



Towards People-Centric Public Finance Management in Bangladesh



Presentation on
National Budget 2024-25 and Prevailing Situation
What did the Disadvantaged Citizens Get?

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Dhaka: Monday, 10 June 2024



Citizen's Platform for SDGs, Bangladesh
এসডিজি বাস্তবায়নে নাগরিক প্ল্যাটফর্ম, বাংলাদেশ

- **Debapriya Bhattacharya**
- **Towfiqul Islam Khan**
- **Najeeba Mohammed Altaf**
- **Mamtajul Jannat**
- **Shourza Talukder**
- **Naima Jahan Trisha**
- **Saba Sabnam**
- **Sheikh Tausif Ahmed**

Valuable support was also received from the Dialogue and Communication Division and the Administration and Finance Division.

- **Setting the Context**
- **Four priorities of National Budget for FY2025**
 - i. Supporting the low-income group to cope with high commodity prices
 - ii. Prioritising public services for the marginalised groups
 - iii. Addressing the rising inequality with fiscal policy tools
 - iv. Restoring macroeconomic stability and, protecting economic growth and employment prospects
- **Concluding Remarks**

Setting the Context

Macroeconomic Instability

Sharp depletion of foreign exchange reserves ↓

Sliding value of BDT ↓

Low export growth ↓

Rising prices of essential commodities ↑

Increasing interest rate ↑

High Non-Performing Loans ↑

Shrinking fiscal space ↓

Reduced public investment (ADP) ↓

Growing pressure of external debt servicing liability ↑

Over-reliance on bank borrowing for budget deficit financing ↑

Falling (net) FDI ↓

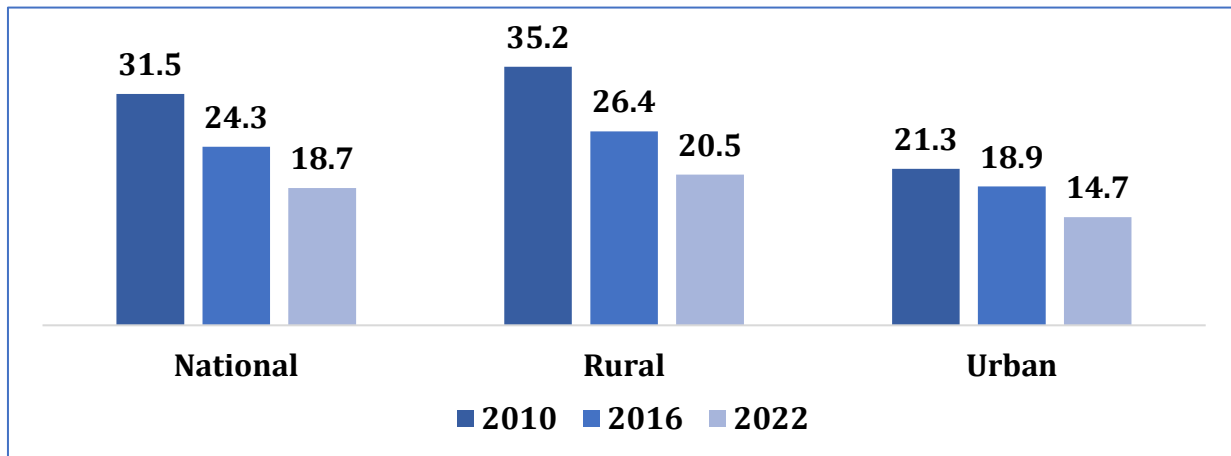
Stagnant private investment ↓

Slowdown of economic growth ↓

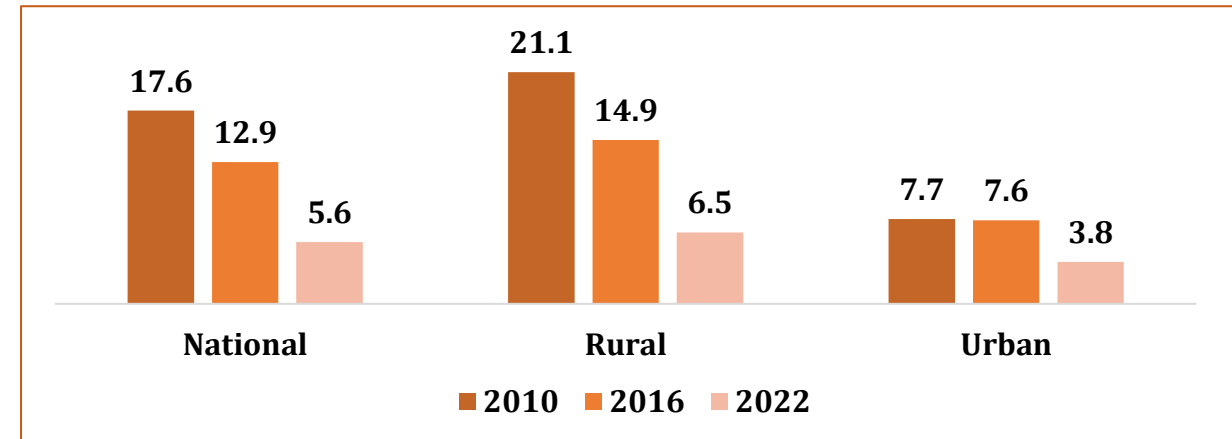
Prevailing Inequality

- Poverty rate has declined sequentially – rural poverty going down faster!
- There is a growing apprehension that the prevailing high inflation has pushed many “non-poor” under the poverty line

Poverty Rate (Upper poverty line, %)



Poverty Rate (Lower poverty line, %)



Income Gini Coefficient

Year	2010	2016	2022
Rural	0.431	0.454	0.446
Urban	0.452	0.498	0.539
National	0.458	0.482	0.499

Consumption Gini Coefficient

Year	2010	2016	2022
Rural	0.275	0.300	0.291
Urban	0.338	0.330	0.356
National	0.321	0.324	0.334

- Inequality has worsened with urban inequality increasing faster – both in terms of income and consumption, while wealth inequality is even higher



Global Growth

Global growth is expected to **moderate and remain steady**. Projections for 2024 range from 2.4% to 3.2%, with an upward revision to 3.2% for 2025. However, developing economies are likely to see a slightly slower growth pace



Global Trade

Global trade in goods and services is projected to **rise and stabilise in 2024 and 2025**. Projections indicate a significant increase, potentially more than double the growth experienced in 2023.



Commodity Prices

Assuming that there are no further rises in geopolitical tensions, **commodity prices are projected to experience a slight downturn in 2024 and 2025**, albeit above pre-pandemic levels.



Conflicts & Geopolitics

Geostrategy creates an element of **development uncertainty**.

Recalling the Citizens' Budget Initiatives

Given the challenging national and global economic circumstances, an exploration of **perspectives and aspirations of the left-behind (LNOB) communities across Bangladesh with regard to the national budget** was initiated in collaboration with 66 Partner Organisations



Desk Review of the Awami League Election Manifesto 2024 and secondary data analysis to **frame the guiding principles from the LNOB perspectives**

Digital outreach to 13 LNOB communities via Google Form surveys and social media, attaining **2,249 survey responses and over 8,000 social media comments and reactions** to **identify LNOB priorities in a disaggregated manner**

