Independent Review of
iRBD
Bangladesh's Development

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

An Analysis of the National Budget for FY2024-25

Dhaka: 7 June 2024

Centre for Policy Dialogue
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The CPD IRBD 2024 Team alone remains responsible for the analyses, interpretations and conclusions presented in this report.

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I. INTRODUCTION

I. INTRODUCTION

- The budget for FY25 has been presented by the new Finance Minister of the newly elected government.
- This budget is also the last budget of the Eight Five Year Plan of Bangladesh.
- The budget has been prepared amidst significant economic challenges which the country has been experiencing for almost two years.
- Economic strains are evidenced by subdued revenue mobilisation, resulting in a shrinking fiscal space, a high reliance on government borrowing from commercial banks to finance the budget deficit, tightened liquidity in scheduled banks, elevated prices of essential goods, and a deteriorating external sector balance and foreign exchange reserves
- The immediate challenge of the economy is to tame inflation and improve foreign exchange reserve.
- At the same time, the government also has to restore macroeconomic stability and adjust to new reality where economic stability will have to be given priority over growth for the time being.
- CPD presents an assessment of various proposals made in the budget for FY25 in the context of ongoing economic challenges.

II. MACROECONOMIC PERSPECTIVES

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Distresses in macroeconomic scenario…

Large shortfall in revenue collection	Restrained public expenditure	Low ADP implementation
High borrowing from bank	Skyrocketing prices of daily necessities	Escalating non-performing loans
Liquidity crunch in banking sector	Low growth of export earnings	Recovery in remittance inflow
Stagnant private investment	Sharp depletion of forex reserve	Continued decline in import
Sliding Exchange rate	Slowdown in economic growth	Shortage of energy and power

II. MACROECONOMIC PERSPECTIVES

GDP and Investment

Indicator	AFY23	BFY24	RBFY24	Projection		
				FY25	FY26	FY27
GDP growth (%)	5.8	7.5	5.8	6.8	7.0	7.3
Gross investment (as % of GDP)	31.0	33.8	31.0	33.4	33.6	34.4
Private investment (as % of GDP)	24.2	27.4	23.5	27.3	27.7	28.6
Public investment (as % of GDP)	6.8	6.4	7.5	6.1	6.0	5.9
ICOR	5.4	4.5	5.3	4.9	4.8	4.8

- For FY25, **GDP growth** target has been set at 6.8% - a recovery from 5.8% (provisional estimates for RBFY24)
- **Public investment-GDP ratio to decline:** 6.1% in FY25 (7.5% in FY24, an overestimation?) – Tk. 36,763 less in nominal terms!
- **Private investment-GDP ratio to improve drastically:** 27.3% in FY25 (23.5% in FY24)
  - **In FY25, Tk. 343,544 crore will be additionally required for private investment (28.9% increase in nominal terms) – a hope for remarkable recovery!**
- **ICOR** is expected to be 4.9 in FY25 – implying an improvement in productivity
- ***No impact of the ongoing macroeconomic policy adjustments (e.g., contractionary monetary policy, restrained fiscal stance) considered***

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II. MACROECONOMIC PERSPECTIVES

Monetary Sector and Inflation

Indicator	AFY23	BFY24	RBFY24	Projection		
				FY25	FY26	FY27
Private sector credit growth (%)	10.6	15.0	10.0	9.0	13.0	14.0
CPI inflation (%)	9.0	6.0	8.0	6.5	6.0	5.5

- **Growth of credit to private sector:** 9% in FY25 – (10.0% in FY24)
  - As of April 2024, private sector credit growth was 9.9%
  - Projection for private sector credit growth may be a reflection of continuation of contractionary policy and rising demand of bank borrowing from the government
  - **The projection for FY25 does not commensurate with the earlier estimation for private sector investment projection**
- **Inflation** is expected to fall drastically to 6.5% in FY25 – (8% projected FY24)
  - The entire FY24 experienced higher inflation (over 9%)!
- **The inflation projection for FY25 certainly appears to be overambitious**

II. MACROECONOMIC PERSPECTIVES

External Sector

Indicator	AFY23	BFY24	RBFY24	Projection		
				FY25	FY26	FY27
Export (growth in %)	6.3	12.0	8.0	8.0	10.0	10.0
Import (growth in %)	-15.8	8.0	-10.0	10.0	9.0	8.0
Remittance (growth in %)	2.7	10.0	10.0	7.0	7.0	7.0
Forex Reserve (bn. USD)	31.2	42.0	29.1	32.0	35.1	38.4
Exchange rate (BDT/USD)	99.5	104.0	110.0	114.0	117.0	120.0

- **Export growth: 8% in FY25 (8% in FY24)**
  - July-May FY24 was 2.0%
- **Import growth: 10% in FY25 [-10% in FY24]**
  - July-March FY24 was (-) 15.4%
- **Remittance growth: 7% in FY25 (10% in FY24)**
  - July-May FY24 was 10.1%
- **Forex reserve: USD 32.0 bln as of FY25 (USD 29.1 bln as of FY24)**
  - As of 5 June 2024, USD 24.2 bln
  - No projection of net forex reserve according to (BPM6) or reporting on accumulated external payments arrears
- **Exchange rate for FY25: Tk. 114/USD**
- ***Interbank Tk.-USD Exchange Rate on 5 June 2024 was Tk. 117.9/USD***
- ***Tk. (against USD) to appreciate in FY25 while Forex reserve to grow!***

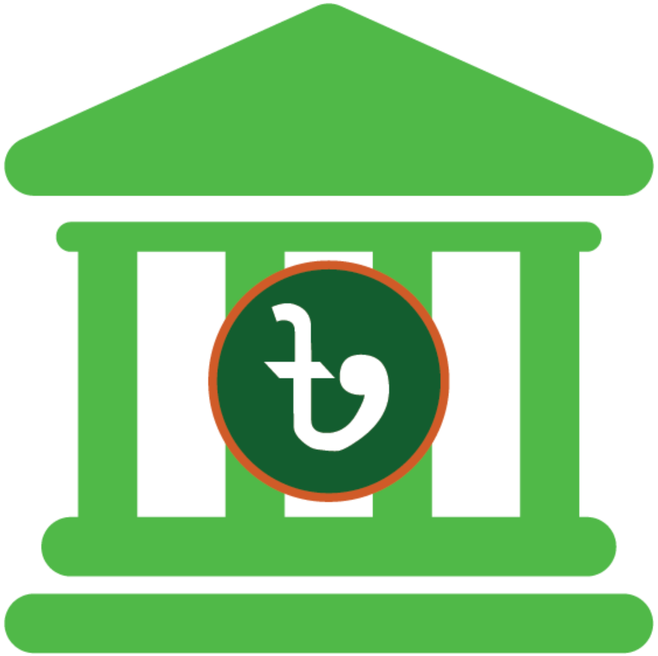
II. MACROECONOMIC PERSPECTIVES

Public Debt

Indicator	AFY23	BFY24	RBFY24	Projection		
				FY25	FY26	FY27
Debt Stock (as %of GDP)	37.0	36.6	37.7	38.6	39.1	39.4
External Debt Stock (as %of GDP)	15.0	13.6	15.3	15.5	15.4	14.9
External Debt Redemption (USD bln)	1.7	2.4	2.5	2.6	2.7	3.2

- **Public debt stock** as % of GDP is to increase by 0.9 percentage points in FY25 (38.6% in FY25, 37.7% in RBFY24)
- External debt rose in a significant manner in FY24
- Foreign debt principal repayment projections are made in a conservative manner as it does not match with the programmed budget allocation to this end (Tk. 36,500 crore i.e., USD 3.2 bln)

- **Overall, the targets to be set for the macroeconomic framework for FY25 did not take cognisance of the current realities and are too optimistic!**
- **Similar approach was taken in the budget for FY24**



III. FISCAL FRAMEWORK

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Broad fiscal framework for FY25

- **Revenue mobilisation** (13.2%) is projected to grow **faster** than **public expenditure** (11.6%)
  - Total expenditure is set at 14.2% of GDP (same as RBFY24)
  - Revenue is expected to be 9.7% of GDP (marginally higher than RBFY24 → 9.5%)
- **Development expenditure** (8.2%) is programmed to grow **slower** than **operating expenditure** (11.9%)
- **ADP**: 33.2% of total public expenditure (lower than 34.3% in RBFY24)
- **Budget deficit** has been projected at 4.6% of GDP (4.7% in RBFY24)
- Share of foreign loans and grants (37.1%) in financing the budget deficit is expected to rise (from 33.8% in RBFY24)
- **Once again, revised budget (for FY24) did not consider budget implementation progress into consideration – creating credibility of fiscal framework proposed for FY25 at risk!**

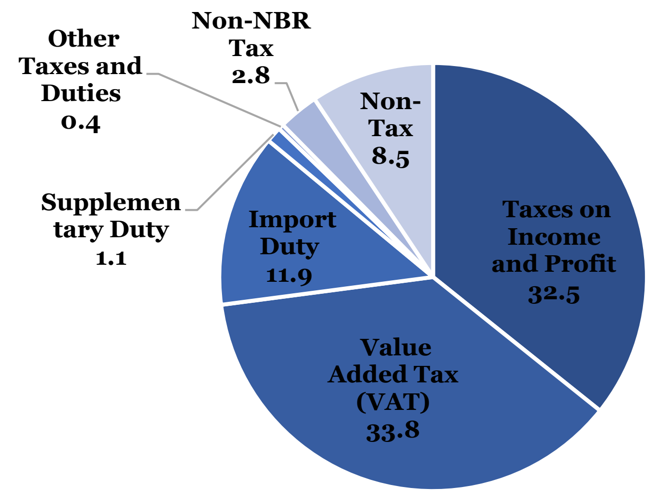
III. FISCAL FRAMEWORK

Revenue mobilisation

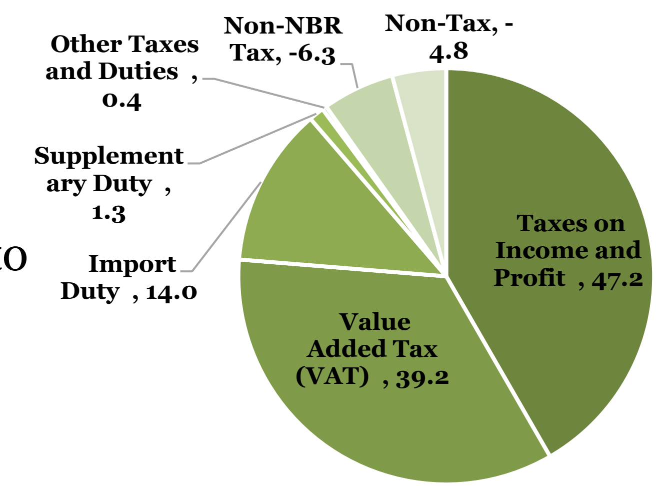
FY25 (Crore Tk.)	541,000
FY24 (RB) (Crore Tk.)	478,000
FY24 (CPD Projection) (Crore Tk.)	425,000
Target Growth (%) FY25 (Budget)	13.2
Target Growth (%) FY25 (CPD Projection)	27.3

- Budget FY25 targets 13.2% growth over RBFY24
  - **CPD projection: 27.3% on actual FY24 - approx. an additional Tk. 116,000 crore may need to be mobilised**
- NBR tax is projected to grow by 17.1%
- Both non-NBR tax and non-tax revenue to decline; by (-) 21.1% and 6.1% respectively
- Taxes on Income, Profits and Capital Gains to post strong growth (48.0% of total incremental revenue) followed by SD (17.%), Import Duty (15.9%) and VAT (15.6%)

Share of revenue FY25



Incremental share of revenue FY25



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III. FISCAL FRAMEWORK

Total Public Expenditure

Sector	Share in BFY25	Share in RBFY24	Change in FY25B over FY24R		Incremental Share
	%		Crore Tk	%	%
Public Services	22.1	21.2	24,357.0	16.1	29.5
Interest	14.2	14.7	8,200.0	7.8	9.9
Education and Technology	13.9	12.5	22,143.0	24.9	26.8
Transport and Communication	10.4	10.5	7,678.0	10.2	9.3
LGRD	6.0	7.2	-3,301.0	-6.4	-4.0
Agriculture	5.9	7.8	-8,670.0	-15.5	-10.5
Social Security and Welfare	5.4	5.7	2,653.0	6.5	3.2
Defence Services	5.3	5.3	4,212.0	11.1	5.1
Health	5.2	4.2	11,626.0	39.0	14.1
Public Order and Safety	4.2	4.3	2,561.0	8.3	3.1
Energy and Power	3.8	4.0	1,999.0	7.1	2.4
Housing	0.9	1.0	-97.0	-1.4	-0.1
Recreation, Culture and Religious Affairs	0.8	0.8	773.0	13.0	0.9
Industrial and Economic Services	0.7	0.6	1,055.0	22.7	1.3
Others (Memorandum Item)	1.1	0.2	7,393.0	624.9	9.0
Total Expenditure	**100.0**	**100.0**	**82,582.0**	**11.6**	**100.0**

- Public services sector and Interest payments attained the top two spots
- Budget for LGRD and Agriculture sectors declined

III. FISCAL FRAMEWORK

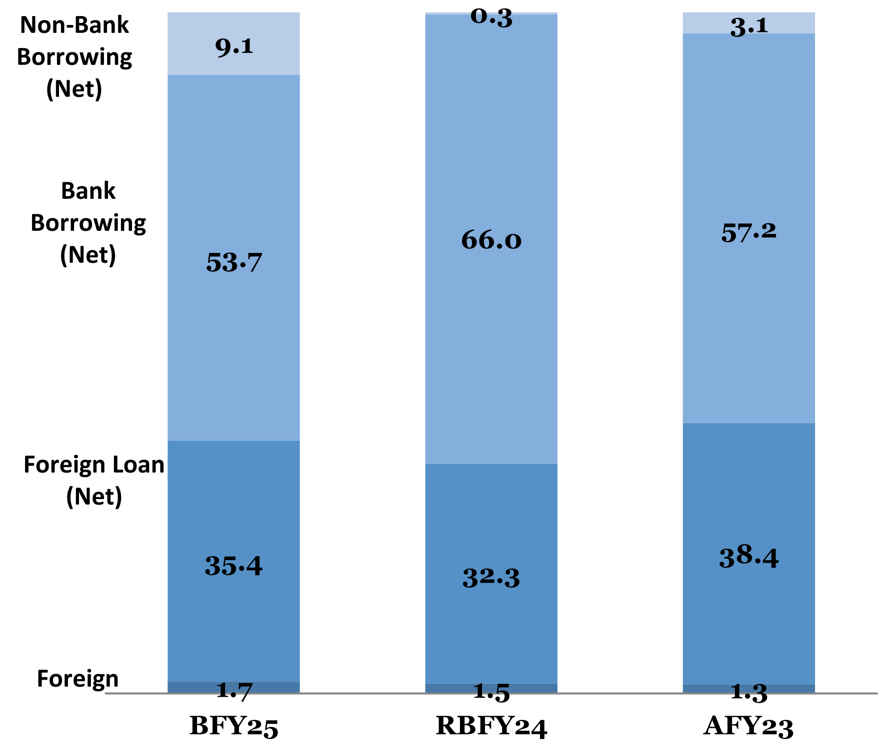
Top 4 Sectors with higher share in BFY25	Change (percentage points)
Education and Technology	1.5
Health	1.0
Public Services	0.9
Industrial and Economic Services	0.1
Top 5 Sectors with lower share in BFY25	**Change (percentage points)**
Agriculture	-1.9
LGRD	-1.2
Interest	-0.5
Social Security and Welfare	-0.3
Energy and Power	-0.2

- **Within Public Services Sector, Finance Division receives** an additional amount of **Tk. 37,798** crore (**45.8% of total incremental public expenditure**)
- **Some of the high spending areas include:**
  - **Equity: Tk. 32,382 crore**
  - **Loan to autonomous bodies: Tk. 50,875 crore**
  - **Reserve: Tk. 32,384 crore**
  - ***Together, these three areas received 42.5% of total incremental public expenditure***

III. FISCAL FRAMEWORK

- Share of **domestic financing 62.9%** in BFY25 (66.2% in RBFY24)
- Tk 137,500 crore (53.7% of the total) will come from the bank borrowing
- The critical question will be how much will be borrowed from the central bank – if the liquidity situation in the banking system does not improve
- Only Tk. 15,400 crore from net sale of NSD certificates (RBFY24 predicts net paid back to be about Tk. 7,310 crore)
- Gross foreign aid requirement will be **$11.5 bln** (USD 9.7 bln in RBFY24)

Share of budget deficit financing (%)



- Much will depend on the implementation of foreign funded ADP projects
- Foreign debt repayment to increase to USD 3.2 bln in BFY25 from USD 2.4 bln in RBFY24

Contingent Liability

- Government's guarantee (contingent liability) is about 2.1% of GDP and 45.7% of BFY25 budget deficit
- Increased by 18.8% over the last one year – **driven primarily by the Ghorasal-Polash Urea Fertiliser Project**
- Power sector remains the leading sector in terms of receiving guarantees from the government (45.8% of total in FY25)
- Biman and Energy continue to be leading sectors

List of Government Guarantees (Contingent Liability)

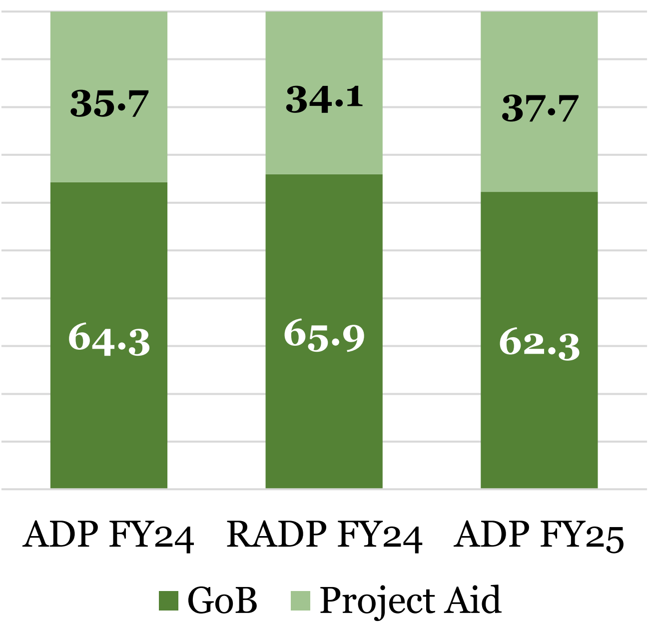
Sector	Amount (Crore Tk.)				Growth (%)			Share (%)			
	FY22	FY23	FY24	FY25	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Agricultural Credit	4,967	2,752	3,039	3,573	-44.6	10.4	17.6	6.7	3.0	3.1	3.1
Biman	10,909	7,796	8,543	7,399	-28.5	9.6	-13.4	14.8	8.4	8.7	6.3
Energy	1,522	3,990	4,928	7,661	162.3	23.5	55.5	2.1	4.3	5.0	6.5
Power	41,692	49,516	51,496	53,596	18.8	4.0	4.1	56.5	53.5	52.2	45.8
Telecom	1,109	925	892	726	-16.6	-3.5	-18.6	1.5	1.0	0.9	0.6
Miscellaneous	13,637	27,623	29,692	44,139	102.6	7.5	48.7	18.5	29.8	30.1	37.7
Total	73,836	92,602	98,591	117,094	25.4	6.5	18.8	100.0	100.0	100.0	100.0

IV. ANNUAL DEVELOPMENT PROGRAMME

IV. ANNUAL DEVELOPMENT PROGRAMME

- ADP for FY25 is Tk. 265,000 crore
  - **4.7% of GDP** in FY25 (5.3% in BFY24 and 4.9% in RBFY24)
    - **0.8% higher than** the **ADP for FY24** and 8.2% higher than RADP for FY24
    - The rate of implementation of original ADP in FY24 is likely to be **no more than 80%** even in the best-case scenario in view of the implementation pace
    - In that case, ADP for FY25 will be nearly 26.0% higher than the possible actual spending in FY24
    - Project Aid (PA) to finance 37.7% of total ADP in FY25 (35.7% in ADP of FY24)
    - **Two power sector projects** account for 15.2% of total project aid in ADP for FY25
      - Rooppur Nuclear Power Plant: 10.0% of total PA
      - Matarbari 2x600MW ultra super critical coal fired power project: 5.2% of total PA

ADP Financing Structure (% of total)



IV. ANNUAL DEVELOPMENT PROGRAMME

- The **top 5 sectors** have received **71.1%** of total ADP allocation
  - **Transportation and Communications Sector** once again has received the highest allocation (26.7% of total) for the highest number of projects (220). **Power and Energy** sector has received the second highest share (15.4%) in ADP allocation as before
  - These two sectors account for about 42% of total ADP allocation
  - Rooppur Nuclear Power Plant project accounts for 25.8% of total allocation for Power and Energy sector!

