Independent Review of Bangladesh's Development (IRBD)

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

An Analysis of the National Budget for FY2021-22

Dhaka: 4 June 2021

CENTRE FOR POLICY DIALOGUE

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The CPD IRBD 2021 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 fiscal year (FY) 2021-22 is the 50th budget of Bangladesh. The Centre for Policy Dialogue (CPD) would like to congratulate the government of Bangladesh and the Hon'ble Finance Minister for presenting the budget during the difficult time of COVID-19.
- The national budget for FY22 has been announced at a time when the country is going through the second wave of the pandemic. Since the outbreak of the pandemic in Bangladesh in March 2020, the economy has been facing the most challenging period ever in the history of Bangladesh.
- The budget for FY22 has been prepared in the context of a number of emerging signs in the economy. Despite challenges the economy has been able to maintain some stability and experienced some positive trends in FY21. However, a number of weaknesses have also been visible during the outgoing fiscal year.

I. INTRODUCTION

- Deficit in revenue mobilisation, weaknesses in government expenditure, low implementation of the Annual Development Programme (ADP), subdued industrial production, gradual pressure on food inflation and low credit flow to the private sector are worrying signs.
- On the other hand, some turnaround in case of export earnings and import payments, surplus in balance of payments, stable exchange rate and higher forex reserves are reassuring.
- Given the uncertainty on the duration of the pandemic, CPD feels that the government should prioritise its actions for mitigating not only the immediate health and economic risks but also for smooth recovery from the ongoing shocks by allocating adequate resources and appropriate measures.
- CPD has examined the context and assumptions informing the budget, fiscal budgetary framework, fiscal space and resource mobilisation targets, resource allocation, deficit financing and budget implementation challenges in view of the objectives.

I. INTRODUCTION

- The presentation on CPD's budget analysis has been structured as follows:
  - Macroeconomic perspective
  - Fiscal framework
  - Annual Development Programme (ADP)
  - Fiscal measures
  - Priority sectors
  - Other sectoral issues
  - Concluding remarks
- CPD's analysis in this presentation is based on data from relevant government publications

II. MACROECONOMIC PERSPECTIVES

II. MACROECONOMIC PERSPECTIVES

The trends of macroeconomic correlates in the ongoing FY21 reveal a number of contrasting developments when compared to previous year (FY20)

Negatives	Positives
Pace of public expenditure	Growth in revenue mobilisation
Growth in industrial production for small industries	Growth in industrial production for large industries
Rising food inflation	Declining non-food inflation
Disquieting trends in overseas migration, import of capital goods and FDI inflow	Positive developments in export earnings, remittance inflow and foreign exchange reserves
Subdued private sector investment as reflected in growth of term loan, credit uptake and imports of capital machineries	

II. MACROECONOMIC PERSPECTIVES

GDP and Investment

Indicator	FY20(p)	BFY21	RBFY21	Estimate	Projection	
				FY22	FY23	FY24
GDP growth (%)	5.2	8.2	6.1	7.2	7.6	8.0
Gross investment (as % of GDP)	31.8	33.5	32.3	33.1	34.2	36.0
Private investment (as % of GDP)	23.6	25.3	24.2	25.0	25.9	26.8
Public investment (as % of GDP)	8.1	8.1	8.2	8.1	8.3	9.2
ICOR	6.1	4.1	5.3	4.6	4.5	4.5

Source: MTMPS

- For FY22, **GDP growth** target has been set at 7.2%
- The budgetary framework of MoF projected a 6.1% GDP growth in FY21 – no basis of such projection is discussed
  - Provisional estimates from BBS for FY21 are not available as yet
  - Even final estimates for FY20 are still unavailable!
- GoB's growth projection is higher than the forecasts by World Bank (3.6%, in April 2021), IMF (5.0%, in April 2021) but lower than ADB (6.8%, in April 2021)

II. MACROECONOMIC PERSPECTIVES

- **Public investment-GDP ratio** in FY22 has been assumed to be 8.1% (8.2% in FY21)
- **Private investment** has been estimated to be 25.0% of GDP in FY22
  - In FY22, Tk. 117,000 crore (approx.) will be additionally required for private investment (15.6% increase in nominal terms) based on the MoF estimates for FY21 (Tk. 747,135 crore)
- **ICOR** is expected to be 4.6 in FY22 – productivity of capital is projected to rise (5.3 in FY21; 6.1 in FY20)

II. MACROECONOMIC PERSPECTIVES

Monetary sector and Inflation

Indicator	FY20(p)	BFY21	RBFY21	Estimate	Projection	
				FY22	FY23	FY24
Private sector credit growth (%)	8.6	16.7	14.8	15.0	15.0	15.0
CPI inflation (%)	5.7	5.4	5.4	5.3	5.2	5.1

Source: MTMPS

- **Growth of credit to private sector** has been set at 15.0% in FY22 – almost same as FY21
  - As of March 2021, private sector credit growth was only 8.8%
- **Inflation** is assumed to be stable at 5.3% in FY22
- Inflationary trends have broadly remained stable in the closing months of FY21 (5.6% in April 2021)
  - However, food inflation appears to be creeping up (5.7% in April 2021)

II. MACROECONOMIC PERSPECTIVES

External sector

Indicator	FY20(p)	BFY21	RBFY21	Estimate	Projection	
				FY22	FY23	FY24
Export (growth in %)	-17.1	15.0	12.0	15.0	13.0	12.0
Import (growth in %)	-8.6	10.0	11.0	14.0	13.0	11.0
Remittance (growth in %)	11.2	15.0	35.0	15.0	12.0	10.0

Source: MTMPS

- **Growth target for export earnings** has been set at 15.0% in FY22
  - Up to April FY21, total export growth was 8.7%, but MoF projection for FY21 is 12%
- **Growth target for import payments** has been set at 14.0% in FY22 and projected to be 11% in FY21
  - Up to April FY21, total import growth was 13.0%. However, particularly alarming is the slowdown in capital machineries import [(-)7.4%]
  - Up to March FY21, total L/C opening exhibited a growth of 5.4% while that of capital machineries recorded a decrease of 19.8%

II. MACROECONOMIC PERSPECTIVES

- Remittance growth target for FY22 has been set at 15.0%. Overall outlook on outward migration was not very optimistic in the MTMPS
  - During Jul-May FY21, remittance inflow posted an increase of 39.5% over corresponding figure. However, overseas migration posted a decline of (-) 59.0% during the aforementioned period
- Exchange rate is expected to depreciate and reach Tk. 85.3/USD on an average in FY22 (currently Tk. 84.8/USD)

Public debt

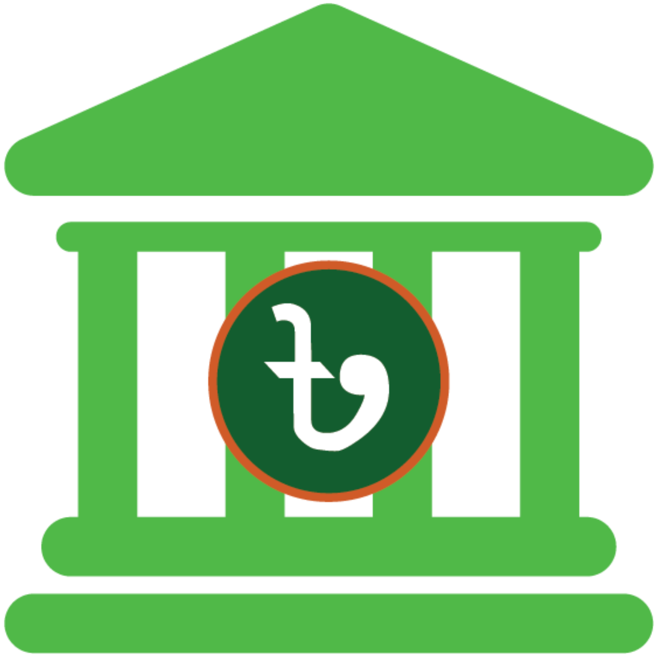
- **Public debt** as share of GDP is at a **reasonable** state for Bangladesh (36.0% in FY20, 39.0% in the revised budget of FY21)
  - May increase to some extent in FY22 (40.3%) – driven by higher domestic and external borrowing in view of the ongoing COVID-19 pandemic
- At present, about 62.2% of the total public debt is attributable to domestic debt
  - This composition is expected to change in the coming years (domestic debt: 61.8% in FY24)
- Interest payments for domestic debt is already on an upward trajectory
- As will seen, 19.0% of total revenue expenditure will be spent on debt servicing in FY22 (90.4% of the amount will be to service domestic debt)

II. MACROECONOMIC PERSPECTIVES

The macroeconomic framework and 8FYP

Indicator	FY20(p)	RBFY21	BFY22	8FYP target				
				FY21	FY22	FY23	FY24	FY25
GDP growth (%)	5.2	6.1	7.2	7.4	7.7	8.0	8.3	8.5
Gross investment (as % of GDP)	31.8	32.3	33.1	32.6	32.7	34.0	34.9	36.6
Private investment (as % of GDP)	23.6	24.2	25.0	24.4	24.5	25.3	26.1	27.4
Public investment (as % of GDP)	8.1	8.2	8.1	8.2	8.2	8.7	8.9	9.2
Expenditure (as % of GDP)	14.9	17.5	17.5	17.1	16.9	17.6	17.9	19.1
CPI inflation (%)	5.7	5.4	5.3	5.1	4.9	4.8	4.7	4.6
Private sector credit growth (%)	8.6	14.8	15.0	14.2	14.5	14.3	14.2	14.0
Export (growth in %)	-17.1	12.0	15.0	12.1	10.3	10.5	10.6	10.8
Import (growth in %)	-8.6	11.0	14.0	10.0	10.0	10.5	11.0	11.5
Remittance (growth in %)	11.2	35.0	15.0	8.0	7.0	7.0	7.0	7.0

- It appears that the budgetary framework anticipates most of the macroeconomic correlates to perform better than the targets set in 8FYP
  - Except for GDP growth and inflation
- The macroeconomic framework is largely flawed and far from reality!



III. FISCAL FRAMEWORK

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Broad fiscal framework for FY22

- **Public expenditure** (12%) projected to grow **faster** than **revenue mobilisation** (10.7%)
  - Total budget expenditure is set at 17.5% of GDP (same as RBFY21)
  - Revenue income will be 11.3% of GDP (11.4% in RBFY21)
- **Development expenditure** (14.0%) programmed to grow **faster** than **Operating expenditure** (11.7%)
- **ADP**: 37.3% of total public expenditure (36.7% in the RBFY21)
- **Budget deficit** has been projected at 6.2% of GDP (6.1% in RBFY21)
- The envisaged deficit is likely to be financed by significant increase in foreign borrowing and reduced bank borrowing!

The proposed targets in FY22 Budget are far from reality if most likely actual figures at the end of ongoing fiscal year (FY21) are taken into consideration. This has significantly weakened the fiscal framework of that informs FY22 Budget.

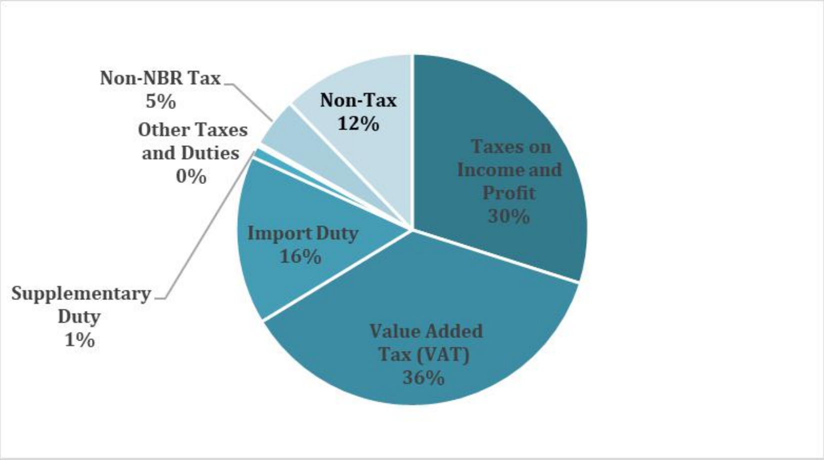
III. FISCAL FRAMEWORK

Revenue mobilisation

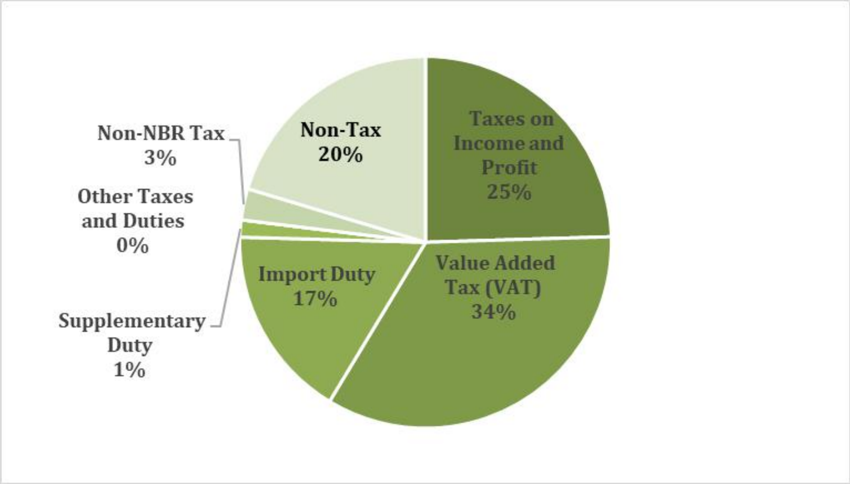
FY22 (Crore Tk.)	389,000
FY21(Revised Budget) (Crore Tk.)	351,532
FY21 (CPD Projection) (Crore Tk.)	298,000
Target Growth (%) FY22 (Budget)	10.7
Target Growth (%) FY22 (CPD Projection)	30.5

- Budget FY22 targets a 10.7% growth over RBFY21
  - CPD projection: 30.5% on actual FY21: approx. an additional about Tk. 91,000 crore may need to mobilised
- NBR to grow by 9.6% and deliver the lion's share of the incremental revenue (77.4%)
- To be primarily delivered by VAT (33.4% of total incremental revenue)
- Taxes on Income, Profits and Capital Gains are expected to provide on 24% of incremental revenue
- About Tk. 7,468 crore incremental revenue is expected from the **non-tax revenue sources**

Share of revenue FY22



Incremental share of revenue FY22



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III. FISCAL FRAMEWORK

Total Public Expenditure

Sector	Share in BFY22	Share in RBFY21	Change in FY22B over FY21R		Incremental Share
	%		Crore Tk	%	%
Public Services	18.7	17.7	17366.0	18.2	26.8
Education and Technology	15.7	14.6	16193.0	20.6	25.0
Transport and Communication	11.9	11.2	11918.0	19.8	18.4
Interest	11.4	11.8	4766.0	7.5	7.4
LGRD	7.0	7.9	-233.0	-0.5	-0.4
Defence Services	6.2	6.2	3781.0	11.3	5.8
Social Security and Welfare	5.7	5.5	4761.0	16.1	7.4
Health	5.4	5.8	1259.0	4.0	1.9
Agriculture	5.3	5.5	2187.0	7.4	3.4
Public Order and Safety	4.8	5.0	2178.0	8.1	3.4
Energy and Power	4.6	4.4	3707.0	15.6	5.7
Housing	1.1	1.4	-1080.0	-14.5	-1.7
Recreation, Culture and Religious Affairs	0.8	0.9	239.0	5.1	0.4
Industrial and Economic Services	0.7	0.8	-177.0	-4.2	-0.3
Others (Memorandum Item)	0.8	1.3	-2167.0	-29.8	-3.3
Total Expenditure	**100.0**	**100.0**	**64698.0**	**12.0**	**100.0**