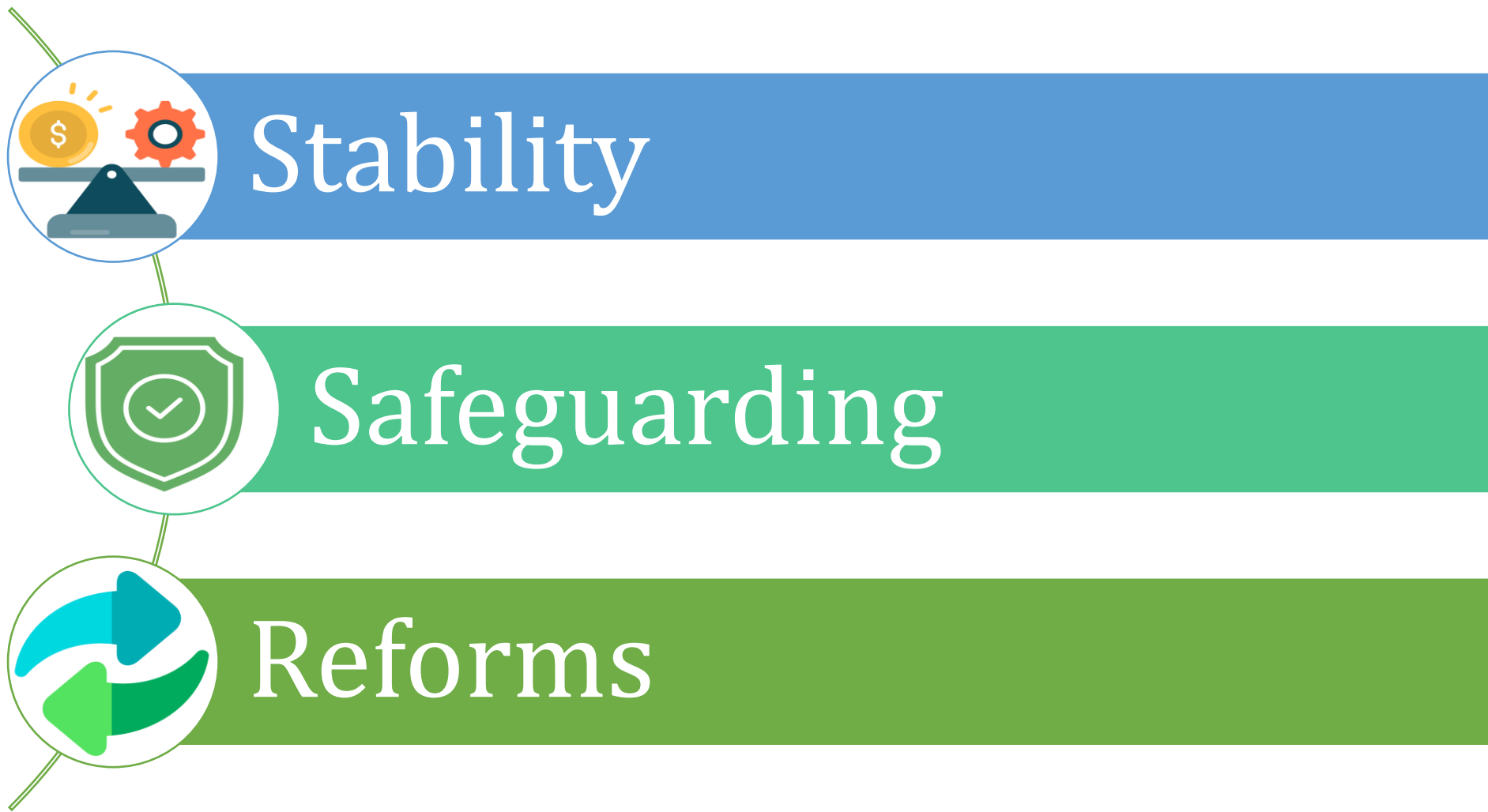


Consolidation and classification of inputs (39 submissions) from partner organisations **from the sectoral and LNOB population groups' perspectives**

Priorities for Budget FY2025 identified by Citizens



Expectations from the Budget for FY2025



Four Priorities of National Budget for FY2025

Supporting the low-income group to cope with high commodity prices

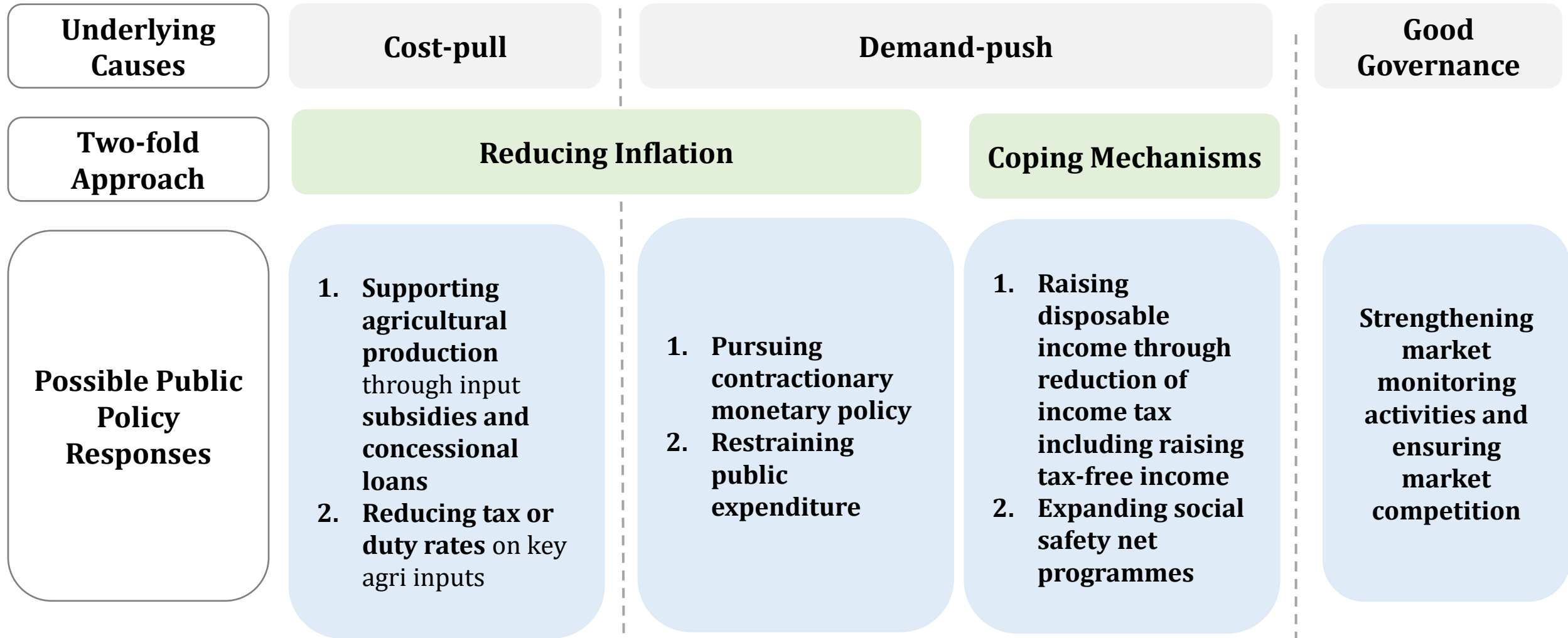
- The budget speech acknowledged that –

“Inflation is one of our main challenges at present”

- Inflation has remained close to two-digit level (according to BBS) for about two years.
- In reality, particularly for the low-income people, inflation is apprehended to be much higher!
- According to WFP’s Food Security Monitoring Report (January 2024), about **30% low-income households were food insecure**. About **90% of households** mentioned that the rising price of essential commodities was “their **deepest concern** and significantly affected their wellbeing, regardless of some households’ increased income levels”
- Curiously, the Medium Term Macroeconomic Statement reported 8% inflation for FY2024 when the inflation rate throughout the year was over 9%
- For FY2025, inflation rate was programmed at 6.5% - a drastic fall assumed!

Supporting the low-income group to cope with high commodity prices

What the budget could do?



Supporting the low-income group to cope with high commodity prices

- **Allocation for to meet the expenditure of fertiliser & other agricultural incentives has been slashed by (-) 47.1% (Tk. 8,000 crore)**
- **Allocation for Ministry of Agriculture has been reduced by (-) 22.3%**
- **A decrease in the income tax at source for importing essential items (i.e., rice, wheat, rice, fish, meat, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dry chilies, pulses, maize, flour, flour, salt, sugar, edible oil, etc) from 2% to 1%**

It is doubtful that the importers will pass the benefit to the consumers!

- **Reduction in supplementary Duty (SD) from 20% to 0% for powdered milk (in retail packing up to 2.5kg)**
- **To cutback the health service cost**
 - **Introduction of a new notification to import dengue kits at concessional facilities**
 - **Dropping the import duty (CD) on dialysis filters and dialysis circuit from 10% to 1%**
- **Withdrawal of Regulatory Duty (RD) from chicken meat and other forms of frozen meat**

Supporting the low-income group to cope with high commodity prices

- Concerns are there as many steps are taken to widen VAT collection following IMF conditionalities. For example,
- The **SD on mobile telecom services increased from 15% to 20%**
 - Moreover, the **increase in VAT from Tk. 200 to Tk. 300 for the supply of each SIM/e-SIM** will impact the price and the call rates
- An **increase in the Value Added Tax (VAT) of energy-saving bulbs** (capacitated from 1 to 50 watt) and **tube lights from five (5) per cent to 15%** at the manufacturing stage
- A **rise in the import duty on the raw materials of LED bulbs from 0% to 10%**
- To rationalise the value of engine oil in line with the international market price,
 - **Minimum value of Furnace oil is fixed at USD 480 from USD 265 per MT**
 - And for **lubricating oil**, it has been **increased from USD 2000 to USD 3000 per MT**

Supporting the low-income group to cope with high commodity prices

Enhancement of SD and VAT on SIM/mobile usage

Increased SD on domestic cigarettes

Increased VAT and import duty rates

Increased SD on domestic sugary beverages

Excise duty on bank accounts

Raising minimum import value for engine oil

Imposition of VAT on lottery ticket seller



Hunt for Revenue Collection

Supporting the low-income group to cope with high commodity prices

- Maximum tax-free income threshold has not been changed.
- The changes proposed in the tax slabs and corresponding tax rates would provide relief to a general male taxpayer only when his **monthly salary** (in a hypothetical scenario) would cross about **Tk. 86,540, and up to Tk. 369,230**.
- Applicable income tax will increase after that.
- The most benefitted would be (general male) taxpayer with monthly income of about Tk. 180,000 per month.
- Surely the **lower middle-income group will not get any relief** from these changes.