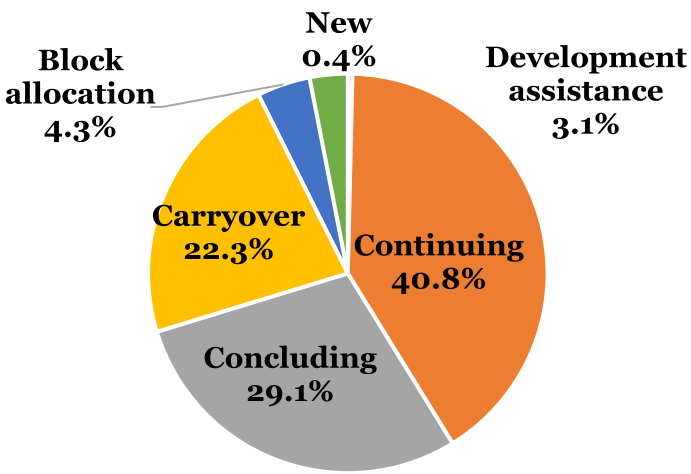
Sector	No of projects in ADP FY25	Allocation share (%) ADP FY25
Top five sectors	**628**	**71.1**
Transportation and Communication	220	26.7
Power and Energy	61	15.4
Education	104	11.9
Housing and Community Amenities	196	9.4
Health	47	7.8
Other 10 Sectors	**618**	**25.1**
Development Assistance	NA	3.8
Total	**1246**	**100.0**

IV. ANNUAL DEVELOPMENT PROGRAMME

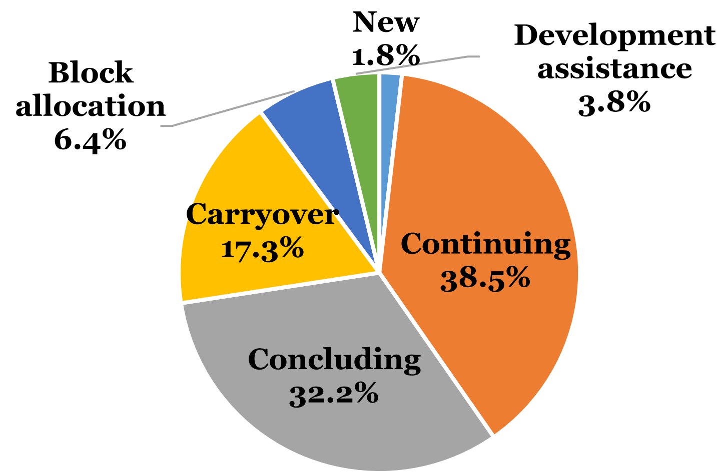
- **Encouraging to see that both health and education have entered the top 5 sectors**
  - **Education** sector has received 11.9% share of total ADP in FY25 from 11.4% in FY24 – a marginal increase
  - The share of **Health** sector in ADP FY25 (7.8%) has increased from 6.2% in ADP FY24 – this indicates a 27.6% rise in monetary terms
    - However, **the implementation of projects under these two sectors has traditionally been the major challenge**
- For **Agriculture**, share in ADP allocation has also shown improvement - from 4.1% in FY24 to 5.0% in FY25
  - Positive development at a time when ensuring food security remains a high priority

IV. ANNUAL DEVELOPMENT PROGRAMME

- The ADP for FY25 contains **1,246 projects** (1,250 for ADP of FY24)



Share of allocation in FY24



Share of allocation in FY25

- **Share of allocation for continuing projects has further declined while that of concluding projects has increased**
  - Share of allocation for continuing projects has declined to 38.5% in FY25 from 40.8% in FY24
  - 38.5% of allocation is provided to 370 continuing projects in FY25 (313 in FY24)
  - Indeed, 4 out of 5 highest allocated projects are continuing projects
- **57 new projects** are included in FY25 (30 in FY24)
  - Their share has increased: 1.8% of total ADP allocation in FY25 (0.4% in FY24)
  - 227 new projects were included in the RADP for FY24 - tradition of allocating new projects in the RADP continues

IV. ANNUAL DEVELOPMENT PROGRAMME

- A total of **474 projects are scheduled to be concluded in FY25**, according to project completion timeline
- **345** 'carryover' projects (account for **17.3%** of the total allocation)
  - This share decreased from the previous year (22.3% in FY24) – positive development
  - Transportation and Communications has 87 of these projects, followed by Housing and Community Amenities (59), Environment, Climate Change and Water Resources (37), Education (29), and Industrial and Economic Services (21)
  - Prevalence of carryover projects would imply the need for additional allocation due to cost escalation
- Thus, <u>total number of projects which should be concluded in FY25: **819**</u>
- Planning Commission has identified only **270** projects which may be **completed in FY25** (336 were listed in FY24)
  - **Many of these are unlikely to be completed in FY25**

IV. ANNUAL DEVELOPMENT PROGRAMME

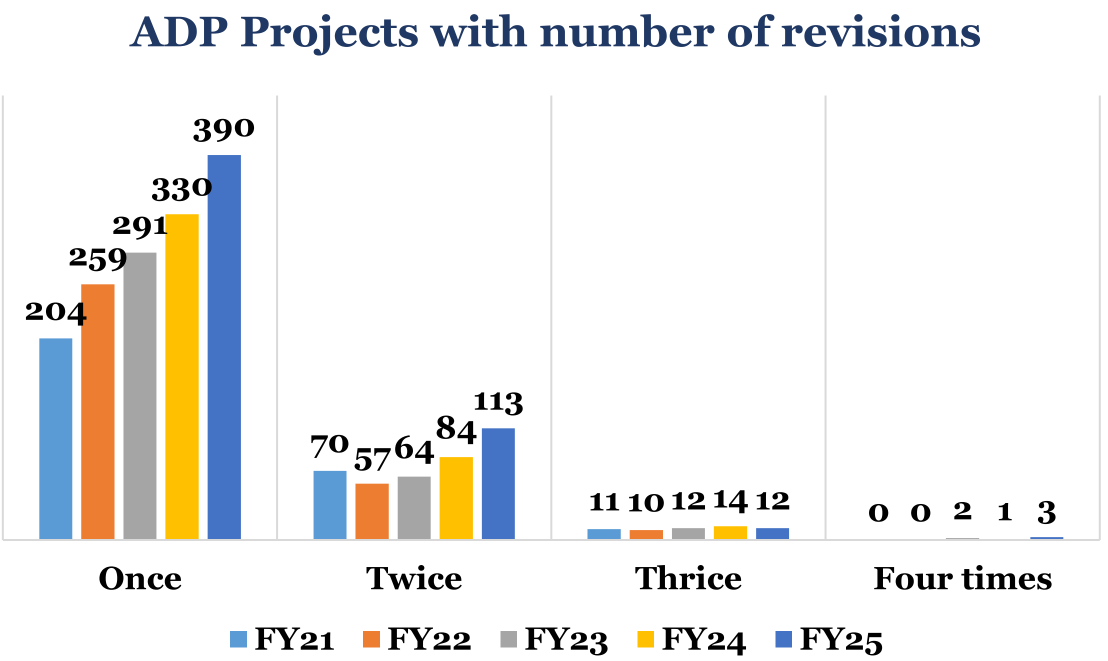
Project Status	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Unapproved projects without Allocation	857	1,172	1,315	1,338	1,045	1347	609	633	829	924
Projects listed to seek Foreign Funds	382	349	360	326	242	96	141	150	219	259
Total Number of Projects in the ADP	**999**	**1,141**	**1,192**	**1,347**	**1,475**	**1,584**	**1,426**	**1,356**	**1,250**	**1246**
PPP	40	32	36	78	62	61	79	77	79	80
Possible Completion (PC identified)	324	354	411	446	355	380	412	298	336	270

- 924 projects are listed without allocation (in a separate list) in FY25
- 259 unapproved projects have been listed to seek foreign funds
- **The share of projects with symbolic allocation (token allocation to keep these projects in the ADP list) has declined substantially – a praiseworthy development and a move to the right direction**
  - Inclusion of projects with an allocation of Tk. 1 lakh has been a perpetual practice (barring FY22)
  - **24 projects (1.9% of total number of projects) under ADP FY25 have received only Tk. 1 lakh or below**; (40 projects (3.2%) received such allocation in FY24)

IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Time-overrun projects continue!

- **Average age** of 1,138 investment projects is **5.2 years**
- **357** (31.4%) of these 1,138 projects are 6-10 years old (due to repeated extensions of projects)
- 36 of these 1,138 projects are more than 10 years old
- **45.5%** of investment projects in ADP for FY25 have already been revised between 1-4 times
- Number of **projects with time extension** increased **from 429 in FY24 to 518 in FY25**



IV. ANNUAL DEVELOPMENT PROGRAMME

❑ **Mega Projects: Pace of implementation remains a concern**

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 23 (%)	Possible Progress till Jun 25 (%)	End date
Construction of Rooppur Nuclear Power Plant	01-Jul-16	114,226	57.6	75.3	30-Dec-25
Matarbari 2x600 MW Ultra-Super Critical Coal-Fired Power Project (1st revised)	01-Jul-14	56,694	57.3	83.7	31-Dec-26
Dhaka Mass Rapid Transit Development Project (Line 1)	01-Sep-19	53,977	3.3	11.8	31-Dec-26
Dhaka Mass Rapid Transit Development Project (Line 5): Northern route	01-Jul-19	41,239	4.4	8.6	31-Dec-28
Padma Bridge Rail Link (1st revised)	01-Jan-16	39,247	75.3	96.6	30-Jun-25
4th Primary Education Development Programme (PEDP4) (1st revised)	01-Jul-18	38,292	36.4	83.1	30-Jun-25
Dhaka Mass Rapid Transit Development Project (Line 6) (2nd revised)	01-Jul-12	33,472	66.7	78.5	31-Dec-25

IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Mega Projects: Pace of implementation remains a concern

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 23 (%)	Possible Progress till Jun 25 (%)	End date
Expansion of Hazrat Shahjalal International Airport (1st phase) (1st revised)	01-Jul-16	21,399	20.9	61.3	30-Jun-25
Construction of 329 technical schools and colleges at the upazilla level	01-Jan-20	20,526	0.1	1.2	31-Dec-24
Expansion and Strengthening of Power System Network under DPDC Area (1st revised)	01-Jan-17	20,468	38.4	67.7	30-Jun-24
SASEC Road Connectivity: Improvement of Elenga-Hatikumrul-Rangpur-Highway into 4-Lane Highway (1st revised)	01-Sep-16	19,016	51.8	75.9	31-Dec-24
Construction of Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and Ramu to Ghundum near Myanmar Border (1st revised)	01-Jul-10	18,034	43.5	58.3	30-Jun-24
Development of Matarbari Port (1st revision)	01-Jan-20	17,807	1.8	26.4	31-Dec-26

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❑ **Mega Projects: Pace of implementation remains a concern**

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 23 (%)	Possible Progress till Jun 25 (%)	End date
Construction of Dhaka-Ashulia Elevated Expressway (1st revised)	01-Sep-17	17,553	30.4	71.2	30-Jun-26
SASEC Dhaka-Sylhet Corridor Development	01-Jan-21	16,919	5.5	21.7	31-Dec-26
Construction of Bangabandhu Sheikh Mujib Railway Bridge (1st revised)	01-Jul-16	16,781	3.0	34.4	31-Dec-25
Ghorasal Polash Urea Fertiliser Project (1st revised)	01-Oct-18	15,500	10.7	20.7	30-Jun-24
Power Grid Network Strengthening project under PGCB (revised)	01-Oct-16	14,326	24.2	62.0	30-Jun-24
Construction of dual gauge double line on Joydevpur-Ishwardi section	01-Jan-19	14,251	2.8	3.0	31-Dec-24
Development of transmission infrastructure for power evacuation of Ruppur Nuclear Power Plant	01-Apr-18	10,982	42.6	54.7	31-Dec-24

IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Mega Projects: Pace of implementation remains a concern

- ❑ Tk. 63,530 crore is allocated for top 20 mega projects (mostly infrastructure including fast-track and based on project size) which is 24% of total ADP of FY25
- ❑ Six out of 20 mega projects are scheduled to be completed in FY25
  - ➢ Padma Bridge Rail Link (1st revised)
  - ➢ 4th Primary Education Development Programme (PEDP4) (1st revised)
  - ➢ Expansion of Hazrat Shahjalal International Airport (1st phase) (1st revised)
  - ➢ Construction of 329 technical schools and colleges at the upazilla level
  - ➢ SASEC Road Connectivity: Improvement of Elenga-Hatikumrul-Rangpur-Highway into 4-Lane Highway (1st revised)
  - ➢ Construction of dual gauge double line on Joydevpur-Ishwardi section
  - ➢ Development of transmission infrastructure for power evacuation of Ruppur Nuclear Power Plant
- ❑ However, even if maximum utilisation of resources is ensured, none of these will be completed by FY25

IV. ANNUAL DEVELOPMENT PROGRAMME

- Four projects were targeted to be completed by FY24
  - Expansion and Strengthening of Power System Network under DPDC Area (1st revised)
  - Construction of Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and Ramu to Ghundum near Myanmar Border (1st revised)
  - Ghorasal Polash Urea Fertiliser Project (1st revised)
  - Power Grid Network Strengthening project under PGCB (revised)
    - The need for time and cost extension is evident from the ADP allocation so far for these projects
- 17 out of the 20 mega projects were categorised as low priority in the FY25 ADP!
  - 2 were categorised as high priority while the remaining one was considered to be medium priority

V. FISCAL MEASURES

Personal Income Tax Structure (PIT): Some changes proposed to provide relief to low & middle-income groups, and to impose higher rates of taxes to high income groups.

- **Retrospective to prospective tax system introduced for proper tax planning** and embed some **predictability (at least for two years) to the taxpayers.**

Personal Income Tax Structure (PIT)			
Current Tax slabs 2023-24	**Current Tax rate 2023-24**	**Proposed tax slab 2024-25 and 2025-26**	**Proposed Tax rate 2024-25 and 2025-26**
Up to Tk. 3,50,000	Nil	Up to Tk. 3,50,000	Nil
Next Tk. 1,00,000	5%	Next Tk. 1,00,000	5%
Next Tk. 3,00,000	10%	Next Tk. 4,00,000	10%
Next Tk. 4,00,000	15%	Next Tk. 5,00,000	15%
Next Tk. 5,00,000	20%	Next Tk. 5,00,000	20%
On Balance	25%	Next Tk. 20,00,000	25%
		On Balance	30%

V. FISCAL MEASURES

- No change in taxes on monthly income between Tk. 29,167 and Tk. 37,500
- Those with monthly income between Tk. 70,833 and Tk. 3,20,833 to get some tax relief
- **Highest 10% tax relief** for taxpayers **whose monthly income is Tk. 70,833**
- **Lowest 1% tax relief** for taxpayers whose monthly income is **Tk. 3,20,833**
- **Higher tax burden** for those whose monthly income is between **Tk. 4,16,667 and Tk. 40,00,000**
- **Highest tax burden** for taxpayer whose monthly income is **Tk. 40,00,000 and above**

Annual Taxable Income	Monthly Taxable Income	Income Year 2024-2025	Tax Burden and (Relief)	Total Tax Relief (Burden) as (%) amount of tax FY2023 – 2024 paid tax
3.5 Lakh	29,167	-	-	0%
4.5 Lakh	37,500	5,000	-	0%
8.5 Lakh	70,833	45,000	(5,000)	-10%
13.5 Lakh	112,500	120,000	(10,000)	-8%
18.5 Lakh	154,167	220,000	(10,000)	-4%
38.5 Lakh	320,833	720,000	(10,000)	-1%
50 Lakh	416,667	1,065,000	22,500	2%
1 Crore	833,333	2,565,000	272,500	12%
1 Crore 20 Lakh	1,000,000	3,165,000	372,500	13%
4.8 Crore	4,000,000	13,965,000	2,172,500	**18%**

❑ Corporate Tax

Description	Existing 2023-24		Proposed 2024-25 and 2025-26	
	Tax Rate	*On failure to comply with conditions	Tax Rate	*Rebated tax rate on compliance with conditions
Publicly traded company that transfers shares worth more than 10 percent of its paid-up capital through Initial Public Offering (IPO)	20%	22.5%	**22.5%**	**20%**
Publicly traded company that transfers shares worth ten percent or less than ten percent of its paid-up capital through IPO	22.5%	25%	**25%**	**22.5%**
Non-publicly traded company	27.5%	30%	**27.5%**	**25%**
One Person Company (OPC)	22.5%	25%	22.5%	20%
Cooperative Society	15%	Condition not applicable	**20%**	Rebate not applicable

*** Any income, receipts, expenses, and investments exceeding Tk. 5 lakh per transaction and Tk. 36 lakh annually must be conducted via bank transfer →Incentives created for better compliance by publicly traded companies**

V. FISCAL MEASURES

❑ Major changes in the undisclosed money provision

- **In FY25 Budget, a new provision has been proposed to legalise the undisclosed money and asset**. A new clause has been proposed to be added **in the Income Tax Act, 2023 (in schedule 1, part 3)** to provide an opportunity to correct and earlier error:
- *"According to the newly proposed provisions, no authority can raise any question if a taxpayer pays fixed tax rates for immovable properties like flats, apartments and land and 15% tax on other resources including cash, irrespective of the existing laws of the country"*
  - **CPD has strongly argued against this type of provision** on the ground that it is **morally unacceptable**. This would **discourage honest taxpayers from paying taxes on time, creating moral hazard.**
  - **CPD thinks this type of provision undermines rule of law and goes against the spirit of good governance. Rather, tax-dodgers must face accountability and made to pay for their misdeeds.**

V. FISCAL MEASURES

- **Value Added Tax (VAT) and Supplementary Duty (SD)**
- **A conscious effort is seen to align VAT rates with Value Added Tax and Supplementary Duty Act, 2012. IMF recommendations to this effect appears to be at play here. An effort to move towards 15% flat VAT rate (for some items at one go, for others gradually) is discernible in the budget proposals.**

1. Total VAT withdrawals:

- Withdrawal of existing 20% supplementary duty on packed powdered milk up to 2.5 kg → will reduce price.
- Withdrawal of the concessionary rate for refrigerator compressors → will help domestic import-substituting industries.

2. Move from lower VAT/SD to higher VAT/SD

- Increased SD on all kinds of ice-cream from 5% to 10% → *will be passed on to the consumers*
- Increased SD on carbonated beverages which contain more than 145 mg/per litre caffeine from 25% to 30%. Additionally, the beverages containing ingredients different from the specified amount as defined in the Bangladesh Standards (BDS 1123:2013), from 35% to 40% → *a move in support of domestic import-substituting industry.*
- SD on cigarettes is proposed to increase from 65% to 66% → *a good move from health point of view.*
- SD on the mobile telecom services (e.g., SIM/RUIM cards) from 15% to 20%. In addition to that, the amount of VAT is increased for each SIM/e-SIM card from Tk. 200 to Tk. 300-*will be passed on to the consumers*

❑ Value Added Tax (VAT) and Supplementary Duty (SD)

3. Lower VAT raised to standard 15% VAT Rate

- VAT on locally manufactured mango bar, mango juice, pineapple juice, guava juice and tamarind juice increased from 5% to 15% → *will be passed on to the consumers*
- Increased VAT on locally manufactured energy saving bulbs with capacity 1 to 50 watt and tube light of 18 watt & 36 watt, from 5% to 15% → *will be passed on to the consumers*
- VAT on cigarette paper/bidi paper increased from 7.5% to 15% → *a good move from health point of view which will raise revenue.*
- Increased VAT on the service of 'Purchaser of Auctioned Goods', 'Amusement Park and Theme Park' increased from 7.5% to 15% → *will be passed on to the consumers*

V. FISCAL MEASURES

❑ Domestic Industry Support

- To protect the domestic cashew nut industry in the hill tracts region of Bangladesh, it is proposed to impose a 5% import duty and a 10% regulatory duty on imported Shelled Cashew Nuts → *will help indigenous domestic producers.*
- It is suggested to eliminate the current 20% supplementary duty on packed powdered milk up to 2.5 kg → *good move for local companies and consumers will be benefitted*
- A proposal to decrease the import duty on Polypropylene yarn from 10% to 5% to foster the growth of the emerging local carpet manufacturing industry → *will support domestic manufacturing local companies*
- A proposal to raise the import duty on LRPC Wire from 10% to 15% to encourage the utilisation of domestically produced high-quality iron and non-alloy steel wire, thereby reducing foreign exchange pressure and fostering the growth of the domestic industry → *good move for local companies.*

❑ Domestic Industry Support

- A proposal to rationalise tariffs through imposition a 1% import duty on raw materials imported by generator manufacturing and assembling industries, which currently benefit from a zero per cent import duty under existing notifications → *revenue purpose; higher cost could be passed on to the consumers.*
- A proposal to bolster local aviation companies and enhance industry potential by withdrawing VAT on aircraft engines and spare parts of propellers at the import stage to address the challenges faced by domestic airlines in competing with foreign counterparts → *good move in support of domestic aviation companies.*
- Import duties on certain essential items have been reduced. For example, dialysis filter and dialysis circuit, polypropylene yarn, manganese, cashew nuts in shelled in bulk → *Hopefully, the reduced rates will pass on to consumers and at retail levels.*

V. FISCAL MEASURES

❑ Exemption on Excise Duty

- ❑ **In FY25 Budget, a new provision has been proposed to exempt excise duty for depositors or foreign lenders** in the Offshore Banking Units under the jurisdiction of the Offshore Banking Act, 2024 (Act No. II of 2024) → **A move to encourage offshore banking.**
- ❑ **New measures proposed as regards excise duty on bank accounts.**
- ❑ For banks, excise duty across the existing 3 slabs up to Tk. Ten lakh remains unchanged. However, a few measures have been taken to generate more revenue:

Current situation	Proposed measures
Slab ranging from Tk. 10 lakh one to Tk. One crore, excise duty is Tk. 3000	From Tk. 10,00,001 to Tk. 50,00,000, excise duty - Tk. 3,000 From Tk. 50,00,001 to Tk. One (1) crore, excise duty- Tk. 5,000
Slab ranging from Tk. One crore one to Tk. Five crore, excise duty of Tk. 15,000	From Tk. 1,00,00,001 to Tk. Two crore, excise duty of Tk. 10,000 From Tk. 2,00,00,001 to Tk. Five crore, excise duty- Tk. 20,000
Excise duty remain unchanged for the slab exceeding Tk. five (5) crore	

→ Will raise government revenue, but will create burden from account holders

V. FISCAL MEASURES

New Measures to Broaden Tax Net

- To **include resorts, motels, restaurants, convention centres in the definition of specified persons** for the purpose of deduction or collection of tax at source: **will increase tax collection**.
- **Imposing obligation to furnish proof of return while obtaining and renewing licenses** of hotels, restaurants, motels, hospitals, clinics, diagnostic centres and community centres, convention halls or similar services: **will create opportunities for additional tax collection.**
- **Providing for a penalty of not less than Tk. 20,000 and not more than Tk. 50,000 for failure to produce proof of filing of return** at the place of business → **could be an opportunity** for additional taxes **but will require enforcement.**

V. FISCAL MEASURES

❑ Amendments on Value Added Tax and Supplementary Duty Act, 2012 and the Value Added Tax and Supplementary Duty Rules, 2016

- To **consider persons or units having annual turnover exceeding Tk. 10 crore** to be considered as tax withholding entities **(Section 2(21) of the Act)** → **will help broaden tax collection net.**
- **Necessary amendments to pay 10% instead of 20% of the demand excluding fine while submitting an application for appeal** to the Appellate Tribunal and Appeal Commissionerate → **will reduce burden of taxpayers going for submitting appeal to tax authorities.**
- **Provision to include the Cost and Management Accountants as VAT consultants** → **ICMAB members' longstanding demand has been made**.
- **In case of any taxable supply of which value exceeds Tk. 25000, there is a provision to issue a VAT challan mentioning the name, address and Business Identification Number (BIN) of the purchaser.** Nevertheless, not all the purchaser has the obligation to obtain BIN. Considering this aspect, **necessary amendments in the relevant provisions and VAT forms** is proposed → **will ease business operation of Small and Medium Enterprises (SMEs).**

V. FISCAL MEASURES

- **There has been some measures to rationalise tariff values in view of Bangladesh's upcoming LDC graduation.**
- **This has been done in three (3) ways.**
  - **A.** 10 HS headings where Minimum Value has been withdrawn
  - **B.** 5 HS headings where Minimum Value has been rationalised
  - **C.** 3 HS headings where Minimum Value has been imposed
- **Preparing Bangladesh's tariff regime according to World Trade Organisation (WTO) obligations is a well-thought out strategy.**
- **In successive budgets, Bangladesh will need to keep on rationalising its tariff structure in line with its post-LDC future (to continue in FY2025-26 Budget).**
- **Adjustments of customs duties and abolition of minimum prices will need to be done by undertaking thorough study of Bangladesh's obligations as post-LDC developing country, and the bound tariffs it has committed in the WTO.**

V. FISCAL MEASURES

- **IT sector tax exemption:** The government plans to extend the tax exemption for IT-enabled services (ITES) sector by an **additional three years**, contingent upon the implementation of cashless transactions → *This extension is welcome in view of the sector's potentials. However, this sunset clause should be complied with since some of the ITESs has been enjoying exemptions from direct taxation since 2008.*
- An appeal was made in the budget speech to MPs to not avail of the current privilege of duty-free import of cars → *It will be a litmus test of the goodwill of the MPs to forego this privilege by bringing necessary amendments to the prevailing parliamentary privilege and thereby set a 'noble example' for others*.
- **E-Commerce moratorium:** Bangladesh will need to strategise in view of the end of the moratorium on E-commerce in place in WTO since 1998. The moratorium is to come to end in March 2024 or WTO-MC14 whichever is earlier. Bangladesh has both offensive and defensive interest in this regard and should define its fiscal measures accordingly.