- Public services sector accounts for 26.8% of total incremental expenditure; followed by education, and technology (thanks to Rooppur Power Plant)

III. FISCAL FRAMEWORK

Sectors with higher share in BFY22
Public Services
Education and Technology
Transport and Communication
Social Security and Welfare
Sectors with lower share in BFY22
Interest
LGRD
Health
Agriculture
Public Order and Safety
Housing
Recreation, Culture and Religious Affairs
Industrial and Economic Services

- **Within Public Services Sector, Finance Division receives** an incremental amount of **Tk. 15,550** crore (about 24% of total additional public expenditure for FY22) – of which **Tk. 8,528** crore additional allocation has been kept for **investment in equity and shares**
- Total incremental allocation for **Interest Payments** is **Tk. 4,766** crore; of which, **domestic interest** is **Tk. 3,500 crore**

Contingent Liability

- Government's guarantee (contingent liability) increased by 21.7% over the last one year – a negative development!
- Power and energy sector remains the leading sector in terms of receiving guarantee from the government

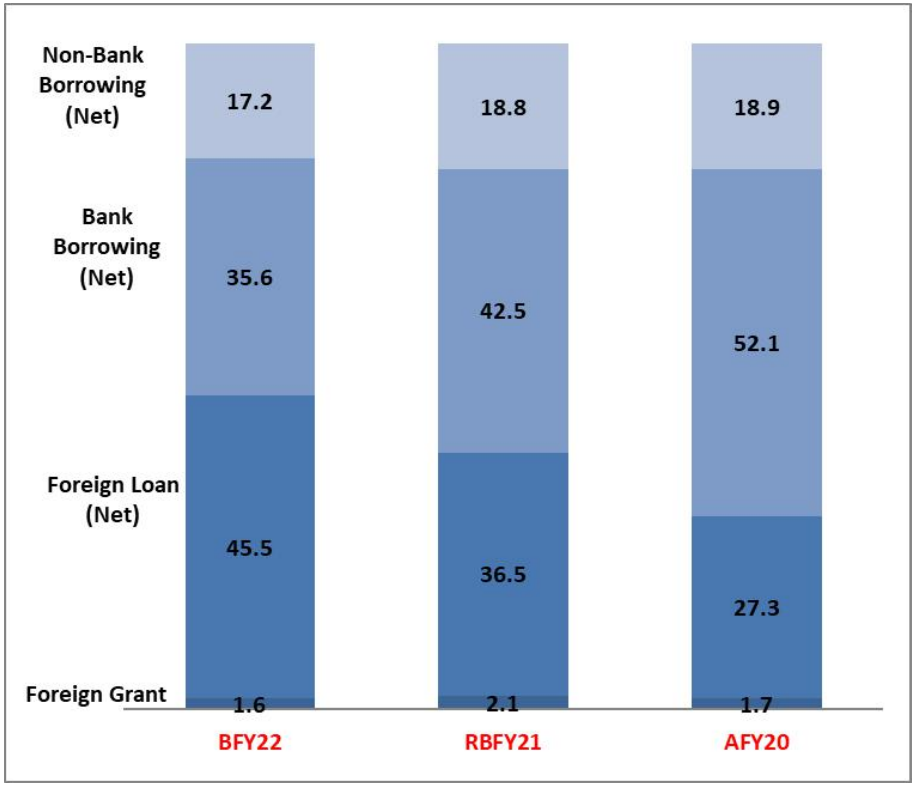
List of Government Guarantees (Contingent Liability)

Sector	Amount (Crore Tk.)			Growth (%)		Share (%)		
	FY20	FY21	FY22	FY21	FY22	FY20	FY21	FY22
Agricultural Credit	3,143	3,681	4,967	17.1	34.9	5.4	6.1	6.7
Biman	4,937	10,279	10,909	108.2	6.1	8.5	16.9	14.8
Energy	**3,381**	**1,199**	**1,522**	**-64.6**	**27.0**	**5.8**	**2.0**	**2.1**
Power	**33,777**	**33,742**	**41,692**	**-0.1**	**23.6**	**58.4**	**55.6**	**56.5**
Telecom	1,315	1,169	1,109	-11.1	-5.1	2.3	1.9	1.5
Miscellaneous	11,272	10,584	13,637	-6.1	28.8	19.5	17.4	18.5
Total	**57,826**	**60,653**	**73,836**	**4.9**	**21.7**	**100.0**	**100.0**	**100.0**

III. FISCAL FRAMEWORK

Budget Deficit and Financing

- Share of **domestic financing 52.8**% in FY21 (61.4% in RBFY21)
- Tk 76,452 crore (35.6% of total) will come from the bank borrowing – lower than RBFY21
- Tk. 32,000 crore from net sale of NSD certificates
- Entire incremental budget deficit will be financed through foreign aid
- Gross foreign aid requirement will be around **USD 13.8 bln** (USD 10.1 bln in RBFY21)



- **Utilisation of foreign aid will hinge on ability to implement the planned ADP projects (76.1%) and COVID-19 related special assistance (18.5%)**
- While foreign debt and debt servicing are well within acceptable limits, there is a need for a clear picture for emerging debt scenario. Foreign debt servicing payments has risen by 50% in two years.

Implementation status of stimulus packages

		Allocation			Disbursement	
Name of the Package	**Type**	**In crore BDT**	**As share of total COVID funding**	**As share of GDP**	**Share of funds disbursed (in %)**	**Number of recipients**
Special fund for salary support to export oriented manufacturing industry workers	Liquidity support	5,000	3.89	0.02	100	3,800,000 persons
Providing working capital facilities for the affected large industries and service sector organizations	Liquidity support	40,000	31.15	0.15	81	3,166 firms
Providing working capital facilities to small (including cottage industries) and medium enterprises	Liquidity support	20000	15.57	0.08	73	95,407 firms
Agricultural Refinancing Scheme	Liquidity support	5000	3.89	0.02	79	176,000 persons
Refinancing scheme for low-income farmers and small traders	Liquidity support	3,000	2.34	0.01	59	263,000 persons
Government subsidy for interest waiver of deferred bank loans for the month of April-May/2020	Liquidity support	2,000	1.56	0.01	70	7,280,000 persons
Special honorarium to doctors, nurses and health workers	Fiscal stimulus	100	0.08	0.00004	49	9,579 persons
Families of the deceased frontline pubic sector officials	Fiscal stimulus	750	0.58	0.003	8	132 families

III. FISCAL FRAMEWORK

- The total size of COVID-19 response funds currently stand at BDT 1,28,441 crore or USD 15,111 million which is equivalent to 4.2% of the GDP for RBFY21
- A total of 58,115,211 individuals and 104,996 firms have received liquidity support and fiscal stimulus as part of the government's COVID-19 response
- Since about **80%** of the government's COVID-19 response funds are in the form of **liquidity support**, banks have played a central role in view of recovery of the pandemic-affected economy.
- Bangladesh's **fiscal** stimulus package is a meagre 20.41% of its total COVID-19 relief funds or only **0.91%** of its GDP, and falls far short of the 11% of GDP that is estimated to be required to mitigate the socioeconomic impacts of COVID-19.
- **Liquidity support cannot be treated as philanthropy** and so banks cannot provide loans to anyone on humanitarian grounds.
- **Liquidity support is inadequate for small borrowers and new borrowers, as well as those who are the poorest and most vulnerable.** Therefore, more direct cash support should be provided by the government so that these groups can adjust to the shocks of COVID-19.

IV. ANNUAL DEVELOPMENT PROGRAMME

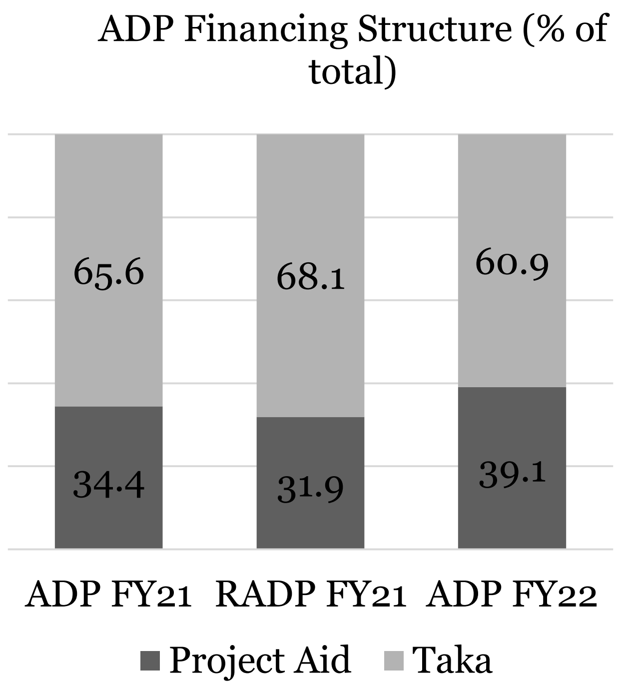
IV. ANNUAL DEVELOPMENT PROGRAMME

The ADP for FY22 is earmarked under 15 sectors instead of the previously reported 17 sectors

- ➢ This makes year-on-year comparison at the sectoral level impossible

❑ ADP of Tk. 225,324 crore has been proposed for FY22

- ➢ 6.5% of GDP in FY22 (6.5% in BFY21 and 6.4% in RBFY21)
- ➢ 9.8% higher than the ADP for FY21 and 14% higher than RADP for FY21
- ➢ The rate of implementation of original ADP in FY21 is likely to be **not more than 80%** even in best case scenario in view of COVID-19
- ➢ In that case, ADP needs to be more than 37%
- ➢ Project Aid to finance 39.1% of total ADP in FY22 (34.4% in ADP of FY21)
- ➢ **Rooppur Power Plant** accounts for 18.2% of total project aid in ADP for FY22



IV. ANNUAL DEVELOPMENT PROGRAMME

- The **top 5 sectors** have received **76.3%** of total ADP allocation
  - **Transportation and Communication Sector** once again has received the highest allocation (27.4% of total) for the highest number of projects (290). **Power and Fuel** have received second highest share in ADP allocation
  - These two sectors account for about 48% of total ADP allocation
  - Rooppur project accounts for 40.3% of total allocation for Power and Fuel sector

Sector	No of projects in ADP FY22	Share (%) ADP FY22
Top five sectors	**743**	**76.3**
Transportation and Communication	290	27.4
Power and Fuel	83	20.4
Housing and Community Facilities	188	10.5
Education	117	10.3
Health	65	7.7
Other 10 Sectors	**683**	**22.1**
Development Assistance	NA	1.7
Total	1426	100.0

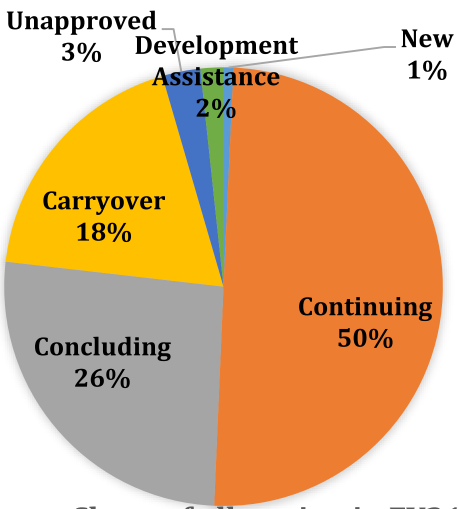
IV. ANNUAL DEVELOPMENT PROGRAMME

- The share of Health sector in ADP FY22 (7.7%) has increased from 6.4% in ADP FY21 – however, given the pandemic situation the increase remains below what is needed
- It includes only **two continuing projects** related to COVID-19 titled "COVID-19 emergency response and pandemic preparedness" and "COVID-19 response emergency assistance" co-financed by World Bank and Asian Development Bank
- No new project has been proposed to particularly address COVID-19
- Also, no COVID-related project was found in the list of 'Unapproved projects without allocation'

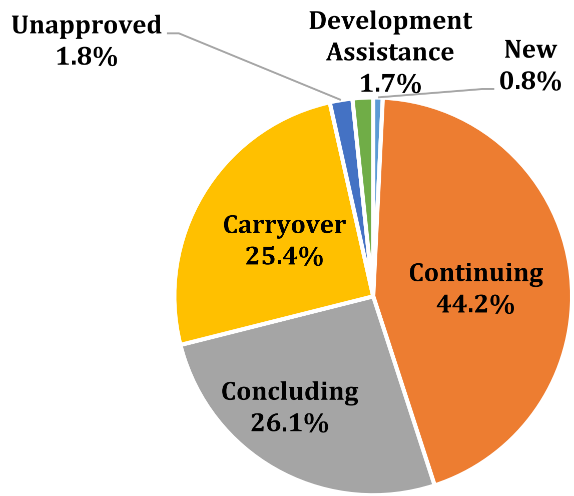
- Share in ADP allocation has declined marginally **for Agriculture** sector, from 4.1% in FY21 to 3.4% to FY22 at a time when ensuring food security remains a high priority

IV. ANNUAL DEVELOPMENT PROGRAMME

- The ADP for FY22 contains **1,426 projects** (1,584 for ADP of FY21)



Share of allocation in FY21



Share of allocation in FY22

- **Share of allocation for continuing projects has declined while that of carryover projects has increased**
  - Higher share of carryover project would imply need for additional allocation due to cost escalation
  - Share of continuing projects declined to 44.2% in FY22 from 50% in FY21
  - 44.2% of allocation is provided to 334 continuing projects in FY22 (430 in FY21)
- **29 new projects** are included in FY22 (46 in FY21): 0.8% of total ADP allocation (1% in FY21)
  - 172 new projects were included in the RADP for FY21
- Share of concluding projects almost stagnant at about 26%

IV. ANNUAL DEVELOPMENT PROGRAMME

- A total of **441 projects are scheduled to be concluded in FY22**, according to project completion timeline
- **622** 'carryover' projects account for **25.4%** of the total allocation (18.7% in FY21, 7.9% in FY20 – highest since at least FY13)
  - Transportation and Communication has 141 of these projects, followed by Housing and Community Facilities (81), Education (66), Industrial and Economical Services (47), and Power and Fuel (38)
  - Thus, total number of projects which should be concluded: **1063**
- Planning Commission has identified **355** projects which may be **completed in FY22**
  - **Many of these are unlikely to be completed in FY22**
- 596 projects are listed without allocation (in a separate list) in FY22

Project Status	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Unapproved projects without Allocation	720	662	624	857	1,172	1,315	1,338	1,045	1347	596
Projects listed to seek Foreign Funds	327	346	338	382	349	360	326	242	96	141
Total Number of Projects in the ADP	**1,037**	**1,046**	**1,034**	**999**	**1,141**	**1,192**	**1,347**	**1,475**	**1,584**	**1426**
PPP	13	44	40	40	32	36	78	62	61	0
Possible Completion (PC identified)	330	305	324	324	354	411	446	355	380	355

IV. ANNUAL DEVELOPMENT PROGRAMME

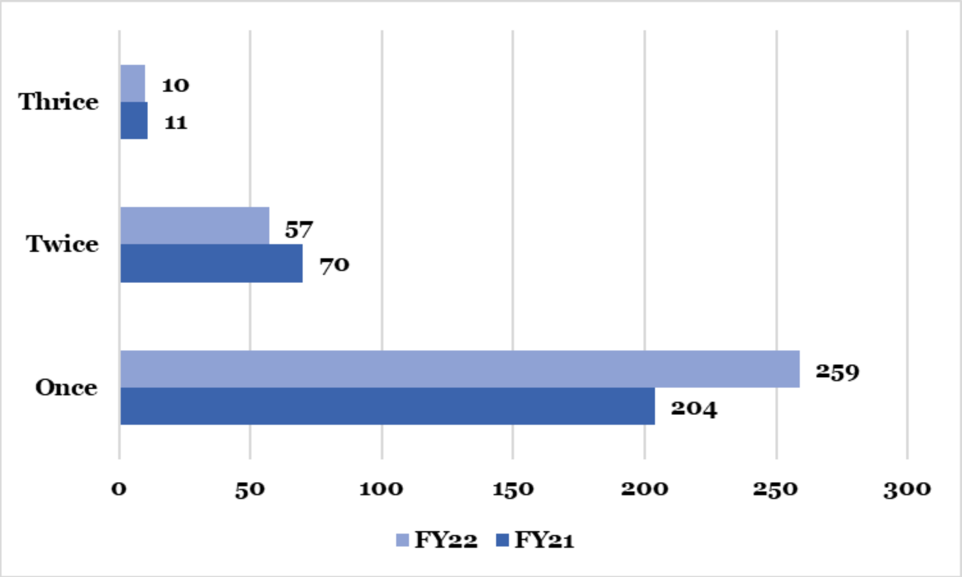
- It is observed that **the share of projects with symbolic allocation (token allocation to keep these projects in the ADP list) <u>is on the decline – a positive development!</u>**
- **<u>Majority of these are carryover projects</u>**
  - **31 projects (2.2%) under ADP received only Tk. 1 lakh** for FY22; 64 projects (4.0%) received such allocation in FY21
  - Inclusion of projects under Tk. 1 lakh have been a perpetual practice (64 projects in FY21)
  - **26 (84%) of those are carried over from ADP FY21**
  - 8 and 6 out of the 31 projects are in Transportation and Communication and Housing and Community Facilities sectors, respectively

IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Time-overrun projects continue!