Implications of new income tax structure

Monthly Gross Income (Tk.)	Net Tax (ITA 2023)	Net Tax (Finance Bill 2024)	Change in Net tax
40,383	Below tax limit	Below tax limit	0
40,400	5,000	5,000	0.00
86,540	12,503	12,502	-0.01
90,000	16,101	14,601	-9.32
120,000	55,702	50,702	-8.98
150,000	120,002	105,002	-12.50
180,000	198,303	173,303	-12.61
200,000	255,503	230,503	-9.78
230,000	341,303	316,303	-7.32
250,000	398,503	373,503	-6.27
300,000	541,503	516,503	-4.62
330,000	629,499	604,499	-3.97
369,230	739,498	739,497	0.00
380,000	770,303	777,303	0.91
400,000	827,503	847,503	2.42
450,000	970,503	1,023,303	5.44

Source: Estimated by Snehasish Mahmud & Co. (SMAC)

Supporting the low-income group to cope with high commodity prices

Name of the Programmes	Allocation (in Crore BDT)			
	RFY2024	BFY2025	Increment in BFY2025	Growth
Foods support to residents in Government orphanages and other institutions	96.60	102.40	5.80	6.00%
Mother and child benefit programme (MCBP)	1313.44	1622.75	309.31	23.55%
Vulnerable women benefit (VWB) Programme	2030.48	2195.46	164.98	8.13%
School feeding programme in poverty-stricken areas	44.65	45.11	0.46	1.03%
VGF Programme	1101.93	1184.02	82.09	7.45%
Relief Operation-General	2250.96	2390.62	139.66	6.20%
Food for Work (FFW)	950.01	1024.01	74.00	7.79%
Relief Activities	66.29	80.12	13.83	20.86%
Open Market Sale (OMS) and Food Friendly Programmes (FFP)	5491.74	5262.20	-229.54	-4.18%
Food Subsidy	3609.46	2893.25	-716.21	-19.84%
VGF programme for fisherman	527.54	563.82	36.28	6.88%
Total Allocation for Food Support related Programmes	17483.10	17363.76	-119.34	-0.68%

*Note: OMS and FFP are combinedly represented as per the Social Security Budget Report 2024-25

- At a time of persisting high commodity prices, total budgetary allocation for food support related programmes has been reduced
- Thanks to budget support from international development partners, Mother and child benefit programme (MCBP) has seen some significant additional allocation

Prioritising public services for the marginalised groups

- The budget speech while identifying the priorities agrees with the citizens!
- However, while making budgetary allocations, the priorities are different...
- Public services and interest payments received 36.3% of total budget in FY25
- Indeed, salaries for public servants, debt servicing liabilities (interest payments and amortisation of external loans eat up about 47% of total revenue (in FY23) and the government could find little fiscal space to deliver public services as per need
- Also, revenue-GDP ratio have not improved much during 8FYP period

Priority Sectors: The Budget Speech vs Budgetary Allocations for FY2025

As per National Budget Speech FY2025	Priority Sectors	As per Budgetary Allocation for FY2025
1	Education	3
2	Health	7
3	Employment	18
4	Agriculture	8
5	Local government and rural development	5
6	Energy and Power	10
7	Transport and Communication Infrastructure	4
8	Social Security	11
9	Industries, Commerce and Tourism, Industrialization	14
10	Women Empowerment and Children Welfare	17
11	Climate Change and Disaster Management	12
12	Science and Technology	13

Prioritising public services for the marginalised groups

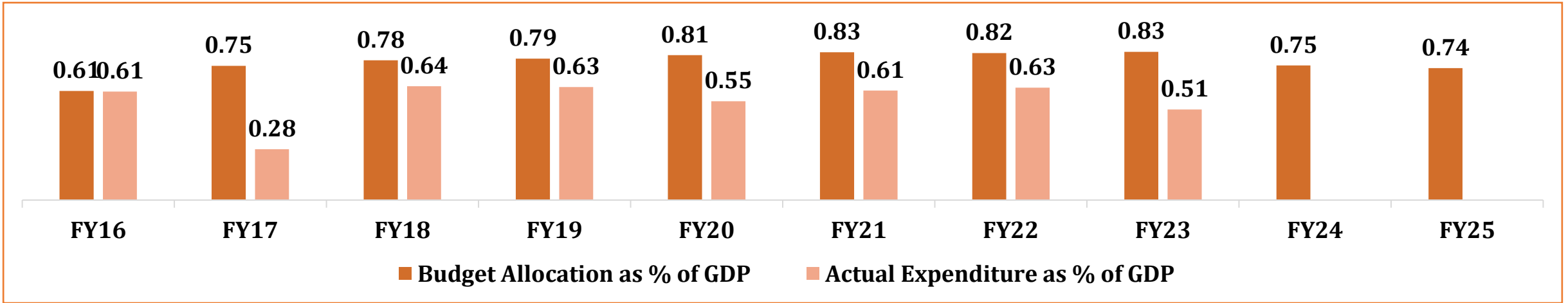
- Apparently, the **priority sectors** for marginalised groups have to **take the entire burden of limited fiscal space** receiving half of the planned ADP allocation (in 8FYP)
- 98% of the difference between 8FYP programmed and ADP allocations are borne by these sectors while **physical infrastructure received more than the planned** allocation

ADP Allocation for FY2025: Plan vs Reality

Sectors	Share of ADP in FY25 (%)	Share of ADP in FY25 as per 8FYP (%)	Allocation in ADP FY25 (Crore Tk.)	Allocation planned for ADP FY25 in 8FYP (Crore Tk.)	Difference between actual allocation vs 8FYP (Crore Tk.)
Transportation and Communication, Power and Fuel, Housing and Community Facilities, Industrial and Economic Services, Environment, Climate Change and Water Resources	60.34	36.19	153,889	133,020	20,869
Education, Health, Agriculture, Local Government and Rural Development, Science and ICT, Social Protection	35.88	54.92	91,509	201,840	-110,331
General Government Services, Defence, Public Order and Safety, Religion, Culture and Entertainment	3.78	8.89	9,643	32,670	-23,027

Prioritising public services for the marginalised groups

Budget Allocation for Health (as % of GDP)



- Bangladesh (in 2021) ranks **185th out of 187** countries in terms of general government **health expenditure-GDP** ratio and ranks **181st out of 186** countries in terms of **out-of-pocket expenditure** (% of current health expenditure)
- **Budget utilisation rate** for health sector dropped to only **61.1% in FY23**; but no one has been made responsible for such a dismal performance
- **Is Annual Performance Agreement (APA)**, which has been mentioned by the budget speeches every year, functional?!