V. FISCAL MEASURES

❑ Concluding Observations

The fiscal proposals in Budget FY2024-25 has come up with a number of positive proposals, but in some other respects have not gone far enough, or in the right direction.

- Structure of income tax has been revised to make it more sensitive to needs of the middle class and to ensure equity and distributive justice by raising highest tax slab.
- Tax proposals are to be valid for next two years, which will add predictability for the taxpayers.
- In spite of the prevailing high levels of inflation, duties of only a few essential items have been reduced. Whether the duty reduction will result in reduced prices for consumers however remain uncertain.
- There is a conscious effect to move towards aligning the VAT structure with the VAT and Supplementary Act, 2012. At times this was done at one go by raising VAT to 15%, at other times this was done gradually. This alignment is being done at a time of high inflation and evidently tax incidence on consumers are set to rise.

❑ Concluding Observations (contd.)

- There has been a conscious effort, through fiscal measures (exemption on import duties on intermediates, high tariff on finished goods) to support domestic import- substituting industries.
- The regressive practice of allowing whitening of money, and this time with greater immunity, sends a wrong signal to tax-evaders and creates a moral hazard problem for honest taxpayers.
- Whether MPs volunteer to set a ‘noble example’ to forego the privilege of ‘duty-free import of cars’ will be a litmus test of the willingness of people’s representatives to share the burden being borne by ordinary people and taxpayers at these difficult times.

VI. SECTORAL ISSUES

Health

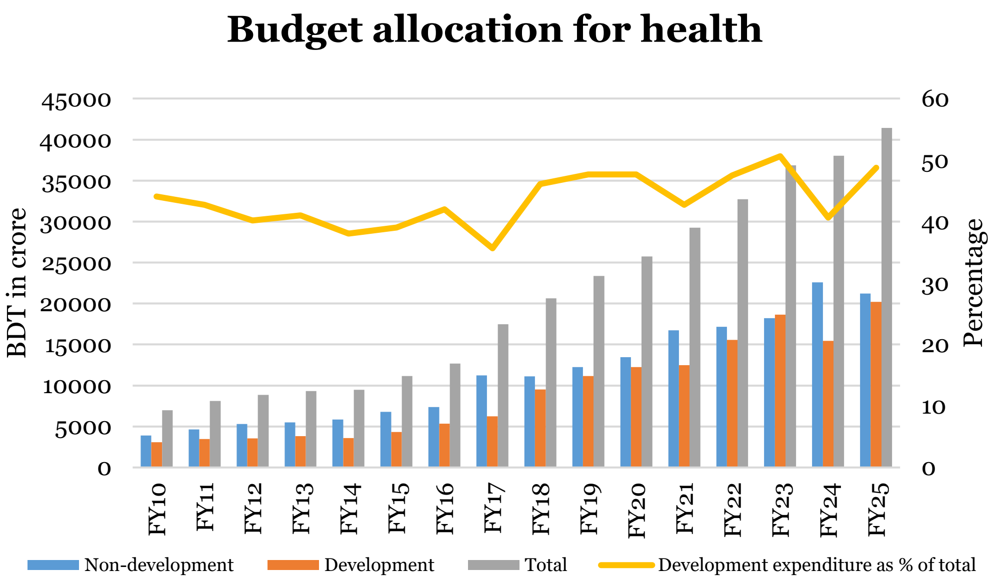
Health

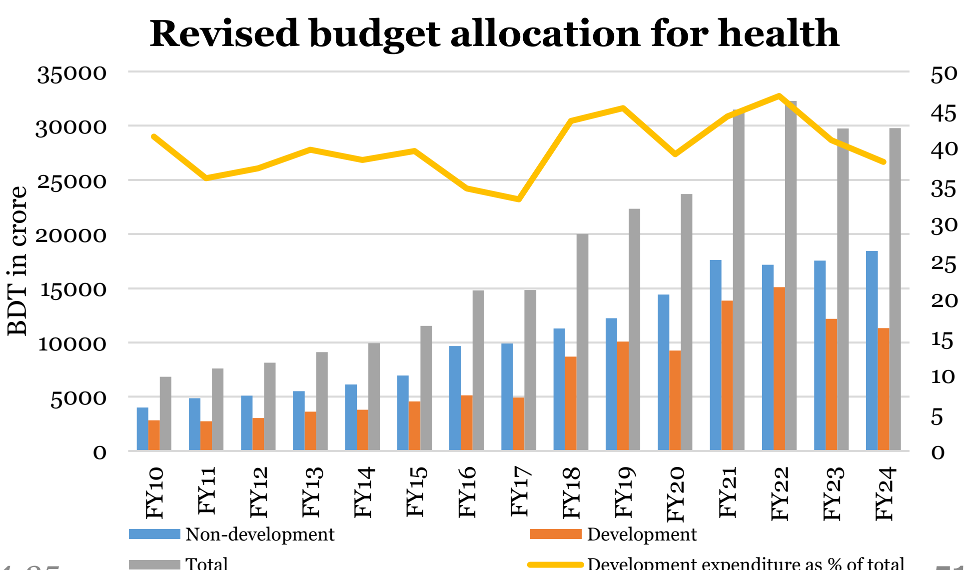
- Total budget allocation for health has been **increased by 9%**, from BDT 38,050 crore in FY24 to BDT 41,408 crore in FY25

- Development budget allocation has **increased by 31%,** whereas non-development budget allocation has **decreased by 6%**

- The share of development budget allocation in total health budget allocation has **increased from 41% in FY24 to 49 % in FY25**

- Share of revised development budget allocation in total health budget allocation has **decreased from 41% in FY23 to 38% in FY24**





Health

- **Actual expenditure decreased by 10%** from BDT 25,028 crore in FY22 to BDT 22,521 crore in FY23

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

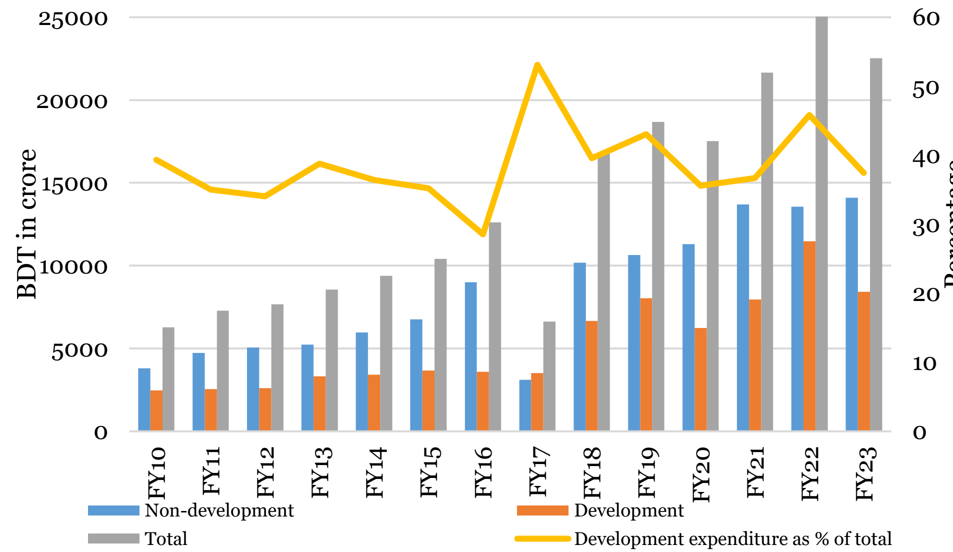
➢ **Non-development budget utilisation** decreased from 95% in FY13 to 80% in FY23

➢ **Development budget utilisation** also decreased from 92% in FY13 to 69% in FY23

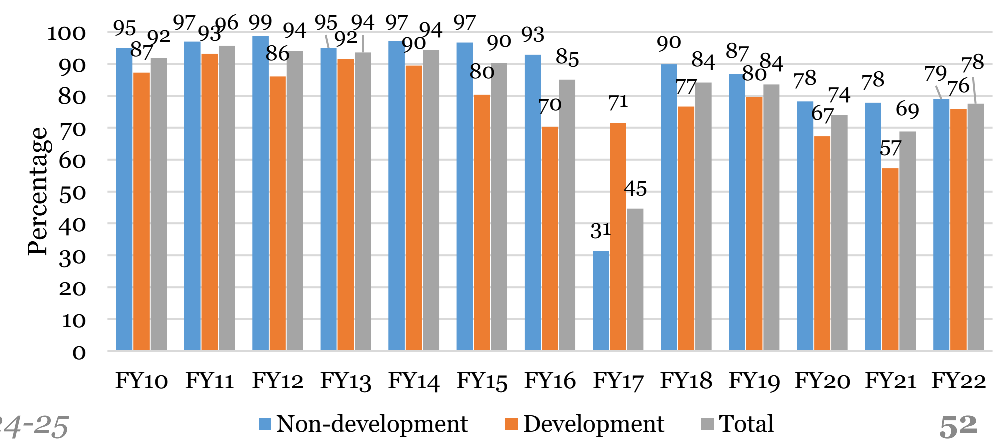
➢ **Total budget utilisation decreased from 94% in FY13 to 76% in FY23**

- Over the past several years, **non-development budget utilisation has been consistently higher than development budget utilisation**

Actual expenditure on health



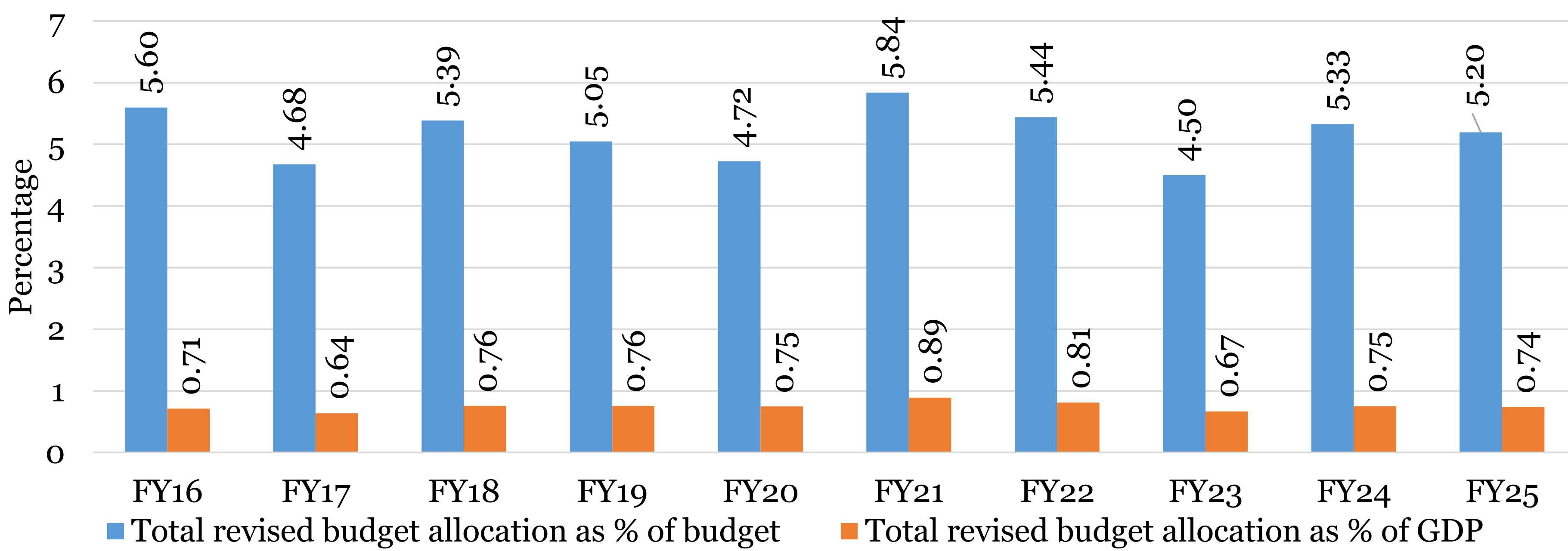
Health budget utilisation



Health

- ❑ Allocation for health as a *share of the total budget* **decreased** from **5.33% in FY24 to 5.20% in FY25**
- ❑ Allocation for health as a *share of GDP* has **decreased** slightly **from 0.75% in FY24 to 0.74% in FY25**
  - ➢ Such allocation is marginally lower than the average allocation of 0.75% of GDP during FY16 to FY24

Health allocation as share of total budget and GDP



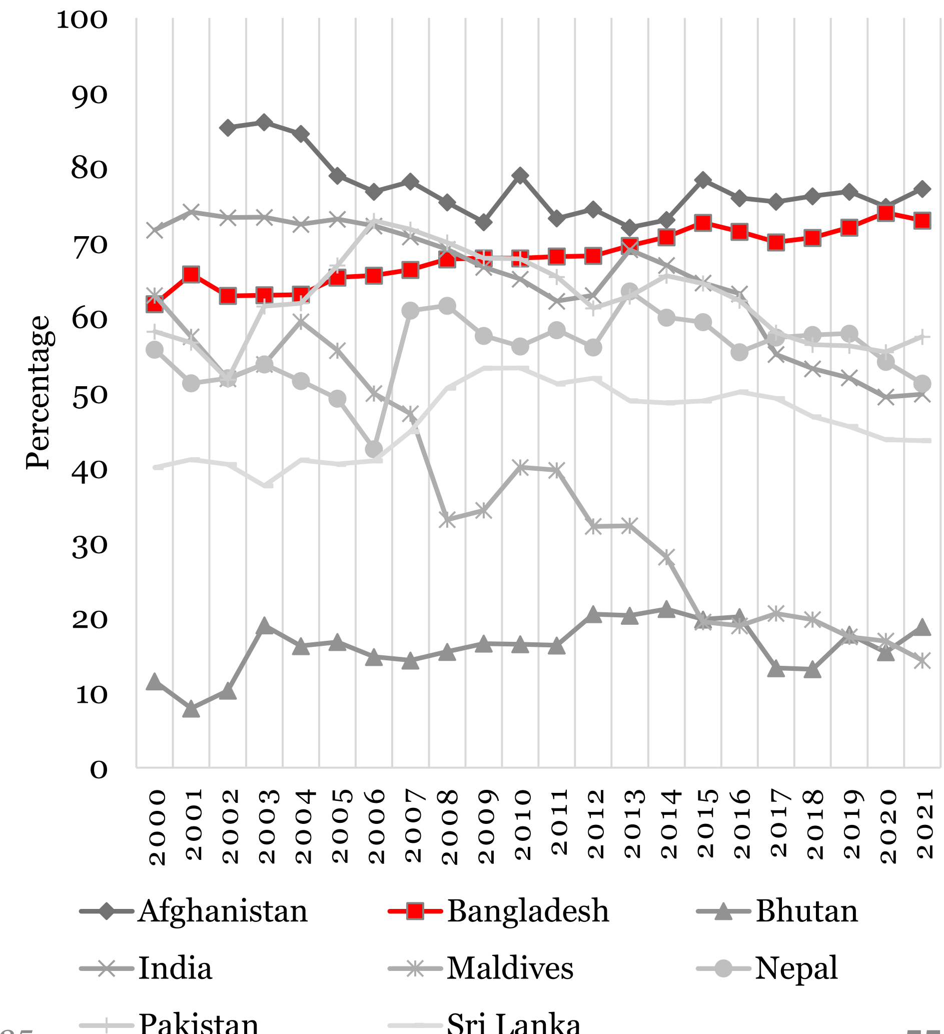
Health

- **Budget allocation for health has been less than 1% of GDP** for the past 20 years, indicating that healthcare has been **one of the least prioritised sectors for the government**
- Bangladesh's expenditure on health as a share of GDP was the **lowest among 45 LDCs** in 2021 – ***no other LDC has spent less on health than Bangladesh in 2021***
- The budget allocation on health per person has increased by only BDT 186, from BDT 2,227 in 2023 to BDT 2,413 in 2024
- The Urban Primary Health Care Services Delivery Project, a government SSNP initiative aimed at ensuring the delivery of quality primary health care (PHC) services to urban populations, had its budget allocation **drastically reduced from BDT 439.38 crore in FY24 to BDT 180.13 crore in FY25**

Health

- In 2021, Bangladesh's **out-of-pocket expenditure** on health per capita at purchasing power parity was the **8th highest among 45 LDCs**
- Bangladesh's out-of-pocket expenditure as a percentage of current health expenditure **was 73%** of current health expenditure in 2021 and showed an increasing trend for the past two decades, whereas the trend is decreasing for countries such as India, Pakistan, Bhutan, Nepal and Sri Lanka.

Out-of-pocket expenditure (% of current health expenditure)



❑ Fiscal measures

- **The effective tax for a publicly listed tobacco company** **deceased by 1 percentage point in 2022**
- CPD proposes that the **corporate tax on all companies manufacturing tobacco products** to be **increased** from 45% in FY24 to **50% in FY25**, and the associated **surcharge** to be increased from 2.5% in FY24 to **5% in FY25**
- The National Board of Revenue (NBR) should not give highest taxpayer award or any other social recognition to any individual or company involved in the tobacco business.

Proposed corporate tax on tobacco product manufacturing companies

	Current tax structure in FY24		**CPD's proposed tax structure for FY25**		**CPD's proposed tax structure for FY26**	
Type of company	**Corporate tax (in %)**	**Surcharge (in %)**	**Corporate tax (in %)**	**Surcharge (in %)**	**Corporate tax (in %)**	**Surcharge (in %)**
All companies manufacturing tobacco products	45	2.5	50	5	55	7.5

- The budget for FY25 has continued 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

<table>
<tr><th colspan="6">Proposed tax structure for cigarettes in FY25</th><th colspan="5">CPD's recommendation</th></tr>
<tr><th></th><th colspan="2">Retail price</th><th colspan="3">SD</th><th></th><th colspan="2">Retail price</th><th colspan="2">Specific excise duty</th></tr>
<tr><td>Tier</td><td>Pack of 10 (in BDT)</td><td>Per stick (in BDT)</td><td>Per pack of 10 (in per cent)</td><td>Per pack of 10 (in BDT)</td><td>Per stick (in BDT)</td><td>Tier</td><td>Per pack of 10 (in BDT)</td><td>Per stick (in BDT)</td><td>Per pack of 10 (in BDT)</td><td>Per stick (in BDT)</td></tr>
<tr><td>Low</td><td>50</td><td>5.0</td><td>60.0</td><td>30.00</td><td>3</td><td rowspan="4">Universal</td><td rowspan="4">Market based</td><td rowspan="4">Market based</td><td rowspan="4">100</td><td rowspan="4">10</td></tr>
<tr><td>Medium</td><td>70</td><td>7.0</td><td>65.5</td><td>45.85</td><td>4.58</td></tr>
<tr><td>High</td><td>120</td><td>12</td><td>65.5</td><td>78.60</td><td>7.86</td></tr>
<tr><td>Premium</td><td>160</td><td>16</td><td>65.5</td><td>104.80</td><td>10.48</td></tr>
</table>

❑ The budget for FY25 has left the tax structure on Bidi **unchanged**

Tax structure for Bidi

<table>
<tr><th colspan="6">Proposed tax structure in FY25</th><th colspan="5">CPD's recommendation</th></tr>
<tr><th></th><th colspan="2">Retail price</th><th colspan="3">SD</th><th></th><th colspan="2">Retail price</th><th colspan="2">Specific excise duty</th></tr>
<tr><th>Type of bidi</th><th>Per pack (in BDT)</th><th>Per stick (in BDT)</th><th>Per pack (in per cent)</th><th>Per pack (in BDT)</th><th>Per stick (in BDT)</th><th>Type of bidi</th><th>Per pack (in BDT)</th><th>Per stick</th><th>Per pack (in BDT)</th><th>Per stick (in BDT)</th></tr>
<tr><td>Non-filtered 25 stick handmade bidi</td><td>18</td><td>0.72</td><td>30</td><td>5.40</td><td>0.22</td><td rowspan="5">All</td><td rowspan="5">Market based</td><td rowspan="5">Market based</td><td>75</td><td rowspan="5">3</td></tr>
<tr><td>Non-filtered 12 stick handmade bidi</td><td>9</td><td>1.33</td><td>30</td><td>2.70</td><td>0.23</td><td>36</td></tr>
<tr><td>Non-filtered 8 stick handmade bidi</td><td>6</td><td>1.33</td><td>30</td><td>1.80</td><td>0.23</td><td>24</td></tr>
<tr><td>Filtered 20 stick handmade bidi</td><td>19</td><td>1.05</td><td>40</td><td>7.60</td><td>0.38</td><td>60</td></tr>
<tr><td>Filtered 10 stick handmade bidi</td><td>10</td><td>1.00</td><td>40</td><td>4.00</td><td>0.40</td><td>30</td></tr>
</table>

- CPD recommends a **BDT 3 specific excise duty per stick of Bidi** to be implemented in FY25
- 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 FY25 has slightly increased the tax on Jarda and Gul

