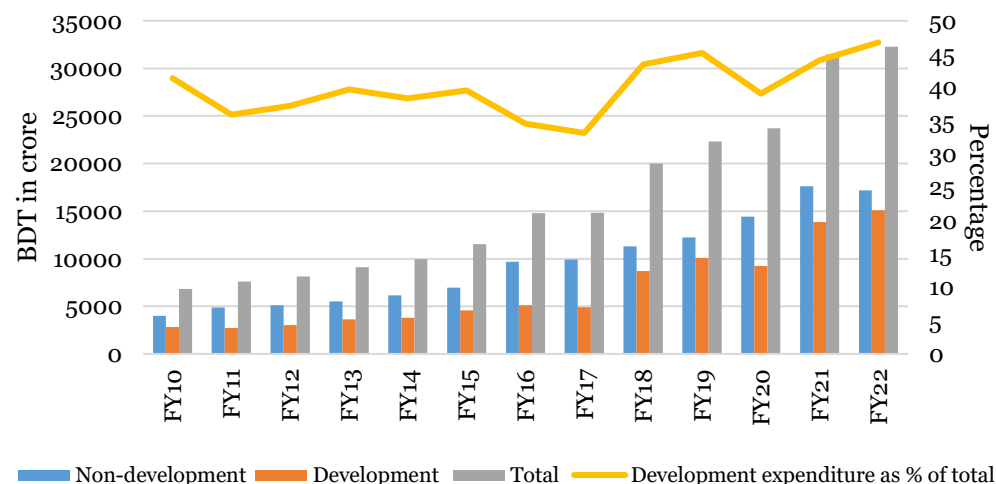
➤ Share of development budget allocation in total budget allocation has increased from 48% in FY22 to 51% in FY23

➤ Share of revised development budget allocation in total budget allocation has increased from 44% in FY21 to 47% in FY22

### Budget allocation for health



### Revised budget allocation for health



❑ Actual expenditure increased by 24% from BDT 17,513 crore in FY20 to BDT 21,647 crore in FY21

❑ Budget utilisation (actual expenditure as a percentage of revised budget allocation) has **worsened** over the past decade

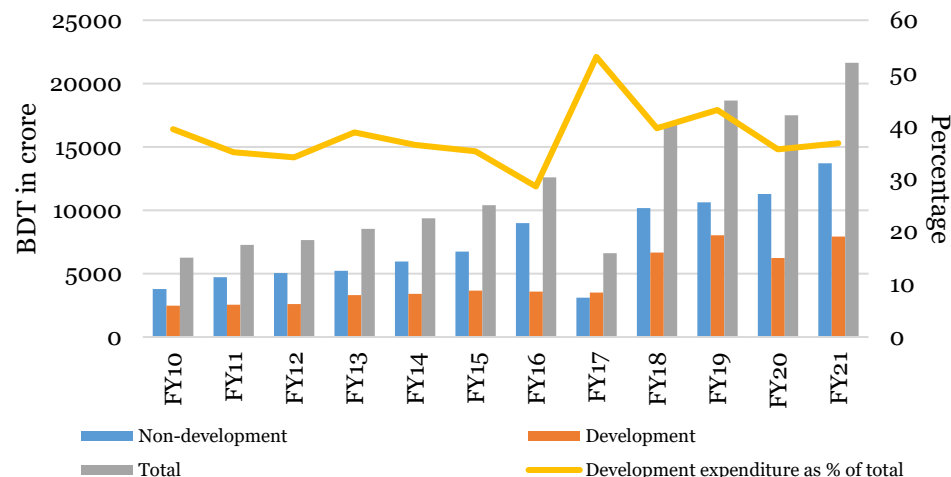
➤ Non-development budget utilisation decreased from 97% in FY11 to 78% in FY21

➤ Development budget utilisation also decreased from 93% in FY11 to 57% in FY21

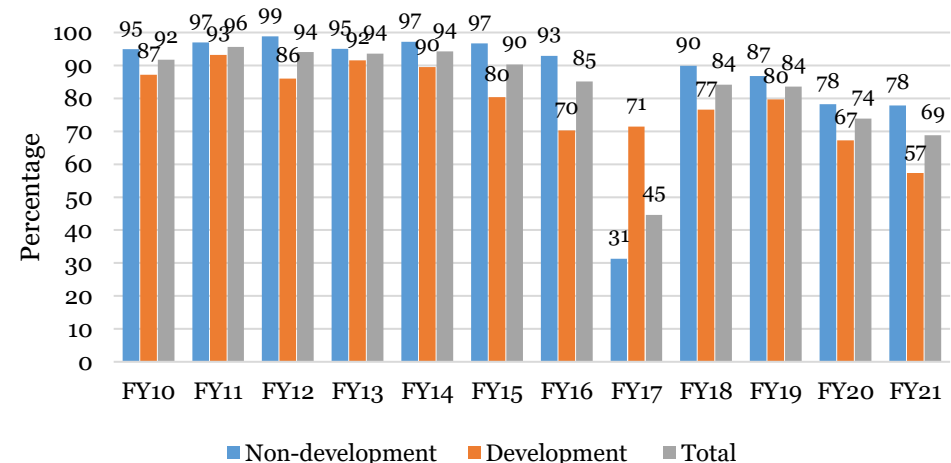
➤ **Total budget utilization decreased from 96% in FY11 to 69% in FY21**

❑ Over the past several years, non-development budget utilization has been consistently higher than development budget utilization

## Actual expenditure on health



## Health budget utilisation



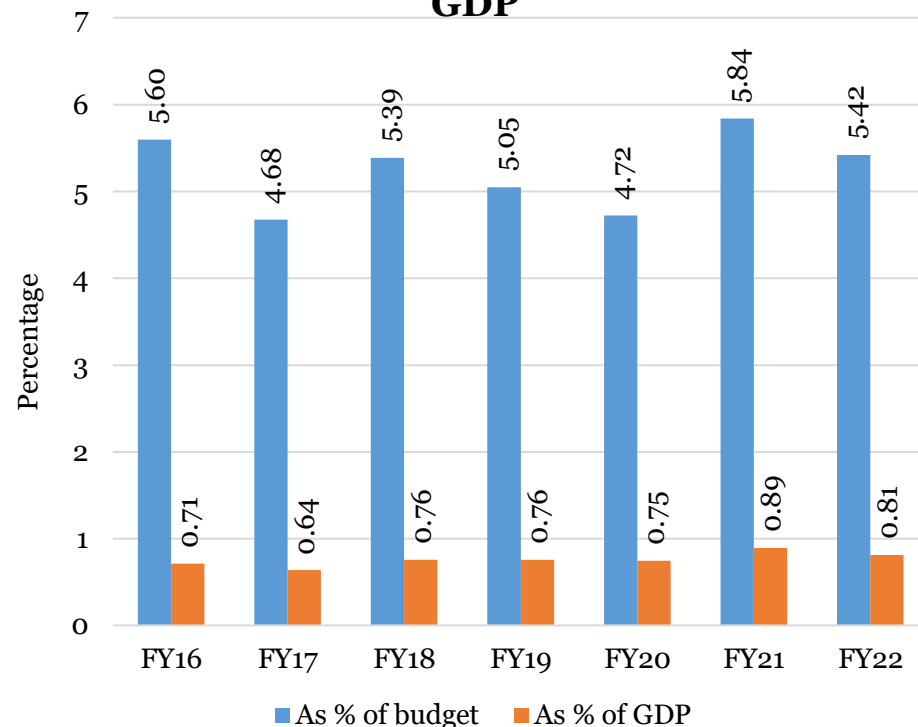
❑ Allocation for health as a *share of the total budget* has slightly increased from **5.42% in FY22** to **5.44% in FY23**

➤ However, this is lower than the allocation of 6.18% of the budget in FY10 when there was no pandemic

❑ Allocation for health as a *share of GDP* has increased from **0.81% in FY22** to **0.83% in FY23**

➤ Such allocation is only marginally higher than the average allocation of 0.77% of GDP during FY16 to FY23.

**Health allocation as share of total budget and GDP**

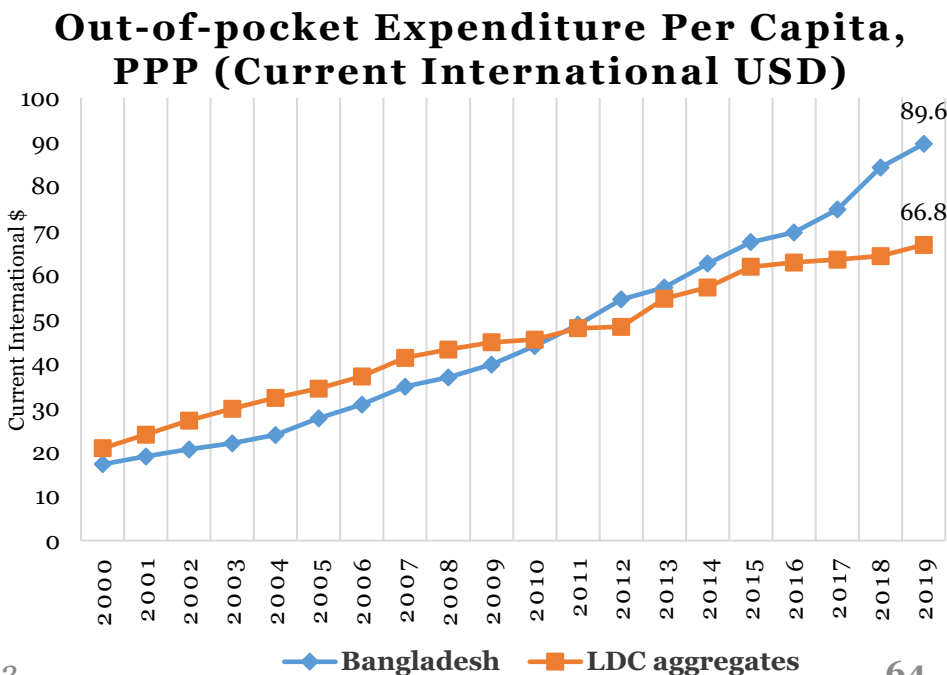


❑ The budget speech of FY23 has mentioned that ensuring timely completion of projects in the health sector will be a challenge in the next fiscal year

❑ **There are 25 projects in the health sector being carried over from previous years**

- ❑ Budget allocation for health has been **less than 1% of GDP** for the past 20 years indicating that healthcare was one of the least prioritised sectors for the government
- ❑ In 2019, at least 30 LDCs spent more than 1% of the GDP on healthcare
- ❑ Bangladesh's government expenditure on health as a share of GDP was the **lowest among 46 LDCs** in 2019
- ❑ Bangladesh's out-of-pocket expenditure on health per capita at purchasing power parity was the **8th highest** among 46 LDCs in 2019

❑ **The budget allocation on health in FY23 is only BDT 2,158 per person per year, whereas on average, each person in Bangladesh spent at least BDT 8,334 per year on health from their own pocket in 2019**





- ❑ The budget for FY23 has provided a complicated tiered tobacco tax framework that supports differential pricing
- ❑ If enacted, the proposed tax on tobacco would encourage consumption of cheap cigarettes, increase public health costs, and reduce government revenue

## Tax structure for cigarettes (per pack of 10 cigarettes)

Proposed tax structure for cigarettes in FY23						CPD's recommendation				
	Retail price		SD				Retail price		Specific excise duty	
Tier	Pack of 10 (in BDT)	Per stick (in BDT)	Per pack of 10 (in per cent)	Per pack of 10 (in BDT)	Per stick (in BDT)	Tier	Per pack of 10 (in BDT)	Per stick (in BDT)	Per pack of 10 (in BDT)	Per stick (in BDT)
Low	40	4.0	57	22.80	2.28	Universal	Market based	Market based	100	10
Medium	65	6.5	65	42.25	4.22					
High	111	11.1	65	72.15	7.21					
Premium	142	14.2	65	92.30	9.23					

- The budget for FY23 has left the tax structure on Bidi **unchanged**

## Tax structure for Bidi

Proposed tax structure in FY23						CPD's recommendation				
	Retail price		SD				Retail price		Specific excise duty	
Type of bidi	Per pack (in BDT)	Per stick (in BDT)	Per pack (in per cent)	Per pack (in BDT)	Per stick (in BDT)	Type of bidi	Per pack (in BDT)	Per stick	Per pack (in BDT)	Per stick (in BDT)
Non-filtered 25 stick handmade bidi	18	0.72	30	5.40	0.22	All	Market based	Market based	75	3
Non-filtered 12 stick handmade bidi	9	1.33	30	2.70	0.23				36	
Non-filtered 8 stick handmade bidi	6	1.33	30	1.80	0.23				24	
Filtered 20 stick handmade bidi	19	1.05	40	7.60	0.38				60	
Filtered 10 stick handmade bidi	10	1.00	40	4.00	0.40				30	