Prioritising public services for the marginalised groups

Agency-wise Budget Allocation for Health

Agency	BFY24	BFY25	Change (crore Tk.)	Incremental Growth (%)
Health Services Division				
Operating	17,221	16,384	-837	-24.9
Development	12,210	13,741	1,531	45.6
Total	29,431	30,125	694	20.7
Medical Education and Family Welfare Division				
Operating	5,367	4,834	-533	-15.9
Development	3,254	6,449	3,195	95.2
Total	8,621	11,283	2,662	79.3
Total - Health	38,052	41,408	3,356	100.0

- 79.3% of incremental budget for Health Sector (Tk. 3,356 crore) went to Medical Education and Family Welfare Division
- Indeed, 92% of total **incremental** budget for Health in FY25 (**Tk. 3,082 crore**) went to three ADP projects concerning ‘**establishment**’ of **Rajshahi Medical University (1st Revised)**, **Chattogram Medical University** and **Sylhet Medical University**
- Apparently, these are primarily **physical infrastructure projects!**

Prioritising public services for the marginalised groups

Budget Allocation for Health related Agencies

Agency	FY24 Budget (in Crore TK)	FY25 Budget (in Crore TK)	Change (in Crore TK)	Change (%)
Secretariat	6,866	5,741	- 1,124	-19.6
Directorate of Health	18,346	20,571	2,225	10.8
Directorate of Health Engineering (DHE)	198	206	8	3.7
Directorate of Drug Administration	106	158	53	33.3
Directorate of Nursing and Midwifery	3,914	3,449	- 465	-13.5
Upazila Health Complexes	2,889	2,433	- 456	-18.7
Public Health Institutes	168	147	- 21	-14.0
Medical and surgical supplies	4,462	3,896	- 566	-14.5

- On the flip side Upazila health complexes (the primary health facility of marginalised groups) and medical and surgical supplies will get Tk. 1,022 crore less budget in FY25
- Similarly, Directorate of Nursing and Midwifery will also see a budget cut

Prioritising public services for the marginalised groups

Name of the Programme	Allocation (in Crore BDT)		Increment in BFY2025	Growth
	RFY2024	BFY2025		
Financial Support Programme for Cancer, Kidney, Liver Cirrhosis, Paralyzed by Stroke, Born Heart Patients and Thalassemia	200.00	300.00	100.00	50.00%
National Foundation for the Development of Persons with Disabilities	42.40	44.73	2.33	5.50%
Cochlear Implant Activity	40.00	40.00	0.00	0.00%
Mother and child benefit programme (MCBP)	1313.44	1622.75	309.31	23.55%
VGF Programme	1101.93	1184.02	82.09	7.45%
Installation of water source/ tube well in the homes for landless/ homeless on the occasion of Mujib Borsho	108.36	26.00	-82.36	-76.01%
Total Allocation for Health and nutrition related programmes	2806.13	3217.50	411.37	14.66%

- Health and nutrition related social protection programmes received increased allocation, thanks to Mother and child benefit programme (MCBP), supported by budgetary support from international development partners

Prioritising public services for the marginalised groups

- Curiously, in several aspects (mentioned in this slide), the targeted **key performance indicators are not met** in recent years according to the Medium Term Budgetary Framework document

family planning awareness

maternal health voucher

birth control calcium tablet

neonatal mortality rate

infant mortality rate

maternal rate fertility rate health facilities

local health workers

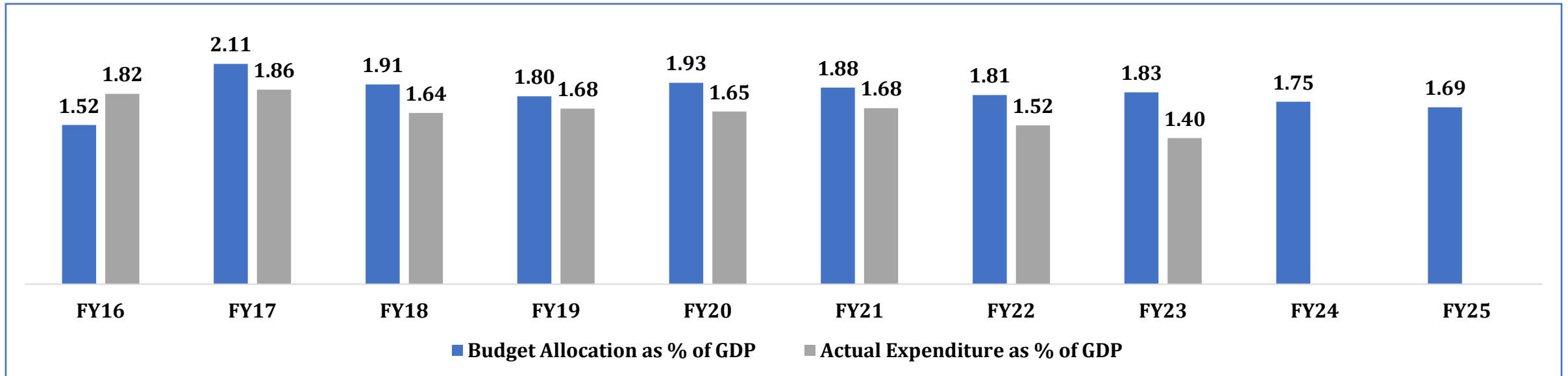
maternal mortality rate

child malnutrition rate

pre- and post-natal care

Prioritising public services for the marginalised groups

Budget Allocation for Education (as % of GDP)



- Bangladesh (in 2021) ranks **146th out of 187** countries in terms of general government **education expenditure-GDP** ratio
- This is particularly worrying when post-COVID scenario calls for emphasising the **learning loss and rising dropout rates** across education sector

Prioritising public services for the marginalised groups

Budget Allocation for Education related Agencies

Agency	FY24 Budget (in Crore TK)	FY25 Budget (in Crore TK)	Change (in Crore TK)	Change (%)
Government Primary Schools	18,690	19,390	700	3.6
Government Colleges	2,075	2,501	426	17.0
Government Secondary Schools	1,228	1,447	219	15.2
Polytechnic Institutes	590	579	- 11	-1.8
Technical School and Colleges	385	318	- 67	-21.2

- While in the policy statements significant emphasis is given to the technical and vocational education and training (TVET), it is disheartening to find that for **both Polytechnic Institutes and Technical School and Colleges budget allocation for FY25 decreased**

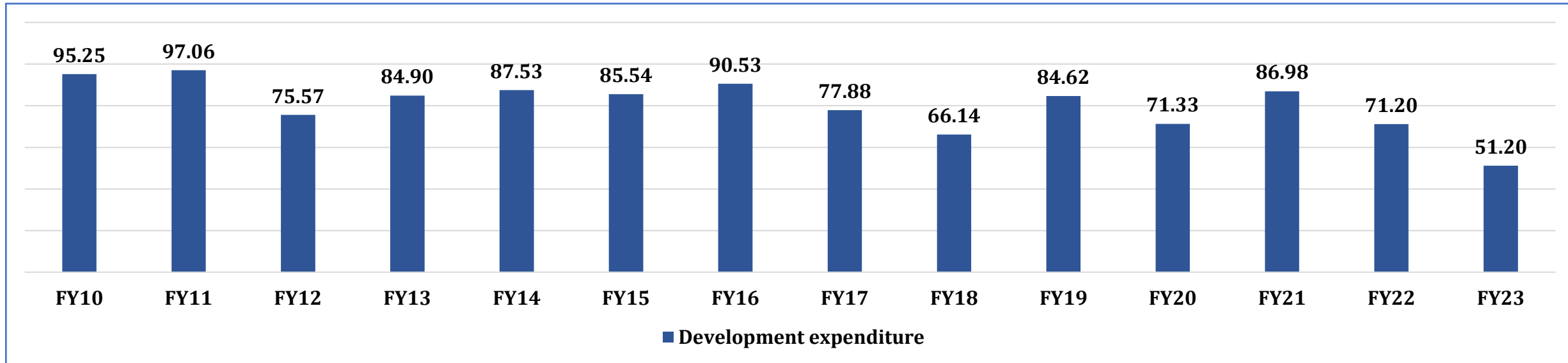
Prioritising public services for the marginalised groups

- Medium Term Budgetary Framework document reported that the relevant government agencies have missed some critical targets according to **key performance indicators** (as mentioned in this slide)

student enrolment
girls at tertiary level
school feeding
completion rate
stipend scheme
classrooms
drop out
basic literacy
female toilets

Prioritising public services for the marginalised groups

Development Budget Utilisation Rate for Education (%)



- Concerns over utilisation of development budget for education related government agencies is aggravating
- Development budget utilisation rate for education sector dropped to only 51.2% in FY23

Prioritising public services for the marginalised groups

Name of the Programme	Allocation (in Crore BDT)		Increment in BFY2025	Growth
	RFY2024	BFY2025		
Educational stipend programme for the disabled students with disability	112.74	113.71	0.97	0.86%
Stipend for primary school students	2371.99	1785.00	-586.99	-24.75%
School feeding programme in poverty-stricken areas	44.65	45.11	0.46	1.03%
Fourth primary education development programme (Stipend Part)	2043.87	3804.77	1760.90	86.16%
Improving access and retention through harmonized stipend programme	2196.70	2617.24	420.54	19.14%
Stipend under technical and madrasa education division	450.90	488.69	37.79	8.38%
Promoting gender responsive enterprise development and TVET systems	42.36	55.00	12.64	29.84%
Accelerating and strengthening skills for economic transformation (ASSET) project	700.00	950.00	250.00	35.71%
Total Allocation for Education related Programmes	7963.21	9859.52	1896.31	23.81%

- Allocation for stipend for primary school students has been substantially reduced but thanks to the Fourth primary education development programme (Stipend Part) overall allocation for education related social protection programmes has increased
- Curiously, this was in operation last year, but not shown as part of social protection programme