- **Average age** of 1,308 investment projects is **3.5 years**
- **163** (12.5%) of these 1,308 projects are more than 6 years old (due to repeated extensions of projects)
- **31** of these 1,308 projects are 10-15 years old
- **24.1%** of investment projects in ADP for FY22 have already been revised between 1-3 times
- Number of **projects with time extension** increased from **285 in FY21 to 326 in FY22**
- **Revised unapproved projects** in ADP FY22: **56** out of the 1,308 investment projects

ADP Projects with number of revisions



Independent Review of IRBD Bangladesh's Development

IV. ANNUAL DEVELOPMENT PROGRAMME

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

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 20 (%)	Possible Progress till Jun 22 (%)	End date
Construction of Rooppur Nuclear Power Plant	01/07/2016	113,093	28.1	53.3	30/12/25
Padma Bridge Rail Link	01/01/2016	39,247	31.7	55.4	30/06/24
Matarbari 2x600 MW Ultra-Super Critical Coal-Fired Power Project	01/07/2014	35,984	35.4	64.2	30/06/23
Padma multipurpose Bridge project	01/01/2009	30,193	77.6	96.1	30/06/21
Dhaka Mass Rapid Transit Development Project (Metro Rail)	01/07/2012	23,490	47.5	91.5	30/06/24
Construction of Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and Ramu to Ghundum near Myanmar Border	01/07/2010	18,034	0.0	13.4	30/06/22
Construction of Dhaka-Ashulia Elevated Expressway	01/01/2017	16,901	7.3	30.6	30/06/22
SASEC Road Connectivity: Improvement of Elenga-Hatikumrul-Rangpur-Highway into 4-Lane Highway	01/09/2016	16,662	12.6	41.4	31/12/24
Ghorasal Polash Urea Fertilizer Project (GPUFP)	01/10/2018	10,461	28.5	82.0	30/06/22

IV. ANNUAL DEVELOPMENT PROGRAMME

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

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 20 (%)	Possible Progress till Jun 22 (%)	End date
Construction of Multilane Road Tunnel under River karnaphuli	01/11/2015	10,374	47.9	77.5	31/12/22
Rupsha 800-Megawatt Combined Cycle Power Plant	01/07/2018	8,499	7.4	16.1	30/06/22
Installation of Single Point Mooring (SPM) with Double Pipe Line	01/11/2015	6,568	40.8	62.9	30/06/22
SASEC Road Connectivity: Improvement of Joydebpur-Chandra-Tangail-Elenga Road (N-4) to 4-Lane Highway	01/04/2013	6,214	70.2	94.7	30/06/22
Developing Port Infrastructure/Support Facilities of Payra Port for Commencing Port Operations	01/07/2015	4,374	59.7	81.5	30/06/22

IV. ANNUAL DEVELOPMENT PROGRAMME

- **Mega Projects: Allocations for these have increased, but not the pace of implementation**
- Tk. 51321 crore is allocated for 14 mega projects (all infrastructure including fast-track and based on project size) which is 22.8% of total ADP of FY22.
- 8 out of 14 mega projects are scheduled to be completed in FY22
  - None of these projects has received the required allocation for completion in FY22 – not even the Padma Multipurpose Bridge project
- China is co-financing 5 out of these 14 projects, and progress of implementation of these projects are not satisfactory

IV. ANNUAL DEVELOPMENT PROGRAMME

- **<u>Future projects with expected foreign aid</u> both in terms of allocation and number have increased from previous year (FY21)**
  - 141 projects have been listed with expected foreign aid financing in FY22
  - The estimated cost of all of these projects was USD 41.6 billion in FY22
  - Estimated Project Aid to be obtained from different sources was USD 28.7 billion in FY22
  - Highest share of Project Aid to be obtained is in Transport and Communication (60.3% for 59 projects) and Power and Fuel (10.7% for 20 projects) – emphasis on infrastructure to continue!
  - Housing and Community Facilities are expected to receive the third highest share (9.6%) of project aid – mainly for one single project "Municipal and Governance and Services Project (2nd phase)"

IV. ANNUAL DEVELOPMENT PROGRAMME

Five important observations can be made for ADP FY22 in view of COVID-19

- No significant change in the structure of ADP allocation for FY22 can be observed in alignment with the changes in allocative priorities in view of COVID-19 pandemic
  - Physical infrastructure-related sectors have continued to dominate with inadequate attention to **Health, Agriculture, Social Welfare** and **Labour & Employment sectors**
  - No effort to initiate new projects to address COVID-19 emergencies
- Utilisation of foreign aid will be critical for ADP implementation
- The problems of 'carryover' and 'time-overrun' projects will persist in FY22
- Mega projects are likely to miss their deadlines – the wait may continue with consequent adverse impacts on public service delivery and crowding-in private sector investment
- The delay in implementing mega projects will also have repercussions in the form of cost escalation
- Some positive developments can be observed in the area of making 'symbolic allocations' for the so-called 'populist projects'

V. FISCAL MEASURES

V. FISCAL MEASURES

- ***Personal Income Tax (PIT) structure remains generally unchanged***
  - Tax-free limit for transgenders raised to Tk. 3.5 lakh – *will promote social inclusion*
  - Some changes were introduced in FY21. CPD argued that reducing the highest tax rate (from 30% to 25%) was *against the cause of promoting tax justice*. The highest tax rate should be reinstated at 30% for top earners
  - The second slab for PIT which is 5% for additional Tk. 1 lakh should be increased to Tk.3 lakh to provide cushion to low income earners
- **Wealth Surcharge** free limit remains unchanged at Tk. 3 crore. Payees with net personal wealth worth over Tk. 50 crore will have to pay at a higher rate of 35%. – *a potential source of revenue generation from wealthy citizen. Right step in view of promoting equity*

V. FISCAL MEASURES

❑ *Major changes in Corporate Income Tax structure*

- CIT decreased for publicly traded companies (22.5% from 25%), non-publicly traded companies (30% from 32.5%), one person companies (25% from 32.5%), association of persons (30% from 32.5%). - *measure will provide relief to corporate entities with expectations that this will encourage more tax compliance. However, to ensure uniformity, tax rate for one-person companies should remain at 30% in line with the non-publicly traded companies' rates*
- Rates for banks, insurance, cigarette companies (45%+2% surcharge), mobile phone companies (40%-45%) remained unchanged
- CIT for MFS institutions have been raised to 40% from 32.5%. However, no MFS institution has reported earning profits in recent period. *Fair competition for lowering the cash-out rate may be hampered. The burden is likely to be passed on to end-users who tend to be mostly marginalised people*
- CIT imposed on private universities and private medical colleges at 15%. Minimum amount of tax may be raised, if there any! *Non-profit entities and educational institutes should not be taxed mostly*
- Minimum turnover tax for personal businesses have been reduced to 0.25% from 0.5%. – *welcome move*
- Fish farmers will pay income tax at a higher rate for an annual income of over Tk. 20 lakh at 15% rate. - *revenue generating measure*

V. FISCAL MEASURES

- **Tax deducted at source (TDS)** for suppliers' payments has been raised by a significant margin

Payment to suppliers	Current rate	Proposed rate	Rise
up to 15 lakh	**2%**	**3%**	**50%**
<15 lakh to 50 lakh	3%	3%	0%
<50 lakh to 1 crore	**4%**	**5%**	**25%**
<1 crore to 2 crore	5%	5%	0%
<2 crore	**5%**	**7%**	**40%**

  - About 22% of TDS income was sourced from suppliers' payments in FY18 while TDS accounts for more than 60% of total earnings from income tax. This would be a major source of the government to generate additional revenue

- TDS is exempted for workers without taxable income participating at Workers Profit Participation Fund (WPPF) only up to Tk. 25,000. – *this should be exempted for all workers without taxable income irrespective of the amount of funds received*

V. FISCAL MEASURES

- ***Tax holiday expanded for a wide range of sectors***
  - On top of existing 22 IT enabler services enjoying tax exemptions, the provision has been expanded to six more services i.e. cloud services, system integration, e-learning platform, e-book publications, mobile apps development service and IT freelancing until 2024. – *timely move to encourage more young IT entrepreneurs*
  - **Mega industry** (e.g. three and four wheelers producers who invest at least Tk. 100 crores for ten years) or **home appliance producers** which promote **Made in Bangladesh**
  - Establishment of **vocational and technical institutions** which impart training to develop skilled human resource
  - Entrepreneurs of **Light Engineering** and **IT Hardware**
  - Investment for establishing **hospitals** in cities other than Dhaka, Narayanganj, Gazipur, Chittagong
  - **Women Entrepreneurs in SME sectors** to receive tax exemption up to Tk. 70 lakh
- All these initiatives have long-term revenue implications. Use of these provisions will need to be carefully monitored

❑ *Untaxed/undisclosed money provision*

- Special tax treatment extended for investments in securities and for undisclosed property and cash will end by 30 June 2021. Nor mentioning anything about this should be interpreted as not providing any such opportunity hereon
- However, clauses related to special tax treatment for investments in building/ apartment, BIFF bond and economic zone or hi-tech parks will continue
- CPD urges to announce an SRO withdrawing all such provisions and these to be discontinued with a view to disincentivise tax avoidance/tax evasion

V. FISCAL MEASURES

Indirect Tax Measures

- **Changes in VAT and SD Act, 2012**
  - VAT-free annual turnover threshold stands at Tk. 50 lakh;
  - turnover tax ceiling has not changed either (upto Tk. 3 crore);
  - 4% turnover tax also remained unchanged
  - *CPD called for an upward revision for VAT-free annual turnover threshold to Tk. 1 crore in its Budget Analysis for FY21*
  - **Provision of fine and rate of interest to be halved on arrear VAT in the VAT and SD Act, 2012:** Fine (From twice the amount of revenue to equal), Monthly rate of interest (From 2% to 1%), Yearly interest (From 24% to 12%) - *will leave more space for VAT evasion, failure and anomaly. Defaulters should be penalised accordingly*

Changes in duties at import stage

- Existing (six) slabs of Customs Duty (0%, 1%, 5%, 10%, 15%, and 25%) will remain unchanged
- 12 slabs (10%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 300%, 350%, and 500%) of SD to also continue

V. FISCAL MEASURES

Modernisation of Agriculture Sector and protecting the domestic producers

- **VAT exemption at manufacturing and trading stages** of weeder and winnower – *will help promote agro-related investment*
- Continuation of zero tariff on major agricultural inputs imports, zero tariff on essential food items, and rationalization of duties on imports of other daily commodities – *welcome move*
- **Increased tariff on carrot and mushroom imports** and fixation of minimum value of carrots, mushrooms, green chilies, tomatoes, oranges and capsicum – *will protect domestic farmers*
- Increased tariff rate on import of industrial salt at par with edible salt and meat imports – *to protect salt farmers domestic meat processing industry and cattle farmers*
- CD has been reduced on agricultural inputs to provide necessary protection to consolidate the production of agricultural machineries
- Advance Tax (AT) exemption at local stage on thresher machine, power reaper, power tiller, operated seeder, combined harvester, rotary tiller, weeder and winnower– *will encourage mechanization of agriculture. However, CPD observes that for **rice huller and wheat crusher**, total tax incidence has been increased to 43% from 37%*

V. FISCAL MEASURES

Promotion of domestic industrialisation

- Following a 1% reduction in FY21 budget, Advance Tax (AT) on imported raw materials for manufacturing industries has been reduced to 3% from 4% - *will encourage local manufacturing industries*
- Extension of existing 5% VAT rate for manufacturing of **LPG cylinder** for another year – *will encourage growth of local LPG manufacturing*
- Extension of existing VAT exemption facility for manufacturing of the following: Refrigerator (up to FY23), Polypropylene staple fiber (Up to FY24), Air conditioner (Up to FY25), Motor vehicle (Up to FY26) - *welcome move*
- **VAT on paper cone manufacturing** has been reduced to 5% from existing 15% to help develop light engineering industries - *will encourage the sector*

V. FISCAL MEASURES

Developments in health services

- Continuation of VAT exemption facility at import, manufacturing and trading stage and also tariff exemption on COVID-19 test kit, PPE and vaccine, on Meditation service *– welcome decision*
- VAT exemption at local manufacturing stage on the production of sanitary napkin *– will ensure health protection of women*
- Withdrawal of 10% SD from locally manufactured "Long Pan" *– will make sanitation facility cheaper for rural people*
- VAT exemption on autism related services - *welcome move in support of the disadvantaged*
- Duty free facility on the import of Implantable 'Occluder' used for the treatment of children born with heart defects *– welcome move*
- Inclusion of some of the raw materials for the local production of Active Pharmaceutical Ingredients (API) in the existing concessions*– will be helpful for the pharmaceutical industry*
- Expansion of the existing concessional facilities for import of raw materials required for the production of medical products*– to consolidate the health sector*

Independent Review of IRBD Bangladesh's Development

V. FISCAL MEASURES

Tax on Tobacco and Tobacco related products

- Prices and duties of cigarettes under high and premium slabs have been raised
- Whereas others remained unchanged (Lower Slab, Medium Slab, Bidi, Jarda, Gul etc.)
- Considering the health consequences of these harmful products, there should have been a rise in price and SD on the bidi and other low slab products as well

Development of local mobile handset industries and Information Technology (IT) sectors