- CPD recommends a **BDT 3 specific excise duty per stick of Bidi** to be implemented in FY23
- Such a specific tax on Bidi should be **increased by at least BDT 1 each year**, to account for annual inflation and income growth

- The budget for FY23 has left the tax structure on Jarda and Gul **unchanged**

## Tax structure for Jarda and Gul

Proposed tax structure in FY2022-2023						CPD's recommendation				
	Retail price		SD				Retail price		Specific excise duty	
Type of product	Per 10gm (in BDT)	Per gm (in BDT)	Per 10 gm (in per cent)	Per 10 gm (in BDT)	Per gm (in BDT)	Type of product	Per 10gm (in BDT)	Per gm (in BDT)	Per 10gm (in BDT)	Per gm (in BDT)
10gm jarda	40	4	55	22	2.2	10gm jarda	Market based	Market based	60	6
10gm gul	20	2	55	11	1.1	10gm gul				

- CPD recommends a **BDT 6 specific excise duty on per gram (gm) of Jarda and Gul** to be implemented in FY23
- Such a specific tax on Jarda and Gul should be **increased by at least BDT 1 each year**, to account for annual inflation and income growth

- ❑ In the budget for FY23, the beverage and carbonated industry is subjected to a **25% SD** for carbonated soft drinks, **35% SD** for energy drinks, and **15% VAT** applicable for both
- ❑ For locally manufactured soft drinks and energy drinks, CPD recommends removing the supplementary duty on both soft drinks and energy drinks and replacing it with **a specific excise duty of BDT 0.10 per millilitre or BDT 100 per litre**

## Proposed Tax Structure for Soft Drinks and Energy Drinks

Current Tax Structure for FY23			CPD's recommendation			
Beverage	SD (%)	VAT (%)	Beverage	Specific excise duty (BDT per ml)	Specific excise duty (BDT per litre)	VAT (%)
Soft drinks	25	15	Soft drinks	0.10	100	15
Energy drinks	35	15	Energy drinks	0.10	100	15

- Placing a specific excise duty on soft drinks and energy drinks will **provide the government with substantial revenue and minimise the risks of many diseases and health expenditures** of the general people

- ❑ Menstrual hygiene is a fundamental right for women and girls which is violated when menstrual hygiene products are subjected to all kinds of tax
- ❑ Locally produced sanitary napkins and similar sanitary products are subjected to high prices because of high total tax incidence (TTI) on imports of raw materials in the budget for FY23
- ❑ **We recommend that:**
  - TTI on imported raw materials to produce sanitary napkins and diapers should be zero by exempting all form of VAT, CD, SD AIT, RD, AT and AIT
  - Raw materials used to produce sanitary napkins falls under 12 HS codes including 48239094, 35052000, 35069110, 39069000, 39199020, 39201020 and 40021100
  - TTI of all these raw materials should be made **zero** to ensure affordable sanitary napkins for women and girls from all levels of income
  - The TTI on imported sanitary napkins in FY23 was **127.72%** which we recommend to be reduced to at least **31.93%**
  - This is equivalent to one-fourth the existing value because this will keep the product low-priced and also protect the domestic producers

# Social Safety Net Programmes

# Social Safety Net Programmes

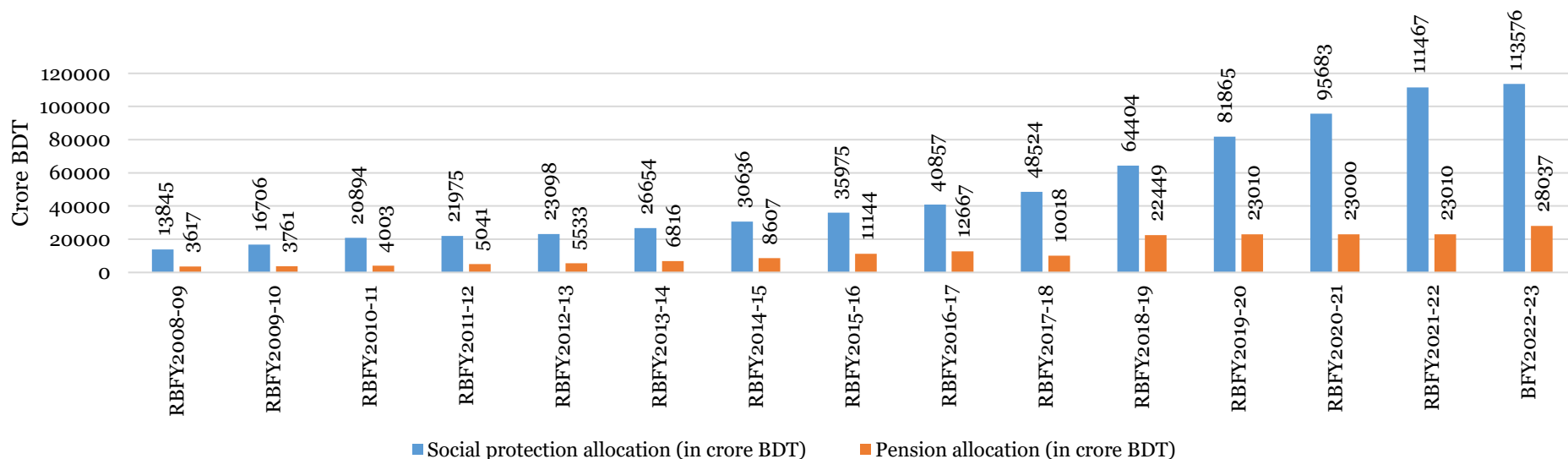
❑ Allocation for **social safety nets** has **increased** from BDT 111,467 crore in revised budget for FY22 to BDT 113,576 crore in budget for FY23

➤ **This represents an increase of only 1.89% which is lower than the average rate of increase of 17% between FY10 and FY22**

❑ Allocation for **pension** has **increased** from BDT 23,010 crore in revised budget for FY22 to BDT 28,037 crore in budget for FY23

➤ **This represents an increase of 21.8% which is more than ten times the rate of increase of overall social protection**

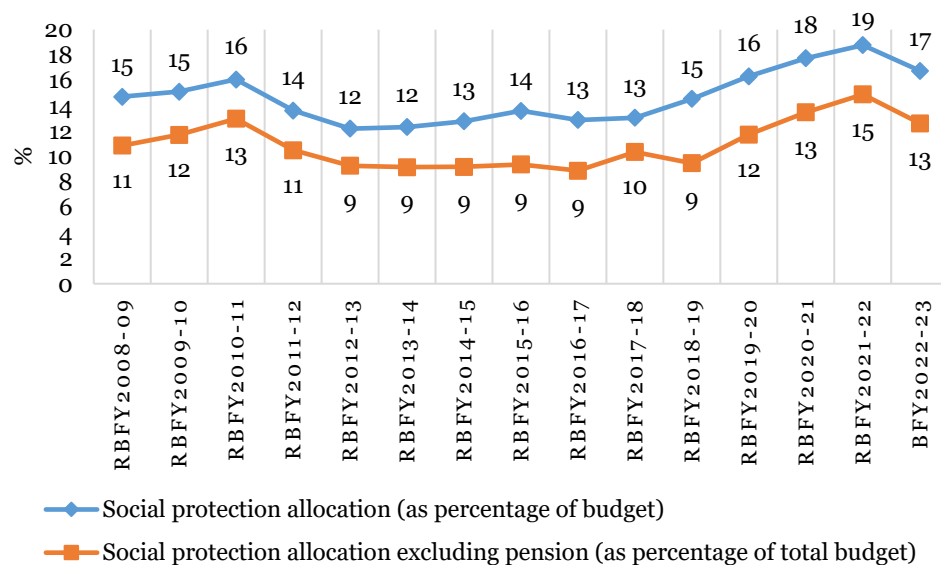
**Social protection allocation and pension allocation (in crore BDT)**



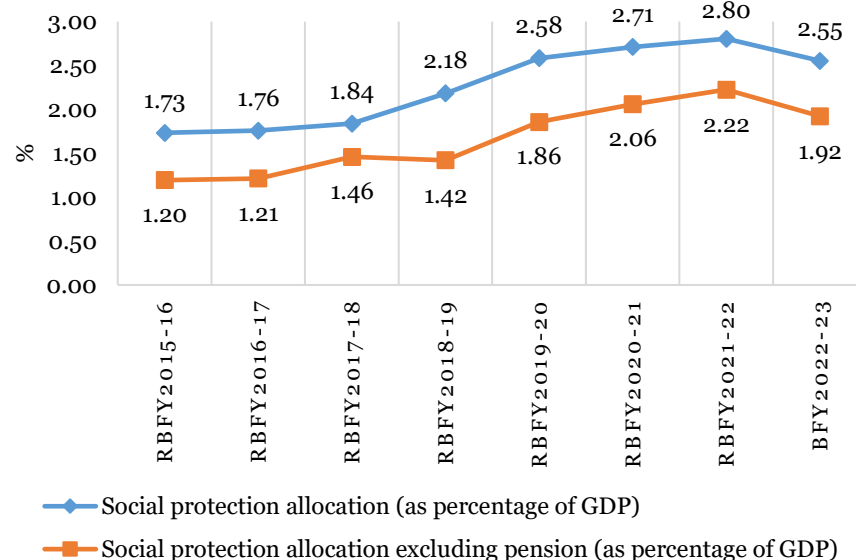
# Social Safety Net Programmes

- ❑ Overall social safety net budget as a percentage of budget and GDP **decreased** slightly from RBFY22 to BFY23
- ❑ **Social safety net budget excluding pension as a percentage of budget decreased 14.90% from RBFY22 to 12.62% in BFY23**
- ❑ **Social safety net budget excluding pension as a percentage of GDP decreased 2.22% from RBFY22 to 1.92% in BFY23**

**Social protection allocation as a % of budget**



**Social protection allocation as a % of GDP**





# Social Safety Net Programmes

## Some programmes where allocation **increased**

Description	RBFY22 (BDT crore)	FY23 (BDT in crore)	Change (in %)
Honorarium for Freedom Fighters	4603.35	4653.35	1.09
Pension for Retired Government Employees and their Families	23010	28037	21.85
Housing construction project for the insolvent freedom fighters	481.9	761.83	58.09

## Some programmes where allocation **decreased**

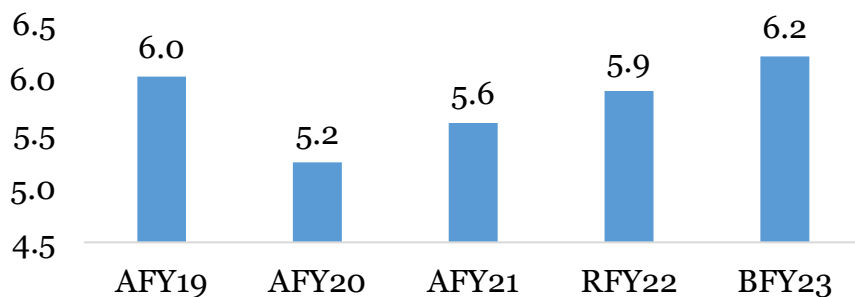
Description	RBFY22 (BDT in crore)	FY23 (BDT in crore)	Change (in %)
Employment Generation Programme for the Poor (EGPP)	1925.00	1830.00	-4.94
Open Market Sales (OMS)	1943.58	1720.13	-11.50
Relief Works (Flood, Drought, Cyclone and Others)	181.00	81.00	-55.25
Rehabilitation and Alternative Employment Generation for Beggars	26.80	12.00	-55.22
Infrastructure and livelihood Improvement in Haor and Coastal Area	151.55	70.55	-53.45
Gucchagram (Climate Victims Rehabilitation) Project	140.00	94.00	-32.86
Flood Management and Livelihood Improvement Project in Char/Haor Area	122.67	86.23	-29.71
Construction of Flood Shelter in the Flood and River Erosion Prone Area	385.00	290.00	-24.68
Poverty reduction of marginalized population and ensuring employment of the extreme poor in northern areas/ production and marketing of nutritious high value cereals	140.46	106.41	-24.24

❑ Allocation has been cut for **Open Market Sales (OMS)** which would harm low income and fixed income households who are already suffering immensely due to high inflation