Addressing the rising inequality with fiscal policy tools



Establishing A Progressive Taxation System through Emphasising Direct Taxation, Addressing Tax Evasion and Curbing Illicit Financial Flow

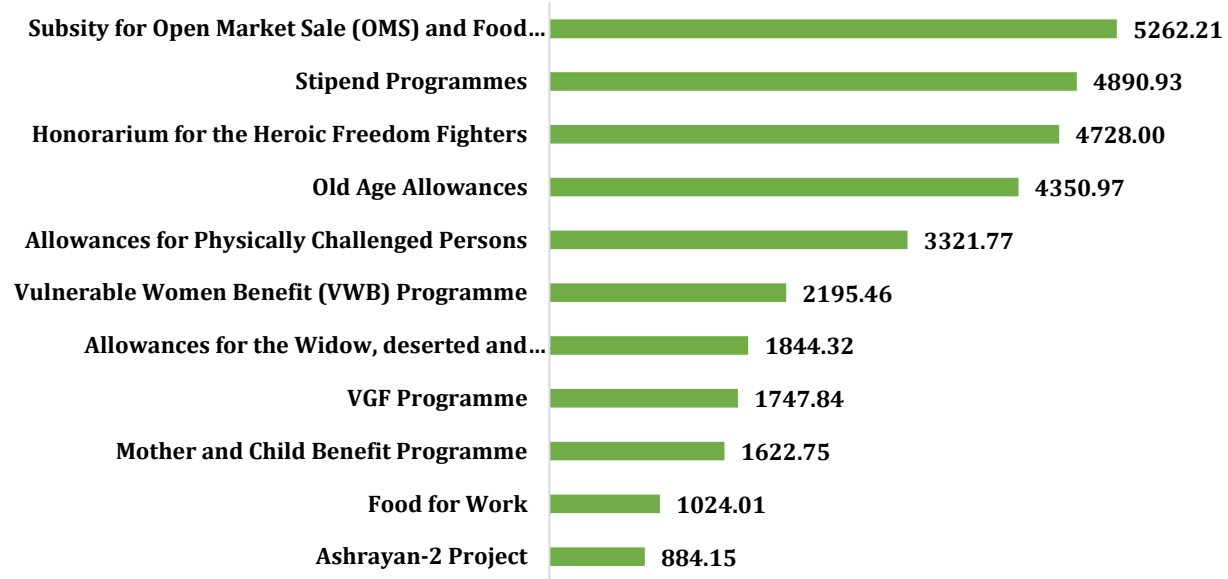


Redistribution of Public Money through Public Service Delivery and Social Protection Targeting the Lower Income and Disadvantaged Groups

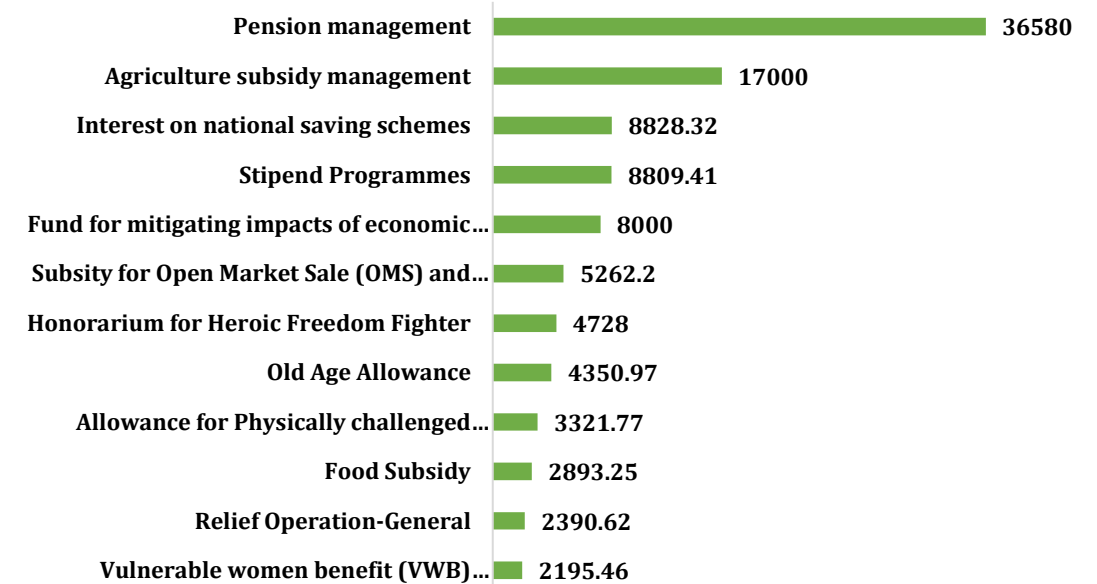
- Emphasis of direct tax is shown with the intention (as per fiscal framework to generate 48.0% of total incremental revenue through taxes on income, profits and capital gains)
- MTMPS also states that –
 - *“To eradicate poverty and address chronic inequality, ensuring an inclusive society, the Government is relentlessly offering social security to a diverse range of vulnerable groups”*

Addressing the rising inequality with fiscal policy tools

Major programmes as reported by Social Security Budget Report 2024-25 (Crore Tk.)



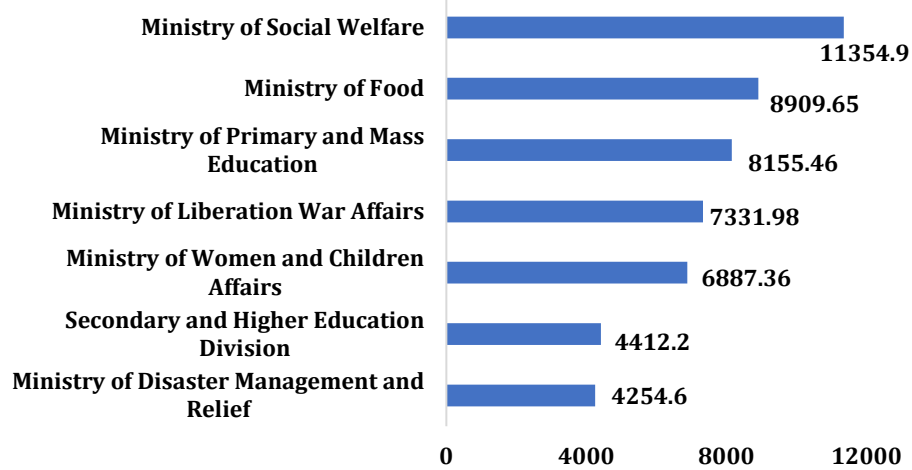
Major programmes as reported by the Annex Table in Social Security Budget Report 2024-25 (Crore Tk.)



- Over the years, purposefully the reporting of the **doubtful (Non-Acceptable) programmes have been included in social security programme list**
- **Curiously, the report of this year (a narrative along with the list) avoided some of such programmes (such as Pension for public servants and Agricultural subsidy despite receiving very high allocation**

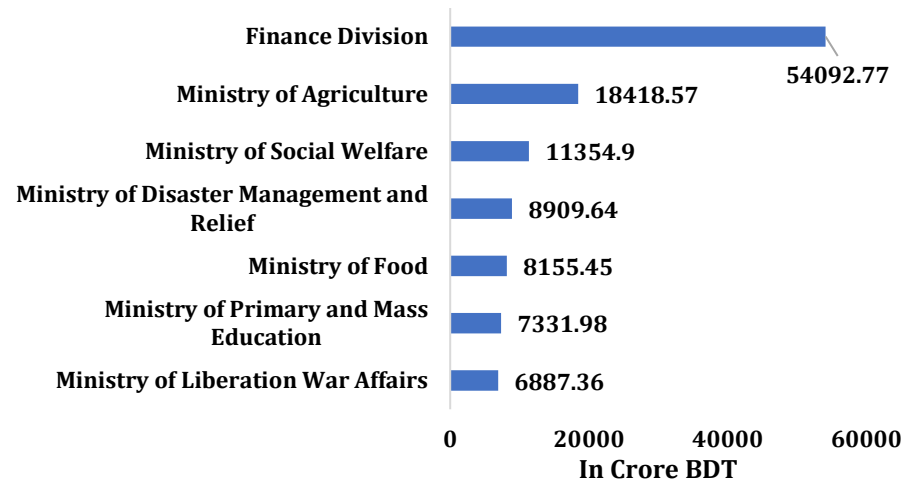
Addressing the rising inequality with fiscal policy tools

Major Strategic Ministry/Division as reported by Social Security Budget Report 2024-25 (Crore Tk.)