Tax structure for Jarda and Gul

<table>
<tr><th colspan="6">Proposed tax structure in FY25</th><th colspan="5">CPD's recommendation</th></tr>
<tr><th></th><th colspan="2">Retail price</th><th colspan="3">SD</th><th></th><th colspan="2">Retail price</th><th colspan="2">Specific excise duty</th></tr>
<tr><th>Type of product</th><th>Per 10gm (in BDT)</th><th>Per gm (in BDT)</th><th>Per 10 gm (in per cent)</th><th>Per 10 gm (in BDT)</th><th>Per gm (in BDT)</th><th>Type of product</th><th>Per 10gm (in BDT)</th><th>Per gm (in BDT)</th><th>Per 10gm (in BDT)</th><th>Per gm (in BDT)</th></tr>
<tr><td>10gm jarda</td><td>48</td><td>4.8</td><td>55</td><td>26.40</td><td>2.64</td><td>10gm jarda</td><td rowspan="2">Market based</td><td rowspan="2">Market based</td><td rowspan="2">60</td><td rowspan="2">6</td></tr>
<tr><td>10gm gul</td><td>25</td><td>2.5</td><td>55</td><td>13.75</td><td>1.37</td><td>10gm gul</td></tr>
</table>

- CPD recommends a **BDT 6 specific excise duty on per gram (gm) of Jarda and Gul** to be implemented in FY25
- 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

Health

- In the budget for FY25, the beverage and carbonated industry is subjected to a **30% SD** for carbonated soft drinks, **40% SD** for energy drinks, and **15% VAT** applicable for both.
- However, minimum tax on sales revenue of carbonated beverage producers has been reduced from 5% in FY24 to 3% in FY25.
- For locally manufactured soft 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*** in order to **minimise the public health risks.**

Proposed Tax Structure for Soft Drinks and Energy Drinks

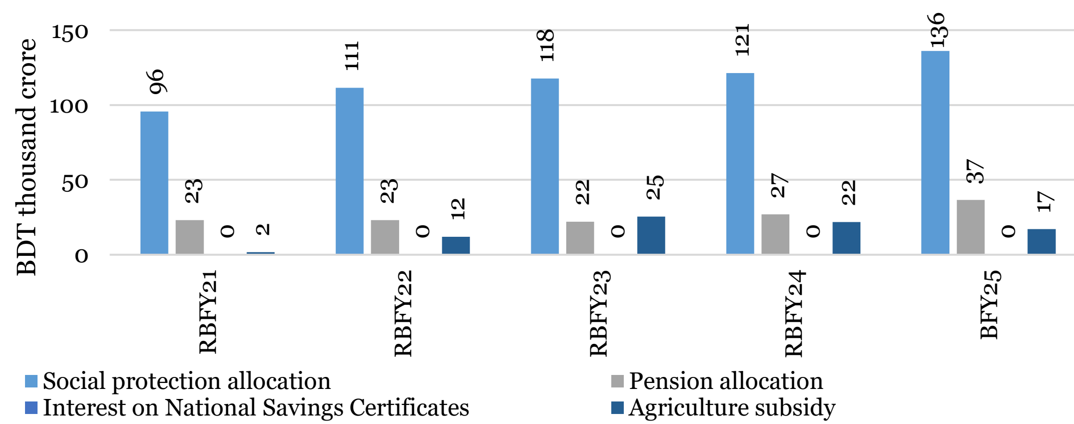
Current Tax Structure for FY25			CPD's recommendation			
Beverage	**SD (%)**	**VAT (%)**	**Beverage**	**Specific excise duty (BDT per ml)**	**Specific excise duty (BDT per litre)**	**VAT (%)**
Soft drinks	30	15	Soft drinks	0.10	100	15
Energy drinks	40	15	Energy drinks	0.10	100	15

Social Safety Net Programmes

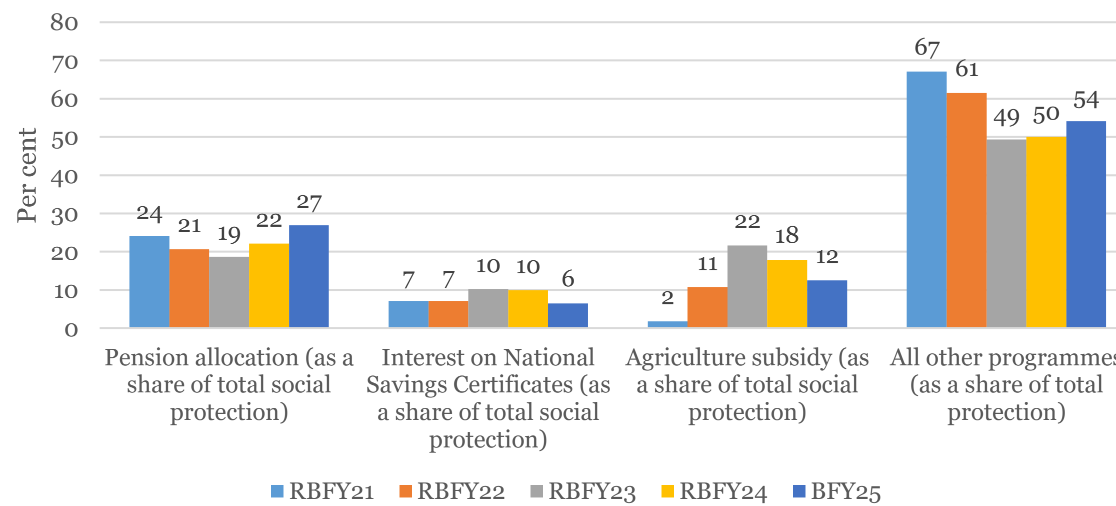
Social Safety Net Programmes

- Allocation for social safety nets has increased by only 12%, whereas **allocation for pension has increased by 36%.**
- Pensions for government officials, interest on National Savings Certificates, and agricultural subsidies account for 46% of the total budget allocation for social protection in FY25.
- The **allocation for all other programmes has decreased** from 67% of total social protection allocation in FY21 to **54%** of total social protection allocation in **FY25**.

Social protection allocation (in crore BDT)



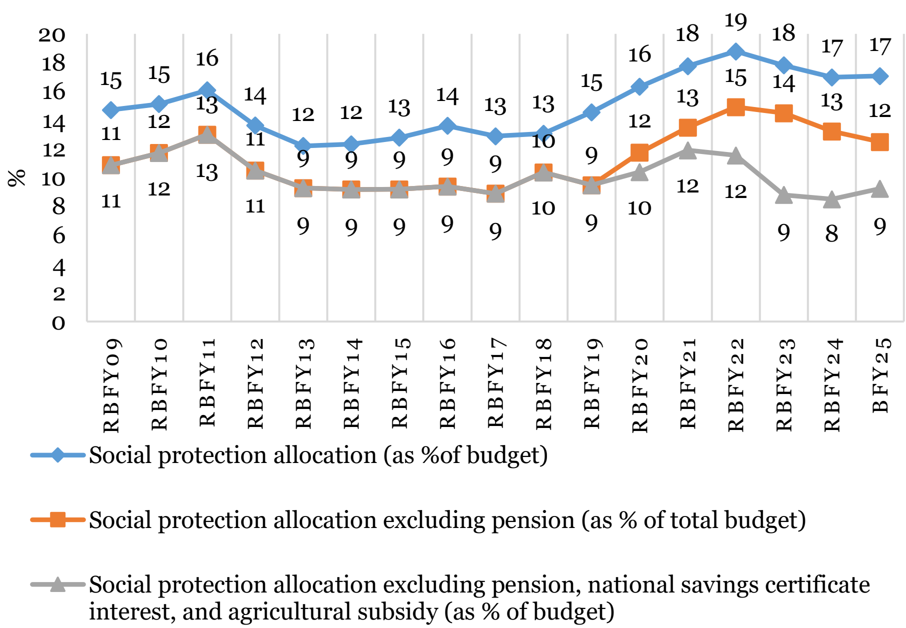
Distribution of social protection allocation (as a share of total social protection allocation)



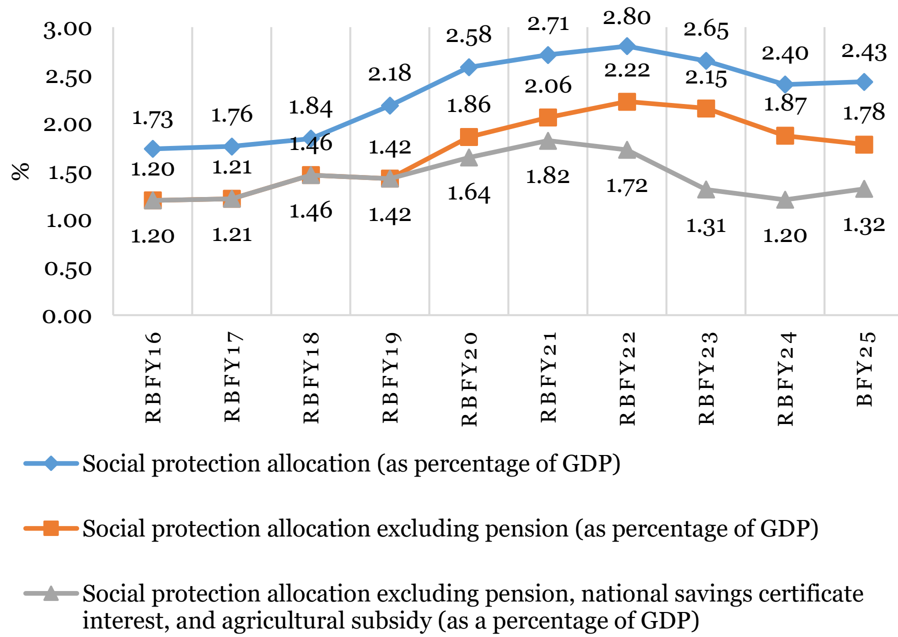
Social Safety Net Programmes

- Overall, social safety net budget as a percentage of total budget and GDP **decreased** slightly from FY24 to FY25
- **Social safety net budget excluding pension as a percentage of budget decreased** from 13% in FY24 to 12% in FY25
- **Social safety net budget excluding pension as a percentage of GDP decreased** from 1.87% in FY24 to 1.78% in FY25

Social protection allocation as a % of budget



Social protection allocation as a % of GDP



Social Safety Net Programmes

Some programmes where allocation decreased

Description	RBFY23 (BDT in crore)	FY24 (BDT in crore)	Change (in %)
Open Market Sales (OMS)	5491.74	2004.22	-64

- In view of high prices of essential food items, **reduced budget allocation for the above programmes will affect the poor**
- Programmes such as
  - *pension for retired government employees and their families*
  - *savings certificate interest assistance*
  - and *agricultural subsidy*

should not be included in the budget for Social Safety Net Programmes

Social Safety Net Programmes

Some programmes where allocation is less than BDT 500 per beneficiary per month

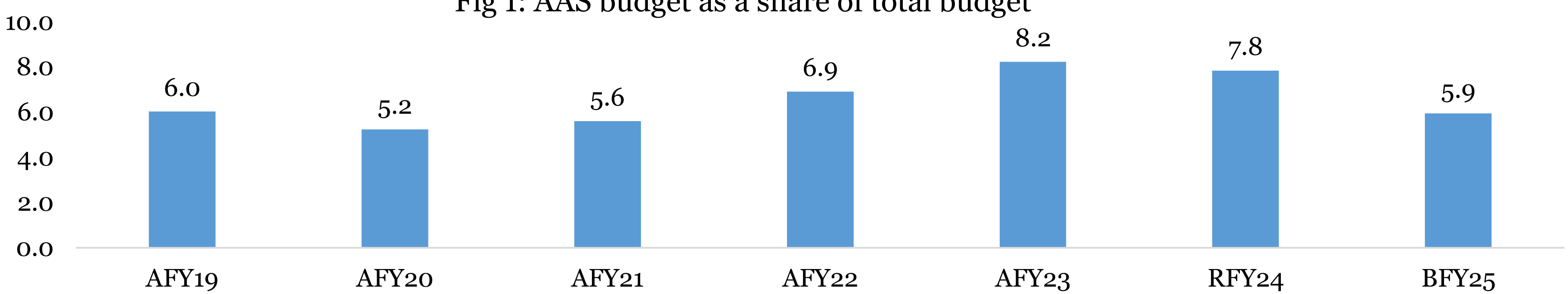
Name of programme	Allocation per beneficiary per year (in BDT)	Allocation per beneficiary per month (in BDT)
School Feeding Programmes in poverty stricken areas	125	10
Tottho Apa: Empowering Women Through ICT towards Digital Bangladesh	298	25
Char development and settlement project-bridging	642	54
Vulnerable Group Feeding (VGF)	658	55
Service and Assistance Center for Disabled	669	56
Agricultural Rehabilitation	853	71
Trust for the Protection of the Persons with Neuro-developmental Disabilities	1257	105
National Legal Aid Assistance	1511	126
Student Stipend for Primary Education Level	1539	128
Open Market Sales (OMS)	1831	153
Rehabilitation and Alternative Employment Generation for Beggars	3000	250
Stipend Under Technical and Madrasa Education Division	4072	339
Child Sensitive Social Protection in Bangladesh	4613	384

Agriculture

Agriculture

- Agriculture and allied sector (AAS) has an allocation of Tk 47,332 crore in BFY25 which **has decreased by 15.5% over RBFY24**
  - Overall share of AAS has decreased (5.9% in BFY25 from 7.8% in RFY24) (Fig 1)
- The high fluctuations in the world price of fertilisers led to increased demand for subsidy which inflated the budget of MoA during FY24
- MoA receives Tk 27,214 crore in BFY25, which is the highest allocation within AAS
  - However, the allocation for MoA has decreased by 18.2% due to 27.5% reduction in the operating budget (i.e., subsidy) compared to RFY24
  - Development budget of MoA has increased by 40% in BFY25 over RFY24
- **Allocation for water resources has decreased by 23.3%**
  - While allocation for Ministry of Fisheries & Livestock, Ministry of Environment & Forest, and Ministry of Land has increased by 9.8%, 2.9% and 16.6%, respectively

Fig 1: AAS budget as a share of total budget



Agriculture

- ADP implementation of MoA (58.8% till Apr'23) is above the overall average ADP implementation rate (49.3%)
- Progress of ADP implementation in AAS has a seen an improvement in AFY24 (till Apr'23) compared to AFY23 (Fig 2)
- The number of "carry-over" projects has decreased to 16 in FY25 from 26 in FY24
  - "Continuing" projects have increased to 73 in FY25 while "concluding" projects have remained unchanged at 61. (Fig 3)
  - There are no "new" projects in AAS in FY25
- This situation paints a promising picture and may indicate a gradual improvement in the efficiency of the ministries

Fig 2: AAS's dev. budget implementation as % of RFY

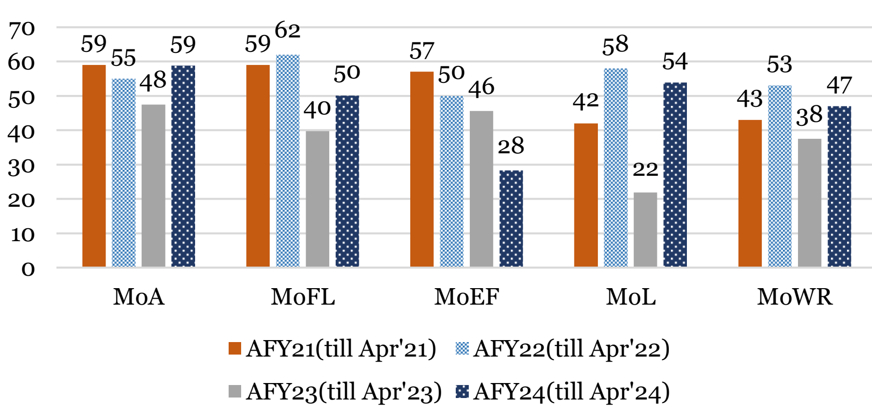
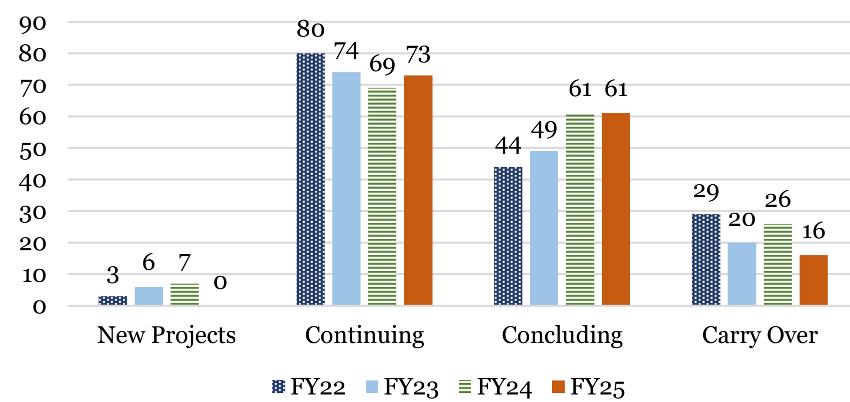


Fig 3: Types of ADP projects



Agriculture

- According to Table 1, 41.1% of the financing of ADP projects in the AAS is being allocated from foreign assistance

Table 1: ADP allocation in the agriculture sector by types & implementation status (in crore Tk)

Types of projects	Total	GoB	PA
Investment	11866	7267	4598.3
Technical assistance	56.57	22.66	33.91
Block allocation	1286.4	483	803.45
Total	13209	7773 (58.9%)	5435.7 (41.1%)

Table 2: Project completion status by government priority

Priority of the project	Carry over	Concluding	Continuing	Total
High	6	30	**55**	91
Low	8	22	7	37
Medium	2	9	11	22
Total	16	61	73	150

- Selected projects have been analysed to understand the level of implementation
  - Projects were selected based on two criteria: (a) being a high-cost project and (b) receiving a large amount of foreign aid allocation to implement that project
  - A high amount of allocation has been made for continuing projects but there are questions surrounding the timely completion of these projects
- Some selected ADP projects (mostly carryover) will not be implemented in time, despite having a high allocation
  - The current allocation of carry-over and concluding projects is not sufficient for their full implementation. These projects are related to irrigation, livelihood development and water management
- Quick and proper utilisation of these foreign aid-based projects could help enrich the foreign reserve
- Despite the reducing number of carry-over projects, there are a number of high priority projects and 55 continuing projects which are needed more allocation for quick implementation

Table 3: Maximum Possible Completion rate of ADP Projects in AAS by FY25

Types of Project	Implementing Agency	Project Name	Maximum Possible Completion by FY25
Carry over	DAE	Smallholder Agricultural Competitiveness Project (SACP)	78.6
Carry over	DGF	Modern Food Storage Facilities Project (3rd Revision)	98.5
Carry over	BFD	Protection of Sundarbans (1st revised)	57.3
Carry over	BFD	Sustainable Forest and Livelihood (Sufal) (1st Revised)	100.0
Carry over	DoF	Sustainable Coastal and Marin Fisheries Project (SCMFP)	73.6
Carry over	DoL	Livestock and Dairy Development Project (LDDP)	83.3
Carry over	LGED	Small Scale Water Resources Development (2nd Phase)	46.0
Carry over	BWBD	Rehabilitation of Command Area extension of Teesta Irrigation Project	51.8
Carry over	BWBD	Flood control, Drainage and Irrigation Project at Patiya Upazilla in Chittagong District	43.6
Continuing	DAE	Climate Smart Agriculture and Water Management Project (CSAWMP)	72.1
Concluding	MoL	Automation of Land Management	8.7
Concluding	DAE	Farm Mechanisation Through Integrated Management Project	98.9

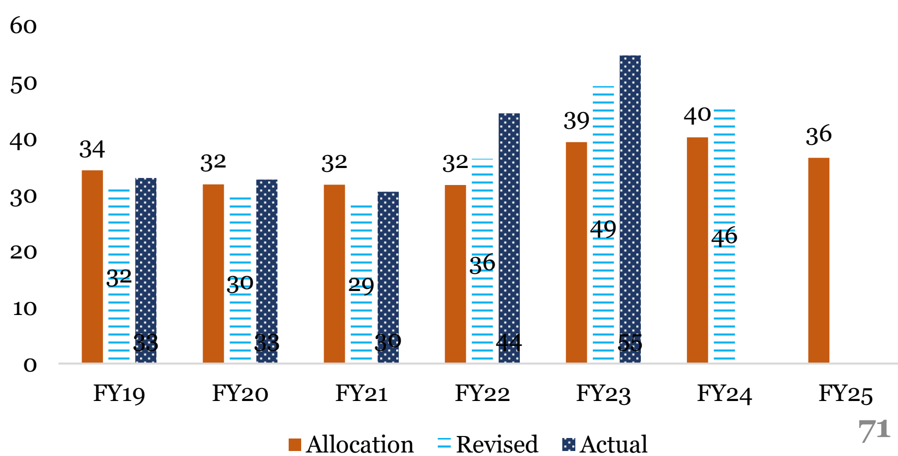
subsidy

- ❑ Agriculture subsidy accounts for 36.5% of the total AAS budget in FY25
  - ➢ In RFY24, the subsidy accounted for 45.8% of the total AAS budget
- ❑ The government has declared a **subsidy package of BDT 17,261 crore for the agriculture sector** - reduced by 32.7% from the RFY24
- ❑ The reasons for the reduction in subsidy allocation can be explained by
  - ➢ Upward revision of domestic fertiliser prices in April 2023
  - ➢ Global reduction in the price of urea ($330 per ton in Jan'23 from $443 in Jan'23)
- ❑ It is expected that, in FY25, the utilisation will remain around the proposed allocation subject to the downward trend of the import price of fertilisers
  - ➢ But given an alternative situation and past trends of FY23 and FY24, the allocation may need to be revised to accommodate the additional cost of importing fertilisers

Table 4: Subsidy in Agriculture (BDT crore)

Fiscal Year	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	*15,888*	-3198
FY23	16527	*26,693*	26,744	-51
FY24	*17,533*	25,644		
FY25	17,261			