# Agriculture

- ❑ Agriculture sector is the 2<sup>nd</sup> highest priority sector in BFY23 (3<sup>rd</sup> in last year)
  - The sector has an allocation of **6.2% of total budget** in BFY23
  - AAS allocation in BFY23 has **increased by 20.4% over RBFY22**
- ❑ **Over the years allocation for the AAS has been increasing** (from 5.2% in AFY20 to 6.2% in BFY23)
- ❑ MoA receives the highest allocation within AAS
  - Rising development budget of MoA has contributed to this (38% in BFY23)
  - MoFL & MoEF have also received significantly high allocation (28% and 34%, respectively)
- ❑ **Compared to the 8FYP, ADP allocation in BFY23 is lower by BDT 19972 crore**
  - For MoWR the allocation is lower by BDT 14932 crore, however, for MoFL the allocation is higher by BDT 801 crore
  - The dredging of the river and creating water reservoir across the countries including protecting the riverbanks, would be delayed due to the budget cut
  - **Allocation reduced in different sectors is mainly because of fiscal pressure**, which is well understood

AAS allocation as a share of total budget

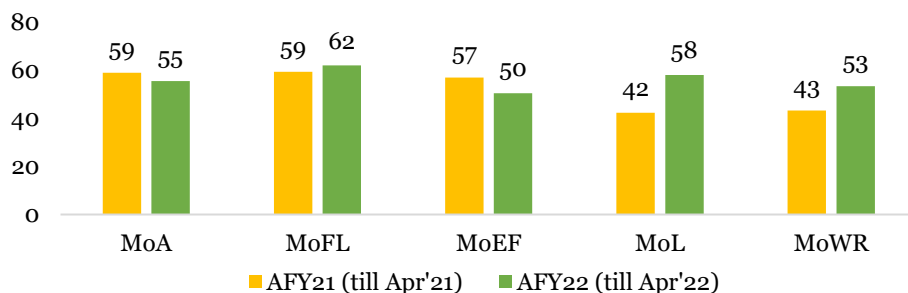


ADP & 8FYP Allocation in Agriculture (BDT crore)

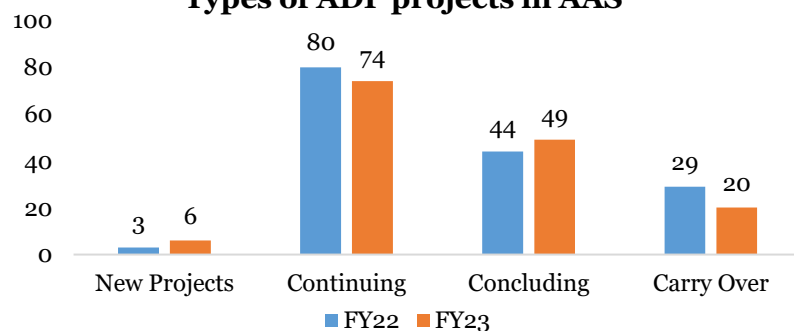
	FY23 (8FYP)	FY23 ADP	Difference
MoA	4790	4239	-551
MoFL	1280	2081	801
MoL	1010	856	-154
MoWR	22870	7938	-14932
Total	29950	9978	-19972

- ❑ ADP implementation of the agriculture sector is above the overall average implementation rate (55.18% in AFY22 (till Apr'22)) except for MoEF
- ❑ Number of “carry-over” projects has decreased to 20 in FY23 from 29 in FY22
  - “New” and “concluding” projects have increased in FY23 (6 and 49 respectively)
  - A number of projects that are supposed to be concluded by FY23, will not be ended on time
    - Delay in implementing Agriculture Census 2018 would have an adverse effect on better planning for crop storage, cultivation, harvesting, and pricing during the post COVID period
  - A number of “continuing” ADP projects in AAS would not be implemented as per their expected project timeline
    - Cost of those projects would overshoot their allocated budget
    - These projects include climate adaptive agricultural technology in natural disaster-prone areas, crop conservation facility and their marketing activities, poverty alleviation through agricultural farming in CHT, and construction of modern paddy silos and food storage

**ADP implementation rate (%)**



**Types of ADP projects in AAS**



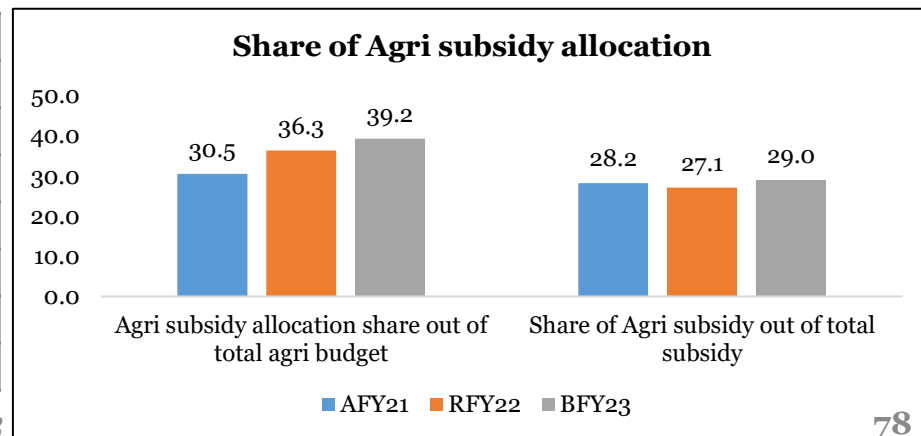
## Maximum Possible Completion rate of ADP Projects in AAS by FY23

Types of Project	Project Name	Max Possible Completion rate	Implementing Agency
Concluding	Agriculture census 2018	93.2	BBS
	Strengthening of hybrid vegetable seed production, processing, storage and distribution activities through capacity building of BADC's Vegetable Seed Department	83	BADC
	Increase crop production through expansion of solar and water efficient modern technology	96.7	DAE
	Farmer Training Project for Technology Transfer at Upazila Level (Phase 3)	100	DAE
	Production, storage and distribution of high quality paddy, wheat and jute seeds at farmer level through modern technology	81.6	DAE
	Repair of old food warehouses and ancillary facilities and construction of new infrastructure across the country	99.2	DGF
	Establishment of premix kernel machines and laboratories and construction of infrastructure to ensure nutritional value of food grains	100	DGF
Carry Over	National agricultural technology programme phase 2 project (NATP-2)	98.5	MoA
	Modernisation of agriculture information service and strengthening digital agricultural information and communication	95.0	AIS
Continuing	Increase farm machinery research activities for mechanized paddy cultivation	74.0	BRRI
	Maintenance, rehabilitation of existing fertiliser warehouses of BADC and strengthening fertilizer management activities through construction of new warehouses- 2nd phase	90.8	BADC
	Strengthen production and storage of quality seed potatoes and distribution at farmer level	81.3	BADC
	Agricultural mechanization project through integrated management	119.2	DAE
	Climate change adaptation in Khulna agricultural region through climate smart technology	55.3	DAE
	Smart agriculture card and digital agriculture (pilot) project	29.7	DAE
	Modernization of onion and garlic conservation method at farmer level and development of marketing activities project	29.6	DAM
	Poverty alleviation project through coffee and almond cultivation in Chittagong Hill Tracts	33.4	CHTDB
	Food security statistics project 2022	58.8	BBS
	Capacity enhancement of Bangladesh Food Security Authority	60.1	BFSA
	Construction of modern paddy silos in different parts of the country with drying, storage and other ancillary facilities (First 30 silo construction pilot projects)	3.1	DGF
	Construction of modern food storage	72.4	DGF
	Climate smart agriculture and water management project (BSAWM) (Bangladesh Water Development Board part)	3.5	BWDB

- ❑ The government has declared a **subsidy package of BDT 16,527 crore** for agriculture sector which is **one-fifth of the total amount**
- ❑ **Subsidy in the AAS accounts for 39.2% of AAS budget allocation in BFY23**
  - Subsidy allocation has **increased** from BDT 12,690 crore from RBFY22 to BDT 16,527 crore in BFY23
  - The sudden rise in subsidy in FY22 is because of accommodating additional expenditure for import of fertilisers such as TSP, DAP, and MOP fertilizers from the international market significantly at high prices
- ❑ **Increasing subsidy in the agriculture sector is a welcome initiative** as the retail prices of fertilisers, pesticides and other ancillary raw materials, is needed to be stabilised at farmers' level

**Subsidy in Agriculture (BDT crore)**

	Allocation	Revised	Utilised	Unutilised
FY17	9000	6000	3493	2507
FY18	9000	6000	5268	732
FY19	9000	8070	7763	307
FY20	9001	8001	7175	826
FY21	9501	8599	7844	755
FY22	10099	12690		
FY23	16527			



# Agriculture: Fiscal Measures

- ❑ Selected targeted fiscal measures would promote investment in domestic market-oriented agro-based industries and would also contribute to stabilise forex market

	Initiatives	Implications
1	Reduction of custom duty of wheat gluten from 25% to 10%	Wheat-based food (i.e., rye, barley) would be available at low prices for the low-income people
2	Reduction of custom duty of cane molasses from 15% to 10%	Processed food like bakery products and candy prices would be lower
3	Reduction of customs duty of Chiller for VAT compliant cold storage from 25% to 10%	Cost of cold storage plants would be lower thus will provide cheaper commodity products across the seasons
4	An increase in supplementary duty for imported cheese and curd from 0% to 20%	Prices of cheese would increase which will reduce imports thus would reduce the pressure on foreign exchange reserves. However, the initiative would raise the prices of cheese-based foods at restaurants and hotels
5	20% rise in supplementary duty on the import of processed and ready to consume coffee, which will result in the price increase of these products	Prices of coffee would be higher which would reduce the import thus would reduce the pressure on foreign reserve
6	Rise in import duty on Water purifier from 1% to 10%	Would incentivise domestic producers
7	Reduction of Import duty of Nut to 1% from 25%	Contribute to reduced import price
8	VAT exemption for Hem and Sugar	Contribute to reduced import price
<b>Concessional facility for import of—</b>		
9	Test kits, cane and other molasses (feed grade) used in the production of poultry/dairy/fish feed	Would reduce production costs of fisheries and poultry farmers and would raise the profit of the marginal entrepreneur
10	Combine Harvester-Threshers, Threshing Machinery for agricultural produce	Would reduce the farmer's production cost and compensate for labour shortages
11	Pesticides raw materials	Would reduce the prices of fertilisers, production and import cost, and pressure on foreign reserve

# Employment Generation



□ In view of LDC graduation, along with **creating new employment**, Bangladesh is expected to start focusing on **improving productivity and ensuring decent work**

➤ However, the focus of the government in employment and decent work **is not evident in BFY 23**, at least in terms of allocation to three selected employment generation related ministries (Ministry of Industries, Ministry of Labour and Employment, and Ministry of Expatriates' Welfare and Overseas Employment)

➤ Total allocation for two crucial ministries for employment, MoI, **MoLE proposed to be decreased by Taka 690 crore and 3 crore respectively in BFY23** compared to RFY22

➤ The development budget, on the other hand, also proposed to be decreased for these two crucial ministries- **MoI 29.3%, MoLE 28.5%**

➤ The justification for proposing 43.2% increase in the operating expenditure of MoLE is not clear, particularly while the spending on **travel and transfer** of MoLE proposed to be **increased more than 100%**

□ The higher allocation to development budget of MoEOE indicates that **government wants to put a special focus on overseas employment in FY 23**, which perhaps focusing the election pledge of AL government (i.e.) 1000 workers from each upazila would be sent abroad

Figure : Recent trend of FY wise allocation of selected ministries (in Crore Taka)

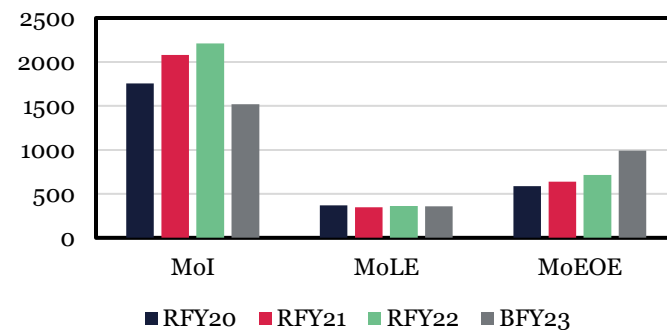
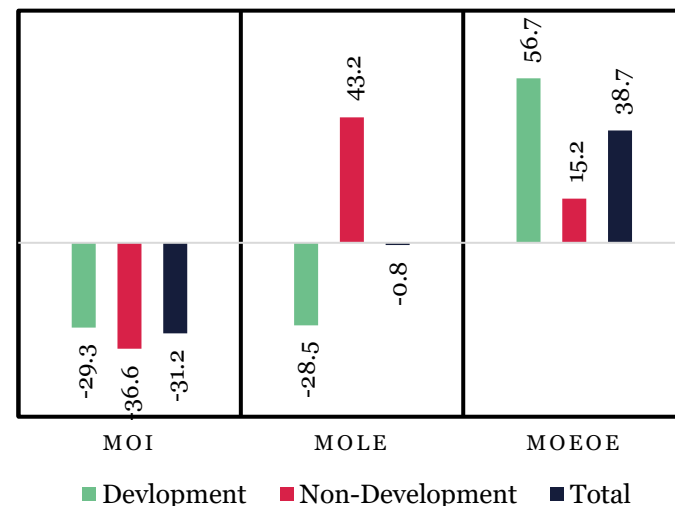