- Extension of existing VAT exemption facility on manufacturing and assembling of mobile phone up to FY24
- VAT exemption on local manufacturing of computer accessories
- Inclusion of e-learning and e-book within the scope of Information Technology Enabled Services (ITES)

All welcome move

V. FISCAL MEASURES

ICT sector

- Concessionary facilities for the import of computer accessories and raw materials of ICT industry – *will protect domestic computer / laptop and ICT product manufacturers*
- Existing concessions on raw materials of phone industry to be made more investment friendly and rational – *will expand cellular phone manufacturing, assembling and backward linkage industry*
- Increased tariff on import of feature phones - *will protect domestic industry*

Electronics industries

- Expansion of the existing concessionary rate on raw materials importation of refrigerator and compressor manufacturing industries– *will protect the Electronics industrial sector*
- More concession on certain raw materials of TV manufacturing industry – *will be helpful for developing TV manufacturing sector*

V. FISCAL MEASURES

Promotion of Small and Medium Industries

- ❑ Applicable duties have been raised on import of some finished products – *will protect small and medium industries*
- ❑ 1% exemption rate for the import of capital machineries for small and medium enterprises irrespective of commercial and industrial establishments
- ❑ Concessional facilities for import of 2 major raw materials of the aforesaid industry and increase the minimum value at the import stage of finished products – *will protect manufacturing industry which produces the widely used paper cup*
- ❑ Duty-free access for some of the raw material imports of the endangered conch industry – *will help an industry which is barely surviving*

V. FISCAL MEASURES

Export-oriented industries

- Inclusion of photosensitive rotary screen, temperature sensor and loaded PCB in the concessionary rate *– will protect the textile industry*
- Concessionary rate for the import of two raw materials for the footwear industry *– will help export diversification and encourage the potential footwear industry*

Measures to reduce dependency on foreign goods

- VAT has been exempted as per the followings: at **local production stage** in manufacturing of blender, juicer, mixer, grinder, electric kettle, rice cooker, multi cooker, pressure cooker; **at production level** in manufacturing of washing machine, microwave oven and electric oven; on manufacturing of puffed rice; on fresh fruit at **trading stage**
- Advance Tax (AT) at local stage has been exempted on certain raw materials of iron products, scrap vessel and ethylene glycol, terephthalic acid, ethylene/propylene which are used for manufacturing of PVC and PET resin

V. FISCAL MEASURES

Measures to facilitate business environment

- ❑ VAT exemption (at import stage) for **ocean-going vessels** has been extended to 25 years old vehicles from existing provision of 22 years old vehicles
- ❑ 15% VAT on net commission of locally produced **tiles and sanitary ware** – *will reduce VAT burden on dealers and distributors*

Miscellaneous steel industries

- ❑ Concessionary facilities for import of core raw materials (Cold Rolled Iron / Steel)– *will protect local fire-resistant door manufacturing industry*
- ❑ 3% RD on the import of finished iron wire products – *will protect iron wire industry*
- ❑ Tariff reduced on import of plastic framework and coated calcium carbonate – *to develop cable and internet cable manufacturing industry*

V. FISCAL MEASURES

Promotion of Abrasive paper industry

- Concessionary facilities for the import of 4 raw materials (artificial corundum, aluminum oxide, coated / impregnated paper and paperboard, coated textile fabrics) *– will protect the sand paper manufacturing industry*

LED light manufacturer / assembling industry

- Tariff reduced on import of parts of LED light manufacturing/assembling industry*– will ensure alignment between manufacturing and assembling industry*

Manufacture of gypsum board and particle board industry

- Tariff reduced on import of 3 raw materials (plates / sheets / film / foil / strip of polymers of vinyl chloride, self-adhesive tape, fluting paper)
- Expansion of the existing concessionary rate on raw materials importation of refrigerator and compressor manufacturing industries

V. FISCAL MEASURES

Automobile sector

- Tariffs reduced on microbus imports and 'Moped' *– will discourage the use of accident-prone vehicles such as nasimon, laguna and encourage the use of microbuses as an alternative public transport*
- Restructuring the tariffs on imports of hybrid vehicles *– to encourage the use of environment friendly hybrid vehicles*
- Necessary adjustments and also inclusion of some raw materials in the existing SRO *– for the development of motorcycle manufacturing/assembling industry*

Lube blending industry

- CD increased on recycled lube base oil and lubricating oil*– will discourage import of environmentally harmful products*
- Rationalisation of the rate of duty of lubricating oil and liquid paraffin *– to avoid revenue risk*
- CD decreased on additives as one of the raw materials of the lube blending industry *– will protect the lube blending industry*

V. FISCAL MEASURES

- Overall observations as regards Indirect Tax Measures
  - Rationalisation of tariffs
  - Support to domestic import-substituting industries
  - Encourage export diversification
  - Incentivisation to promote investment
- These measures will likely to lead to fall in revenue collection over the medium-term will be helpful for stimulating the economy
- However, monitoring will need to be strengthen to discourage misuse

Reform initiatives

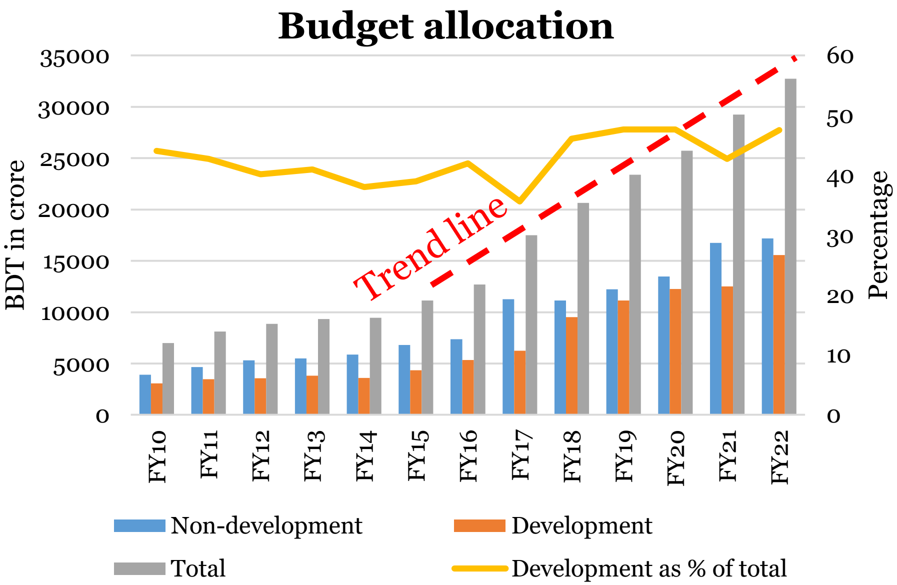
- The Finance Minister has mentioned a number of reform measures related to direct tax, VAT and Customs development. However, these are long overdue
- The draft of the Income Tax Act 2021 has been prepared by modifying the Income Tax Ordinance, 1984
  - Speedy passing of the draft Income Tax Bill is important to modernise the tax collection system
- NBR has already taken some initiatives, such as the upgradation of ASYCUDA World, Consolidation and integration of iBAS++, piloting of electronic return filing (e-return) implementation of NSW project, introduction of E-TDS System, introduction of automated customs risk management, automation of bond management, introduction of authorized economic operator system etc.
  - However, these projects were to be fully implemented by now. There should have been deadlines set for their full operationalisation
- As of now, about 3,000 EFD/SDC have been installed
  - NBR plans to install another 7,000 machines by June 2022.
  - However, this will cover only 3.9% of business entities that have received online VAT registration. CPD had drawn attention to the need for a faster installation of these for expansion of the VAT-net

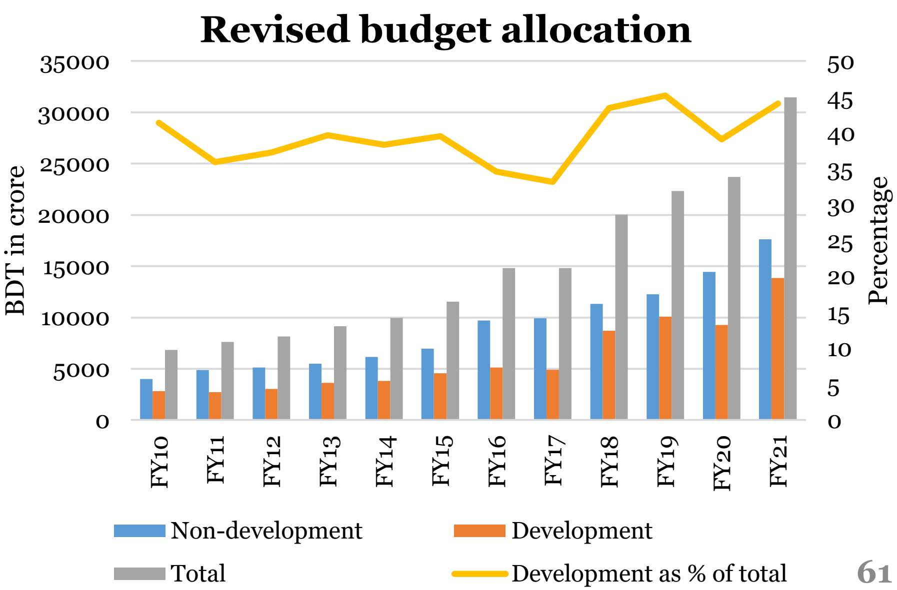
VI. SELECTED PRIORITY SECTORS

Health

Health

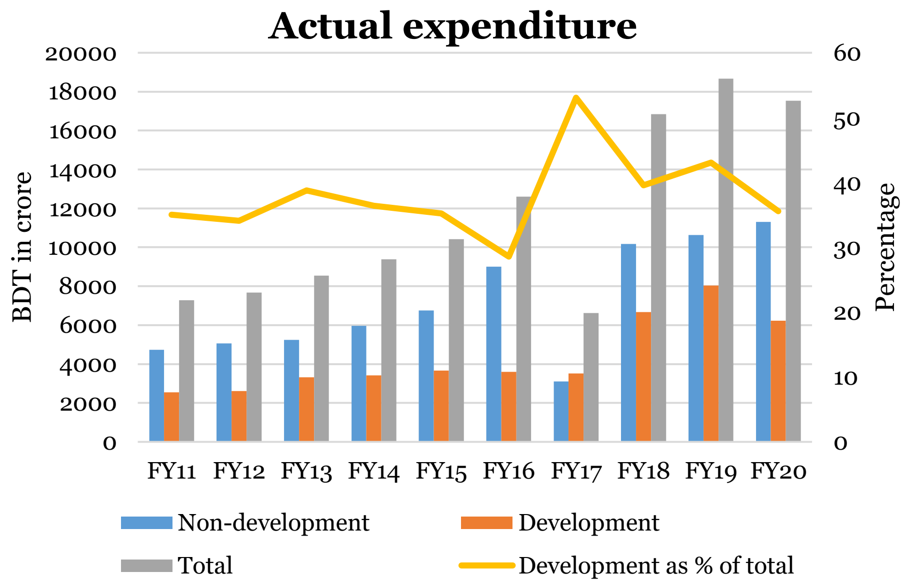
- Total budget allocation for health has increased **only by 12%,** from BDT 29,247 crore in FY21 to BDT 32,731 in FY22, which was lower than the 14% average annual increase in total budget allocation for health between FY11 and FY22
  - Increase in total budget allocation for health in FY22 followed a linear trend line, indicating that the **rise was business-as-usual and nothing out of the ordinary**, despite the fact that the healthcare sector is reeling from the shocks of COVID-19
  - Development budget allocation has increased by 24.46%, whereas non-development budget allocation increased 2.54%
  - Share of development budget allocation in total budget allocation has increased from 43% in FY21 to 48% in FY22
  - Share of revised development budget allocation in total budget allocation has increased from 39% in FY20 to 44% in FY21

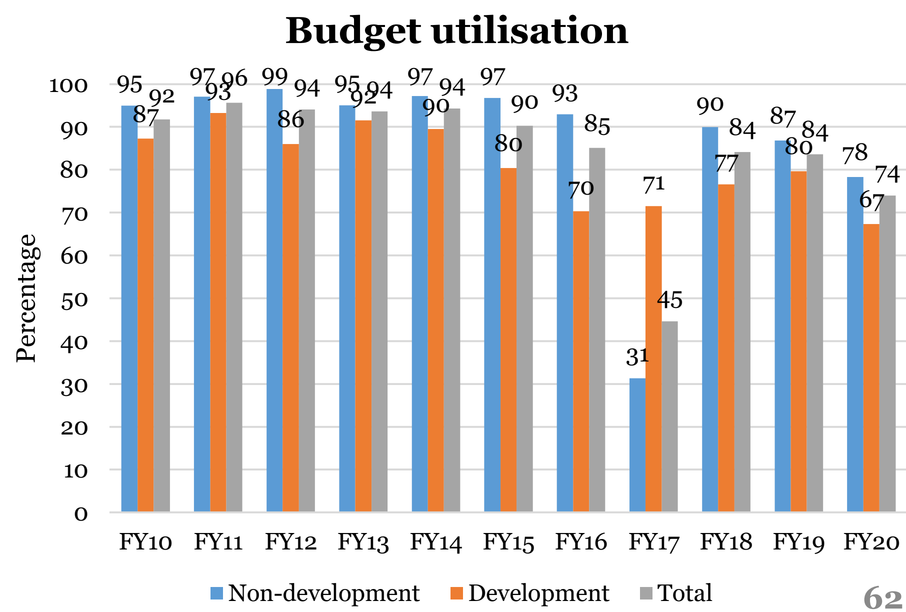




Health

- ❑ **Actual expenditure decreased by (-) 6% from BDT 18,677 in FY19 to BDT 17,532 crore in FY20**
- ❑ Budget **utilisation** (actual expenditure as a percentage of revised budget allocation) has **worsened** significantly over the past decade
  - ➢ Non-development budget utilization decreased from 95% in FY10 to 78% in FY20
  - ➢ Development budget utilization decreased from 87% in FY10 to 67% in FY20
  - ➢ **Total budget utilization decreased from 92% in FY10 to 74% in FY20**
- ❑ Over the past several years, nondevelopment budget utilization has been consistently higher than development budget utilisation

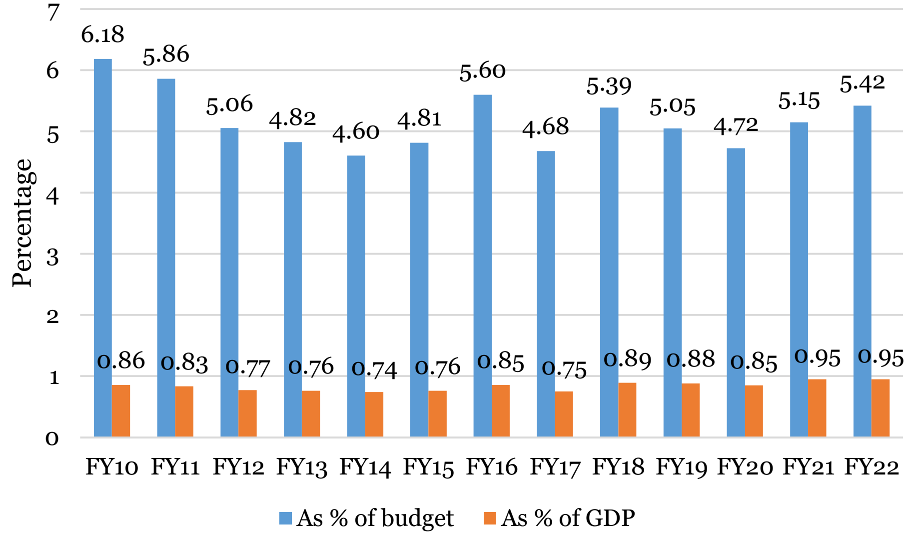




Health

- Allocation for health as a share of the total budget has increased from 5.15% in FY21 to **5.42% in FY22**
  - However, this is **lower than the allocation of 6.18% of budget in FY10** when there was no pandemic
- **Allocation for health as a share of GDP remained the same between FY21 and FY22**
  - Such allocation is only marginally higher than the average allocation of 0.83% of GDP during FY10 to FY22