Fig 4: Share of subsidy over AAS budget



Agriculture

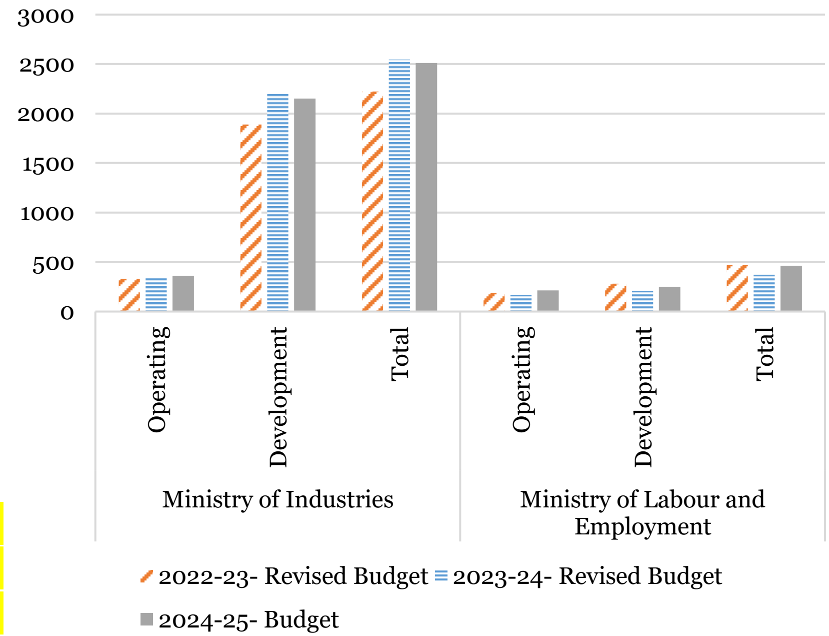
- The election manifesto emphasises a comprehensive agricultural system targeting profitable agriculture and increasing investment in mechanisation and processing
- The government is actively promoting the mechanisation of agriculture to increase efficiency and productivity
  - The ongoing process involves supplying 51.3 thousand agricultural machinery specifically to haor and coastal areas
  - From 2010 to 2023, approximately 1.33 lakh agricultural machinery of various types have been supplied to farmers nationwide
- This initiative aligns with CPD's recommendation to enhance mechanisation
  - However further measures should be taken in under-mechanised aspects of production (e.g. planting and harvesting, fertiliser application, and weeding) as well as increase the technical capacity of all actors within the supply chain
- The government's initiatives to expand irrigated areas, promote improved agricultural practices, adopt vertical and innovative farming methods, develop resilient crop varieties, and implement an Integrated Action Plan for Agricultural Sector Development to enhance land utilisation efficiency and productivity are commendable
  - Many projects have been undertaken to reduce the use of surface-level water for irrigation, prevent the rapid depletion of groundwater, and explore alternative methods of irrigation
  - However, the level of achievement of broader goals in food security with reduced cost of production as well as sustainable production needs to be evaluated by the Parliament Estimate Committee

Employment Generation

Employment Generation

- The prospect of **new job creation in Bangladesh has faded further** as the economy continues to go through crisis even after the end of FY24
  - The ongoing forex reserve crisis has created new uncertainty among foreign investors, leading to **a 14% decline in net FDI inflow even in FY24 (as of the first half)**
  - On the other hand, to contain inflation, the government's intent to reduce spending, along with the Central Bank's decision to adopt a market-based mechanism leading to increased interest rates, is likely to **create pressure on existing employment rather than facilitating new job creation**.
  - Under the circumstances, the government needed to **adjust its budget spending most effectively**, so that it does not induce inflation while also contributing to preventing the deterioration of the existing employment level

Figure 1 : Allocation in BFY25, RFY24 and RFY23 (in crore BDT)



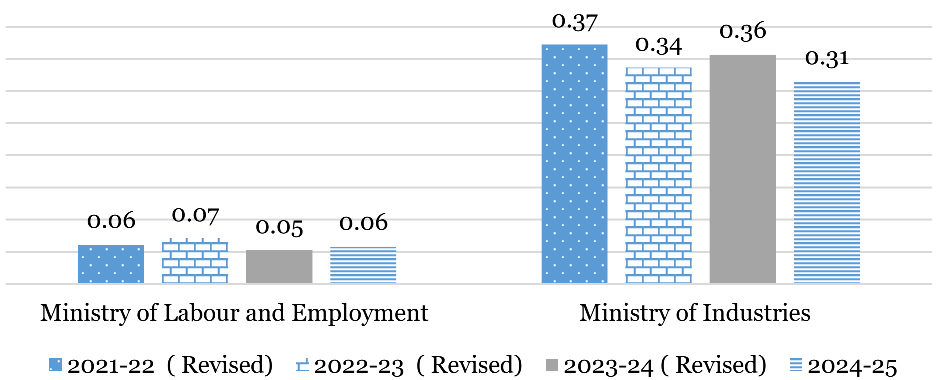
Source: Budget in Brief (Statement II)

- In the proposed budget of FY25, among the two ministries relevant to employment generation, the **Ministry of Industries receives a lower allocation** (**BDT 2510 crore**; 1.4% less than the previous FY), while **the Ministry of Labour and Employment receives a higher allocation (BDT 463 crore**; 23.9% more than the previous FY) (Figure 1)

Employment Generation

- Although the allocation compared to the previous year has increased, the **share of the total budget allocated to each ministry has rather decreased**; the allocation for MoLE remains at **0.06%** and the allocation for MoI **decreased to0.31%** (Figure 2)
- In terms of ADP allocation, the MoLE's allocation **increased by 20%,** while the MoI's budget **decreased by 3%**
- However, in terms of the share of the ADP, the allocations **remained either unchanged or lower** (Table 1)

Figure 2: Allocation of budget for selected ministries (% of total budget)



Source: Budget in Brief (Statement 0 and II)

Table 1: ADP allocation (% of total ADP)

	RFY21	RFY22	RFY23	RFY24	BFY25
MoI	0.82	0.77	0.83	0.90	0.81
MoLE	0.11	0.11	0.12	0.09	0.09

Source: Budget in Brief (Statement 10)

- Given the recently adopted **corporate due diligence rules** by the EU and the **scheduled graduation from LDC status in 2026**, the government could consider **allocating more funds to strengthen its institutional and operational** capacity for safeguarding labour rights

Employment Generation

- Implementation status selected **carry over projects**

Project Name	Max Completion by FY25
Safe and Environmentally Sound Ship Recycling in Bangladesh - Phase 3 (01/12/2022 - 31/05/2024)	71.2%
Establishment of 40 Technical Training Centre at upazila level and 01 Institute of Marine Technology (2nd Revision) - (01/01/2016 - 30/06/2024)	98.5%
Establishment of Dhaka Technical Teachers' Training Institute (DTTTI) (01/07/2016 - 30/06/2024)	92.2%

- Implementation status of selected **concluding projects**

Project Name	Max Completion by FY25
Export Competitiveness for Jobs (2nd Revision) (01/07/2017 - 30/06/2025)	95.8%
Improving Labour Market Information Through Labour Force Survey Project (01/07/2019 - 30/06/2025)	97.4%
Providing Driving Training for Employment at Home and Abroad (01/01/2020 - 31/12/2024)	60.0%

- Implementation status selected **continuing projects**

Project Name	Max Completion by FY25
Extension of BITAC for Self-Employment and Poverty Alleviation Through Hands on Technical Training Highlighting Women (01/10/2020 - 30/09/2025)	95.8%
Establishment of 6 Centers of BITAC in Gopalganj, Sunamganj, Barisal, Rangpur, Jamalpur and Jessore Districts (01/10/2020 - 30/09/2025)	64.5%
Establishment of 50 Technical Training Centers (TTC) at Upazila Level (01/07/2023 - 31/03/2028)	2.2%

Employment Generation

❑ Implementation status selected **carry over projects**

Project Name	Max Completion by FY25
Elimination of Hazardous Child Labour (01/01/2018 - 31/12/23)	100%
Safety from Workplace of Bangladesh Pilot Project (01/03/2023 - 30/06/2024)	98.2%
Employment Generation through Freelancing Training for Educated Youth Jobseekers (01/07/2022 - 30/06/2024)	100%

❑ Implementation status of selected **concluding projects**

Project Name	Max Completion by FY25
Modernisation & Strengthening of DIFE and Construction of 13 District Offices Project (01/07/2019-30/06/2025)	55.4%
Establishment of Bangladesh Labour Informaton Management System (LIMS) (01/05/2022 - 30/04/2025)	96.6%
Technology Empowerment Center on Wheels for Underprivileged Rural Young People of Bangladesh (01/01/2022 - 31/12/2024)	81.6%

❑ Implementation status selected **continuing projects**

Project Name	Max Completion by FY25
Improvement of Decent Work in Bangladesh (01/01/2024 - 31/12/2026)	39.2%
Conversion of Lagging Youth into Industrial Workers in Industrial Productivity Growth (01/07/2023 - 30/06/2026)	66.9%
Ensuring Decent Working Environment in Bangladesh's Tannery Sector (01/07/2023 - 31/12/25)	87.1%
Establishment of Munshi Arfan Ali UCEP Employment and Human Resource Development Institute (01/07/2023 - 30/06/2028)	40.1%
Life Skills Education in Youth Training Centre and Strengthening of National Youth Platform (01/07/2022 - 30/06/2026)	30.6%
Economic Acceleration and Resilience for NEET Project (01/07/2023 - 31/12/2028)	0.9%
Leaving No One Behind: Improving Skills and Economic Opportunities for the women and youths in Cox's Bazar, Bangladesh (01/06/2023 - 30/11/25)	22.6%

Employment Generation

- Implementation status selected **carry over projects**

Project Name	Max Completion by FY25
BSCIC Chemical Industrial Park Munshiganj (2nd Revision) (01/07/2018-30/06/2024)	73.4%
Coordinated Planning on Expansion & Development of Bangladesh Sericulture Industry (1st Phase) (01/07/2021-30/06/2024)	63.6%

- Implementation status of selected **concluding projects**

Project Name	Max Completion by FY25
BSCIC Industrial Park Tangail (2nd Revision) -(01/07/2015-30/06/2025)	92.9%
BSCIC Printing Industrial Park (1st Revision)- (01/07/2015-31/12/2024)	98.4%
Establishment of Indian Economic Zone in Mirsharai (01/04/2019-30/06/2025)	27.0%
Establishment of 5 Training Institute, 1 Fashion Design Institute, 2 Market Promotion Institute in 5 Centres under Bangladesh Handloom Board (2nd Revision) (01/07/2018-30/06/2025)	99.0%
Establishment of Sheikh Hasina Nakshipalli, Jamalpur (1st Phase) (1st Revision) (01/03/2019-30/06/2025)	3.2%

- Implementation status selected **continuing projects**

Project Name	Max Completion by FY25
BSCIC Plastic Industrial Park (3rd Revision)- (01/07/2015-31/12/2025)	58.9%

Employment generation

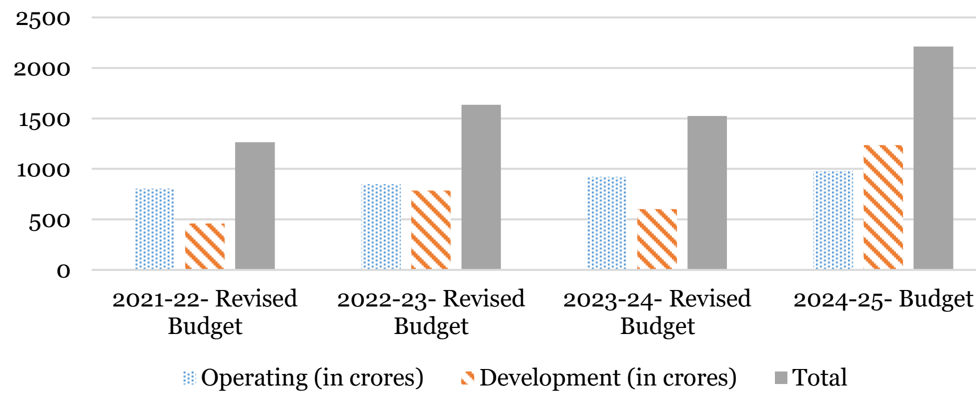
- A few ADP projects focused on **freelance training and the elimination of child labour received adequate allocations and are expected to be completed by FY25**, however, the **safety net proposed allocation** for freelance and driving training for the youth **decreased**
  - On the other hand, several important ADP projects, such as those on ship recycling and technical training, despite being carried over, **will not be completed within FY25 due to insufficient funding**
  - Similarly, a number of ADP projects, such as establishing an economic zone and creating a labour market database, **are also expected to miss their FY25 completion targets due to a lack of allocation**
  - A dedicated estimate committee should evaluate the **economic and employment generation impact** of projects such as **industrial parks and economic zones** and adjust subsequent allocations accordingly
- Overall, the budget for FY25 **seem to address the risk of employment deterioration** amid the ongoing economic crisis for several reasons
  - First, although the FY25 budget mentions **an employment injury scheme** at a pilot level, it does **not commit to expanding this programme**
  - Second, there is no **mention of any commitment to unemployment insurance**
  - Third, while the budget mentions establishing a minimum wage for 43 industrial sectors, it does not **show a strong commitment to increasing this number in FY25**
  - Fourth, despite the higher risk of unemployment, the **allocation for safety net programs in the FY25 budget remains inadequate**. Also, the budget other than making it mandatory for new government employees to be enrolled, does not mention any specific steps for the national pension scheme, which has already been introduced **but failed to attract investors**

Youth

Youth

- The proposed allocation for the Ministry of Youth and Sports in BFY25 has increased significantly compared to last year's budgets; the operating budget **increased by 6.1%** while the development **budget increased by a staggering 105% compared to last fiscal year** (Figure 1)

Figure 1 : Allocation in BFY25, RFY24, RFY23 (in BDT Crore)



Source: Budget in Brief (Statement II)

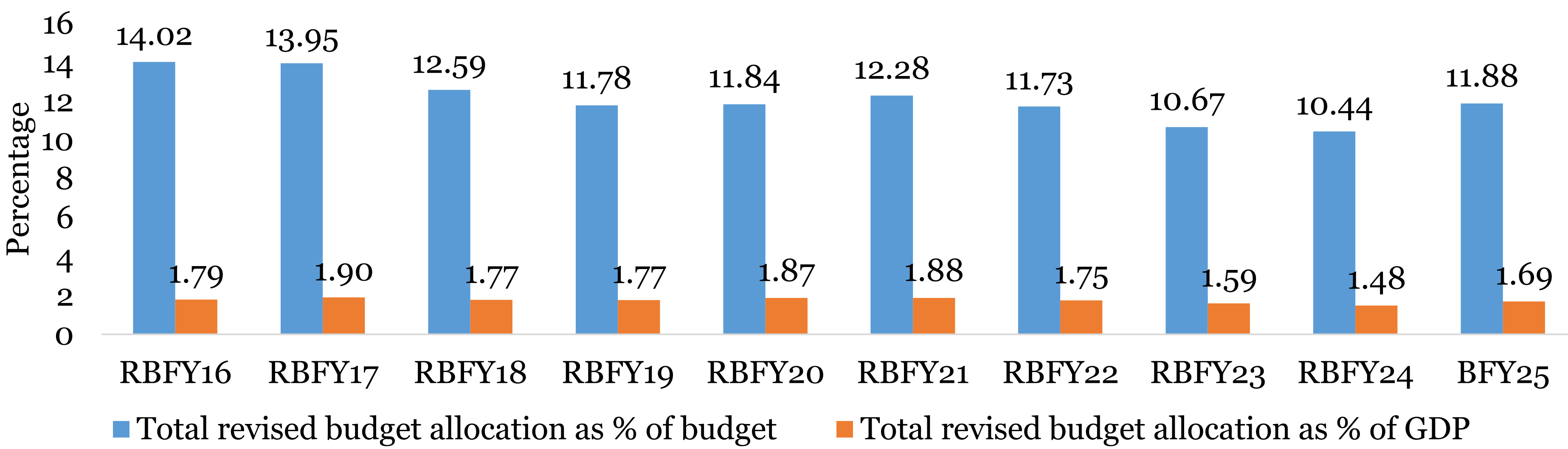
- The increased allocation for the development budget can be mainly attributed to the **higher allocation for building and upgrading stadiums such as Sheikh Russel Mini Stadium, Ahsan Ullah Master Stadium etc. (around BDT 241 crore have been allocated for this purpose)**
- Considering the long-term prospects, allocating for **the development of stadiums has significance**
  - However, given the ongoing economic crisis, allocating for stadiums or related **infrastructures could be deferred** and the higher allocation rather should have **been made targeting vulnerable and marginalised youth to support them financially**
- Also, the allocation has been largely **made to establish new vocational training centres**, however, their contributions **need to be reevaluated and made the allocation accordingly**

Education

Education

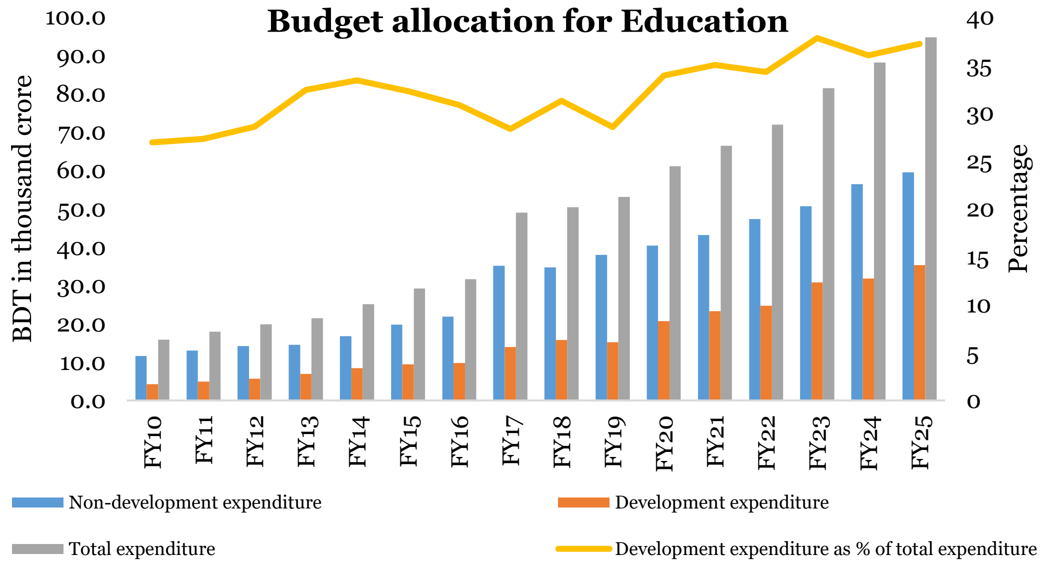
- Education budget as a share of the total budget decreased from **14% in RBFY16 to about 10% in RBFY24.**
- Additionally, the education budget as a share of GDP **decreased from 1.79% in RBFY16 to 1.48% in RBFY24.**
- Bangladesh's average education expenditure as a percentage of GDP from **2016 to 2023** was the **third lowest among 38 LDCs.**
- On average, at least 33 LDCs spent **2% or more** of their GDP on education from 2016 to 2023.
- The Eighth Five-Year Plan states that the education budget should grow from 2% of GDP in FY19 to 3.5% of GDP by FY25.
- However, the education budget is only 1.69% of GDP in FY25.

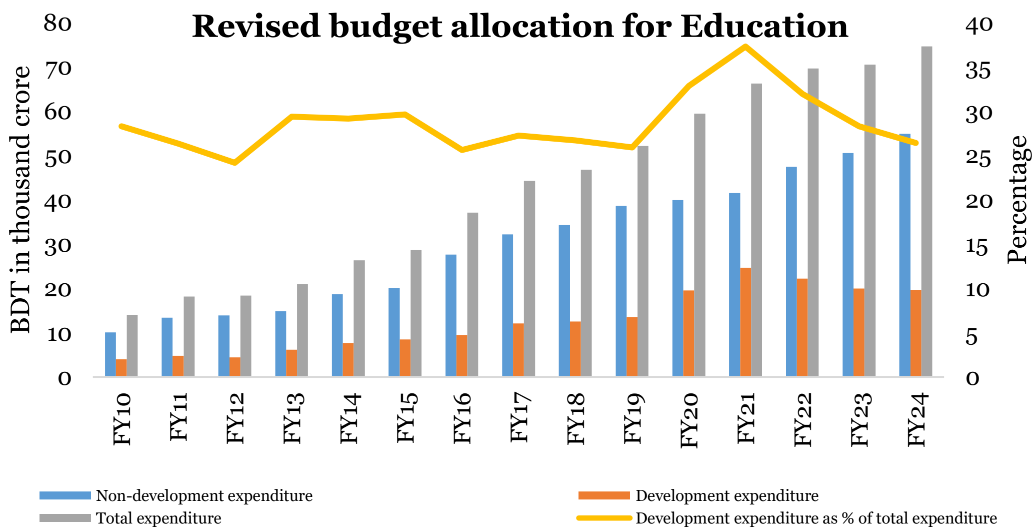
Allocation for education as a share of the total budget and GDP



Education

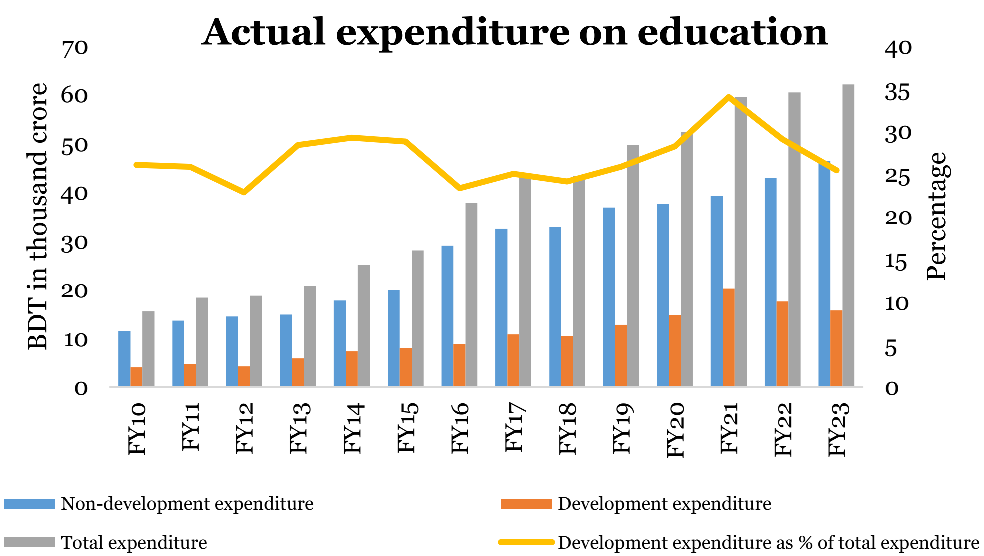
- The proposed budget allocation in education notably increased by **55% in FY17**, but only by **7% in FY25**.
- In addition, the development expenditure has been receiving less priority since FY21 accounting only **26% of the revised budget in FY24.**