Figure : Disaggregated % Changes of allocation for selected ministries



# Employment Generation

❑ The ADP allocation in three selected employment generation related ministries seems to have **deviated to different extents** in FY 23 compared to 8<sup>th</sup> FYP targets

- MoI has been proposed to **have 40% less ADP allocation in FY23** as compared to 8<sup>th</sup> FYP target
- The proposed ADP allocation for the MoLE has been the closest among three selected ministries compared to 8<sup>th</sup> FYP (**yet 10.6% less than the target**)
- MoEOE has been proposed to have **53.4% more ADP allocation in FY23** than what was targeted in 8<sup>th</sup> FYP

❑ In in 8<sup>th</sup> FYP, additional **1.61 million domestic employment** and **0.65 million overseas employment** was targeted to create

- However, it is not very clear what are **the targeted initiative in this regard** (apart from fiscal measures) and how this target will be achieved in FY23

Table : Comparison of 8<sup>th</sup> FYP targeted and FY 23 allocation for selected ministries

Ministry	Planned Allocation in 8 <sup>th</sup> FYP (In crore Taka)	BFY 23 Allocation (In crore Taka)	Change in BFY 23 Allocation compared to 8 <sup>th</sup> FYP (%)
Ministry of Industry (MoI)	1810	1098	-39.3
Ministry of Labor and Employment (MoLE)	170	152	-10.6
Ministry of Expatriates and Overseas (MoEOE)	380	583	53.4

Table : Employment generation targets in 8<sup>th</sup> FYP

Indicator	FY22	FY23	FY24	FY25
Additional domestic employment (million)	1.52	1.61	1.72	1.80
Additional overseas employment (million)	0.61	0.65	0.69	0.72
Additional total employment (million)	2.13	2.26	2.41	2.52
Additional labour force (million)	1.53	1.56	1.60	1.63
Excess employment (million)	0.60	0.70	0.81	0.89

☐ Implementation status selected **carry over projects**

Project Name	Max Completion by FY23
Development of Tourism Facilities of Certain Attracted Tourism Areas (01/01/2017-30/06/2022)	86.1%
BSCIC Industrial Park Raujan (1st Revised)(01/07/2016-30/07/2022)	100%
BSCIC Chemical Industrial Park Munshiganj (1st Revised) (01/07/2018-30/06/2022)	43.3%
Establishment of 5 Training centres, 1 Fashion Design, 2 Market Promotion Institutes under Handloom Board (01/07/2018-30/06/2021)	43.9%
Establishment of Tourism Spot in Panchagarh (01/07/2018-30/06/2021)	24.6%
Establishment of National Productivity Organization(NPO) office (01/10/2015-30/06/2021)	0.2%

☐ Implementation status of selected **concluding projects**

Project Name	Max Completion by FY23
BEPZA Economic Zone, Mirershorai(01/09/2018-30/06/2023)	76.7%
BSCIC Plastic Industrial Park (01/07/2015-31/12/2022)	51.5%
Export Competitiveness for Jobs (1st Revised) (01/07/2017-30/06/2023)	44.4%
DIFE modernization and establishment 13 district office (01/07/2019-31/12/2022)	31.1%

☐ Implementation status selected **continuing projects**

Project Name	Max Completion by FY23
Providing Training on Driving in domestic and abroad for creating employment (01/01/2020 31/12/2024)	51.3%
Technology Empowerment Centre for Underprivileged Rural Young People (01/01/2022-31/12/2024)	41.1%

- ❑ The overall ADP implementation rate for three selected employment related ministries has improved –to 78.0% in FY22 (till April) from 45.5% in same period of FY 21
  - However, the individual implementation rate - MoI 82.8% from 42.7%, MoEOE:52.6% from 74.5%, MoLE: 41.9% from 48.7%, - shows that other than MoI, the implementation rate two other ministries deteriorated further in FY22
- ❑ On top of that, delayed implementation for several crucial ADP projects that could create/boost employment in the economy remained persistent in FY 22
  - Some of the crucial project (such as Establishment of 5 Training centres, 1 Fashion Design, 2 Market Promotion Institutes under Handloom Board, BSCIC Chemical Industrial Park Munshiganj) that were dated be completed before FY 22, will not be completed even in FY 23
  - A number of projects that were to be completed by FY23, will not be completed in time with this year's allocation
  - One such project is to improvement of capacity and establishment of 13 DIFE district offices which could play a pivotal role in enhancing the inspection quality and coverage of DIFE

- ❑ A number of fiscal measures have been proposed in FY 23
  - Some of the major tax exemptions that has been proposed include corporate tax (to 30% from 32.5%), tax on publicly traded company (to 20% from 22.5%), tax on non publicly traded company (to 27.5% from 30%), tax on one person company (to 22.5% from 25%), tax on non-listed companies (to 27.5% from 30%), withdrawal of tax on earning of Bangladeshi flag bearer ships till 2030
  - These fiscal measures could encourage investment by generating investible surplus to businesses
- ❑ VAT, AIT, AT, CD, SD reduction has also been proposed for several products
  - Customs duty has been proposed to be reduced on industrial products such as Prefabricated buildings of wood, Sewage treatment plant (STP) etc.; industrial raw materials such as winding wire of copper, Wire rod, Metal frames for LCD/LED TV panel etc.; Customs duty has been proposed to be reduced on ICT and computer manufacturing industry's raw materials products such as Sensor, Fuse, Back Light, Power adapter, Battery, Speaker etc, VAT exemption at the import stage proposed for the products: Wheelchair, Ball points for ball point pen etc., AIT and AT import stage reduction has been proposed for Wheelchair
- ❑ 12% tax rate for non green and 10% tax rate for green factories that were applicable for only RMG industry have been proposed to make applicable for all other general industries as well
  - This fiscal measure might play a role in providing equal opportunity to non RMG industries for growing
- ❑ 5% rebate on payable tax for an employer has been proposed if at least 10% of the total workforce is recruited from differently able population
- ❑ Tax rebate has been proposed to an employer employing 10% or more than 100 persons of the total workforce from the hijra community

- ❑ Budget of FY 23 comes with a number of fiscal measures (mainly in the form of tax cut) with the objective of **enhancing investment in the economy and generate employment thereby**
  - But CPD always emphasised on the fact that investment depends on other factors as well (e.g., **ease of doing business; competitiveness environment**)
  - This is bit indicative in latest proxy investment figure such as credit to private sector; although compared to last fiscal year, the credit to private sector has increased by 9.5% in FY22 (up to March), **it is still low (-4.7%) compared to the pre-COVID period, FY 19 (up to March)**
  - Other than differently able, hijra community, **fiscal measures targeting specific segment of workforce are mostly missing in the proposed budget**
  - Measures targeting specific group of labor forces are found to be more **cost-effective** as compared to the generic one (IMF, 2014)
- ❑ Budget FY 23 has mentioned about **gradual initiation** of Unemployment Insurance, Maternity Insurance, Sickness Insurance, and Employment Injury Insurance
  - However, other than **launching of a pilot of the Employment Injury Scheme** to protect workers from injury in the workplace, no specific allocation and steps found to be mentioned
  - Rather, **allocation for Employment Generation Programme for the Poorest (EGPP) has been decreased by 5% in FY 23 compared to RFY 22**

# Youth

- ❑ BFY23 budget did not appear to pay a **distinct attention** on youth
- ❑ No **significant increase has been proposed** in the allocation for Ministry of Youth and Sports in FY23
  - The proposed allocation for MoYS in **FY23 is 1282 crore Taka**
  - Although the overall allocation for MoYS proposed to be increased by **1.4%**, development budget proposed to be **decreased by 11.4%**
- ❑ The **deviation of allocating adequate fund** for ADP projects of MoYS is also observed if compared to 8<sup>th</sup> FYP
  - While the targeted ADP allocation for MoYS was **510 crore Taka** in 8<sup>th</sup> FYP, **only 303 crore Taka** has been proposed to allocated in BFY 23, **which is 40.6% lower**
  - On top of that, several crucial ADP projects (indicated in earlier slide) that could create employment opportunities particularly for youth and make them more productive will **not likely be implemented timely**, while some crucial projects **did not get any allocation**
  - One such project (no allocation) is **making youth skilled industrial workers to increase productivity of manufacturing sector**
  - The ADP implementation rate for **MoYS deteriorated further in FY 23 (till April): 28.02% from 29.2%**

Figure : Recent trend of FY wise allocation of MoYS (in Crore Taka)

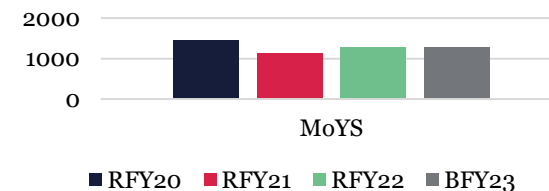


Figure : Disaggregated % Changes of allocation for MoYS

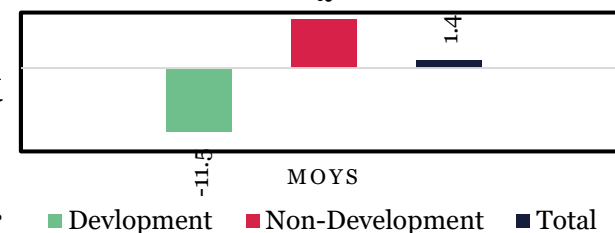


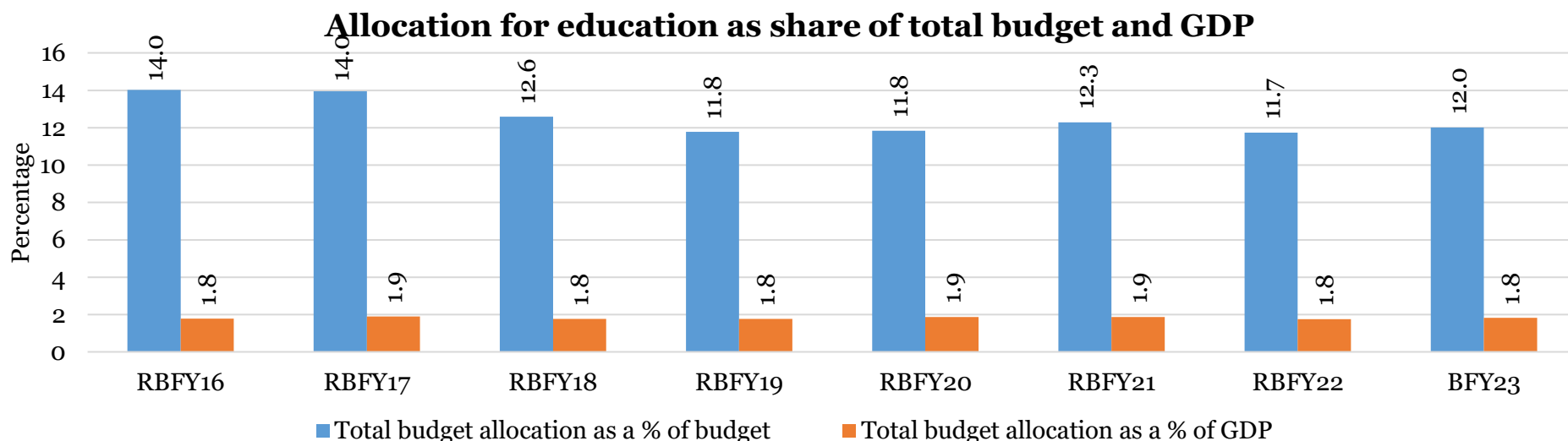
Table : Comparison of 8<sup>th</sup> FYP targets and FY 23 allocation

Ministry	Planned Allocation in 8 <sup>th</sup> FYP (In crore Taka)	BFY 23 Allocation (In crore Taka)	Change in BFY 23 Allocation compared to 8 <sup>th</sup> FYP (%)
Ministry of Youth and Sports (MoYS)	510	303	-40.6