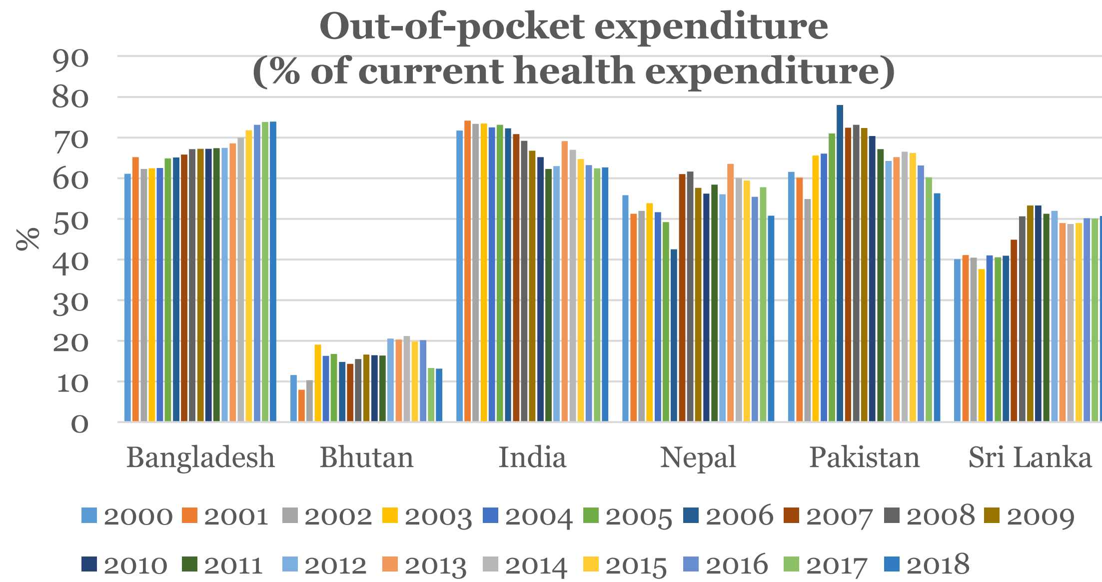
Health allocation as % of total budget and GDP

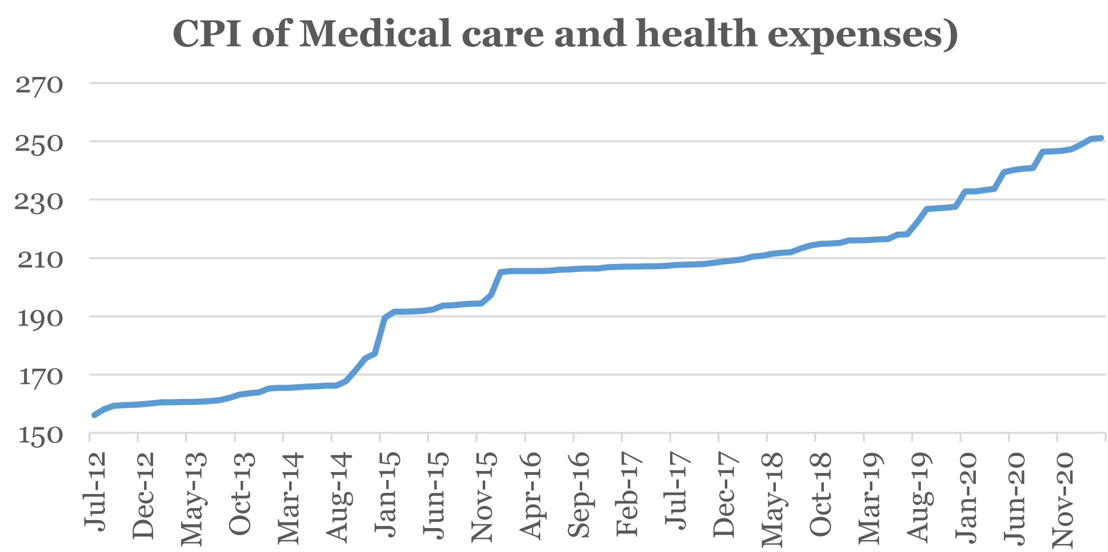


- **Budget allocation for health has been less than 1% of GDP for the past 13 years indicating that healthcare was never a priority sector for the government; in 2017 at least 30 LDCs spent more than 1% of GDP on health**
- Surprisingly, even the COVID-19 pandemic was not reason enough for the government to prioritise the healthcare sector in FY22

Health

- **Out-of-pocket expenditure on health in Bangladesh is not only the highest in South Asia, but also increasing over time**
- CPI of medical care and health expenses increased from **156.1 in July 2012** to **251.13 in March 2021**
- Inflation rate of medical care and health expenses increased 0.18% in April 2020 to 2.42% in May 2020, due to the rise in COVID-19 cases



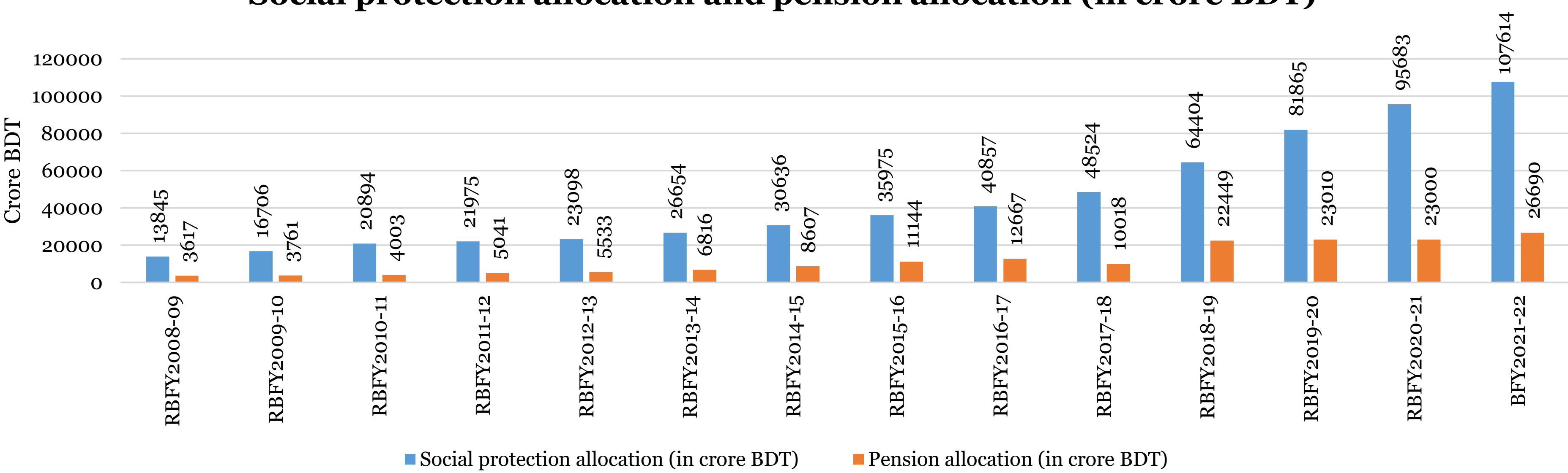


Social Safety Net Programmes

Social Safety Net Programmes

- Allocation for **social safety nets** has **increased** from BDT 95,683 crore in revised budget for FY2020-21 to BDT 107,614 crore in budget for FY2021-22
  - **This represents an increase of only 12% which is lower than the average rate of increase of 17% between FY10 and FY22**
- Allocation for **pension** has **increased** from BDT 23,000 crore in revised budget for FY2020-21 to BDT 26,690 crore in budget for FY2021-22
  - **This represents an increase of 16% which is higher than the rate of increase of overall social protection**

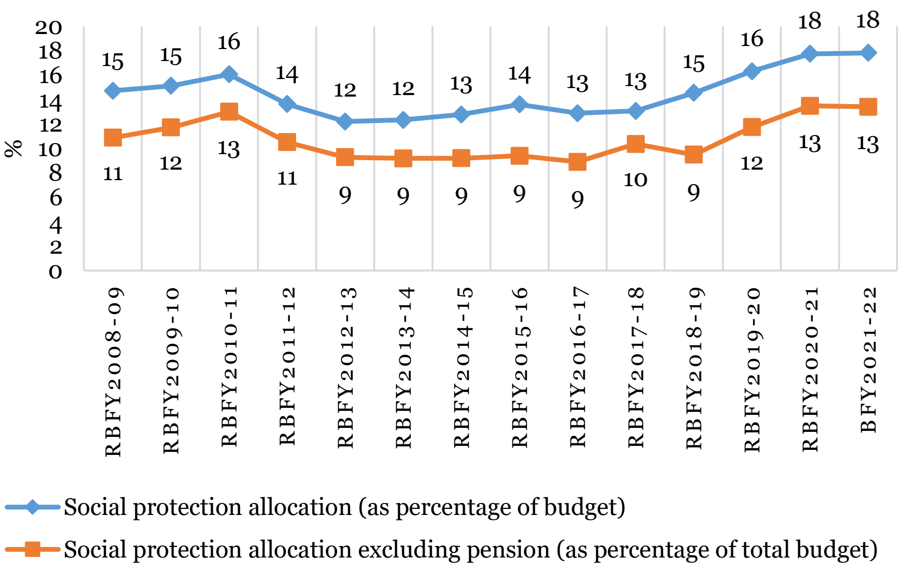
Social protection allocation and pension allocation (in crore BDT)



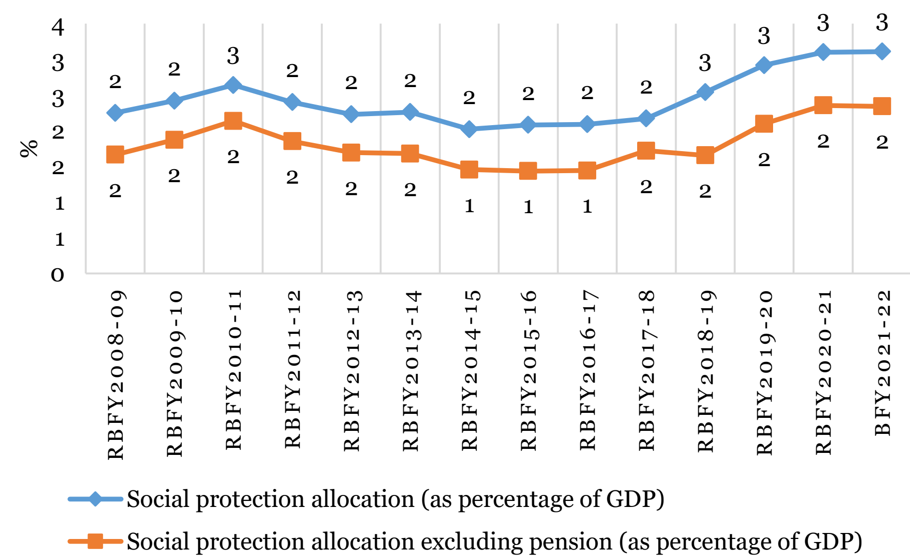
Social Safety Net Programmes

- ❑ Overall social safety net budget as a percentage of budget and GDP increased slightly from RBFY21 to BFY22
- ❑ **Social safety net budget excluding pension as a percentage of budget decreased 13.49% from RBFY21 to 13.41% in BFY22**
- ❑ **Social safety net budget excluding pension as a percentage of GDP decreased** 2.35% from RBFY21 to 2.34% in BFY22

Social protection allocation as a % of budget



Social protection allocation as a % of GDP



Social Safety Net Programmes

Some programmes where allocation increased in BFY22

Description	RBFY21 (BDT crore)	FY22 (BDT in crore)	Change (in %)
Honorarium for Freedom Fighters	2,880	4,653	62
Pension for Retired Government Employees and their Families	23,000	26,690	16
Agricultural Subsidy	1,700	7,970	369
Housing construction project for the insolvent freedom fighters	0	101	

- **Two large funds with no declared number of beneficiaries** were included in the social safety net budget:
  - **BDT 7,300 crore** as "funds to combat the outbreak of the **corona pandemic**"
  - **BDT 5,000 crore** as "funds to deal with economic and **natural shocks**"
- For these two programmes, it is mentioned in the budget document that *"the beneficiary coverage for this activity is in process and will be determined **according to the necessity** in fiscal year 2021-22"*
  - However, it is **not clear when the funds will become necessary** since ordinary **people are already suffering** from corona pandemic, economic shocks and natural shocks
  - It is also **not clear how the necessity of such funds will be confirmed**

Independent Review of iRBD Bangladesh's Development

Social Safety Net Programmes

Some programmes where allocation decreased in BFY22

Description	RBFY21 (BDT in crore)	FY22 (BDT in crore)	Change (in %)
Work For Money (WFM)	2277	1500	-34
Test Relief (TR) (Cash)	2325	1450	-38
Skills and Employment Programme in Bangladesh	60	49	-19
Development of the Living Standard of the Marginal Communities of Bangladesh	15	7	-52
Multi-Sectoral Programme to Prevent Violence Against Women (4th Phase)	27	18	-36
Income Support Program for the Poorest (Care+ Dream)	626	572	-9
Infrastructure and Livelihood Improvement in Haor & Costal Area	319	208	-35
Flood Management and Livelihood Improvement Project in Char/Haor Area	191	135	-29
Improved Living Standard for Low-income People	70	40	-43
Integrated Livestock Development to Improve the Socio-economic and Quality of Life of the Backward Minorities Living in the Plain-land	41	32	-23
Child Sensitive Social Protection in Bangladesh	15	14	-6
Development Programs for the Distressed and Neglected Women and Children	53	44	-19
Char Development and Settlement Project-bridging	131	77	-41
Rural Infrastructure Development (Non-ADP)	1877	1500	-20

- **Allocation has been cut for programmes protecting livelihoods**, such as Work For Money and Skills and Employment Programme in Bangladesh
- Allocation has also been cut for several **programmes which address the needs of marginalized, vulnerable, and left behind communities**