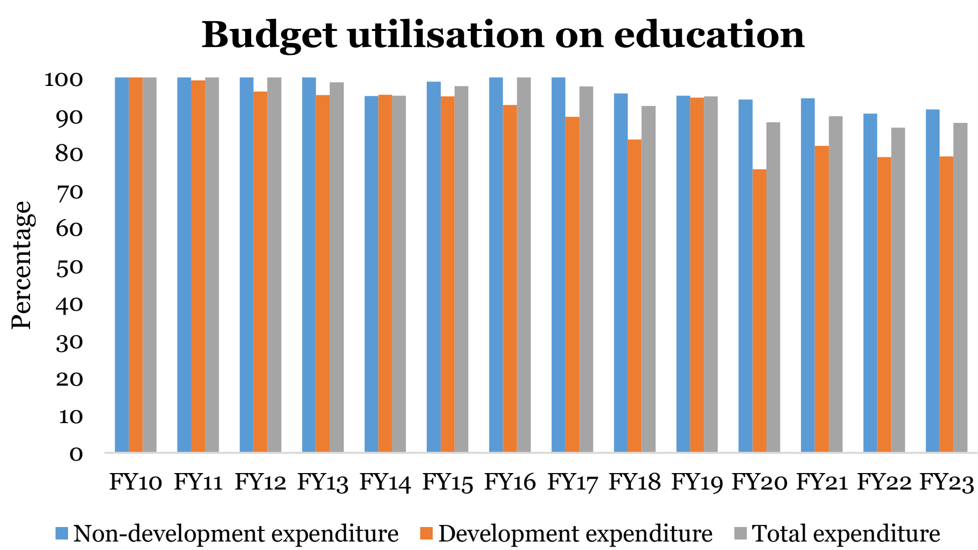




Education

- The growth in total actual expenditure on education peaked in FY16 accounting for 35% but rapidly **declined to only about 3% in FY23.**
  - Additionally, development expenditure as a share of total expenditure too **decreased from 29% in FY22 to 25% in FY23.**
  - **This, once again highlights a lower priority in the development of the education sector.**
- On the other hand, budget utilisation in education increased **only by 1% in FY23.**

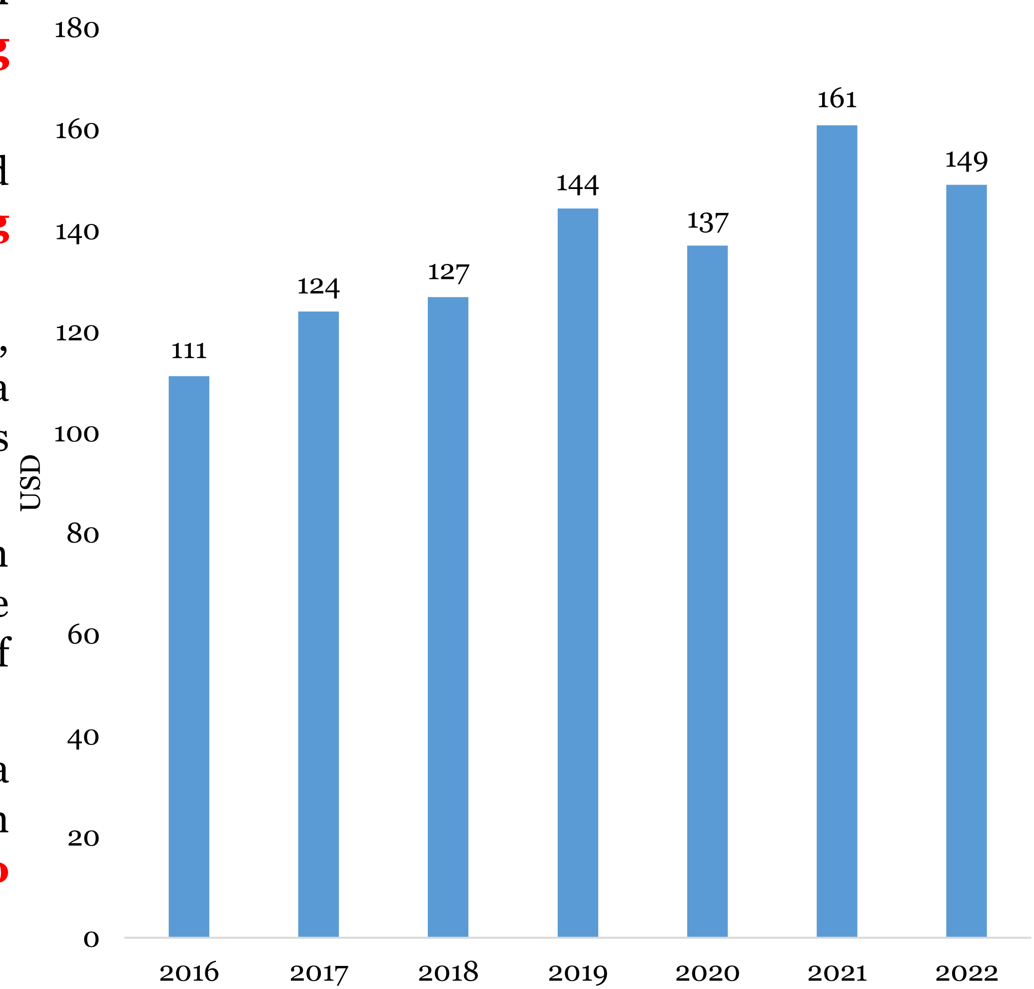




Education

- Government per capita actual expenditure on primary education averaged about **USD 136 during 2016 - 2022.**
  - This level of expenditure positioned Bangladesh as the **15th lowest among 112 countries.**
  - Countries such as **Djibouti**, **Senegal**, and **Samoa** have a higher per capita expenditure on primary education as opposed to Bangladesh.
  - However, the GDP per capita based on purchasing power parity (PPP) of these countries was lower than that of Bangladesh during 2020-2022.
  - In addition, Bangladesh's per capita expenditure on primary education decreased from **USD 161 in 2021 to USD 149 in 2022.**

Government per capita actual expenditure on primary education in USD



Education

- While the government has exempted Bengali medium schools, **VAT on English medium schools continues to be at 5% in the budget for FY25**
  - 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 FY25**
- Private academic institutions were subjected to 15% corporate tax in the budget for FY25
  - **Corporate tax on private academic institutions to be reduced from 15% to 10% in FY25, since additional expenditure is passed on to the students**
- A 15% VAT is imposed on ballpoint pen in the budget for FY24, and no change was made in FY25
  - **The VAT of 15% on ballpoint pen should be withdrawn in FY25 as it is mostly used by students**
- In the budget for FY25, the **Supplementary Duty on imported books is 10%** according to the Finance Bill and the **Customs Duty is still 25%** as per the Tariff Schedule.
  - This impedes the efforts to achieve SDG 4, which aims for inclusive and quality education for all
  - **Therefore, all taxes on imported foreign books should be exempted in FY25**

Education

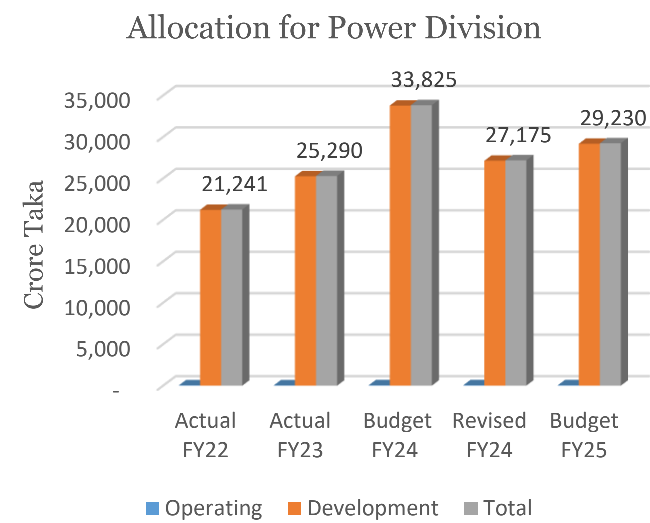
- CPD proposes an increase in the allocation for all education stipends to be implemented in the budget for FY25
- CPD also proposes to bring back the stipends that have been proposed to be removed in FY25.

Name of stipend	Current stipend structure in FY25			Proposed stipend structure in FY25	
	Number of beneficiaries (in crore)	Total budget allocation (in crore BDT)	Allocation per beneficiary per year (in BDT)	Total budget allocation (in crore BDT)	Allocation per beneficiary per year (in BDT)
Student stipend for primary education level	1.16	1785	1539	16800	12000
Stipends for secondary, higher secondary and madrasah education level students	Removed			7204	12000
Stipends for undergraduate and postgraduate level students	Removed			234	18000
Stipends for students of technical education institutions	0.12	489	4072	1994	24000
Stipends for physically challenged students	0.01	114	11371	240	24000
Total for stipend programmes	1.29	2387.4		26472	

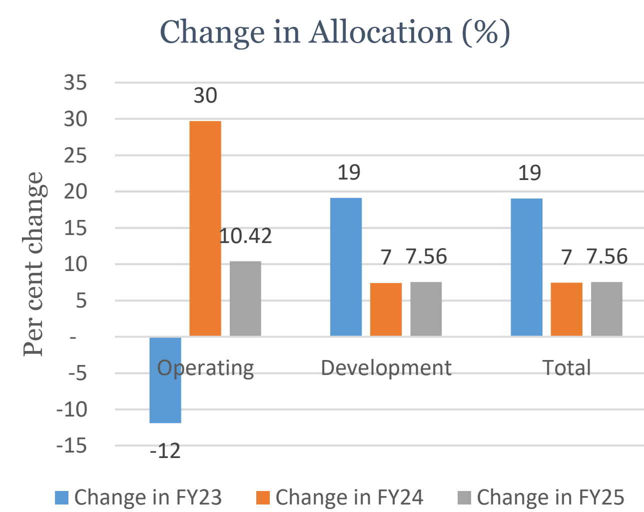
- Our proposed stipend reform will benefit more than 1 crore students at all levels and cost the government an additional BDT 26,472 crore

Power

- In FY25, Power sector has received an allocation of Tk. 29,230 crore (increased by 7.56% from RFY24)
  - This stands for **3.7% of the total national budget**
- The increased allocation in power division allocation driven by the higher allocation in operating budget (10.42%)
  - A comparative **lower rise (7.5%) is** observed in development budget



- The overall ADP allocation in power has **increased by 5.27%** in FY25 compared to RADP FY24
  - The total number of power development projects has been **decreased to 51 from 57**
  - Several generation related projects remained unapproved and didn't receive allocation in FY25



Source: Budget in Brief, MoF

Power

- GoB's allocation has **increased by 27% in ADP during FY25** compared to RADP FY24
  - The increased allocation mainly has been provided for transmission related projects
- The foreign project aid in power division has not increased significantly
  - In fact, there is a drastic decrease of foreign aid (55%) in power generation sector
- A **27% increase** in transmission and **10% increase** in distribution has been observed
  - CPD appreciates such **readjustment in allocation prioritising TnD overextending generation capacity**
- The ADP allocation in transmission & distribution has been gradually increasing
  - Significant increase in the transmission sector can be observed in FY25 (from 22% to 28%)
  - However, the allocation is insufficient, and still generation is prioritised in the budget
  - The allocation in the transmission should be increased further from GoB finance and project aids in order to utilise total present generation capacity
- CPD appreciates the proposition for allocating Tk. 100 crore for the RE expansion by 2041
  - However, more allocation is required to achieve 40% from RE by 2041

Table: Share of generation, transmission and distribution in ADP

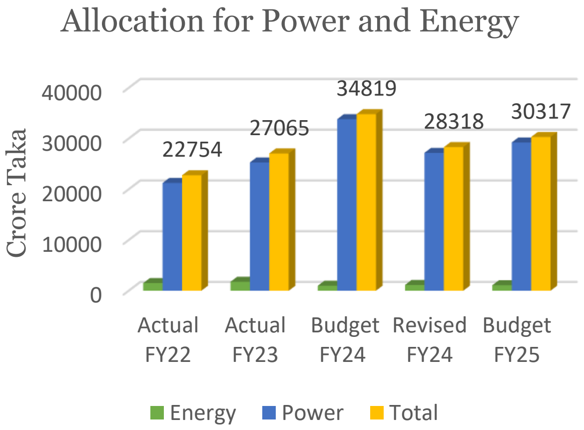
Sub-sector	FY23	FY24	FY25
Generation	58%	52%	47%
Transmission	21%	22%	28%
Distribution	21%	26%	25%
Total	100%	100%	100%

Source: Budget in Brief, MoF

Energy

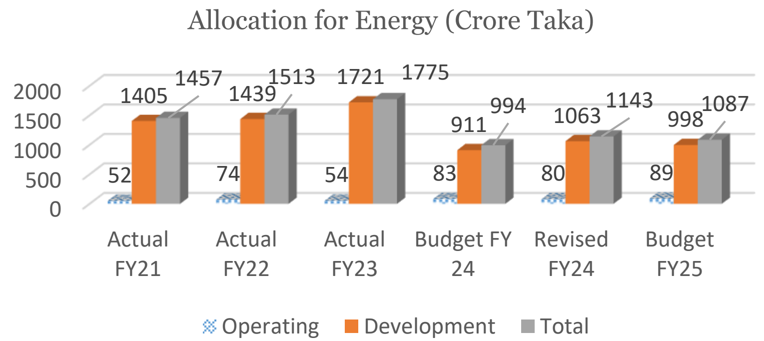
Energy

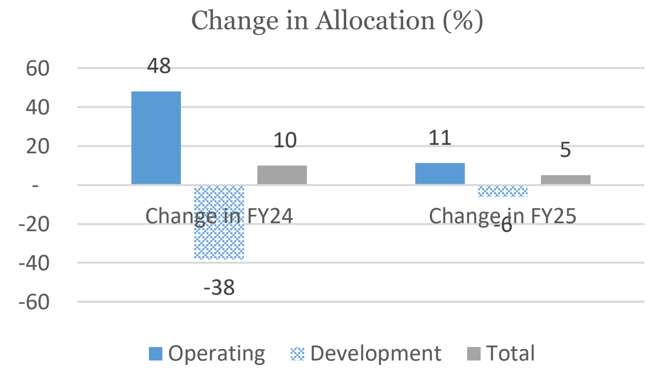
- Power and Energy sector has received an allocation of **Tk. 30,317 crore in FY25 (increased by 7% from RFY24)**
  - This accounts for **3.8% of total FY25 budget**, lower than that of revised FY24 budget (**RFY24: 4.6%**)
- In FY25, Energy Sector has received an allocation of **Tk. 1,086 crore** (Decreased by **4.9% from RFY24**)
  - Even though the operating budget increased by 10.5%, **development budget decreased by 6.1%**



Source: Budget in Brief, MoF

- The contraction in the development budget for energy sector is mainly because of the **11.54% reduction in project aid**
  - Increased focus on operational activities like drilling new wells, expanding gas pipelines, and conducting geological surveys reallocated funds from development to operating budgets are appreciated

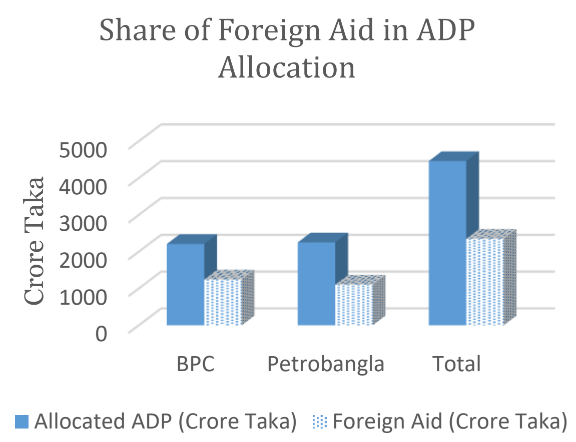




Energy

- In FY25, BPC and Petrobangla has ADP allocation of **Tk 2,209.7 crore** and **Tk 2,253.4 crore** respectively
  - Foreign aid comprises **56.5% and 49.1%** of the total allocation of BPC and Petrobangla respectively
- The ADP allocation of the energy division has **decreased by 12.7%**
  - The number of total projects also decreased to **9 from 11**
    - However, those 2 projects were related to gas mining and were carryover in FY24 which were completed in last fiscal year

- Govt. has proposed to set a **minimum value for furnace oil at 480 USD/MT** for custom duty to ensure that the valuation aligns with international market prices
- Subsidy allocation of **Tk 7,000 crore** in LNG import is proposed in FY25
  - It is more than the total export sector
  - In FY24, it was Tk 6,000 crore
  - Rather than enhancing LNG import, **the fund should be allocated to domestic gas exploration**



Source: Authors' calculation from ADP FY25

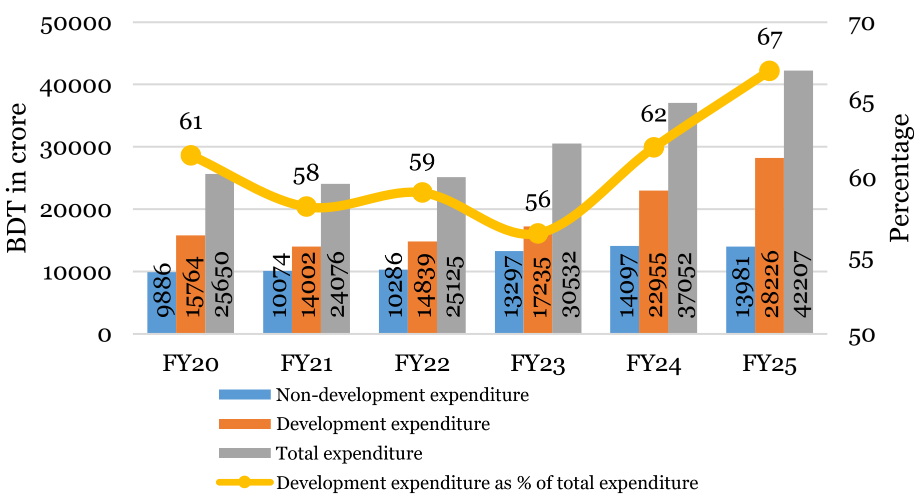
Climate Change

Climate Change

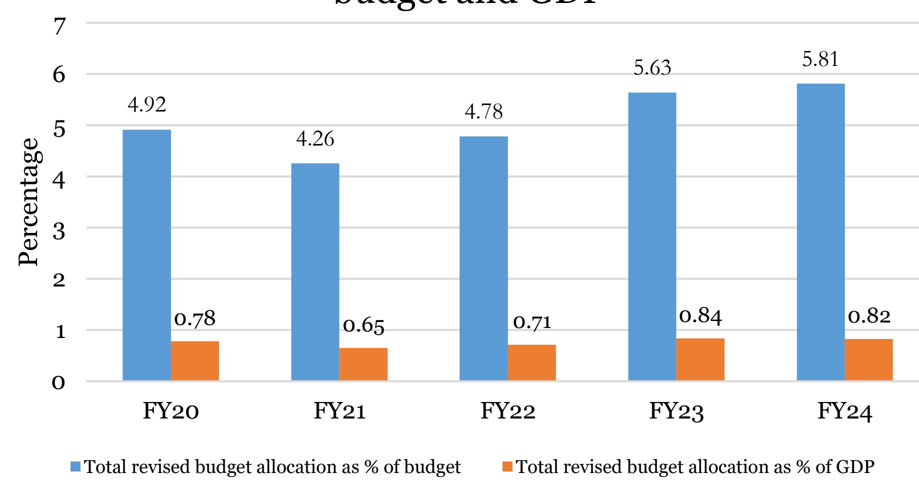
❑ Budget allocation for FY2024-2025

- The climate relevant allocation has increased significantly over times. The cumulative budget allocations for the **25 Ministries/Divisions in FY25** account for **BDT 4,18,160.64 crore** of which **10.09% (BDT 42206.89 crore)** are climate-relevant.
- However, the climate-relevant budget allocation for 25 Ministries/Divisions has decreased by 0.72% compared to the revised budget for FY24, where it constituted 10.81% of the total climate-relevant allocation.
- **Sectoral allocation as a share of total budget and GDP has stagnated over time.** Total revised budget for climate relevant allocation as a share of total budget increased from **5.63% in FY23** to **5.81% in FY24**.
- However, as a share of GDP, the total allocation as % of GDP decreased from **0.84% in FY23** to **0.82% in FY24.**

Budget allocation for climate change



Climate change allocation as share of total budget and GDP



Climate Change

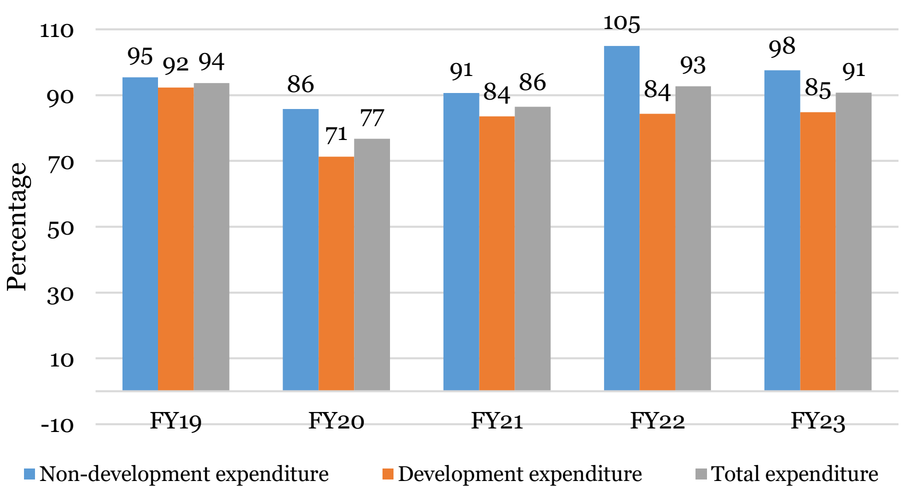
Climate Budget Utilisation

- 25 Ministries/Divisions performed well in utilising climate relevant budget in FY22 and FY23 when utilisation rates were 93% and 91%, respectively. However, the climate budget utilisation decreased from **93% in FY22** to **91% in FY23**.
- **Development budget utilisation has remained stagnant around 85% during FY21-FY23.**
- Given the country's climate vulnerability, development budget utilisation should be increased in the coming years by enhancing designated ministries/divisions' capacity.