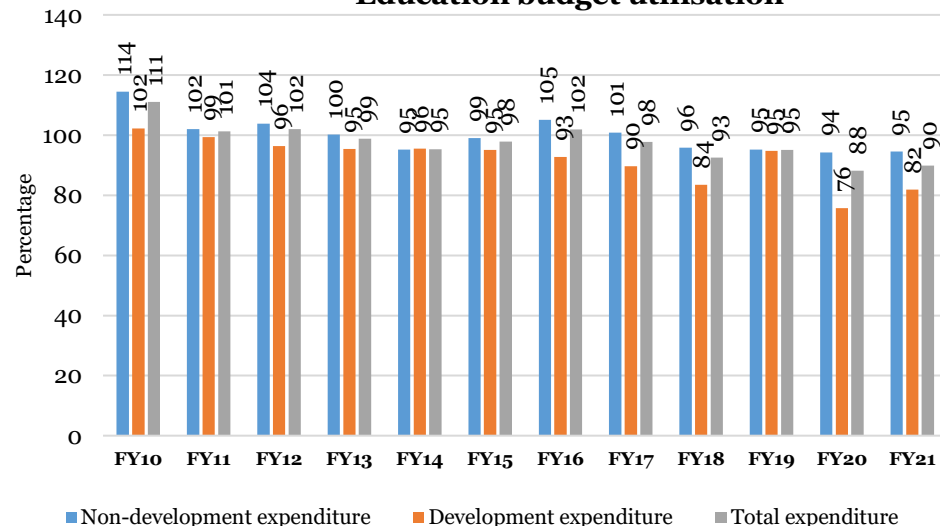
# Education

- ❑ Education budget as a share of total budget decreased from **14% in RBFY16 to 11.7% in RBFY22**
- ❑ Additionally, the education budget as a share of GDP **decreased from 1.9% in RBFY21 to 1.8% in BFY23**
- ❑ Bangladesh's average education expenditure as a percentage of GDP from **1979 to 2020** was the **fourth lowest among 45 LDCs**
- ❑ Bangladesh's education expenditure as a percentage of GDP was **1.8% in FY19**, which was the **lowest among 28 LDCs and second lowest among 104 countries of the world**
- ❑ At least 23 LDCs spent **2% or more** of their GDP on education in 2019

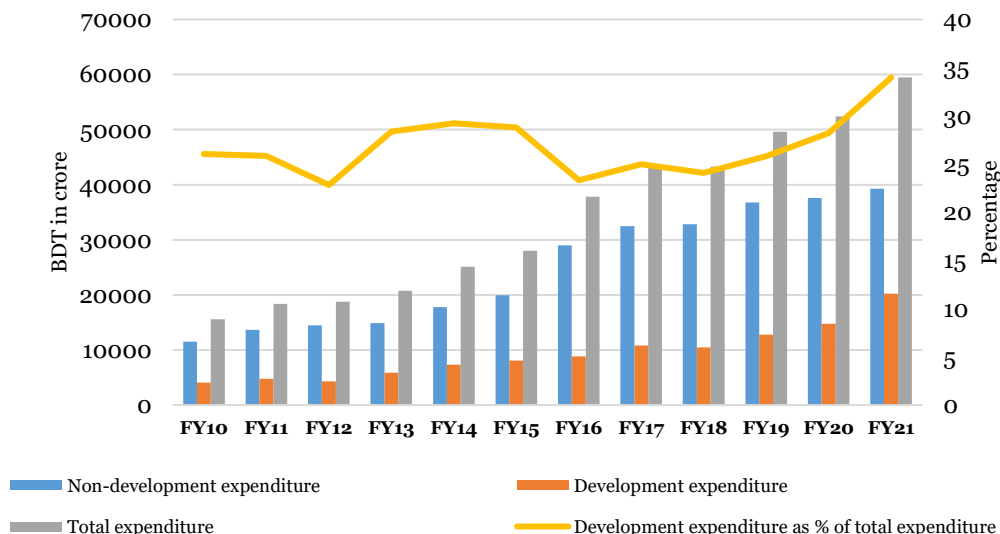


- ❑ Budget utilisation has been **decreasing over the years**, especially for the development expenditure
- ❑ Actual expenditure portrays an increasing trend between FY10 and FY21, **however, operating budget accounted for much of the actual fund spent**
- ❑ In recent fiscal years, actual development expenditure has been significantly **lower** than actual non-development expenditure in the education sector
- ❑ The budget speech of FY23 has mentioned that ensuring timely completion of projects in the education sector will be a challenge in the next fiscal year
- ❑ **There are 50 projects in the education sector being carried over from previous years**

**Education budget utilisation**



**Actual expenditure on education**



- ❑ While the government has exempted Bengali medium schools, **VAT on English medium schools continues to be at 5% in the budget for FY23**
  - The existing VAT puts an additional burden on the parents of middle-income households.
  - **Therefore, the VAT on English medium schools should be exempted in FY23**
- ❑ Private academic institutions were subjected to 15% corporate tax in the budget for FY23
  - **CPD recommends corporate tax on private academic institutions to be reduced from 15% to 10% in FY23**
- ❑ In the budget for FY23, the **total tax incidence on imported books is 73.96%**
  - This impedes the efforts made in order to achieve SDG 4, which aims for inclusive and quality education for all
  - **Therefore, all taxes on imported foreign books should be exempted in FY23**

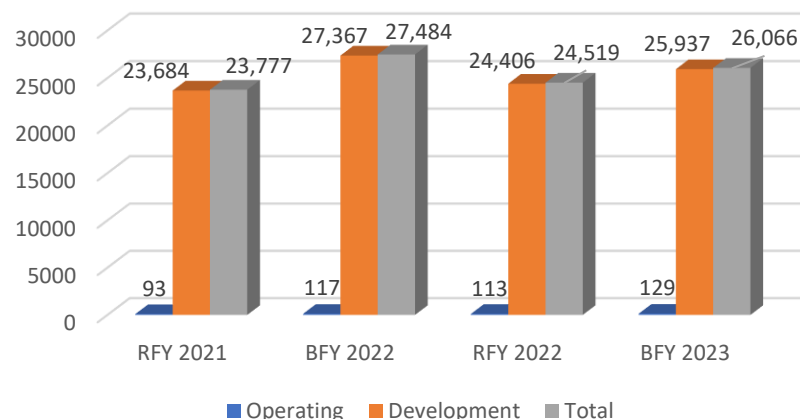
# Children

- ❑ The constitution of Bangladesh commits and obligates the state to undertake various measures and ensure a number of rights to Children. Some of these are enshrined in Article 15 and Article 28 of the constitution.
- ❑ Child Budget could play an important role in securing children's interests by ensuring that the national economic plans and programmes and budgets and their implementation are in alignment with the constitution and in line with the commitments made by the GoB for the children of the country.
- ❑ Although children constituted about two-fifths of the population, allocation for them was only about 14.1 per cent of total national budget for FY2018-19 (Blooming Children report, 2018) and 15.3 per cent in the budget for FY2019-20 (Ministry of Finance, GoB).
- ❑ The recommendation in the aforesaid report, however, was to take the allocation gradually up to 20 per cent of total public expenditure.
- ❑ Regrettably, the government didn't produce the child budget report for the last three fiscal years (FY21, FY22, and FY23). As a result, it is difficult to tell how much the government did spend for children to compensate adverse impact of Covid pandemic on the children of Bangladesh.

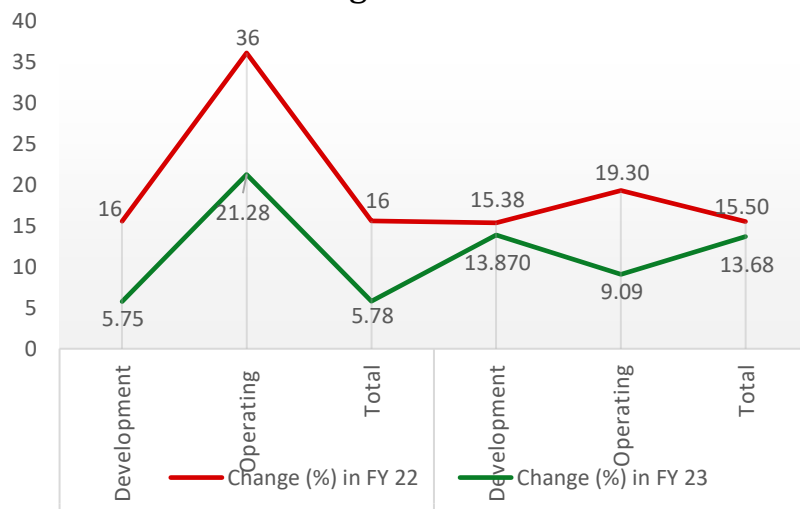
# Power and Energy

- ❑ In the FY 2023 Budget, Energy and Power has allocation of Tk. 26,066 crore (increased by 6%)
  - This accounts for 3.9% of total FY23 budget, lower than that of revised FY22 budget (4.13%)
- ❑ Power Division allocation has increased by 5.78%
  - A rise (21.28%) is observed in operating budget whereas the growth in development budget is as same as the total growth (5.78%)
  - The increased subsidy is likely fueled the rise of operating budget
- ❑ Allocation for Energy and Mineral Resources has increased by 13.68%
  - Operating budget increased by 9.09% and development budget increased by 13.87%
  - Allocation for Energy and Mineral Resources need to increase for exploration of domestic natural gases

Allocation for Power and Energy



Change in Allocation

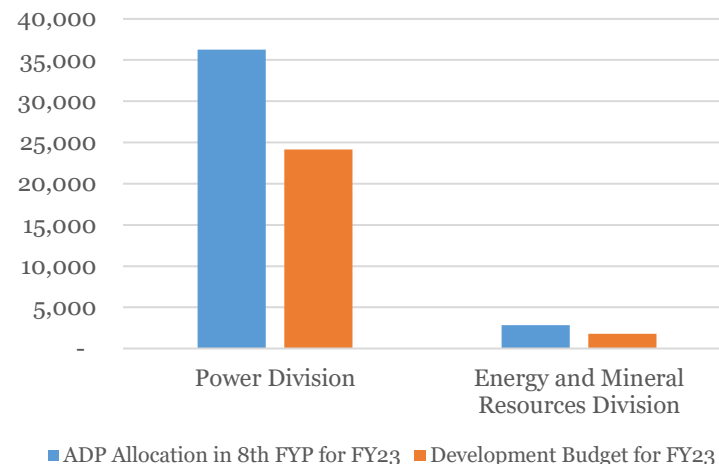


Source: Budget in Brief, MoF



- ❑ The ADP allocation in budget FY23 has been reduced than it was estimated in 8<sup>th</sup> FYP (FY23 Budget: Tk. 25,937 crore, 8<sup>th</sup> FYP: Tk. 39,080 crore)
  - However, this reduction in ADP allocation is desirable amid the prevailing fiscal situation
  
- ❑ Transmission and distribution is still getting less priority in the Power Sector
  - 58% ADP allocation for generation, while only 21% allocation for transmission and distribution each
  - We have overcapacity in power sector (according to BPDB report, 34.69% of generation capacity remained unutilized on 07 June 2022)
  - Power sector disparity continues – generation still being prioritised even though we have overcapacity

8th FYP vs Budget FY23 in Crore Tk.