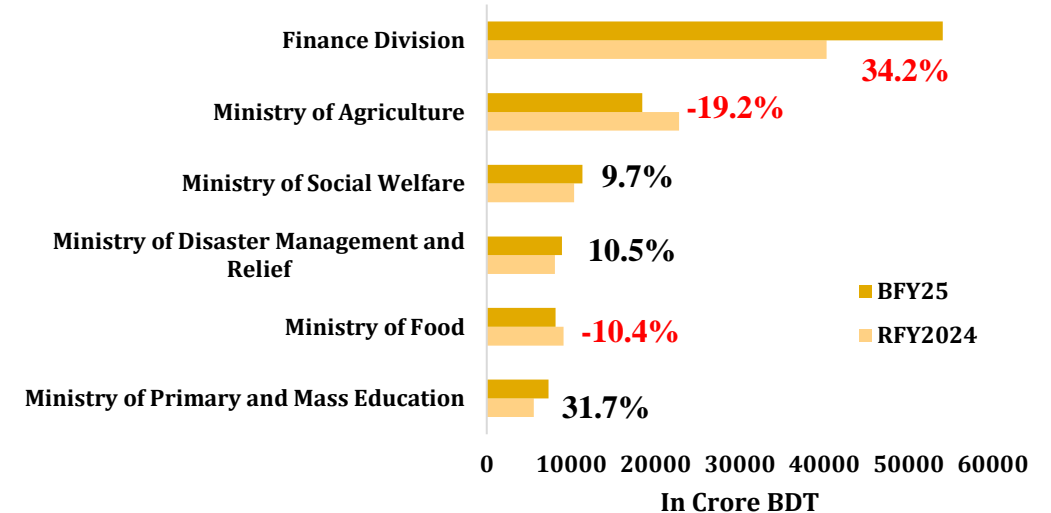


- Similarly, Finance Division has not been reported as a major strategic ministry although it has received the highest allocation among the government agencies along with the highest rise
- Such practice deceives policy discourse!

Highest allocation receiving Ministry/Division as reported by Social Security Budget Report 2024-25 (Crore Tk.)

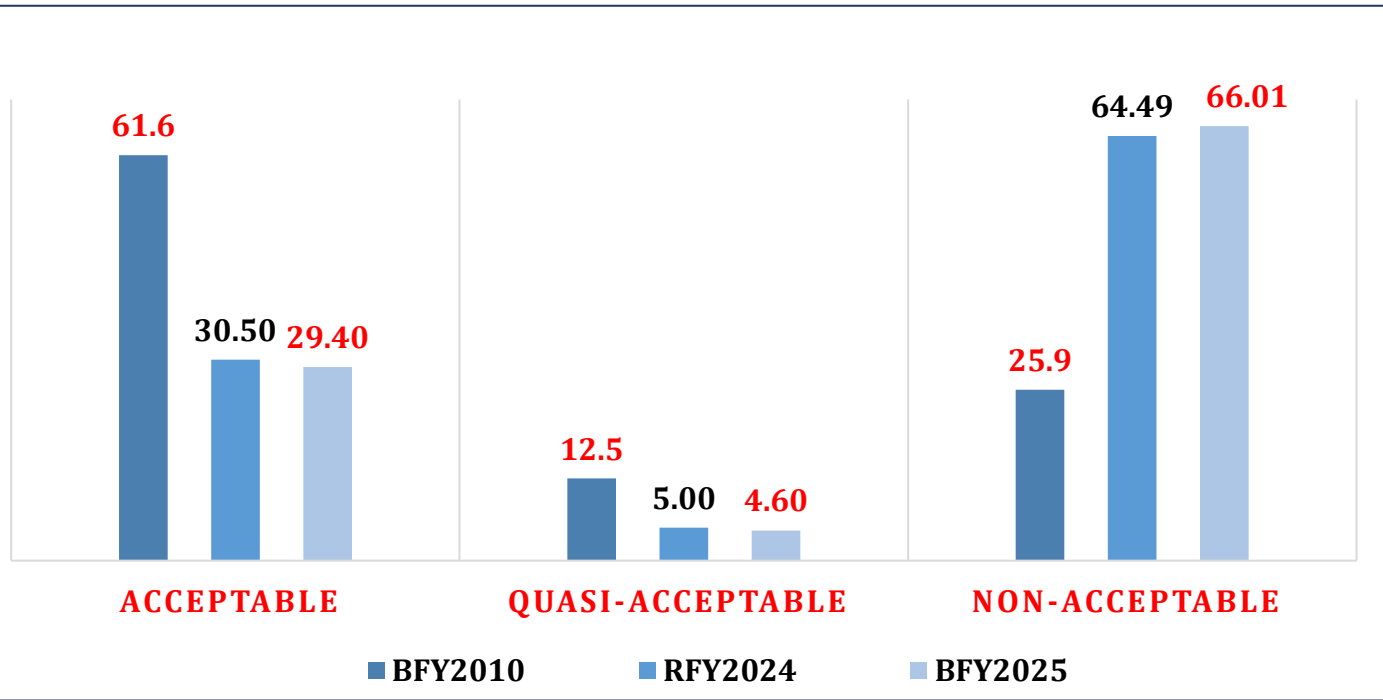


Highest increase receiving Ministry/Division as reported by Social Security Budget Report 2024-25 (Crore Tk.)



Addressing the rising inequality with fiscal policy tools

Social Security Budget Composition (share, %)



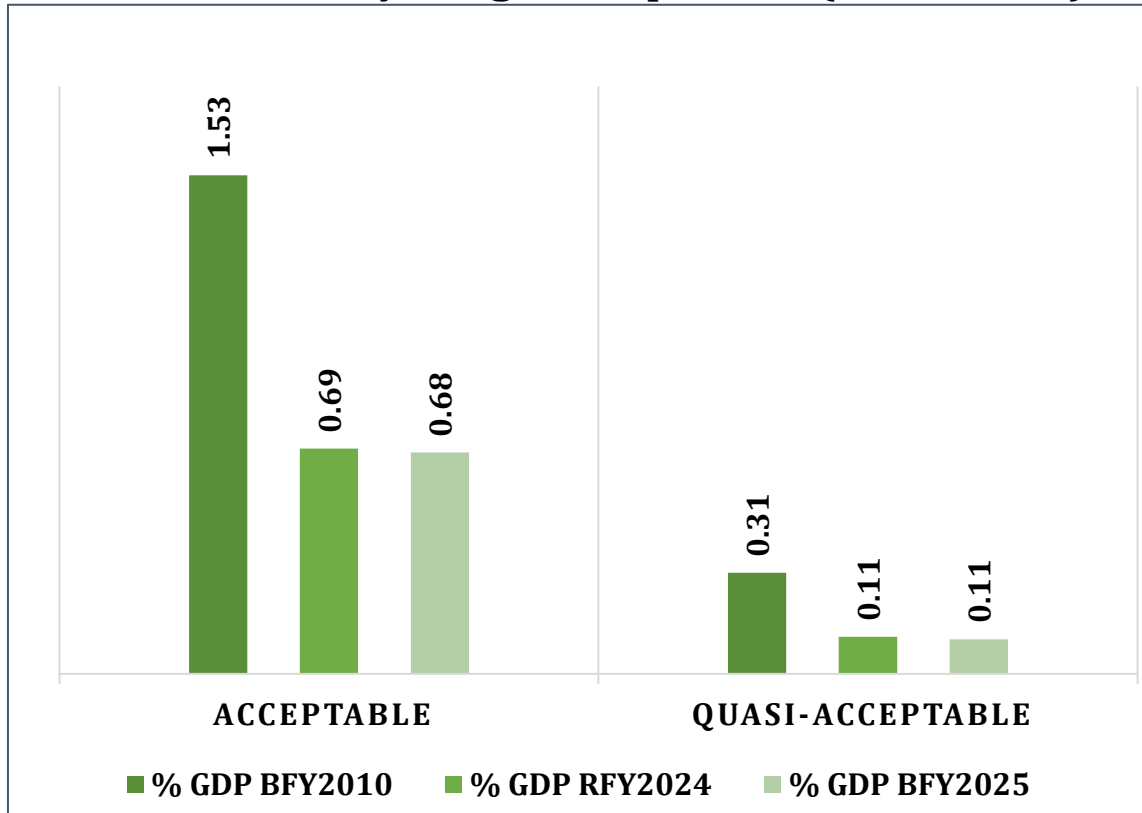
We have classified SSNPs into three categories viz. **acceptable** (i.e., those that should naturally be included in the social protection list), **quasi-acceptable** (i.e., those that fall somewhere in the ‘grey’ area – mainly includes loan and training programmes), and **non-acceptable** (i.e., those that should be excluded from the list of social protection)