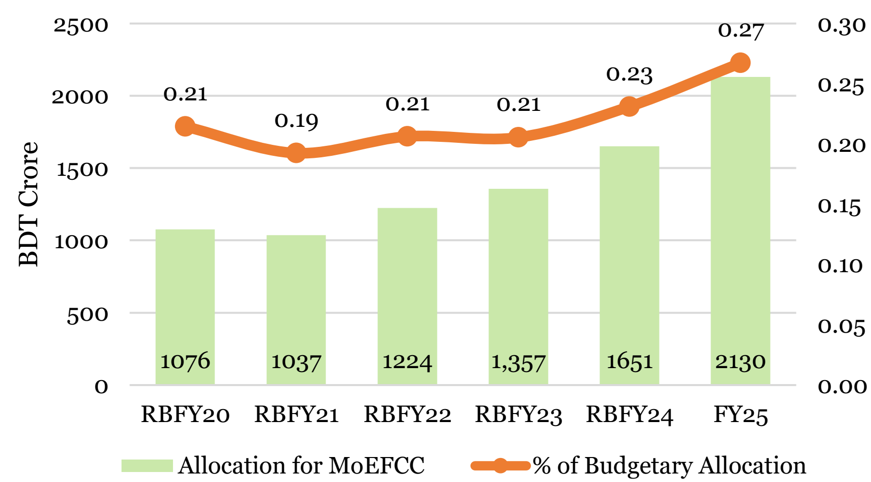
Budget Allocation for the MoEFCC

- The allocation for the MoEFCC has increased to **0.27% of total budgetary allocation in FY25 from 0.23% in FY24.**
- However, the allocation for the ministry as a share of GDP falls behind the targets stated in 8FYP which are 0.10% of GDP by 2025 (actual 0.038% in FY25) and 0.5% of GDP by 2041.
- The allocation for strengthening institutional capacity for climate risk management increased by **44.36%** from **BDT 104.61 crore in RBFY24** to **BDT 151.01 crore in FY25.**

Utilisation of climate budget

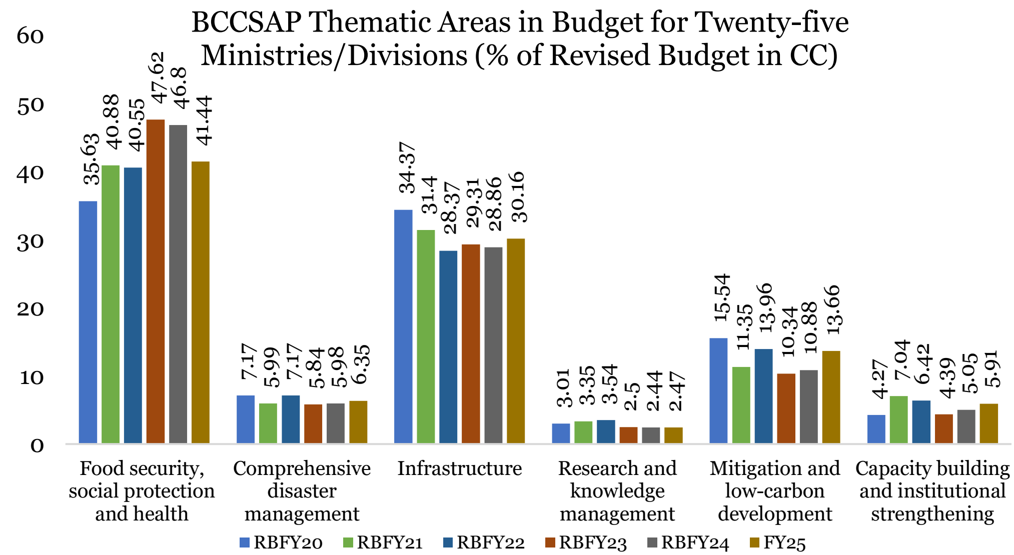


Allocation for the MoEFCC



Climate Change

- **BCCSAP thematic areas in the budget**
  - Considering the six BCCSAP thematic areas, **13.66%** of the climate budget is allocated to **mitigation and low-carbon development** thematic areas whereas only **6.35% is allocated to comprehensive disaster management.**
- **Allocation for Renewable Energy and Fossil Fuel in ADP**
  - The allocation for renewable energy in ADP shows a fluctuating trend over the years.
  - Only **4.26% of total allocation for the energy sector was allocated for renewable energy in FY25.**
  - The share of allocation for renewable energy in ADP should be increased in order to achieve the target of 40% power generation from clean energy by 2041.



ADP Allocation in Renewable Energy and Fossil Fuel Based Energy

	Allocation in Renewable Energy (%)	Allocation in Fossil Fuel (%)
FY2020	8.88	91.12
FY2021	1.42	98.58
FY2022	1.55	98.45
FY2023	2.91	97.09
FY2024	3.08	96.92
FY2025	4.26	95.74

❑ Climate Focused Social Safety Net Programme (SSNP)

- In FY25, BDT 17,992.11 crore has been allocated for climate relevant programmes which is 13.23% of total allocation for SSNP. Previously in RBFY24, the climate relevant allocation for SSNP was BDT 9,976.08 crore equivalent to 8.23% of total SSNP allocation.

Programme Name	Implementing Agency	Allocation in RBFY24(BDT Crore)	Allocation in FY25(BDT Crore)
Enhancing Adaptive Capacities of Coastal Communities, especially Women, to Cope with Climate Change Induced Salinity	MoSW	47.90	61.20
VGF Program	MoDMR	1101.93	1184.02
Relief Operation–General	MoDMR	2250.96	2390.62
Food for Work (FFW)	MoDMR	950.01	1024.01
Char Development and Settlement Project (Social Security Part)	MoWR	191.82	33.01
Employment Generation Program for the Poorest (EGPP)	MoDMR	1500	1504.5
Employment Generation Program for the Poorest Plus (EGPP+)	MoDMR	280	264.47
Relief Activities	MoDMR	66.29	80.12
Relief Operation– Rehabilitation	MoDMR	65	70.1
Relief Operation– Rehabilitation (House Grant)[10]	MoDMR	27.5	28
Construction of Flood Shelter in the Flood Affected and River Prone Area	MoDMR	180	400
The Disaster Risk Management Enhancement Project	MoDMR	130	111.53
Bangladesh Environmental Sustainability and Transformation (BEST) Project	MoEFCC	539.6	793.11
Special Grant for the Development of Char, Haor and Backward Areas	Finance Division	50	50
Fund for Disaster Affected Marginal Farmer and Poultry Farm Owner	Ministry of Food	50	50
Fund for Mitigating Impacts of Economic and Natural Disaster[13]	Ministry of Food	1000	8000
Expansion of Irrigation in Greater Rangpur District	Ministry of Food	96.53	60.51

❑ Climate Focused Social Safety Net Programme (SSNP)

Programme Name	Implementing Agency	Allocation in RBFY24(BDT Crore)	Allocation in FY25(BDT Crore)
Establishment of Multipurpose Disaster Shelter Center	LGD	244.4	475.15
Water Supply Project in Coastal Area Through Rainwater Harvesting System	LGD	349	216.53
Climate Resilient Sustainable Water Supply, Sanitation and Hygiene Project in Bangladesh	LGD	3	38.33
Flood Reconstruction Emergency Assistance Project for Water Supply and Sanitation	LGD	17.6	70.91
Disaster Risk Management Enhancement Project (Social Security Part)	LGD	46.75	46.26
Resilient Infrastructure for Adaptation and Vulnerability Reduction Project (RIVER)	LGD	98.62	393.78
Coastal Towns Climate Resilience Project	LGD	77.88	450
Risk Management Fund on Climate Change	MoEFCC	100	100
Sustainable Forest and Livelihoods (SUFAL) Project	MoEFCC	511.29	95.95
Total		9,976.08	17,992.11

❑ ADP Allocation for Improving the Capacity of the MoEFCC

- The MoEFCC undertakes coordinating functions and plays the lead role in developing and enforcing environmental policies. The 8FYP proposed a significant increase in the ADP allocation for environment and climate change. However, the proposed ADP allocation in the budget for the ministry continues to fall behind the target as stated in 8FYP.

Proposed ADP Allocation in 8FYP and Actual ADP Allocation in the Budget

Allocation	FY21	FY22	FY23	FY24	FY25
Proposed Allocation in 8FYP (BDT billion Current Prices)	9.4	11.5	13.3	15.5	18.6
As a Share of ADP Allocation (%)	0.46	0.51	0.54	0.59	0.7
Proposed Allocation in the Budget (BDT billion Current Prices)	5.99	5.42	7.39	8.51	14.03
As a Share of Proposed ADP Allocation (%)	0.29	0.24	0.3	0.32	0.53

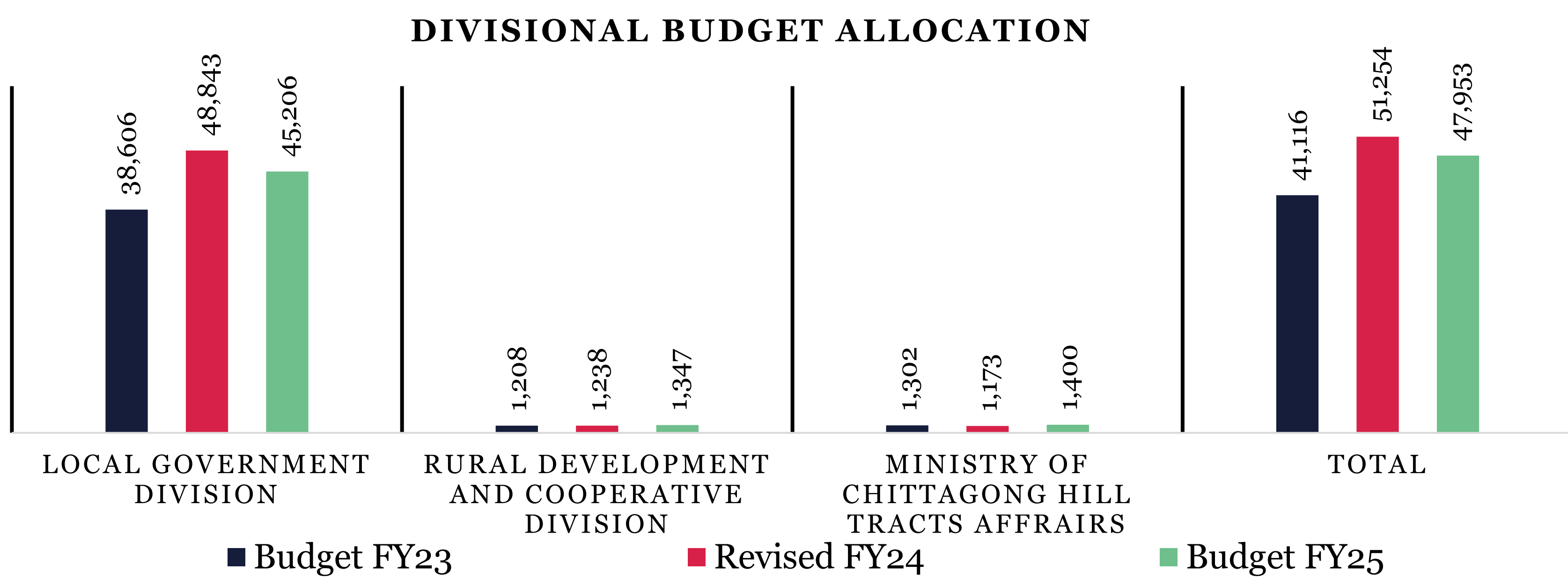
Fiscal measures to reduce environmental pollution

- **The GoB proposed to impose 15% VAT instead of 5% at local manufacturing stage on energy saving bulbs capacitated from 1 to 50 watt.**
  - This is contradictory to GoB's goal to increase energy efficiency. Hence, CPD proposes that LED bulbs should be kept out of this fiscal measures. Such VAT may be imposed on CFL bulbs.
- **The GoB proposed to impose 10% VAT at** import duty on the import of raw materials of LED lamp and energy saving lamp. CPD proposes to not impose VAT on the import of raw materials of LED and energy saving lamps.
- In FY23, a 5% supplementary duty on all kinds of polythene bags, plastic bags, and wrapping materials made of polyethylene was removed.
- Yet a 20% supplementary duty on paper cups, plates, and bowls remains in FY25.
- In order to develop sustainable practices and reduce plastic pollution in urban areas of Bangladesh, it is important to reduce the use of plastic products and make sustainable products more affordable.
  - Therefore, CPD recommends exempting the 20% supplementary duty on paper cups, plates, and bowls and instead imposing 20% supplementary duty on polythene bags, plastic bags, and wrapping materials made of polyethylene in FY24.

Local Government

Local Government

- For the BFY'25, the proposed allocation for Local Government and Rural Development (LGRD) sector is Tk47,953 crore, which is **6.4% less** than the RBFY'24
  - In comparison to RBFY'24, the budget allocation has **decreased** by 7.4% for the **Local Government Division**
  - In contrast, there has been an **8.8% increase** in allocation for the Rural Development and Cooperatives Division (RDCD) and a **19.4% increase** for the Ministry of Chittagong Hill Tracts Affairs divisions (MCHTA).



Local Government

- Despite LGRD's good ADP implementation capacity, inconsistency in the level of implementation is observed in carryover, concluding and continuing projects
  - The pace of completion of carry-over projects is **slow;** with the proposed allocation, those will be **difficult to complete** in FY25 as well
    - Bridge Development Assistance Programme in Rural Roads (01/09/2018 - 30/08/2023) aided by IDA has a maximum completion rate of **68.57%**
    - Rural Connectivity Improvement Project (01/07/2018 - 30/06/2023) aided by ADB has a maximum completion rate of **58.03%**
- Implementation Status of Selected Carry Over Projects

Carry over Projects	Max Completion rate by FY25 (%)
224282400 - Emergency Multi-Sector Rohingya Crisis Response Project (EMCRP) (LGED-Part) (1st Revision (01/12/2018 - 30/06/2024) PA Source: World Bank	**98.23**
224238700-Reconstruction/Rehabilitation of Southern Iron Bridge (1st Revised) (01/07/2018 - 30/06/24)	**97.49**
224147105-Rural Infrastructure Development Scheme in Mymensingh Region (1st Revised) (01/10/17 - 30/06/23)	**77.91**
224246700 - Bridge Development assistance programme in Rural Roads (01/09/2018 - 30/08/2023) PA Source: IDA	**68.57**
224249700 - Rural Connectivity Improvement Project (01/07/2018 - 30/06/2023) PA Source: ADB	**58.03**

Local Government

❑Implementation Status of Selected Concluding Projects

Concluding Projects	Max Completion rate by FY25 (%)
224117300 : Countrywide Rural Market Infrastructure Development Project (1st Revised) (01/07/2017 - 30/06/2025)	**51.39**
224048400-Construction of Multipurpose Disaster Shelter (3rd Revised) (01/01/2015 - 30/6/2025) PA Source: World Bank	**100.00**
224333100-Western Economic Corridor and Regional Development Expansion Program (WeCARE) Phase-I: Expansion of Rural Connectivity and Markets and Related Physical Facilities Project (RCMNIIP)(01/10/2020-30/06/25) PA Source: IDA	**41.55**
224131900-Rural Infrastructure Development of Madaripur, Shariatpur and Rajbari Districts (2nd Revised) (01/10/2017- 30/06/25)	**83.68**
224325300-Cyclone Ampan and Flood Damaged Rural Road Infrastructure Rehabilitation Project (1st Revised) (01/10/20- 31-12-24)	**48.32**
224000600-SHELTER-II (5th Revised) (01/07/2010 - 30/06/2025)	**94.81**

❑Implementation Status of Selected Continuing Projects

Continuing Projects	Max Completion rate by FY25 (%)
224049500 - Important RuralI infrastructure Development of Gopalganj (2nd Revised) (01/01/2016- 30/06/26	**81.67**
224339200-Critical Rural Infrastructure Development Scheme of Comilla, Brahmanbaria and Chandpur Districts (1st Revised) (01/07/21- 31/12/26)	**30.32**
224362200-Widening and strengthening of important upazila and union roads of Barisal division (01/07/2022- 30/06/2026)	**46.59**
224363300-Construction of Important Bridges on Rural Roads (2nd Phase) (01/07/2022 - 30/06/27)	**8.97**

Local Government

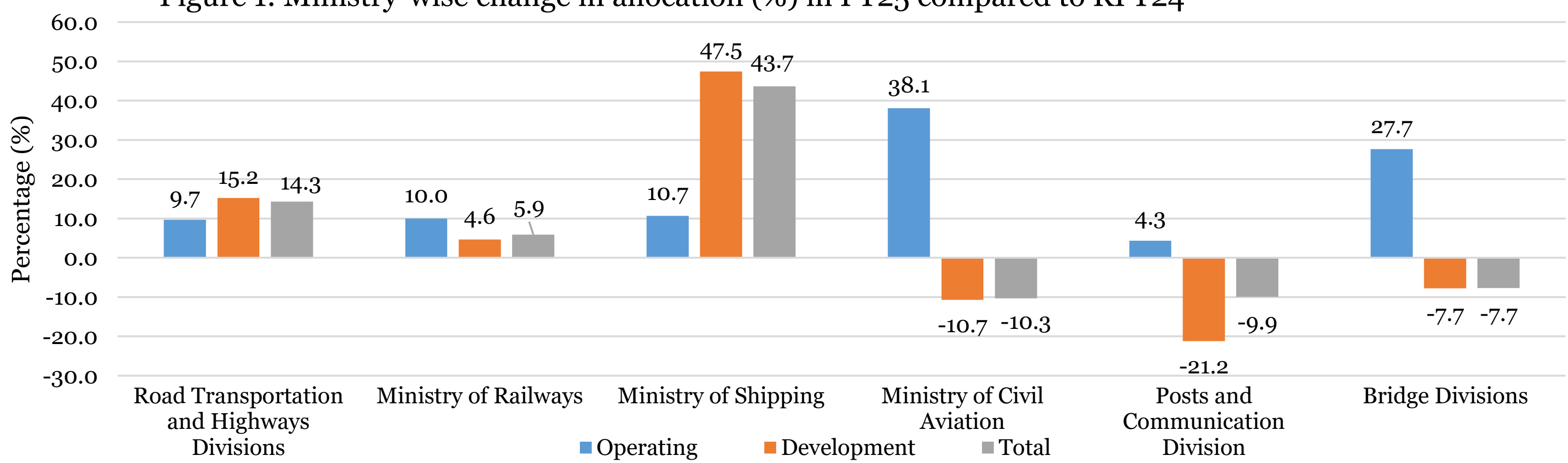
- ❑ Among the concluding projects, a trend of **prioritising** projects that would increase **rural connectivity** and develop **rural infrastructure** was observed
  - ➢ Completion of the My Village-My Town pilot project should be given priority and the programme needs to be extended
  - ➢ Successful completion of these projects will contribute to increasing geographical mobility and extending modern urban amenities to every village
- ❑ CPD appreciates GoB's initiative towards **climate adaptation and mitigation**-related projects
  - ➢ For example, Construction of Multipurpose Disaster Shelter (01/01/2015 - 30/6/2025), Climate Resilient Infrastructure Mainstreaming Project (01/01/2018-30/06/2026), Khurushkul Special Ashrayan Project(01/07/2020- 31/12/2024) etc.
  - ➢ However, the estimate committee of the Parliament should review the broader goal of achieving a climate resilient rural economy in Bangladesh.
  - ➢ Despite the ongoing crisis, an **absence** of projects related to ensuring the supply of safe drinking water, resolving urban waterlogging, waste management and sanitation was noticed

Transport and Communication

Transport and Communication

- Total allocation for the transport and communication sector (for six ministries and divisions) in FY25 is Tk. 82,919 crore
  - It is **10.2% higher compared to that in RBFY24**
- The sector has received **10.4% of the total budget and 26.03% of the development budget** (it is the highest allocation in the development budget)
  - Development and operating allocation for FY25 in Road Transport and Highways Division (RTHD), and Ministry of Railway (MoR), Ministry of Shipping (MoS) have increased
  - Although only operational budget has increased for the Ministry of Civil Aviation and Tourism (MoCAT), Posts and Communication Division (PCD), and Bridges Division (BD) against a decrease in the overall and development budget.
  - A huge jump is observed in the development budget allocation for the Ministry of Shipping.

Figure 1: Ministry-wise change in allocation (%) in FY25 compared to RFY24



Transport and Communication

❑ Transport and communication is still **burdened with large number of "carry over" (43%) projects**

- This BFY25 aims to allocate fund to more (2.3%) new projects, compared to BFY24
- The number of projects that will be concluded in the FY25 are less than that of FY24
- The overall ADP implementation rate for the transport and communication sector is 47.1% (up to April 2024)
  - It is below the overall average ADP completion rate (49.6%)

Table 1: Distribution of ADP Projects under Transport and Communication FY25 and Comparison with FY24

	FY24	FY25
New Project	4 (1.7%)	8 (4%)
Carry over	101 (43.9%)	99 (43%)
Concluding	79 (34.3%)	62 (27%)
Continuing	46 (20%)	59 (26%)
Total	230	228

- ✓ Sector wise implementation rate (up to April 2024) : Roads: 46.5%, Rail: 59.8%, Bridges: 47.3%, Aviation: 54.5%, Shipping: 33.6%, and Post and Tele-communication: 44.7%
- ✓ The progress of Shipping and Posts and Communication is comparatively poor than that of other divisions/ministries.
- ✓ The progress of all the projects are comparatively lower than the previous fiscal year
- ✓ Despite having poor performance in ADP implementation, allocating a considerable amount of high resources deprives the other important sector to receive sufficient fund.