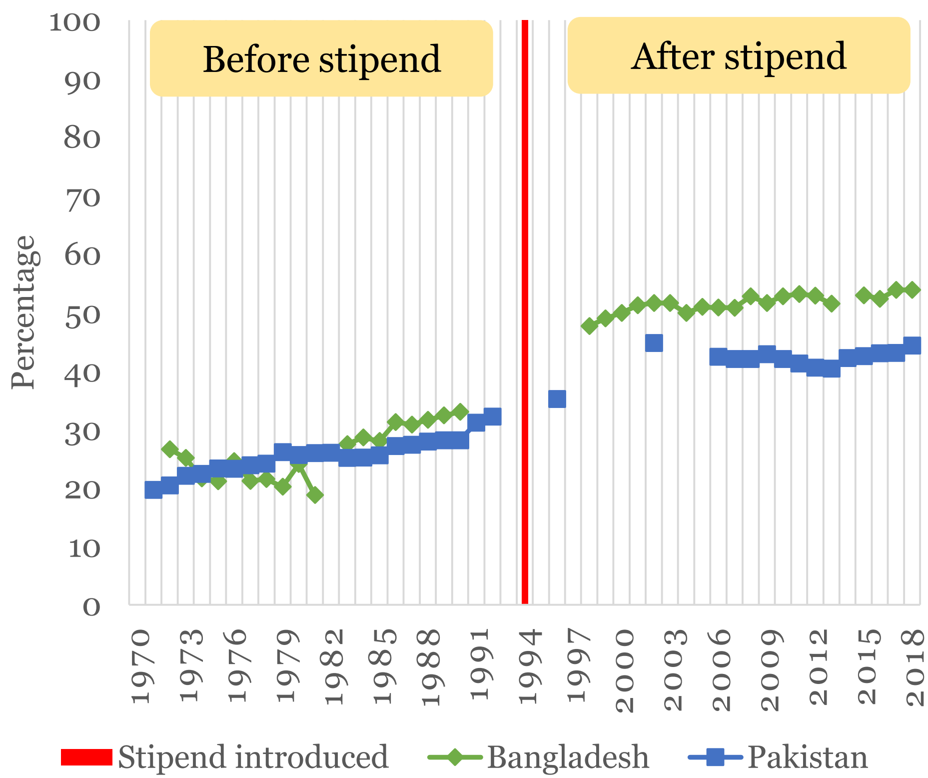
Social Safety Net Programmes

❑ Allocation for 3 kinds of education stipends have been cut in FY22

Description	RBFY21 (BDT in crore)	FY22 (BDT in crore)	Change (in %)
Primary School Stipend	3712	1900	-49
Secondary & Higher Secondary Stipend	2832	1841	-35
Stipends for Undergraduate and Postgraduate Level Students	96	80	-17

- ❑ In **1981**, only **19% secondary school pupils in Bangladesh were female**, compared to 26% in Pakistan
- ❑ In 1982, the government of Bangladesh initiated the female secondary education stipend.
  - ➢ Results from a pilot project showed that girls' **secondary enrolments increased from an average of 7.9% to 14%**
- ❑ In 1994, the highly successful programme was launched nationwide.
- ❑ In **2018**, girls comprised of **54% secondary school pupils in Bangladesh were female**, compared to only 44% in Pakistan

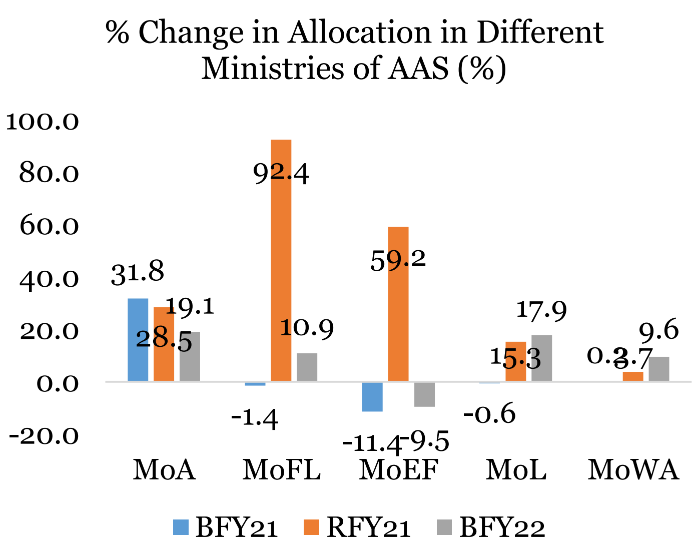
Secondary education, general pupils (% female)

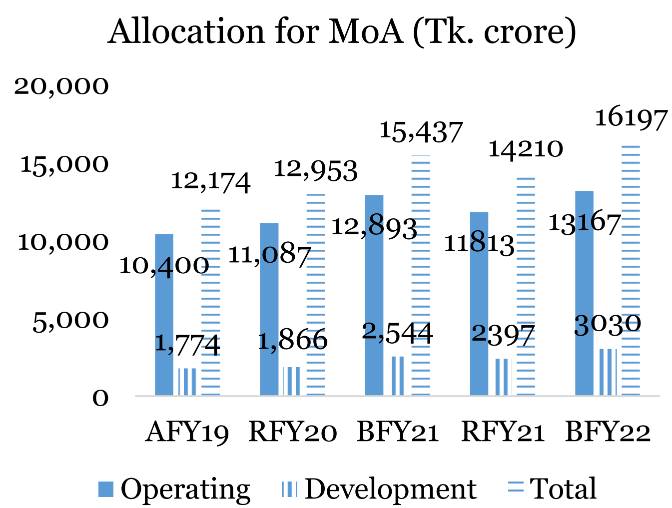


Agriculture

Agriculture

- Overall allocation for Agriculture and Allied Sectors (AAS) is Tk. 31912 crore in BFY22 which is 7.4% higher than RFY21 (Tk. 29,725 crore in RBFY21)
  - However, the share of AAS in total budget has decreased (3.6 percentage point) compared to that in RBFY21
- MoA received the highest share of allocation within the AAS (50.8% which has significantly increased- 44.5% from RBFY21).
  - The share of MoEF has also increased (3.8% in FY22 and 3.2% in RFY21)
- MoL has received a significantly higher budget allocation (22.2% in BFY22 than 19.4% in BFY21 due to increased allocation in development budget
  - This is perhaps because of the ongoing ADP projects to digitally record land areas and others





Agriculture

- Within the agriculture sector, MoA and MoWR generally tend to perform well in terms of ADP implementation
  - Poor ADP implementation performance is observed for MoFL, MoEF and MoL
- Given the importance of agriculture production and food security, subsidy in the agriculture sector has been increased by 17.4% vis-a-visRFY21
  - Despite the improvement in subsidy utilization in recent years, a considerable share (9.5%) tend to remain unutilized
  - Efficient and full utilization of subsidy will help reducing production costs and contribute to enhance production

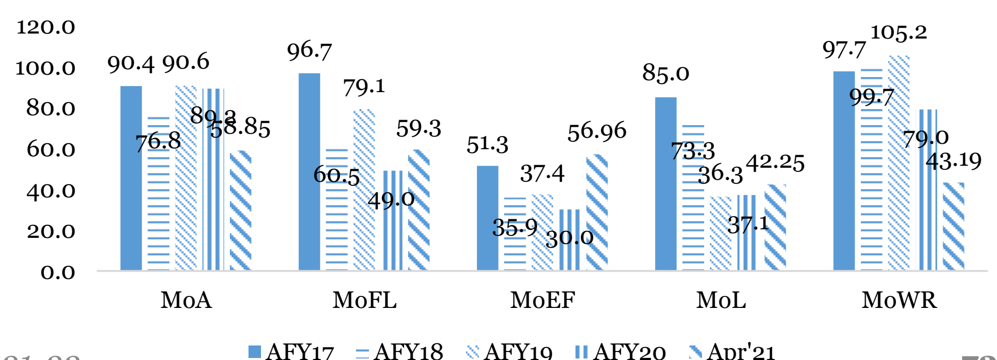
Stimulus Package

- Till Apr’21, 78.7% and 59.0% credit to farmers have been disbursed from Tk. 5,000 crore and Tk. 3,000 crore refinance scheme, respectively
  - About 2 lakh borrowers have received credit from the Tk 5,000 crore fund
  - It is important to ensure full utilization of fund as early as possible
  - Considering the difficulty of farmers, the Central bank should extend loan repayment period up to 3 years

Subsidy in Agriculture (BDT crore)

	Allocation	Revised	Utilised	Unustisiled
FY17	9,000	6,000	3,493	2,507
FY18	9,000	6,000	5,268	732
FY19	9,000	8,070	7,763	307
FY20	9,001	8,001	7175	826
FY21	9501	8599		
FY22	10099			

AAS’s ADP implementation as % of RFY



Agriculture

- Distribution of projects indicate that agriculture sector is burdened with carry-over projects
  - More than 50% are continuing projects and 28% are concluding projects
  - About 19% are carryover projects
- A number of concluding projects (by June, 2022) will make positive contribution to food production/storage including production of high quality pulses, repair of storages, warehouse and household silos etc
  - Adequate allocation should be made for a number of concluding projects related to crop production through solar irrigation, fish production and fish farming technology expansion etc
- If the allocation for carry over projects such as livestock development, horticulture crop production, is not adequate, there will be adverse impact on production and employment
  - Necessary allocation should be made to complete those projects as quickly as possible

Distribution of ADP Projects under AAS

Types	Number	%
New Projects	3	1.9
Continuing	80	51.3
Concluding	44	28.2
Carry Over	29	18.6
Total	156	100

Carry Over Projects

Project Name	Completion rate by FY22
Integrated Livestock Development Project in Coastal Chars 01/07/2018—30-06-2021	90%
Strengthening flower marketing system through market infrastructure, storage and transportation facilities 01/10/2018—30-06-2021	54%
Safe horticultural crop production and post-harvest technology expansion project (1st Revised) 01/07/2018—30-06-2021	37%

Continuing Projects

Development of micro-irrigation through the use of solar energy 01/10/2018—30/06/2023	48%
Building modern food warehouse 01/01/2014—31/10/2023	46%
Sustainable coastal and marine fisheries programme 01/07/2018—30/06/2023	34%
Sustainable forest & livelihood 01/07/2018—30/06/2023	43%

Agriculture

- Fiscal Measures
- Tax exemption has been given for ten years to agriculture and fisheries institutions that provide diploma and vocational education
  - This will help develop high quality diploma institutes which will train agriculture graduates
- Tax exemption for ten years for industries engaged in processing locally grown fruits and vegetables, producing milk and dairy products, and manufacturing of agricultural machineries
  - Will help promote new entrepreneurs in the agriculture sector
- Zero tariff on imports of major agricultural inputs, especially fertilizers, seeds, pesticides etc.,
  - Will reduce cost of inputs
  - Will help set up new start ups

Concluding Projects

Project Name	Completion rate by FY22
Increase crop production through expansion of solar and water efficient modern technology (Pilot) 01/07/2017—30/06/2022	82%
Increasing irrigation capacity and development of micro-irrigation thorugh reserving surface water in Rangpur area 1/1/2018—30/6/2022	46%
Strengthening programme of the activities of agricultural training institutes (1st Revised) 1/6/2018—30/6/2022	93%
Increasing fish production through reservoir reform (2nd revised) 01/10/2015—30/06/2022	44%
Expansion of fish farming technology services at the union level (Phase II) (2nd revised) 01/03/2015—30/06/22	30%
Dingapota Haor sub-project canal re-excavation and quality of life improvement project in Mohanganj upazila of Netrokona district 01/07/2020—30/06/2022	85%
Irrigation Management Improvement Project (for Muhuri Irrigation) (2nd Revision) 01/07/2014—30/06/2022	80%
Afforestation in coastal areas including new chars in the Bay of Bengal 01/01/2018—31/12/2021	94%
Cow fattening project with modern technology 01/01/2019—31/12/2021	88%

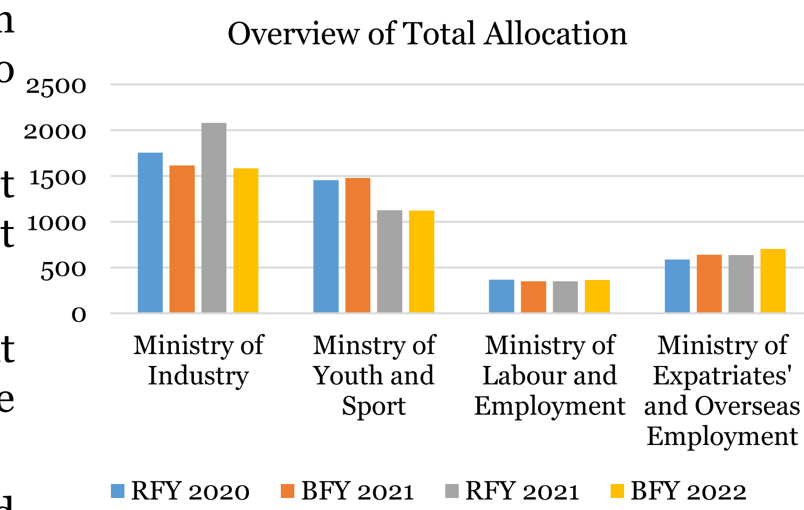
Completed Projects

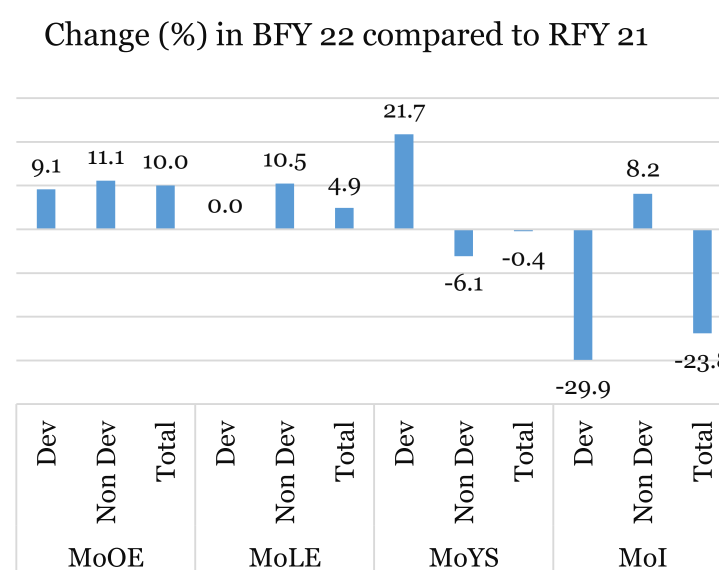
Improving horticultural crop supply and nutrition security through capacity building of BADC's horticulture development department 01/01/2018—30/06/2022	98%
Production, storage and distribution of high quality pulses, oil and spice seeds at farmer level (Phase 3) (1st Revised) 01/07/2017—30/06/2022	99%
Repair of old food warehouses and ancillary facilities and construction of new infrastructure across the country 01/07/2018—30/06/2022	100%
Char development and settlement programme-bridging (CDSPB) (Land ministry's part) 01/07/2019—30/06/2022	98%
Household silos for safe food storage for poor, backward minorities and disaster prone people living in different parts of the country 01/07/2020—31/12/21	100%

Employment Generation

Employment Generation

- The FY 2022's budget was expected to put emphasis on employment generation as the pandemic continues to affect the economy through job losses and low wages
  - The budget's assumption is that fiscal incentives at enterprise level will induce entrepreneurs to invest during the ongoing crisis
  - However, experience of FY2021 indicates that investment depends on other factors as well (e.g., ease of doing business; competitiveness environment)
- Allocations for four employment-generation related ministries do not show any tangible change
  - The overall allocation for MoI, MoLE, MoYS, & MoEOE decreased by 10% compared to last fiscal year (revised)
- Although MoI received the highest allocation among the four (Tk. 1584 Crore), its total (-23.8%) & development (-29.9%) allocation have been reduced
  - The development allocation, on the other hand, has been increased for MoYS (21.7%), MoOE (9.1%), while it remains the same (0%) for MoLE