Share of ADP Allocation in FY23 Budget

Sub-sector	Power Sector
Generation	57.90%
Transmission	21.05%
Distribution	21.05%
Total	100%

- ❑ In the FY23 the allocated subsidy has further increased (Tk 17,0000 crore)
  - In the revised FY22 the subsidy has been raised to Tk 12,000 crore from Tk. 9,000 crore for power sector
  - This is because of higher expenditure for imported fuels and capacity payments for rental power plants in Bangladesh
  - Government probably accommodate these expenditures through a rise in electricity tariff
  - Tariff rationalization should be delayed
- ❑ Such high fiscal pressure may continue unless we move away from expensive oil and LNG-based power plants
- ❑ Proposed FY 23 budget has not given due importance towards renewable energy
  - 8<sup>th</sup> FYP set a target of achieving 10% renewable share by 2025 where the current renewable share is only 3%
  - Among 20 projects in ADP, only 4 are renewable energy projects
  - 1% import duty has been imposed on Solar Panel & Module that might raise the cost of solar plants
- ❑ CPD will separately present its reaction on the budget for the power sector in details later

# Environment and Climate Change

- ❑ The budget for FY23 has increased allocation for management of urban waste from BDT 192.89 crore in FY22 to BDT 275.98 in FY23
- ❑ **However, the budget for FY23 has withdrawn the existing 5% SD on all types of plastic and polythene bags in FY23**
- ❑ **CPD recommends that single use plastic such as cutleries including forks, spoons, cups, plates, and food containers, should be subjected to an excise duty of BDT 1 per piece, while food containers made of expanded polystyrene should be subjected to an excise duty of BDT 2 per piece**
- ❑ The budget for FY23 also should allocate additional funding for the Joint Rivers Commission to establish a bilateral plastic waste reduction initiative with India
  - The Government of India should also contribute to this initiative with funding as well as technical and logistical support, in order to ensure the reduction of plastic waste in the 54 transboundary rivers shared between Bangladesh and India

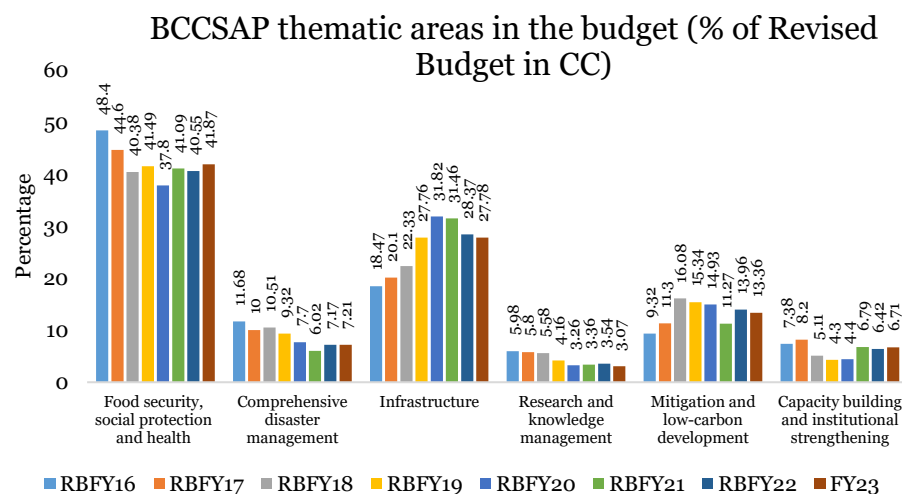
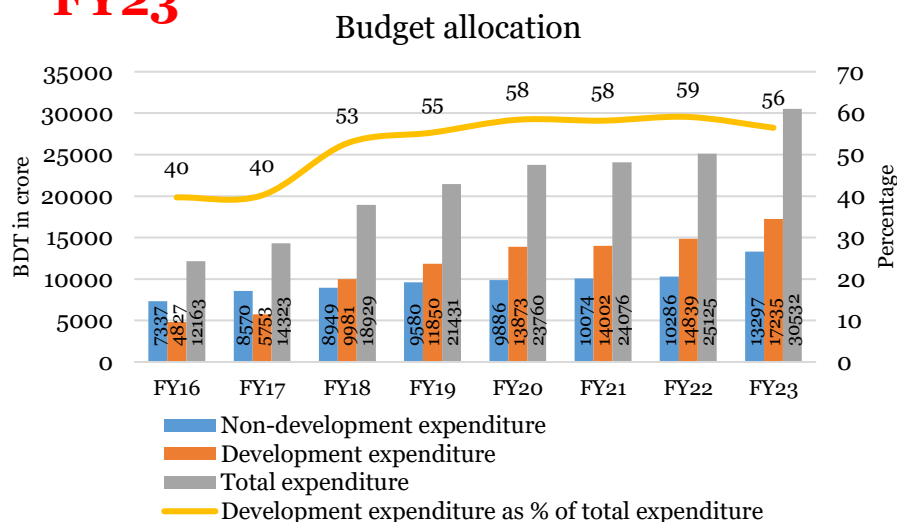
- In the budget for FY23, the **Advance Income Tax (AIT)** structure on motor vehicles does not differentiate between conventional motor vehicles running on fossil fuels and hybrid and electric vehicles
- Therefore, CPD recommends **AIT on conventional motor vehicles to be increased** in FY23, while keeping the **AIT structure unchanged for hybrid motor vehicles**
- Such a tax structure will generate revenue for the government, reduce pressure on fuel imports, and reduce carbon emissions

## **Proposed** advance income tax structure for the owners of private motor cars in FY23

Type and engine capacity or electric motor power of motor car	Proposed AIT for hybrid and electric vehicles (in BDT)	Proposed AIT for conventional fossil fuel vehicles (in BDT)
A car or a jeep, not exceeding 1500cc or 75kw	25,000	30,000
A car or a jeep, exceeding 1500cc or 75kw but not exceeding 2000cc or 100 kw	50,000	62,500
A car or a jeep, exceeding 2000cc or 100 kw but not exceeding 2500cc or 125 kw	75,000	97,500
A car or a jeep, exceeding 2500cc or 125 kw but not exceeding 3000cc or 150 kw	125,000	168,750
A car or a jeep, exceeding 3000cc or 150 kw but not exceeding 3500cc or 175 kw	150,000	210,000
A car or a jeep, exceeding 3500cc or 175 kw	200,000	290,000
A microbus	30,000	36,000

# Environment and Climate Change

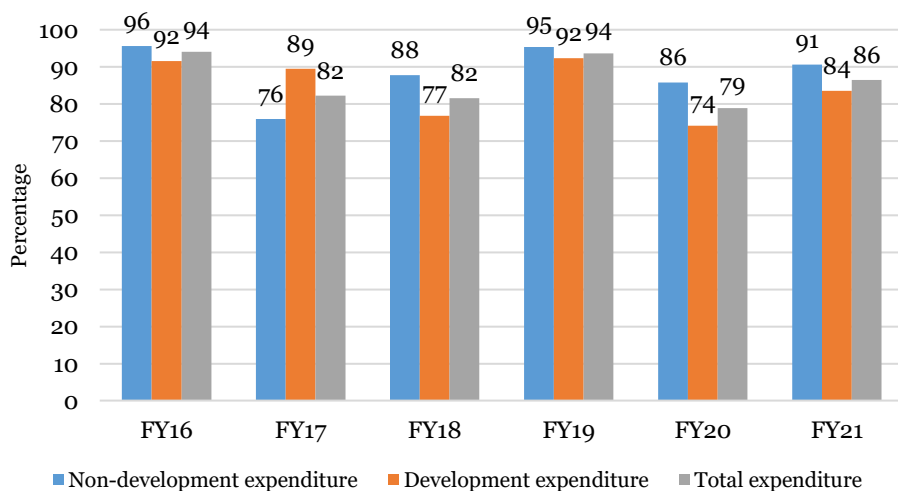
- Total climate relevant allocation increased from BDT 26,407 crore in FY22 to BDT 30,531 crore in FY23
- The budget allocation in FY23 has increased by **15.62%** compared to the revised budget in FY22
- Considering the six BCCSAP thematic areas, **13.36%** of the climate budget is allocated to **mitigation and low-carbon development** thematic areas whereas **only 7.21% is allocated to comprehensive disaster management**
- The allocation for mitigation and low-carbon development increased over the years from **9.32% in FY16** to **13.36% in FY23** and the **allocation for comprehensive disaster management decreased over the years from 11.68% in FY16 to 7.21% in FY23**



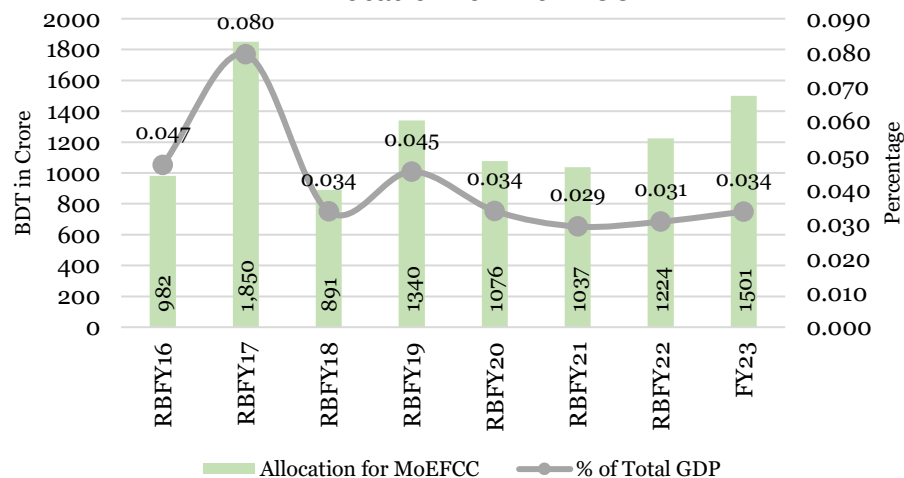
# Environment and Climate Change

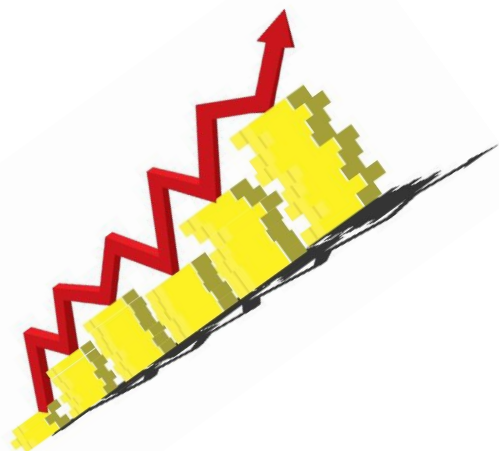
- The allocation for MoEFCC increased to **0.034% of GDP in FY23** from **0.031% in FY21**, well behind the target stated in 8FYP of 0.10% of GDP by 2025 and 0.5% of GDP by 2041
- Although the allocation for strengthening institutional capacity for climate risk management increased from **BDT 653.50 crore in RBFY22** to **BDT 814.71 crore in FY23**, the MoEFCC requires more budget allocation in achieving the target for improving the capacity of the ministry in climate risk management and regular monitoring and evaluation of environmental compliance
- The climate budget utilisation decreased from **94% in FY16** to **86% in FY21**
- Currently, there are **51 are carry-over projects** ADP projects related to climate change

Budget utilisation



Allocation for MoEFCC





## **VII. OTHER SELECTED ISSUES**



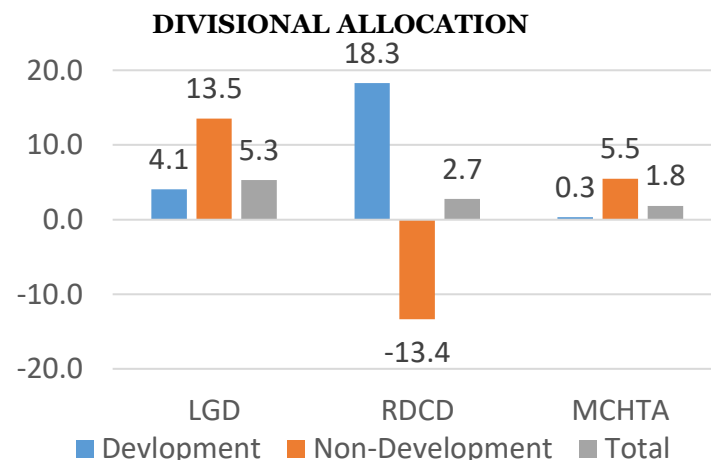
# Local Government

❑ LGRD's proposed allocation for BFY23 is Tk44690 crore which is 5% more than that of the RBFY'22.

- LGRD accounts for almost 7% of the total budget allocation for BFY23 which is similar to that of the BFY22

❑ The allocation for ADP in BFY'23 (Tk14374 crore) is almost 57% less than the 8<sup>th</sup> FYP allocation (Tk33200 crore) .

- Among the three sub-sectors under the LGRD, the allocation for MCHTA has reduced by a striking 87%, although the rate of ADP implementation for MCHTA is 47.1%. For RDCD it is 73% and for LDG this is 53%
- Considering the fiscal pressure reduction of the budget is well understood.