Transport and Communication

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

Project Name	Maximum Possible Completion by FY25 (%)
Support to Dhaka Elevated Expressway PPP Project (01/07/2011 - 30/06/2024)	99.8%
Establishment of the Axle Load Control Station at the source of the important highways under the Roads and Highways Department (01/07/2019 - 30/06/2024)	53.4%
Improvement of Bagerhat- Rampal- Mongla District Highway to Appropriate level of Standard and Width. (01/07/2021 - 30/06/2024)	93%
Railway Connecting to Padma Bridge (1st Revised) (01/01/2016 - 30/06/2024)	96.6%
Upgradation of Mongla Port (01/01/2020 - 30/06/2024)	10.5%

❑ *Implementation Status of Selected* ***Concluding Projects***

Expansion of Hazrat Shahjalal International Airport (1st Phase) (1st Revised) (01/07/2016 - 30/06/2025)	61.3%
Improvement of Sylhet Tamabil Road to a 4-Lane Highway with separate SMVT Lane (01/09/2020 - 30/06/2025)	15.4%
Installation of 3rd Submarine Cable for expansion of International Telecommunications System of Bangladesh (1st Revised) (01/01/2021 - 30/06/2025)	89.5%
Support to Improvement of Hatirjheel (Rampura Bridge) Sheherjaiga - Amulia - Demra Road (With link to Tarabo and Chittagong Road) Highway into 4-lanes through PPP (01/01/2020 - 31/12/2024)	95.1%
Greater Dhaka Sustainable Urban Transport Project (BRT Gazipur-Airport) (3rd Revised) (01/12/2012 - 31/12/2024)	71.3%
Construction of Payra Ports First Terminal and related Facilities Development Project (1st Revised) (01/01/2019 - 30/06/2025)	91.3%
Development of 5G compliant Optical Fibre Transmission Network of BTCL (01/04/2022 - 30/03/2025)	65.2%

Transport and Communication

❑ *Implementation Status of Selected* ***Continuing Projects***

Project Name	Maximum Possible Completion by FY25 (%)
Dhaka Mess Rapid Transit Development Project (Line-1) (01/09/2019 - 31/12/2026)	11.8%
Accelerating Transport and Trade Connectivity in Eastern South Asia (ACCES) - Bangladesh Phase 1 (BLPA Component) (1/4/2023 - 30/6/2027)	1.7%
SASEC Dhaka Sylhet Corridor Road Investment Project (01/01/2021 - 31/12/2026)	21.7%
Matarbari Port Development (01/01/2020 - 31/12/2026)	35.9%
Improvement of quality of the highway that connects the Bangabandhu Sheikh Mujib Shilpa Nagar economic zone with Lakshmipur, Noakhali and Feni districts. (01/01/2024 - 31/12/2026)	28.9%
The urgent rehabilitation and reconstruction of various roads, bridges, and culverts under the Sunamganj and Habiganj Road Divisions, damaged by the 2022 floods. (01/09/2023 - 31/12/2026)	26.5%
Construction of Dhaka-Ashulia Elevated Expressway (1st Revised) (01/09/2017 - 30/06/2026)	71.2%
Construction of Bangabandhu Sheikh Mujib Railway Bridge (01/07/2016 - 31/12/2025)	34.4%

* The projects were selected on the basis of project aid

❑ **Estimations indicate that the current level of allocation will not ensure the completion of a number of important ADP projects in the transport sector even in FY25**

- There are projects which are being “carried over” in the FY24 and received an extension, which eventually increases financial burden
  - ✓ Dhaka-Ashulia expressway has been delayed by four years and Bangabandhu Sheikh Mujib Railway Bridge by two years, increasing congestion and traffic
- The progress of some “concluding” projects is in the last stage that can be finished through some additional funds
  - ✓ Improvement of Hatirjheel (Rampura Bridge) Sheherjaiga - Amulia - Demra Road (95.1%; 12/24) and Construction of Payra Ports First Terminal (91.3%; 6/25)

Transport and Communication

- Tendencies to divide the budget or allocation of a large project into smaller segments are observed although the timeline of the split projects might vary. Examples include:
  - Dhaka Mass Rapid Transit Development Project, Upgradation of Mongla Port, Hazrat Shahjalal International Airport, Cox's Bazar Airport etc.
- Some projects have witnessed significant lower progress although the current deadlines of these projects are near ("carried over"). For example:
  - Upgradation of Mongla Port (10.5%, 6/24)
  - Improvement of Sylhet - Tamabil Road to a 4-Lane Highway with separate SMVT Lane (15.4%, 6/25)
- List of the selected new big projects which can currently be kept aside due to overburden on the fiscal pressure and won't affect the macroeconomic structure:
  - Accelerating Transport and Trade Connectivity in Eastern South Asia (ACCES) - Bangladesh Phase 1 (BLPA Component) (1/4/2023 - 30/6/2027): **BDT 3,457 cr.**
  - Conversion of the Chittagong - Dohazari meter gauge railway to a dual gauge railway (01/07/2023 - 30/06/2028): **BDT 10797.09 cr.**
- 15% VAT on metro rail (effective from July 1, 2024)
  - Total expected revenue: BDT 1170 crores (source: DMTCL income data)
  - The total tax burden will entirely fall on the consumers and it seems less justifiable to impose tax on metro rail against some of the exemptions that government is allowing, such as Rooppur Nuclear Power Plant

Transport and Communication

Status of Mega Projects				
Project Name	**Timeline**	**Project Cost (in cr.)**	**Maximum Possible Completion by FY24**	**Maximum Possible Completion by FY25**
Construction of Dhaka-Ashulia Elevated Expressway (1st Revised)	09/17 - 06/26 (Extended in FY24)	17,553	**63.8%**	**71.2%**
Padma Bridge Rail Link Project (1st Revised)	01/16 - 06/24	39,247	**77.1%**	**96.65%**
Construction of Bangabandhu Sheikh Mujib Railway Bridge	07/16 - 12/23 (Extended till 12/25)	16,781	**73.2%**	**34.4%**
Expansion of Hazrat Shahjalal International airport (1st phase) (1st revised)	07/16 - 06/25	21,399	**86.6%**	**61.3%**
Matarbari Port Development	01/20 - 12/26	17,807	**29.5%**	**35.9%**

Source: CPD compilation from ADP

- **Most mega projects are running behind their scheduled timeline**
- The initial deadline for construction of the Bangabandhu Sheikh Mujib Railway Bridge was December 2023
  - Which has been extended to December 2025 **(34.4%)**
- Some of the projects are failing to utilise the budget allocation from the previous fiscal years and running behind the designated timeline:
  - Construction of Bangabandhu Sheikh Mujib Railway Bridge, the possible completion by FY24 was 73.2% whereas maximum possible completion by FY25 decreases to 34.4% in FY25.
  - Expansion of Hazrat Shahjalal International Airport
- However, concerns remain about the expected return of two of the projects:
  - Bangabandhu Sheikh Mujib Railway Bridge and Matarbari Port Development

Overseas Employment

Overseas Employment

- There has been a 72% increase in the total budget, which has grown from Tk 707 crore to Tk 1217 crore
  - Only 2/3rd of the proposed budget has been implemented in the FY24, which indicates a lack of structure for proper implementation of the budget (table 1)
- The development budget has seen a substantial rise of 122%, rising from Tk 342 crore to Tk 761 crore
  - Even though there is a massive increase, there is still a lack of allocation in the development budget for the MoEWOE (table 1)
- Nearly 80% of the newly increased development budget is dedicated to two major projects: the 40 TTC Establishment project and the RAISE Project (tab: 1)
- In considering the total budget as Tk 100, it is noteworthy that the MoEWOE is projected to receive 15.3 paisha in FY25, an increase from the 13.4 paisha out of Tk 100 received in FY24 (table 2)

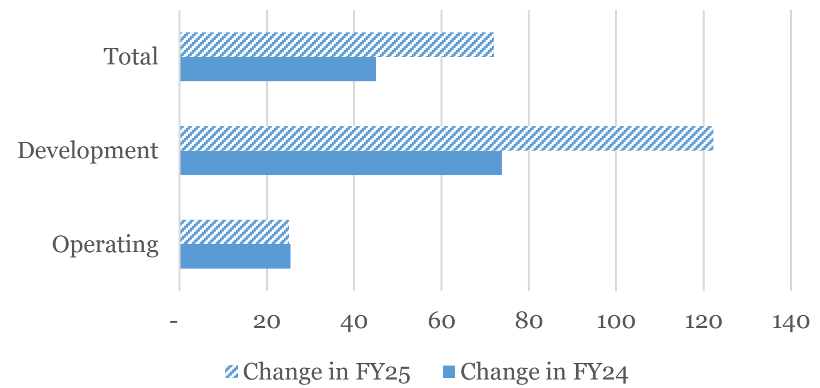
Tab 1: Budget Allocation from FY23 to FY25 (In Crore TK)

Budget Allocation	AFY23	BFY24	RFY24	BFY25
Operating	291	392	365	456
Development	197	626	342	761
Total	488	1,018	707	1,217

Tab 2: Proportion of MoEWOE in Total Budget from FY24-FY25

	FY24	**FY25**
Budget for MoEWOE	1018.00	1217.24
Total Budget	761785	797000
Proportion	**13.4 Paisha**	**15.3 Paisha**

Fig 1: percentage Change in Budget Allocation from FY24 to FY25



Overseas Employment

- A new training budget allocation of Tk 1.5 crore should be introduced for 25 TTCs that currently have no training budget
- Each DEMO office should be allocated Tk 5 lac to conduct awareness programs
- There needs to be a strategic reallocation and redistribution of unused budget funds to TTCs with high migration rates

- Even though the amount of financial incentives to remitters has increased over the years, the percentage proportion of financial incentives allocated for remittance has decreased from 22% in FY21 to 15% in FY24. The government should continue this financial support to the remitters (tab 3)

Tab 3: Fiscal Incentive to Remittance from FY20 to FY24

Items	FY20	FY21	FY22	FY23	FY24
	Actual				Revised
Fiscal Incentive to Remitters	3060	3980	4400	5300	6200
Total Fiscal Incentives	21350	18260	28370	40100	40230
Proportion to Remitters	14%	22%	16%	13%	15%

- Considering the importance of overseas employment, plans to establish 50 more TTCs in FY2024-25, in addition to the existing 104 TTCs, to ensure trade-based training
- No allocation for projects for quality enhancement or training for the trainers
- The government has allocated Tk 500 crore to the Probashi Kallyan Bank to provide loans to returning expatriate workers on easy terms:
  - Until March 2024, Tk 293.65 crore in loans have been provided to 12,890 borrowers
  - This incentive was supposed to be concluded by 2022, but carrying over due to lack of proper structure and manpower
  - No awareness from PKB to the migrant workers about this service by PKB
  - Lack of manpower in PKB to regulate and supervise these loans, leading to slow rate of loan disbursements

Overseas Employment

Table 4: Maximum Possible Completion rate of ADP Projects by FY25

Types of Project	Project Name	Required Budget	Deficiency Budget	Max Possible Completion rate	Implementing Agency
Carry over	224060100 - Establishment of 40 nos. Technical Training Centre at Upazila and Establishment of a Institute of Marine Technology at Chittagong (2nd Revised)	324	24	88.5	BMET
Carry over	224060000 - Establishment of Dhaka Technical Teachers Training Institute (DTTI) Approved **Source of Foreign Financing: IDB**	27	7.61	76.2	BMET
Carry over	224347700 - Recovery and Advancement of Informal Sector Employment (RAISE): Reintegration of Returning Migrants Source of Foreign **Financing: World Bank**	300	8.5	87.9	WEWB
Carry over	223043600 - Promoting Investment from Remittance and Optimal Uses of Remittances **Financing: IFAD**	8.5	6.2	34.6	WEWB
Concluding	224305800 - Providing driving training for the employment both local and overseas	147	107	79.7	BMET
Concluding	224392300 - Establishment of 50 Technical Training Centres at the Upazila Level	3750	3670	95.0	BMET
Continuing	223051400 - Reintegration for Migrant Workers : Enhancing Policies, Capacities and Systems for Inclusive and Sustainable Reintegration **Financing: SDC Switzerland**	29.3	18.1	55.5	MoEWOE

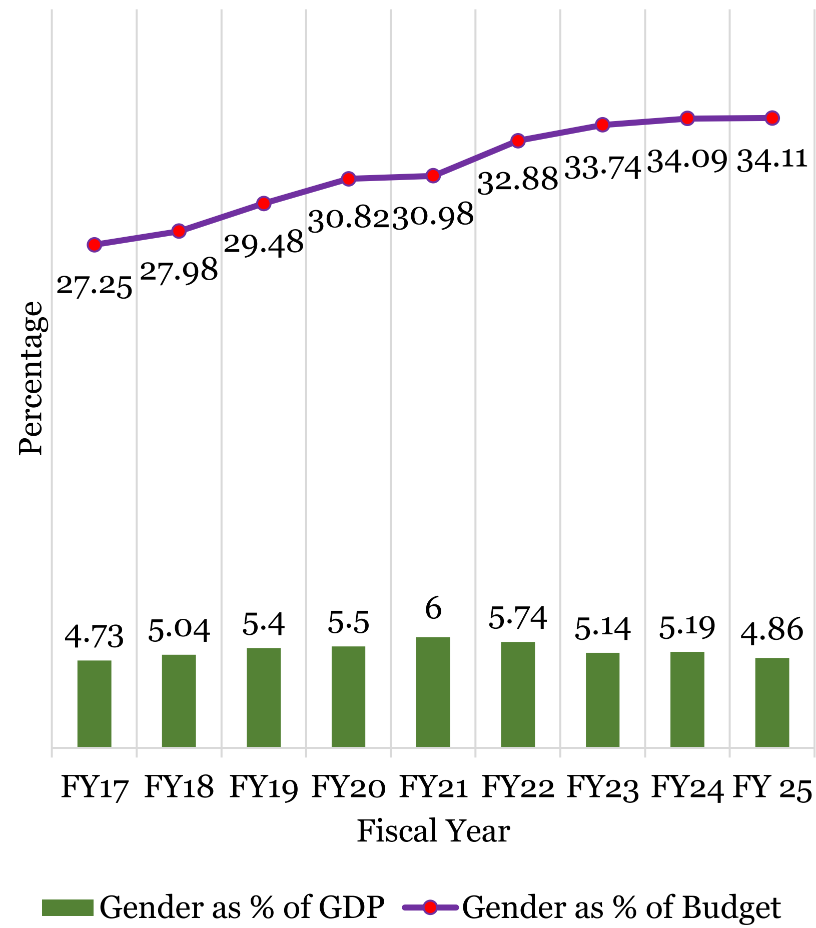
- 4 out of the 7 projects are still carrying over, with 1 project having max possible completion rate of 34.6%. 1 concluding project with a max possible completion rate of 79.7%, will be carried over. This indicates a lack of development of budget and lack of implementation capacity (table 4)
- No allocation for monitoring and servicing Bangladeshi expatriates abroad, relying solely on the Wage Earners Fund, which is funded by the workers themselves.
- CPD proposed a mega-project worth Tk 4,500 crore to address the challenges with regards to pre-departure, destination and reintegration, including 11 ministries for this project. This project is vital and essential to enhance the services to the migrant workers and for their welfare

Gender

Gender

- Allocation for gender budget has **increased by 14.1%** **in FY24 to BDT 271,818.6 crores against RBFY24**
  - Gender budget as a percentage of the total budget has **slightly increased** **in FY25 to 34.11% from 34.09% in FY24**
  - However, the gender budget as a percentage of GDP has **decreased** **from 5.19% in FY24 to 4.86% in FY25**
- In FY25, the Gender Reducing Expenditure Statement is missing.
  - So were the figures for the total revised budget allocation, revised non-development expenditure, and revised development expenditure.
- **There are discrepancies in the data for actual expenditure of FY22 between the reports of the current year and the previous year**
  - According to this year's report, total actual expenditure in FY22 was BDT 165,752.43 crore, whereas in last year's report, it was BDT 116,141 crore.
  - **There is a 30% discrepancy between the numbers!**

Trend of proposed gender budget, FY17 to FY25



Gender

- Exemption from Value Added Tax (excluding AT) and Supplementary Duty on import of **certain raw materials used in the production of sanitary napkins and diapers** extended to protect women and children until June 30, 2025.
  - **However, due to several conditions, not many local companies qualify for this temporary tax cut**
- Also, import tariffs such as customs duty, supplementary duties, advanced income taxes and other taxes were not reduced on the menstrual products.
  - **In FY25, CD and SD on sanitary napkins and diapers remained the same at 25% and 45%, respectively.**
  - **In addition, women still must pay VAT on menstrual products.**
- However, menstrual hygiene is a fundamental right for women and girls which is violated when menstrual hygiene products are subjected to all kinds of tax
- **CPD recommends that:**

- TTI on imported raw materials to produce sanitary napkins and diapers should be brought down to **zero** by exempting all forms of VAT, CD, SD AIT, RD, AT and AIT
- Raw materials used to produce sanitary napkins fall 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

Gender

- Allocation for **Joyeeta Foundation** has increased from BDT 7.73 crore to BDT 11.95 crore, allocation for **Capacity Building of Joyeeta Foundation** significantly increased from 43.55 crores to 89.07 crore.
- Allocation for "**Safe Motherhood Through Livelihood Improvement Facility (SAFE LIFE)** **increased significantly** from 3.77 crore to 20 crore.
- Allocation for "**Investment Component for Vulnerable Group Development Program (ICVGD)**" for eradicating extreme poverty and improving food security of rural poor women has **decreased significantly** from 259.51 crores in FY24 to 50.49 crores in FY25.
- Allocation for "**Maternal Neonatal Child Health (MNCH) and Health System Improvement Project**" **more than doubled** from 307 crore to 613 crore.
- Allocations for both **"Rural Mother Centre (RMC) Program: Revolving Small Loan"** and **"Special Assistance Fund for Woman Development"** **were stagnant** at 25 crores.
- **Allocations for some significant programmes essential for the empowerment and development of women have been stopped or decreased in FY25, which may result in limited support for gender-specific needs and slower progress in achieving gender-related targets.**

Defence Services

Defence Services

- The budgetary allocation for defence services in FY25 is Tk. 42,014 crore, which is 11.1% higher than RBFY24
  - Overall, the share of defence services in the budget to remain the same in BFY25 and RBFY24 (5.3%)
  - The share of operating component in the overall defence budget is more than 96%, in keeping with the past trend

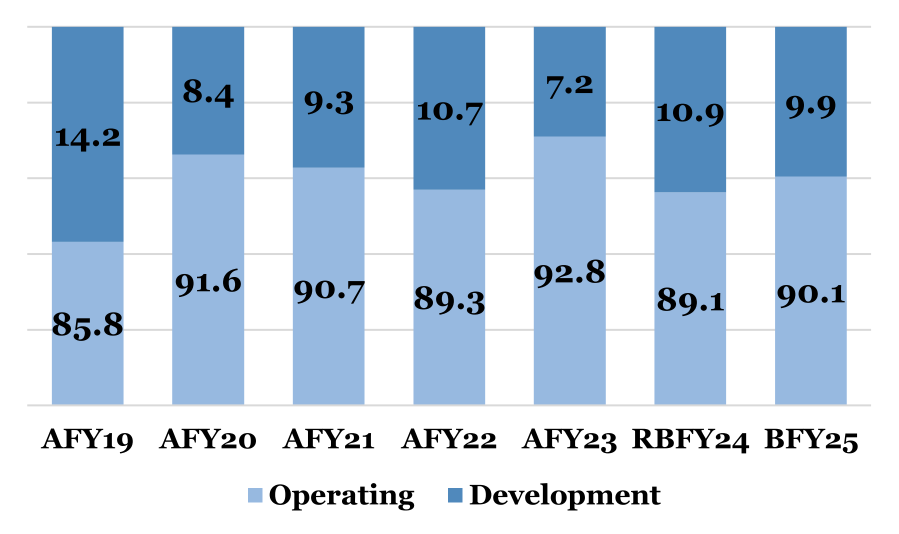
Defence Allocation and Expenditure (In crore Tk.) and Share in Recent Years

	AFY22	AFY23	RBFY24	BFY25
Ministry of Defence - Defence Services				
Operating	31,788	28,664	34,552	38,798
Development	1,451	1,196	1,471	1,284
Total	33,239	29,860	36,023	40,082
Ministry of Defence - Other Services				
Operating	1,979	1,730	1,743	1,886
Total	1,979	1,730	1,743	1,886
Armed Forces Division				
Operating	52	34	36	46
Total	52	34	36	46
Total-Defence Services	**35,270**	**31,624**	**37,802**	**42,014**
% of Total Budget Allocation	**6.8**	**5.5**	**5.3**	**5.3**

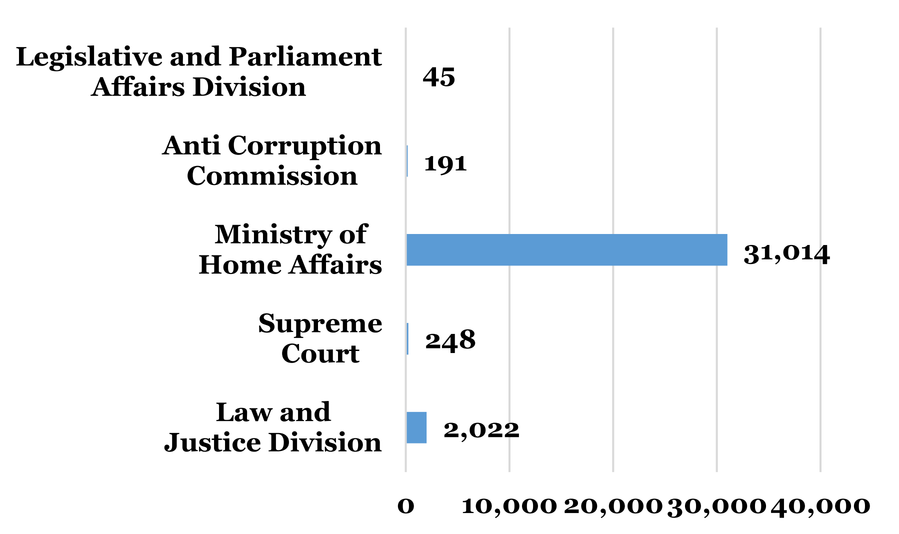
Public Order and Safety

Public Order and Safety

- The allocation for Public Order and Safety for BFY25 is Tk. 33,520 crore (8.3% higher than RBFY24)
  - Overall, the share of this sector in the total budget is similar in RBFY24 and BFY25 (approx. 4.2%)
- Following the usual trend, Ministry of Home Affairs (MoHA) is to take the lion's share of the total allocation for the sector in BFY25 (92.5%)
  - An additional Tk. 2,206 crore has been earmarked for MoHA in BFY25



Allocation for BFY24 (Crore Tk.)



VIII. CONCLUSIONS

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- The FY25 budget fails to provide concrete measures to overcome the ongoing economic concerns. The measures for curbing inflation and proving relief to the poor and fixed income people are inadequate.
- Projected economic indicators for FY25 including inflation rate, GDP growth and investment are overambitious, and do not take into account the current realities. Hence, many budgetary targets for FY25 will be missed.
- More importantly, due to the inability to acknowledge the nature of the ongoing economic challenges, the proposed budgetary measures are also inadequate and weak.
- On the whole, FY25 budget is an ordinary budget during an extraordinary time.

Thank You

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