Employment Generation

- Implementation status selected carry over projects

Project Name	Max Completion by FY22
224252300- BEPZA Economic Zone Mirsharai (1st Phase) (01/09/2018-30/06/2021)	52.0%
Establishment of Sheikh Hasina Nakshipalli Jamalpur (1st Phase) (01/03/2019-31/12/2021)	1.4%
BSCIC Industrial Park Sirajganj (01/07/2010-30/06/2021)	85.2%
E-banijyo korbo, nijer byabsha gorbo (ই বানিজ্য করব, নিজের ব্যবসা গড়ব) 01/07/2018- 30/06/2021	80.0%
BSCIC Plastic Industrial Park (01/07/2015-30/06/2021)	56.5%
BSCIC Industrial Park Tangail (01/07/2015-30/06/2021)	82.5%
BSCIC Industrial Park Rajshahi (1st Revised) (01/07/2014-30/06/2021)	100.0%
BSCIC Industrial Park Raujan (1st Revised) (01/07/2015-30/06/2021)	53.9%
BSCIC Industrial Park Bhairab (1st Revised) (01/07/2015-30/06/2021)	71.7%

- Implementation status selected concluding projects

Project Name	Max Completion by FY22
Bangladesh's golden tradition of making muslin yarn and restoring muslin cloth (1st Phase) (01/07/2018-30/06/2022)	81.3%
BSCIC Chemical Industrial Park Munshiganj (1st Revised) (01/07/2018-30/06/2022)	36.3%
BSCIC Printing Industrial Park (01/7/2015-30/06/2022)	57.3%
Sheikh Hasina Handloom Village Establishment (1st Revised) (01/07/2018 - 30/06/2022)	100%
Poverty eradication in hill tracts area by expanding and developing silk cultivation (01/07/2017-30/06/2022)	87.7%
Establishment of 40 Technical Training Centre in 40 Upazillas and 1 institute of Marine Technology in Chattogram (01/01/ 2016- 30/06/2022)	61.5%

- Implementation status selected continuing projects

Project Name	Max Completion by FY22
Export Competitiveness for Jobs (1st Revised) - (01/07/217-30/06/2023)	52.9%
Establishment of Indian Economic Zone in Mirsharai (01/04/2019 - 30/06/2023)	0.6%

Employment Generation

- The overall implementation rate of ADP in FY21 (for four employment-related ministries) is less than half (44.7%) till April, 2021
  - The individual implementation rate: MoI:42.7%, MoEOE: 74.5%, MoLE: 48.7%, MoYS: 29.2%
  - MoYS is in weak state in terms of ADP implementation compared to other ministries
  - The ADP allocation for these four ministries in FY 22 are not in line with the 8th FYP (overall 16.7 % lower)
- Delayed project implementation means delayed employment generation by crowding-in private investment
  - Table presents a list of carry-over, concluding and continuing projects with evidence of delayed implementation
- Estimations indicate that current level of allocation will not ensure completion of a number of crucial carryover ADP projects even in FY 22
  - These projects, including "BSCIC industrial park in Raujan, Bhairab, Tangail", "E-banijyo korbo, nijer byabsha gorbo" "BEPAZA economic zone in Mirsharai", etc. would have created employment opportunities if were timely implemented
- In case of concluding projects, most of the employment-generating projects targeted for completion in FY 22 are not likely to be completed
  - Some of these projects are "BSCIC Printing Industrial Park", "Expansion and development of silk cultivation", "Establishment of 40 technical training centres" etc.
  - A similar trend could be observed for continuing projects as well
  - Adequate allocation and timely implementation need to be ensured

Employment Generation

❑ Overview of some of the key fiscal measures

Sector/Group	Measure	Implication on investment, production and employment
Overall	Reduction of corporate tax by 2.5 percent	Will increase investible surplus which may encourage investment
SMEs (Women Entrepreneurs)	Increase of turnover for minimum tax to Tk 70 lakh for firms run by female entrepreneurs from Tk 50 lakh.	Will increase investible surplus which may encourage investment and promote women entrepreneurship
SMEs	1% exemption for import of capital machinery to small and medium enterprises irrespective of commercial and industrial establishments	Will reduce cost of machineries and have positive implication for enhancing rate of return
Export oriented Industry	Provide concessionary rate for the import of two raw materials for the footwear industry	Will reduce cost of machineries and thereby reduce operational costs
Electronics Industry	Expansion of existing concessionary rate on raw materials importation of refrigerator & compressor manufacturing industries	Will reduce cost of machineries and thereby reduce operational costs
LED light manufacturer / assembling industry	Reduction of the existing tariff on import of parts of LED light manufacturer / assembling industry	Will reduce cost of machineries and thereby reduce operational costs
Health Industry	Tax exemption, subject to certain conditions, to general hospitals	Will encourage new investment
Marginal group	Tax rebates for organizations employing 10% transgender employees or 100 third gender employees	Will create new jobs for this group of marginalised people
ICT	Concessional facilities for import of computer accessories and raw materials of ICT industry	Will reduce cost of machineries and thereby reduce operational costs

Employment Generation

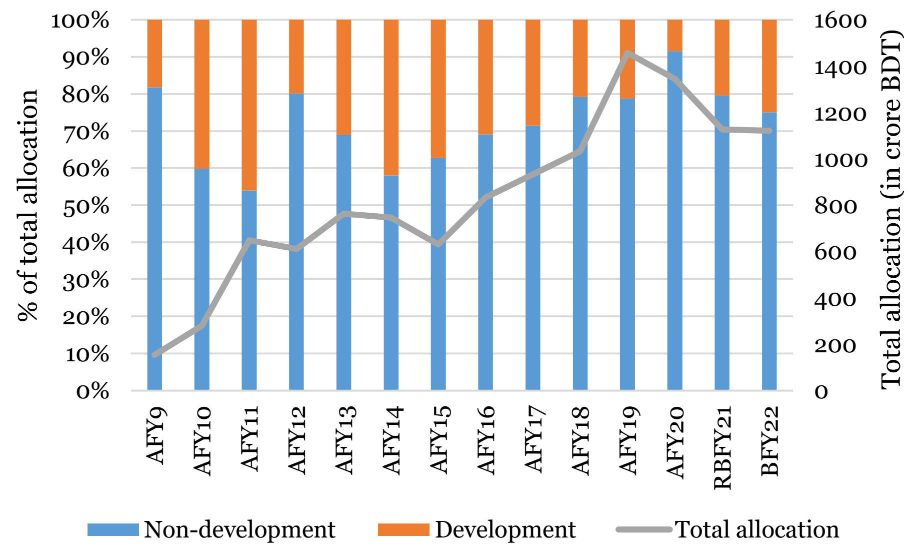
- The initiatives in support of SMEs do not meet and match expectations
  - The SMEs have been suffering from credit crunch while the first stimulus package is already near the end of disbursement (73% of total fund disbursed)
  - Along with the proposed tax cuts for SMEs, a new stimulus package should be designed to provide money in their hand and assist them in salvaging their business during the ongoing crisis
- A number of fiscal incentives have been proposed which would encourage investment/reduce operational costs and thereby promote employment (Table)
  - Most of these incentives are enterprise-oriented which will help reduce operational costs. Whether enterprises will be encouraged to take the advantage will depend on the covid situation & its containment and whether they have cash in hand for investment
  - CPD suggested, along with reducing tax for enterprises, a payroll tax cut (e.g., raising the tax-free limit of income tax) for employees should be introduced to create more jobs in the time of crisis to stimulate consumption
- No major initiatives regarding introducing the unemployment benefit/insurance except for the small one for the export-oriented sectors under the social safety net
  - Introduction of unemployment benefit will help the left-out people. This will also stimulate the aggregate demand
  - Initiative targeting the RMG, and other export-oriented sectors is already underway with the funding of the EU. But due to the lack of data and cooperation from the employers, the initiative is yet to make any headway

Youth

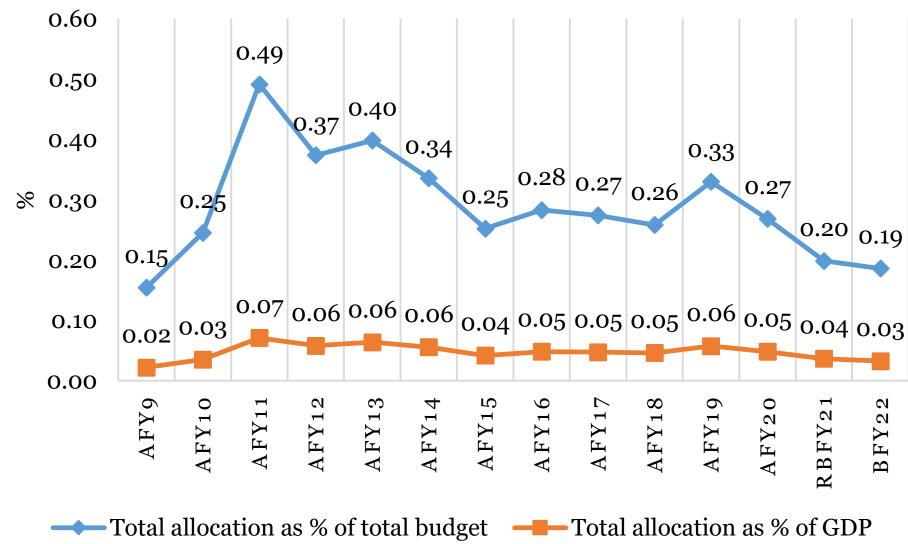
Youth

- Allocation for **development expenditure** for the Ministry of Youth and Sports has **risen** from **20.4%** of the total allocation in the revised budget for **RBFY21** to **25%** of the total allocation in **BFY22**.
- The **total allocation** for the Ministry of Youth and Sports has **decreased** from 0.20% of budget RBFY21 to **0.19% of budget BFY22** and from 0.04% of GDP in RBFY21 to **0.03% of GDP in BFY22**

Non-development, development and total allocation for the Ministry of Youth and Sports



Allocation for Ministry of Youth and Sports as a Share Total Budget and GDP

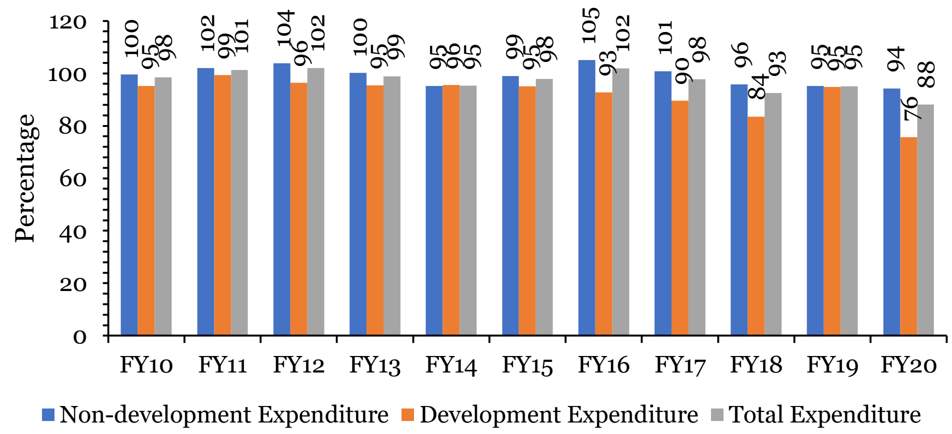


Education

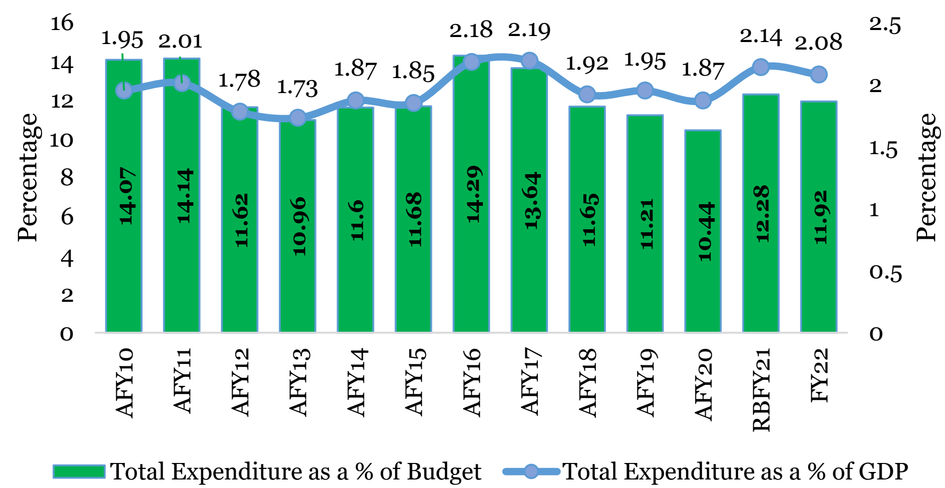
Education

- Total allocation for education sector in BFY 2022 is **BDT 71,953 crore**, an increase of **8.68%** compared with RBFY2021 (in BDT 66,207 crore).
- As a share of total budget, education budget decreased from **14% in FY10** to **11.92% in FY22.**
- Education budget as a share of GDP remained stagnant during recent fiscal years. The revised education budget as a share of GDP decreased to **2.08% in BFY22** from **2.14% in RBFY21.**
- This is also significantly lower than the respective 8th FYP targets of 3.5% in 2025 and UNESCO targets (of 4-6%).
- 8th FYP targets to increase education budget as a share of GDP to **4% in 2031** and **5% in 2041**. However, at the current rate education budget as a share of GDP may reach up to **2.15% in 2025**, **2.26% in 2031** and **2.43% in 2041.**
- Budget utilisation has been decreasing over the years, specially for the development expenditure, except for FY19 (actual) which was 95%. Operating budget accounted for major portion of allocation each year.