Difference between 8FYP allocation and BFY23			
SECTOR	ADP BFY23 (In Crore)	8FYP ADP Allocations for FY2023 (In Crore)	% Change
LGRD	14373.51	33200	-56.7
LDG	13247.17	28190	-53.0
RDCD	904.25	3330	-72.8
CHTA	222.09	1680	-86.8

- ❑ In comparison to RBFY'22 the budget allocation for the LGD, RD CD and MCHTA has increased by 5%, 3% and 2% respectively
- ❑ The considerable rise in development budget for RD CD can be because of some of the special development projects undertaken by GoB
  - Like constructing 5,000 km of new roads, maintaining 7,000 km of paved roads from time to time, constructing 1,900 meters of bridge/culvert, maintaining 5,500 meter bridges/culverts, developing 140 growth centres/hat bazaars, constructing/expanding 60 upazila/union complex buildings, constructing 130 cyclone shelters.
  - This increased infrastructural investments would also create opportunity for direct and indirect employment ultimately targeting rural poverty alleviation.
- ❑ Reduced non-development costs are likely due to GoB's decision to minimise public expenditure and limiting the operating costs

## ❑ Implementation Status of Selected Carry Over Projects

Projects Name	Max Completion rate by FY23 (%)
Local Government initiative on climate change (logic)- 01/07/2017-30/06/2021	97.9
Technical Assistance <b>Project</b> for "My Village-My Town"- 01/01/2021-31/12/2021	67.0
Important infrastructural development of the rural areas of Gopalganj region (1st Amendment)-01/01/2016-30/06/2022	96.7
Rural Infrastructural Development Project for Mymensingh Region- 01/10/2017-30/06/2022	50.8
Multipurpose Disaster Shelter Constructional Project (1st Amendment)- 01/01/2015-31/12/2021	89.3
Establishment of Diversified Milk Product Plant and Cattle development in greater Faridpur Chars and adjacent areas (01/01/2018 - 31/12/2021)	61.7

## ❑ Implementation Status of Selected Concluding Projects

Projects Name	Max Completion rate by FY23 (%)
Khurushkul special Shelter project -01/07/2020-30/06/2023	70.8
Ashrayan-2 Project (4th Amendment)- 01/07/2010-30/06/2023	58.1
Rural Infrastructural Development Project for Khulna Division(1st Amendment)- 10/01/2017-31/12/2022	60.1
Construction of long bridges in Upazilla and Union Roads (3rd Amendment)-01/02/2021-30/06/2023	99.9
Rural infrastucture development of Madaripur, Shariatpur and Rajbari(1st Ammendment)-01/10/2017-30/06/2023	53.7
Rural Connectivity Improvement Project (01/07/2018-30/06/2023)	91.6
Expansion of Cooperative activities in Jessore and Meherpur Districts for the Creation of Rural Employment through Milk & Meat production (01/01/2021-30/06/2023)	99.4

## ❑ Implementation Status of Selected Continuing Projects

Projects Name	Max Completion rate by FY23 (%)
Cyclone "Amphan" and Flood Affected Rural Road Infrastructure Rehabilitation Project- 01/10/2020-31/12/2023	14.4
Promote Resilience of Vulnerable Through Access to Infrastructure, Improved Skills and Information (PROVATI) Project- 01/07/2018-31/12/2024	52.7
Program for Supporting Rural Bridges (01/09/2018-30/08/2023)	37.9

- ❑ The pace of completion of some of the “carry-over” projects is slow and with the proposed allocation, those will be difficult to complete in FY23 as well.
  - Even though ‘**My Village-My Town**’ is an important project for the LGRD and employment creation. However, this project has a completion rate of only 67%, which is very unsatisfactory
  - GoB also initiated a subproject for piloting and investigating the “My Village-My Town” project, which unfortunately did not receive any allocation in this year's budget
  - The GoB should accomplish the pilot project and go for implementation and expand coverage with more allocation as early as possible

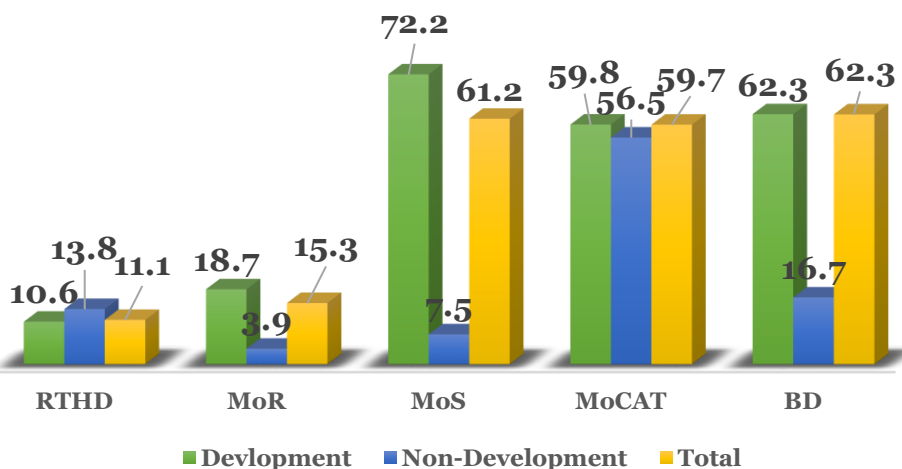
- ❑ For the “concluding project”, some of the important projects can be completed with the help of this year’s budget.
  - Construction of long bridges in Upazilla and Union Roads (3rd Amendment), has a completion rate of almost 100% with the current allocation which would help further by generating employment.
- ❑ The status of some of the “continuing project” is still very unsatisfactory.
  - Khurushkul special Shelter project and Ashrayan-2 Project (4th Amendment) are far from being completed even with the new allocation.
    - The activities of this project should be expedited with more allocation from the GoB.

# Transport and Communication

# Transport and Communication

- ❑ Total allocation for transport and communication in FY23 is Tk81,518 crore which is 23.74% higher compared to that in RBFY22
- The sector has received 12% of total budget and 27% of development budget (it is the highest allocation in development budget)
  - Allocation for 2022-23 in Road Transport and Highways Division, Ministry of Railway, Bridges Division and others are 5.4%, 2.8%, 1.4% and 2.1% of total budget respectively.
  - Compared to the allocation in 8FYP (Tk462.5 billion), the ADP allocation is significantly high in BFY23- Tk676.4 billion (46.2% in FY23 for five selected ministries)
  - MoS, MoCAT and BD have received comparatively higher allocation for development budget compared to that of non-development budget allocation.

**Figure 1: Ministry-wise change in allocation (%) in BFY23 vis-a-vis RFY22**



**Table 1: Comparison of ADP allocation for BFY23 and 8FYP targets**

Ministry/Division	Planned ADP Allocation in 8FYP	ADP allocation in BFY23	Change in BFY 23 Allocation compared to 8th FYP (In %)
RTHD	215	310.0	44.2
MoR	100	148.9	48.9
BD	78.1	87.9	12.5
MoCAT	11.8	68.5	480.6
MoS	57.7	61.2	6.1
<b>Total</b>	<b>462.6</b>	<b>676.4</b>	<b>46.2</b>



- ❑ The overall implementation rate of ADP for transport and communication sector (for five ministries and divisions) is 52.97% (up to April FY22) which is slightly below the average ADP completion rate (55.18%)
  - Sector wise implementation rate: RTHD: 53.5%, MoR: 60.9%, BD: 50.8%, MoCAT: 43.8%, MoS: 40.5% respectively.
  - The progress of MoCAT and MoS is comparatively lower than that of other division/ministry.
- ❑ Transport and communication is still burdened with large number of “carry over” (43%) projects
- ❑ Top priority projects under MoR are still crawling at initial stage
  - The construction of the 3<sup>rd</sup> and 4<sup>th</sup> dual gauge train lines on Dhaka-Tongi and dual gauge double lines on Tongi-Joydebpur route, were a top priority railway project in 2012, are yet to be completed.

**Table 2: Distribution of ADP Projects under Transport and Communication FY23**

<b><i>New Project</i></b>	6 (2.3%)
<b><i>Carry over</i></b>	110 (43%)
<b><i>Concluding</i></b>	89 (34.8%)
<b><i>Continuing</i></b>	51 (19.9%)
<b><i>Total</i></b>	256 (100%)

## ❑ *Implementation Status of Selected Carry Over Projects*

Project Name	Maximum Possible Completion by FY23 (%)
Border Road (Rangamati, Khagrachhari and Bandarban Hill District) Construction (1st Phase)- 01/01/2018-30/06/2021	80.8
Development of Shariatpur-Jazira-Naodoba (Padma Bridge) Approach Road- 01/01/2020-30/06/2022	58.8
Greater Dhaka Sustainable Urban Transport Project (BRT Gazipur-Airport) (2nd Revised)- 01/12/2012-30/06/2022	56
Construction of Dhaka-Ashulia Elevated Expressway- 01/09/2017-30/06/2022	<b>33.9</b>
Modernization of Telecommunication Network for Digital Connectivity- 01/07/2017-30/06/2022	<b>40.1</b>
Development of Necessary Infrastructure/Facilities for Conducting the Activities of Payra Port (2nd Revised)- 01/07/2015-30/06/2022	88.7

## ❑ *Implementation Status of Selected Concluding Projects*

Land Acquisition for National Highway Upgradation to Four Lane of Faridpur-Bhanga-Barishal-Potuakhali-Kuakata- 01/07/2018-30/06/2023	66.4
SASEC Road Connectivity: Improvement of Joydebpur-Chandra-Tangail-Elenga Road (N-4) to 4-Lane Highway- 01/04/2013-31/12/2022	100
Construction of Railway from Khulna to Mongla port (2nd Revised) Project- 01/12/2010-31/12/2022	97.7
35 Dredger and Helpful Watercraft Equipment Collection and Necessary Infrastructure Construction- 01/10/2018-30/06/2023	<b>14</b>
First Terminal of Payra Sea Port Ancillary Facilities Construction Project (1st Revised)- 01/01/2019-30/06/2023	<b>30.2</b>
Expansion of Teletalk Network at Rural Level and Modernization of 5G Service Providing- 01/07/2021-30/06/2023	<b>21.4</b>

## ❑ *Implementation Status of Selected Continuing Projects*

Project Name	Maximum Possible Completion by FY23 (%)
SASEC Road Connectivity Project-II: Improvement of Elenga-Hatikamrul-Rangpur 4 Lane Highway (1st Revised)- 01/09/2016-31/12/2024	50
Dhaka Mass Rapid Transit Development Project (Line-1)- 01/09/2019-31/12/2026	6.7
Support to Dhaka Elevated Expressway PPP Project- 01/07/2011-30/06/2024	93.2
Hazrat Shahjalal International Airport Expansion Project (1st Phase) (1st Revised)- 01/07/2016-30/06/2025	68.2
Matarbari Port Development- 01/01/2020-31/12/2026	11.6

## ❑ Estimations indicate that current level of allocation will not ensure completion of a number of important ADP projects in transport sector even in FY23

- Projects like Construction of Dhaka-Ashulia Elevated Expressway (completion rate 33.9%), Greater Dhaka Sustainable Urban Transport Project (BRT Gazipur-Airport), (completion rate 56%) and Modernization of Telecommunication Network for Digital Connectivity- 01/07/2017-30/06/2022 are being carried over which eventually create financial burden to the economy.

- These projects will ultimately increase cost burden

## ❑ The progress of some “concluding” projects is in the last stage that can be finished through some additional fund

- Construction of Railway from Khulna to Mongla port (2nd Revised) (97.7%; 12/22)

## ❑ Some of “concluding” projects, that are scheduled to be completed in FY 23, are unlikely to be ended within project closures.

# Transport and Communication

❑ The Padma bridge is going to be inaugurated on 25<sup>th</sup> June 2022 and will be open for traffic on 26<sup>th</sup> June

- A major achievement of the current government
- According to different reports, several significant impacts of the Padma bridge on economy could be:

- Will facilitate connectivity with 21 nearby districts;
- Will lead to a 1.5% to 2% rise in GDP;
- Will save a total of 187,727 hours per day (for 2,620 vehicles waiting for ferries);
- Will save annually Tk680 Crore in time value;
- Will reduce cost Tk438 crore per year (all vehicles);
- Will create more employment opportunities through industrial establishment in the southern part;
- Will help to generate government revenue by the toll collection from bridge;

## Overview of Padma Bridge Project

<b>Title</b>	Padma Multipurpose Bridge
<b>Timeline</b>	01/01/2009-30/06/2023
<b>Allocation</b>	Tk10,161 Crore Tk (Initial) Tk20,507 Crore (1 <sup>st</sup> Revision) Tk30,193 Crore (2 <sup>nd</sup> Revision)
<b>Source of allocation</b>	Government of Bangladesh
<b>Maximum completion by FY22</b>	92.7 per cent (if RADP FY'22 is fully implemented)
<b>Maximum completion by FY23</b>	100 per cent (if ADP FY'23 is fully implemented)

- According to ADB estimates, the direct investment made around this bridge will boost the regional economy;
- According to JICA estimates, a 10 percent reduction in travel time from Dhaka would increase the economic activity of southern part to 5.5 percent, which would increase the region's annual GDP growth by 1.7 percent.