*Note: The programmes related to Freedom Fighter’s Benefit are not considered in the analyses presented in this report

- Share of non-acceptable programmes is increasing over the years
- Allocation for ‘Pension Management’ is **Tk. 36,580 crore (0.65% of GDP)** with a whopping **growth of 36.2% in a single year!**
- Indeed, the allocation is equivalent to **96.4% of total ‘acceptable’ social security budget!**

Addressing the rising inequality with fiscal policy tools

Social Security Budget Composition (as % of GDP)



- Together **allocations for 'acceptable' and 'quasi-acceptable'** has seen a marginal **decline as % of GDP** in FY25 (0.78%) compared to RBFY24 (0.80%)
- In FY10, the corresponding figure was as high as 1.84%
- Indeed, total allocation for these programmes (60 in total) has **increased by only 8.2%** in FY25 vis-à-vis RBFY24 - **less than the current inflation rate!**

- Surely, the social protection strategy needs a rethinking
- Not to mention, there is a serious concern over mistargeting, and corruption associated with the implementation of such programmes

Addressing the rising inequality with fiscal policy tools

Social Security Budget Composition (as % of GDP)

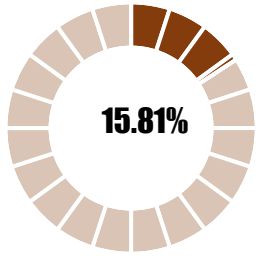
Programme	Monthly allowance FY22-23 (in taka)	Monthly allowance FY24-25 (in taka)	Monthly allowance at government projected inflation of 6.5% in FY24-25 (in taka)	Monthly allowance at the current inflation of 9% in FY 24-25 (in taka)
Old Age Allowance	500	600	465 (-7%)	456 (-9%)
Allowance for the Widow, Deserted & Destitute Women	500	550	426 (-15%)	418 (-16%)
Allowance for the Physically Challenged Persons	850	850	659 (-22%)	646 (-24%)
Mother and Child Benefit Programme (MCBP)	800	800	620 (-22%)	608 (-24%)

*Loss of purchasing power in percentage terms are in parentheses.

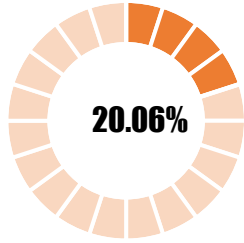
- Allowances provided to the disadvantaged groups through various social protection programmes have seen serious erosion of purchasing power in last two years due to high inflation, implying lower effectiveness of these programmes
- There is critical need to adjust the rates of allowances on a regular basis

Addressing the rising inequality with fiscal policy tools)

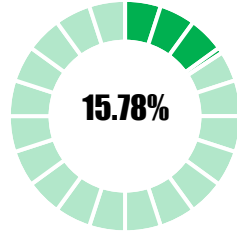
Loan



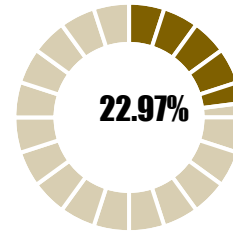
Employment and Training



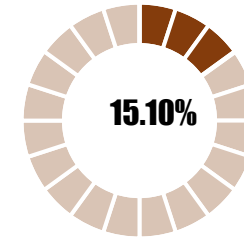
Climate and Disaster Vulnerable



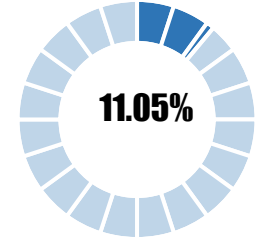
Children



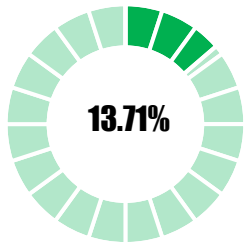
Indigenous



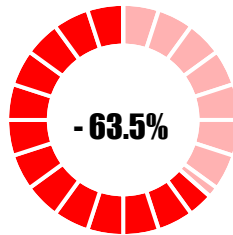
Person with Disability (PWD)



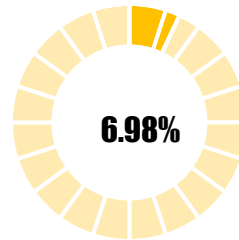
Religious Minority



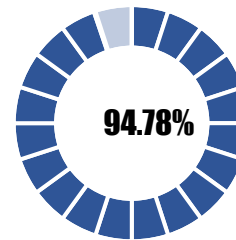
Urban Slum



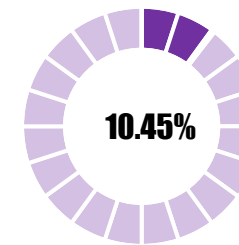
Senior Citizen



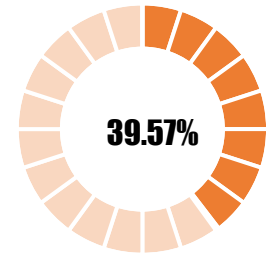
Hijra



Women



Youth



Addressing the rising inequality with fiscal policy tools

- According to the budget FY25 speech, the **government's objective is to enhance public expenditure 'progressively' by boosting revenue collection** in the second half of the forthcoming fiscal year.
- To achieve this, the government **will focus on gradually eliminating tax exemptions**
- Some of the **highest direct tax expenditure sectors as estimated by NBR includes:**
 - Microcredit, (Tk. 11,134 crore)
 - Power and Energy, (Tk. 7,611 crore)
 - Garments and Textile, (Tk. 4,369 crore)
 - Poultry/Fisheries, (Tk. 2,582 crore)
- Curiously, none of the sectors above have seen withdrawal of any tax exemptions in FY25
- In contrast, major emphasis is given to reduce exemptions in the area of VAT (indirect tax), including in some products used by the disadvantaged groups

Addressing the rising inequality with fiscal policy tools

- The malice practice of the so called ‘legalising undisclosed income’ has been extended once again with a new provision
- According to the budget speech, “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”
- **Our estimates suggest that with this provision average effective tax rate for apartments can be around 2-3%**
- **These provisions discourages honest taxpayers, and the indemnity undermines the rule of law and the spirit of economic and social justice**

Special tax treatment in respect of investment in apartments: Effective tax rate (%)

Category	Tax Payable Per Square Meter (BDT)	Average Effective Tax Rate (%)
Area 1: High-end Dhaka (e.g. Gulshan, Dhanmondi)	6,000	2.38
Area 2: Middle-end Dhaka (e.g. Mirpur, Mohammadpur)	3,500	2.65
Area 3: Metropolitan Cities outside Dhaka (e.g. Khulna City, Barishal Sadar, Cumilla Sadar)	1,000	1.92

Restoring macroeconomic stability and protecting economic growth and employment prospects

Four Pressure Points in the Macroeconomic Management



Implications for Disadvantaged Groups

- ❖ Disproportionate impact on middle- and low-income households
- ❖ Erosion of purchasing power and real wages
- ❖ Heightened food insecurity
- ❖ Increased cost of imported goods
- ❖ Reduced government spending on public services and social welfare, constraints on emergency relief funds
- ❖ Increased borrowing costs
- ❖ Possible tax increases or subsidy removals
- ❖ Decline in decent job opportunities
- ❖ Adverse effects on poverty alleviation efforts



Coping Mechanisms of Disadvantaged Groups

- ❖ Reduced food consumption
- ❖ Savings and assets depletion
- ❖ Reduced expenditures on education, health, clothing, utility and recreation
- ❖ Increased debt and reliance on high-interest informal loans
- ❖ Secondary occupations and overtime work
- ❖ Discontinuation of children's education
- ❖ Increased child labour and early marriages
- ❖ Migration in search of better earning jobs
- ❖ Drug abuse and involvement in criminal activities due to lack of employment

Restoring macroeconomic stability and protecting economic growth and employment prospects

Medium Term Macroeconomic Framework projected in Budget FY2025

Indicators	FY23A	FY24E	FY25P	FY26P	FY27P
GDP growth (%)	5.78	5.82	6.75	7.00	7.25
CPI inflation (%)	9.02	8.00	6.50	6.00	5.50
Gross Investment (% of GDP)	30.95	30.98	33.41	33.60	34.44
Private Investment (% of GDP)	24.18	23.51	27.34	27.65	28.58
Public Investment (% of GDP)	6.77	7.47	6.08	5.95	5.86
ICOR	5.35	5.32	4.95	4.80	4.75
Revenue (% of GDP)	8.20	9.50	9.70	9.80	10.00
Expenditure (% of GDP)	12.80	14.20	14.20	14.30	14.30
Budget Deficit (% of GDP)	4.60	4.70	4.60	4.50	4.40
Domestic Financing (% of GDP)	2.80	3.10	2.90	3.00	3.20
<i>of which, Bank</i>	<i>2.60</i>	<i>3.10</i>	<i>2.50</i>	<i>2.70</i>	<i>2.60</i>
Net Foreign Financing (% of GDP)	1.80	1.60	1.70	1.50	1.10
Private Sector Credit (growth,%)	10.60	10.00	9.00	13.00	14.00
Export (growth in %)	6.30	8.00	8.00	10.00	10.00
Import (growth in %)	15.80	10.00	10.00	9.00	8.00
Remittances (growth in %)	2.70	10.00	7.00	7.00	7.00
Forex Reserve (bln. USD)	31.20	29.10	32.00	35.10	38.40
Exchange rate (Tk./USD)	99	110	114	117	120