# Transport and Communication

**Status of Mega Projects**

Project Name	Timeline	Project cost	Maximum Possible Completion by FY23 (%)
Construction of Multilane Road Tunnel at the Bottom of Karnaphuli River	01/11/2015-31/12/2022	1037442	95.50%
Padma Bridge Rail Link Project (1st Revised)	01/01/2016-30/06/2024	3924680	77.10%
From Dohazari to Ramu via Cox's Bazar and Ramu to Gundam near Myanmar Single Line Dualgauge Truck Construction (1st Revised)	01/07/2010-30/06/2022	1803448	45.40%
Padma Multipurpose Bridge Construction (2nd Revised)	01/01/2009-30/06/2023	3019339	100%
Dahaka Mass Rapid Transit Development Project (Line-6) (2nd Revised)	01/07/2012-30/06/2024	2349007	95.40%
Bangabandhu Sheikh Mujib Railway Bridge Construction	01/07/2016-31/12/2023	1678095	46%

❑ Some of major mega projects are running within their scheduled time.

- MRT (Line-6) is expected to be launched for the commercial use from Uttara 3<sup>rd</sup> Depo to Agargaon by December 2022 and Agargaon to Motijheel by December 2023.
- The implementation rate is **95.40%** which is expected to be completed within the time period.

❑ Following mega projects are running behind the schedule:

- Bangabandhu Sheikh Mujib Railway Bridge Construction (**46%**)
- Dohazari to Ramu via Cox's Bazar and Ramu to Gundam near Myanmar Single Line Dualgauge Truck Construction (**45.4%**)
- This information (45.4%) did not match with finance minister's budget speech (completed by 71%) on this project.

Source: CPD compilation from ADP

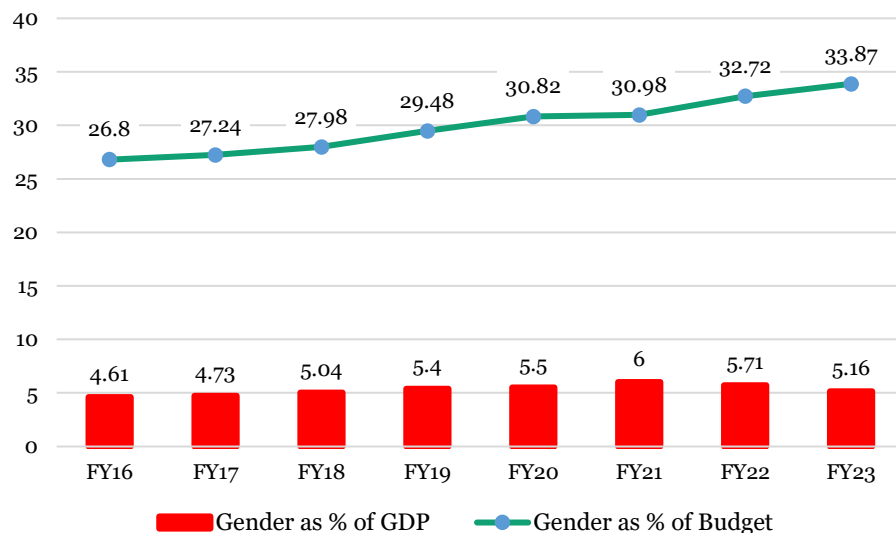
CPD (2022): An Analysis of the National Budget for FY2022-23

# Gender

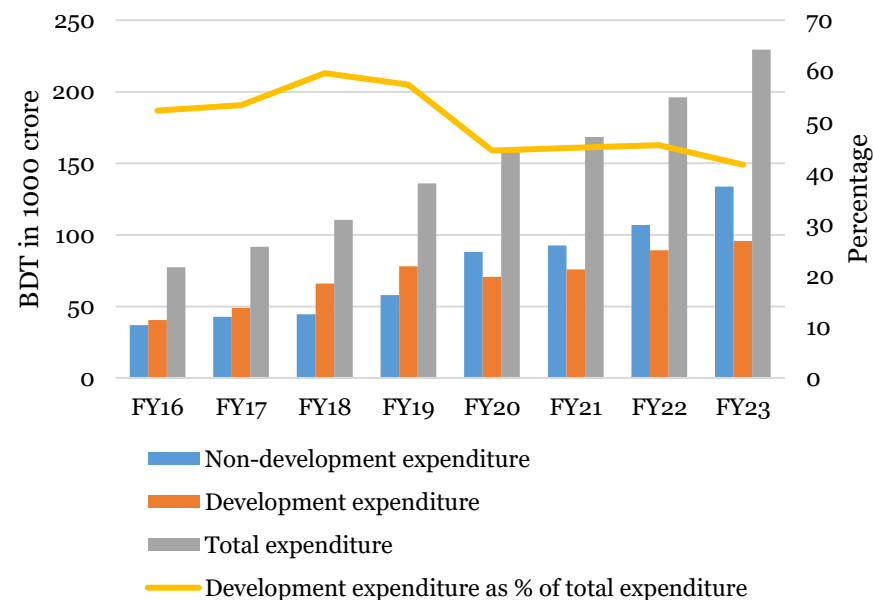
❑ Allocation for gender budget has increased by 12.73% in FY23 to BDT 229, 677 crores against RBFY22.

- Gender budget as percentage of total budget has increased in FY23
- However, the gender budget as a percentage of GDP has **decreased from 5.71% in FY22 to 5.16% in FY23**

## Gender budget as share of total budget and GDP



## Trend of gender budget allocation



❑ The non-development expenditure has increased by **25% (BDT 133,708 crore)** in FY23 which is the highest over the years.

- However, there is a data discrepancy between the Gender Budget Report and Gender Reducing Expenditure Statement

- ❑ Actual expenditure data for FY21 has been reported in the budget for FY23
  - **However, actual expenditure data for the previous years as well as FY22 is still unavailable.**
  - **79.51% of the total gender budget was utilized in FY21**, of which non-development budget utilisation was 74.38% and development budget utilisation is 85.80%
- ❑ An additional division from Ministry of Finance, i.e., Financial Institutions Divisions was added to the gender budget in FY23, bringing the total to 44 ministries which were part of the gender budget
- ❑ The gender budget allocated for the Ministry of Women and Children Affairs is **BDT 2,991 crore (decreased from BDT 3,696 FY22) for FY23**, which is around 69.71% of the total budget for the ministry
  - The highest allocation was for the **Ministry of Disaster Management and Relief (BDT 7,274 crore or 71.11% of its budget)** and the lowest in **Ministry of Civil Aviation and Tourism (BDT 54 crore or 0.78% of its Budget)**
- ❑ **Allocation for Multi-sectoral Programme to prevent Violence Against Women has decreased from BDT 15.50 crore in RBFY22 to BDT 11 crore in BFY23**
- ❑ Allocation for Joyeeta Foundation has decreased from BDT 27.05 crore to BDT 7.18 crore
- ❑ Allocation for Women's Skill Based Training For Livelihood programme has decreased from BDT 8.34 crore to BDT 8.05 crore



# Defence Services

❑ The budgetary allocation for Defence Services in FY23 is Tk. 39,995 crore, which is 7.7% higher in RBFY22

➤ Overall, share of defence services in the budget (5.9%) has declined for FY23 (6.3% in RBFY22)

➤ The share of non-development component in the overall defence budget is more than 95% in keeping with past trend

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

	FY20 (A)	FY21 (A)	FY22 (RB)	FY23 (B)
<b>Ministry of Defence-Defence Services</b>				
Non-Development	33,058	33,648	33,375	36,156
Development	62	229	1,780	1,885
Total	33,120	33,877	35,155	38,041
<b>Ministry of Defence-Other Services</b>				
Non-Development	1,323	1,549	1,923	1,909
Total	1,323	1,549	1,923	1,909
<b>Armed Forces Division</b>				
Non-Development	37	37	48	45
Total	37	37	48	45
<b>Total-Defence Services</b>	<b>34,480</b>	<b>35,463</b>	<b>37,126</b>	<b>39,995</b>
<b>% of Total Budget Allocation</b>	<b>8.2</b>	<b>7.7</b>	<b>6.3</b>	<b>5.9</b>

# Public Order and Safety

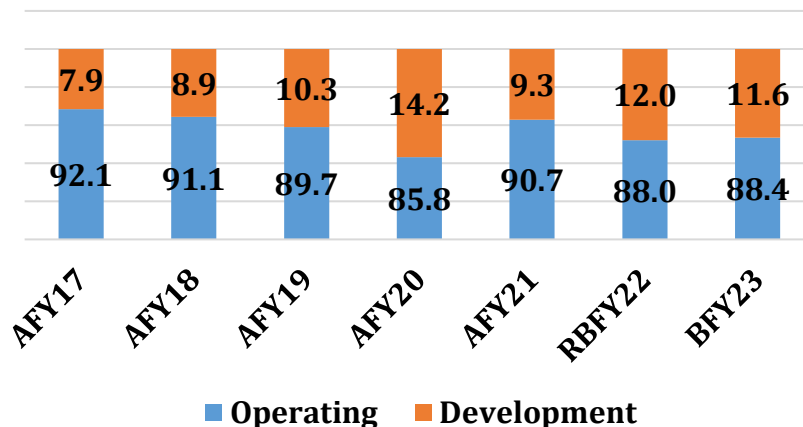
# Public Order and Safety

❑ The allocation for Public Order and Safety for FY23 is Tk. 31,153 crore (6.9% higher than RBFY22)

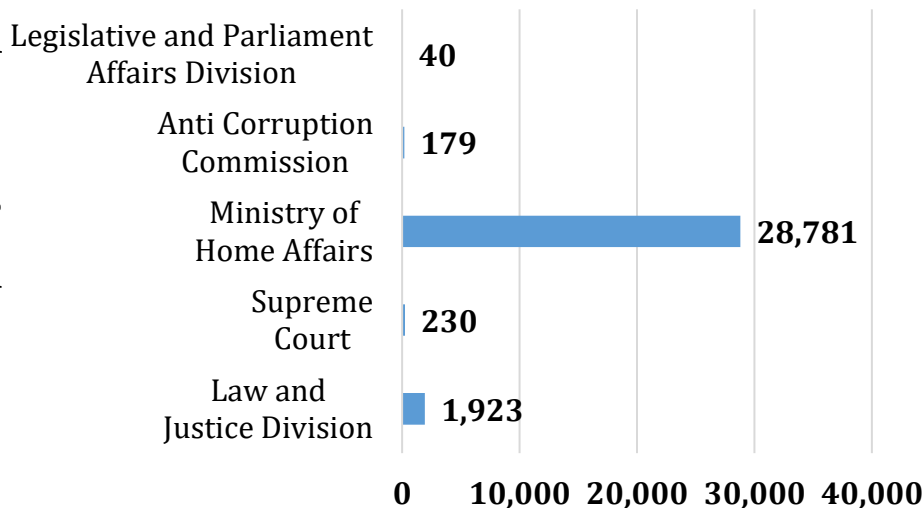
➤ Overall, share of this sector in total budget has declined (from 4.9% in RBFY22 to 4.6% in FY23)

❑ Following the usual trend, Ministry of Home Affairs (MoHA) has taken the lion's share of the total allocation for the sector in FY23 (92.4%)

➤ An additional Tk. 1,851 crore has been earmarked for MoHA in BFY23



Allocation for FY23 (Crore Tk.)





## **VIII. CONCLUDING REMARKS**

## VIII. CONCLUDING REMARKS

- ❑ The budget for FY23 needed to be innovative in approach, flexibility in allocative priorities and target specific in terms of budgetary measures to address the attendant challenges
- ❑ The budget speech could diagnose the symptoms, but failed to prescribe the required medication
- ❑ The budget does have some welcoming measures:
  - Better identification of contexts and challenges
  - Expressing accountability by delineating the progress of past promises
  - Continuation of fiscal measures to protect domestic industries
  - Harmonization of tax structure in case of export-oriented industries
  - Relatively less election-focused

## VIII. CONCLUDING REMARKS

- ❑ The budget however comes short in terms of
  - Addressing inflationary issues
  - Assuring citizens regarding keeping the administered prices at the same level
  - Expanding social safety net allocations in view of rising demand
- ❑ The budget is worse in terms of
  - Welcoming illicit/illegal income and capital flight
  - Providing more support to higher income group while keeping the low and middle income groups at bay
- ❑ Overall, with its current structure and proposed measures, the budget appears to be insufficient in terms of needed measures, incomplete in terms of outlining strategies and inadequate in terms of addressing the present macroeconomic challenges

# Thank You



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