Restoring macroeconomic stability and protecting economic growth and employment prospects

- Amid one of the worst crisis for macroeconomic management, the budget for FY2025 predicts a spectacular recovery
 - **Recovery in economic growth**
 - **Revitalising private investment with slowdown of private sector credit growth**
 - **Improvement in productivity**
 - **Sharp deceleration of inflation**
 - **Improvement in forex reserve**
 - **Appreciation of Tk. against USD**
 - **Reduction of budget deficit**
- These projections are perhaps made in the backdrop of some wishful assumptions as mentioned in the Medium Term Macroeconomic Statement

Restoring macroeconomic stability and protecting economic growth and employment prospects

- Medium Term Macroeconomic Statement (MTMPS) puts forward the following assumptions:
 - *Agricultural and industrial production will remain strong and will contribute to growth of the economy.*
 - *Growth in advanced countries will remain stable in the medium-term which will contribute to growth of export items from Bangladesh.*
 - *Volatility of exchange rate of BDT against the US dollar will stabilize based on the exchange rate reform initiatives taken recently.*
 - *Inflation in Bangladesh will ease in the medium-term owing to falling global prices and exchange rate stability in the domestic market.*
 - *As inflation subsides, consumption expenditure will pick up boosting GDP growth.*
 - *As inflation and exchange rate will stabilize, import will return to positive growth trajectory.*
 - *Interest rates around the world seem to have been peaked and in the medium-term will come down. This will help rebuilding the foreign exchange reserves in Bangladesh.*
 - *Tax revenue is expected to grow at a rate exceeding nominal GDP growth due to various reform initiatives undertaken by the NBR.*
 - *Export & inward remittances remained impressively stable despite various global uncertainties. This trend will continue in the medium-term.*

Restoring macroeconomic stability and protecting economic growth and employment prospects

- There is no Plan B!
- There is no recognition of the loss emerged from recent natural disaster
- MTMPS failed recognise the deep roots of the macroeconomic distress prevailing now
- Neither budget speech nor the MTMPS adequately addressed the crisis in the banking sector
- No new efforts mentioned in the area of reforms or establishing good governance
- No mention about managing energy crisis or subsidy in the power sector
- No prediction given on energy and electricity prices
- Too much reliance of contractionary monetary policy in addressing high inflation – no mention about curbing market manipulation
- No promises to track illicit financial outflow or *hundi* business in the country
- Failed to acknowledge the growing pressure of debt
 - Foreign debt principal repayment projections for FY25 is estimated to be USD 2.6 billion according to the MTMPS while the programmed budget allocation is USD 3.2 bln
 - Only five years ago (in FY20), the corresponding figure was USD 1.3 bln

Restoring macroeconomic stability and protecting economic growth and employment prospects

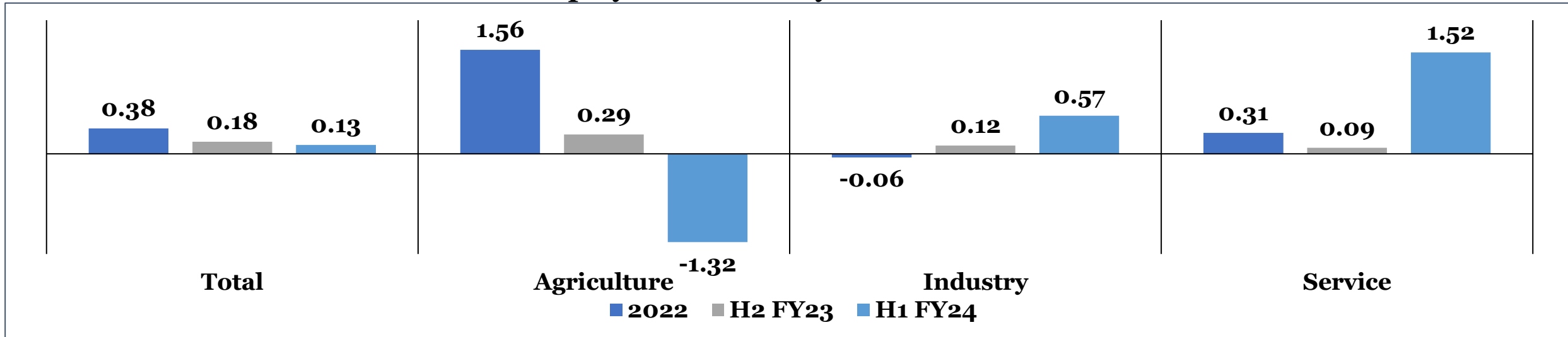
Revenue Surplus and ADP financing (Crore Tk.)

Particular	BFY25	RBFY24	BFY24	BFY23	AFY23	AFY22
A. Total Revenue Receipt	541,000	478,000	500,000	433,000	366,658	334,641
B. Operating Recurrent Expenditure	468,983	434,057	436,247	373,242	357,098	307,725
<i>Of which, Foreign interest</i>	20,500	15,800	12,376	7,200	9,437	4,554
C. Revenue Surplus (A-B)	72,017	43,943	63,753	59,758	9,560	26,916
D. Other public expenditures except ADP	55,392	27,506	54,552	51,027	17,653	19,369
E. Revenue Surplus after all expenditures other than ADP (C-D)	16,625	16,437	9,201	8,731	(8,093)	7,547
F. Foreign Debt Repayment	36,500	26,400	24,700	17,000	17,491	13,302
G. Revenue Surplus after all expenditures and foreign debt repayment other than ADP (E-F)	(19,875)	(9,963)	(15,499)	(8,269)	(25,584)	(5,755)
H. Net Domestic Borrowing	160,900	156,625	155,395	146,335	124,361	115,216
Borrowing from Banking System (Net)	137,500	155,935	132,395	106,334	118,025	75,533
Non-Bank Borrowing (Net)	23,400	690	23,000	40,001	6,336	39,683
I. Total Foreign Borrowing for ADP	123,973	98,340	123,104	108,000	93,604	74,716
Project Loan/Grant	100,000	78,840	94,000	93,000	93,604	74,716
Special Support/Credit for Development	23,973	19,500	29,104	15,000	-	-
J. Total ADP financing (G+H+I)	264,998	245,002	263,000	246,066	192,381	184,177

- **In FY23, the government had to borrow Tk. 25,584 crore to repay the principal payment for foreign for external loans!**

Restoring macroeconomic stability and protecting economic growth and employment prospects

Employment elasticity of GDP



- Budget speech or MTMPS also ignored to mention employment generation target
- It is notable to mention that in last two years, **employment elasticity of GDP was volatile**
- Indeed, since 2016, most of the incremental (net) jobs lack the 'characteristics' of decent jobs, while for the last two years growth of **average wage index is well below the inflation rate**
- **Not to mention, about 39.9% of youth (15-24 years) are NEET (as per SVRS 2023)**

Concluding Remarks

Concluding Remarks

- The experience in recent years would suggest the efficacy of national budget relies on implementation capacity
- Execution of budget for FY2025 needs to be pursued from the perspectives of disadvantaged groups who are in serious distress amid prevailing economic crisis
- Dearth of real time, disaggregated quality data puts additional obstacles to this end
- Also, there is hardly any result-based monitoring in place
- While the emphasis on crisis management, it is also critical to pursue required policy reforms to ensure sustainable recovery from the prevailing situation
- To this end, policy actions need to be carried out with transparency and democratic accountability
- Civil society demand about the mandated quarterly statement in the Parliament by the Hon'ble Finance Minister about the state of the economy particularly focusing on socio-economic condition of disadvantaged group and urges the MPs to discuss and debate on this
- On behalf of civil society, we owe the disadvantaged citizens to keep vigilance in the area of budget implementation and remain engage with continuous monitoring of the budget implementation, including with localised tools such as social audits and citizen's consultation
- In this process, we seek to engage with public representatives and other stakeholders

Thank You



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