Budget Utilisation

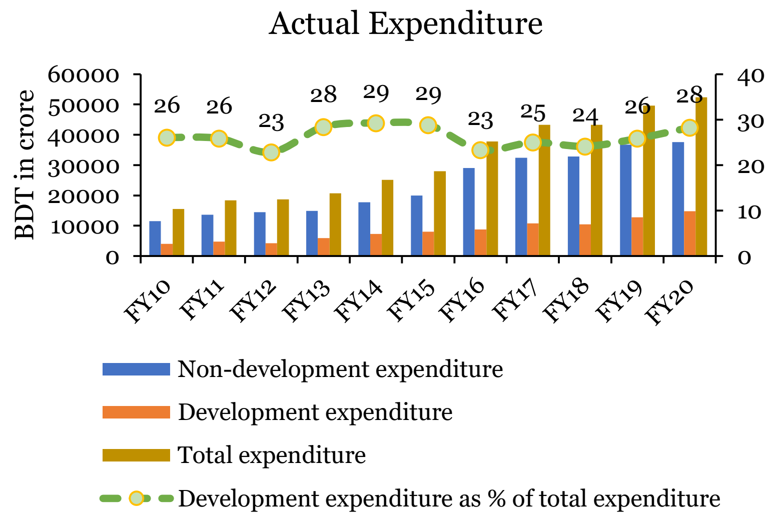


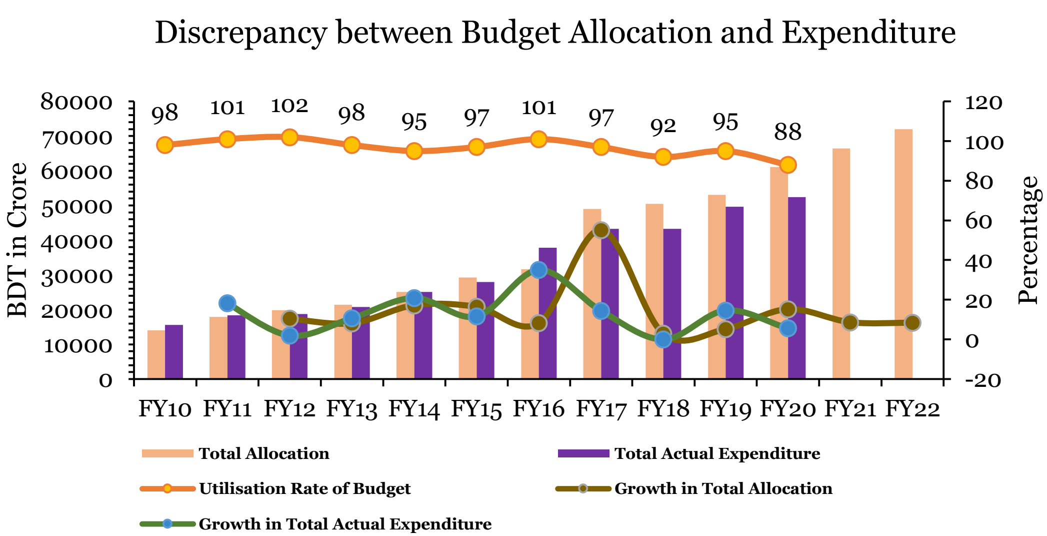
Sectoral Allocation as % of Total Budget & GDP

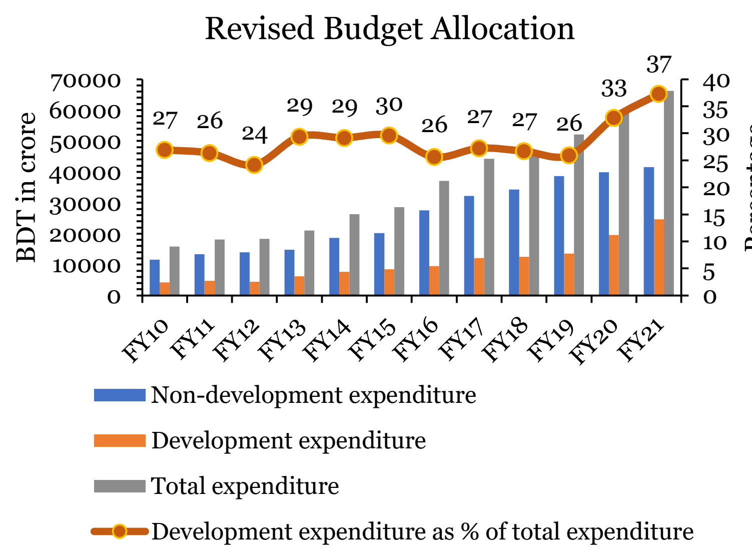


Education

- Development expenditure as percentage of total actual expenditure in the education sector remained steady during recent fiscal years. This trend is similar both for revised and proposed budget allocation.
- **However, we observe that the utilization rate of budget decreased drastically to 88.17% in FY20 from 95.12% in FY19.**
- There was a jump in growth in terms of the allocation of education budget in FY17 (8.18% in FY16 to 55% in FY17), which then observed a sharp decline in the following FY. However, 8th FYP targets to increase ADP allocation to BDT 402.2 in FY25 from BDT 159.4 billion in FY21. Therefore, more allocation is needed for this sector.



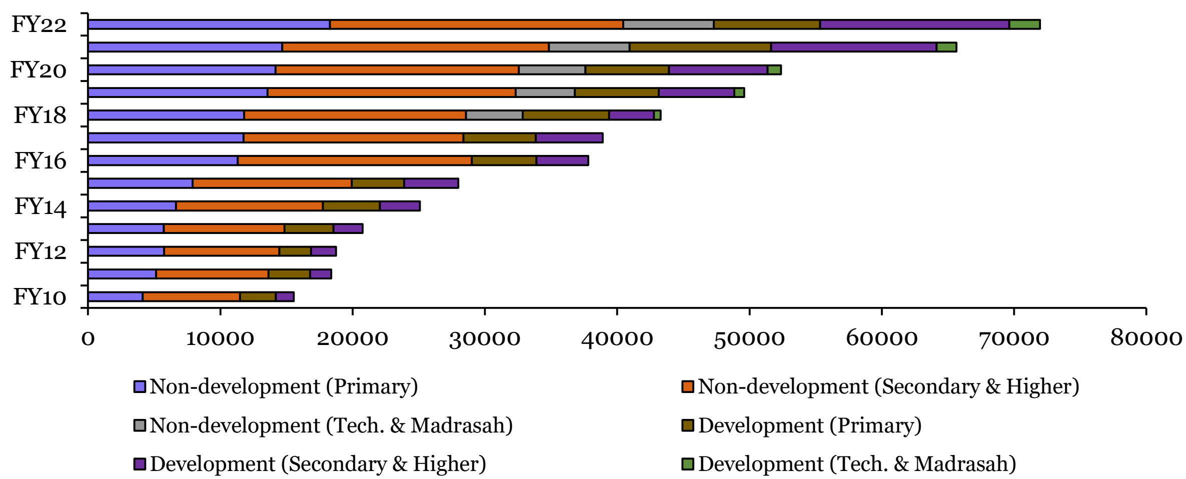




Education

- **Primary Education**: There is an insignificant rise in the budget of FY22 for the Ministry of Primary & Mass Education given the COVID-19 crises.
- Moreover, there is a decrease in development expenditure as a share of total expenditure to **30% in FY22** from **38% in FY21**.
- **Secondary & Higher Education**: The secondary & higher education division experienced a gradual increase in allocation from BDT 8,712 crore in AFY10 to BDT 36,486 crore in FY 22.
- However, the secondary & higher education division experienced a declining rate of budget utilisation from 95% in FY19 to 91% in FY20 indicating the scope for more development in higher education sector.
- This **reduced expenditure** further raises the concern of addressing the issues such as **low quality teachers, poor infrastructural management, chances of dropouts** etc.

Development and Non-development Expenditure



❑ Proposed Initiatives on Education Sector in BFY22 Budget

- To accelerate the development of education by overcoming the impact of COVID-19, government will implement the inclusive and science-oriented education initiatives and develop infrastructure as announced in the last financial year, as well as expand the scope of the ongoing activities.
- In an effort to make students' school attendance more enjoyable, government has directed to pay BDT 1000 primarily as kit allowance (dress, shoes and bags) to each student at the beginning of the year, and to give monthly stipend of BDT 150 instead of BDT 100.
- The government has allocated BDT 3,712 crore in the current fiscal year out of which BDT 1,200 crore is being spent on kit allowance and the remaining amount on stipend.
- To keep the education programme up-to-date and enhance the quality of education, the government has taken steps such as bringing **1.05 lakh teachers** within the government payroll.
- Motivational and sensitisation programme for illiterate people will be initiated. The main objective of **this programme will be to sensitise them about important social issues, such as health care information, maintaining health protocol and hygiene, quality of life, importance of proper education, etc. and to inspire** them so that they become interested and feel encouraged in fully sensitising their children on these matters.

Education

- **CIT on private universities and private medical colleges should be withdrawn** as this will ultimately increase the cost of higher education implicitly.
- **7.5% VAT on English medium education should exempted**. **Education is a merit good which should be encouraged.**
- Initiatives should be taken for easy access to computers and tablets for educational purposes.
- Utilisation of budget allocation on education should be prioritised and more of investment on education should be encouraged.

Children

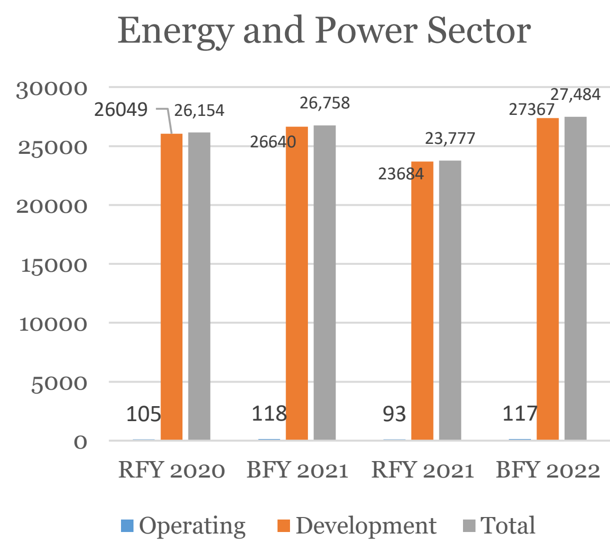
Children

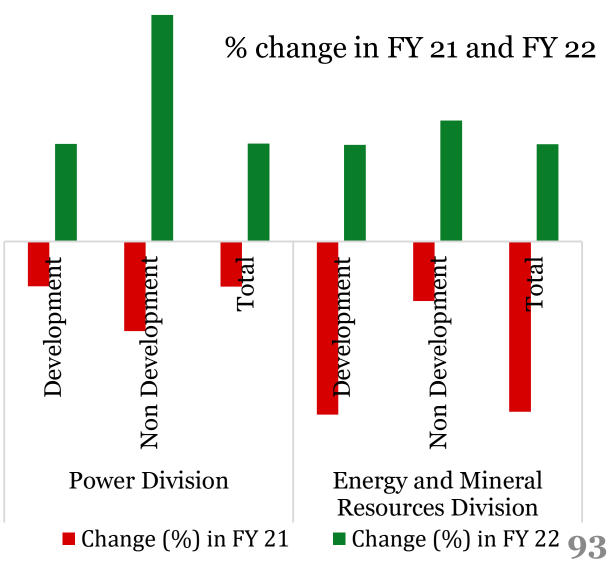
- A new project – "Primary School Meal Project" will be implemented from July 2021 in order to maintain children's nutritional needs.
- Prevention of Violence against Women and Children (Amendment) Act 2020 has been enacted.
- One-Stop Crisis Centers for women and children victims of violence in divisional districts and medical college hospitals have been set up to provide instant support through the mobile app 'Joy'.
- The Child Daycare Act 2021 has been drafted and awaits enactment.
- Daycare centers for children will be established to expand child development for extremely poor and marginalized children.
- In accordance with the National Strategic Plan 2016-2021, child development centers have been established in 33 hospitals through which patients with autism and neurodevelopmental disorders are being provided integrated treatment.

Power and Energy

Power and Energy

- In the FY 2022 Budget, the Energy and Power sector has allocation of Tk. 27,484 crore which is mostly earmarked for ADP (Tk 27,367 crore)
  - Allocation for Energy and Mineral Division: Tk 2086 Crore (Op: Tk.68 Cr. , Dev: Tk.2018 Cr)
  - Allocation for Power Division: Tk 25398 Crore (Op: Tk.49 Cr., Dev: Tk.25349 Cr.)
  - Allocation has increased by 15.6% in BFY2022 compared to that in RFY2021 (Tk 23,777 crore) – almost at the same rate in Power Division and Energy and Mineral Division
  - The sectoral allocation for the Energy and Power has reduced to some extent in FY 2022 (from 4.71% in FY 2021 to 4.55% in FY2022)
  - The sector has a good track record in ADP implementation – average rate of implementation in FY2021 is 59.4% (July-April 2021) - higher than the overall average
- Against the reduction in development and non-development budgets in FY2021 both for the Power and Energy Divisions, all the segments received higher amount of budget allocation in FY2022





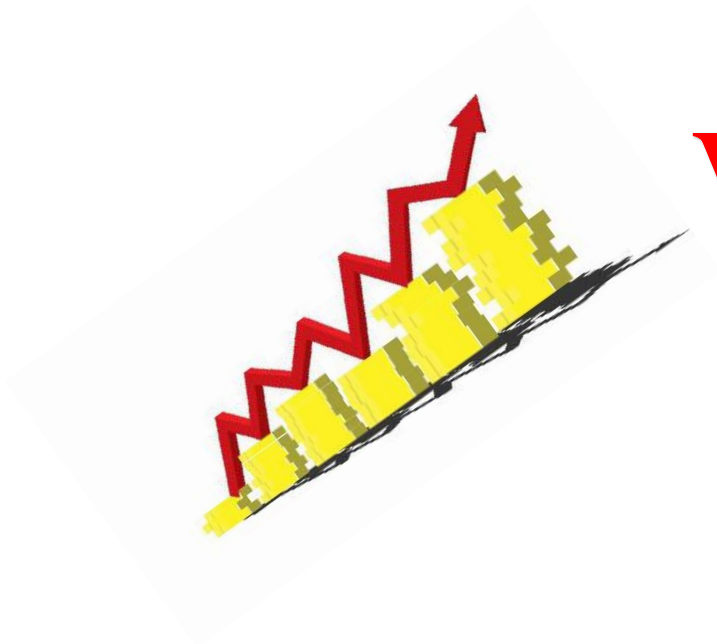
Power and Energy

- The power sector is struggling with over-capacity: 48.4% of generation capacity remained unutilized on 2 June, 2021 (BPDB)
  - As a result, the BPDB needs significant amount of subsidy to meet its cost.
  - In FY22 the subsidy provided for energy and power sector will remain same at Tk 9,000 crore like FY21. The subsidy will likely mean that BPDB will not need to seek permission from BERC to raise the power tariff which is not desirable during the crisis period

Distribution of ADP allocation of FY 22 in Power Sector

Sub-sector	Allocated ADP (Lakh)	% of total ADP
Generation	Tk 28325.4	62.03%
Transmission	Tk 8779.3	19.23%
Distribution	Tk 8,558.6	18.74%
Total	Tk 45663.3	100%

- Despite of being burdened with overcapacity, power sector is continuing to give priority to generation related projects under ADP
  - 62% of the total ADP allocation of power sector is provided for generation
  - Power sector should shift its allocation from generation towards more on transmission and distribution
- FY 2022 budget did not give due importance towards generation of renewable energy
  - At present only 722 MW of electricity is being generated from renewable energy which is only 2.86% of the total generation capacity whereas PSMP 2016 had aimed to generate 10% of the total capacity from RE within 2025
- Despite the political commitment for phasing out from fossil-fuel based power generation towards clean-energy based power generation
- FY 22 budget has failed to rise to the commitment
- CPD will separately present its reaction on the budget for the power sector in detail later

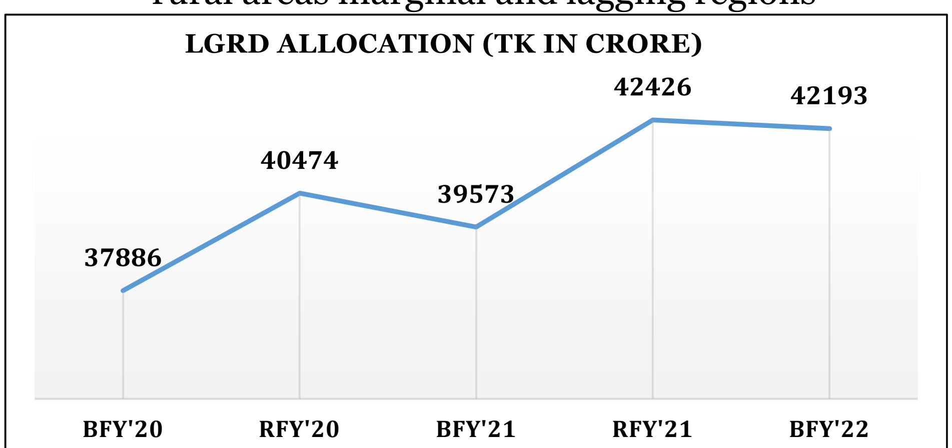


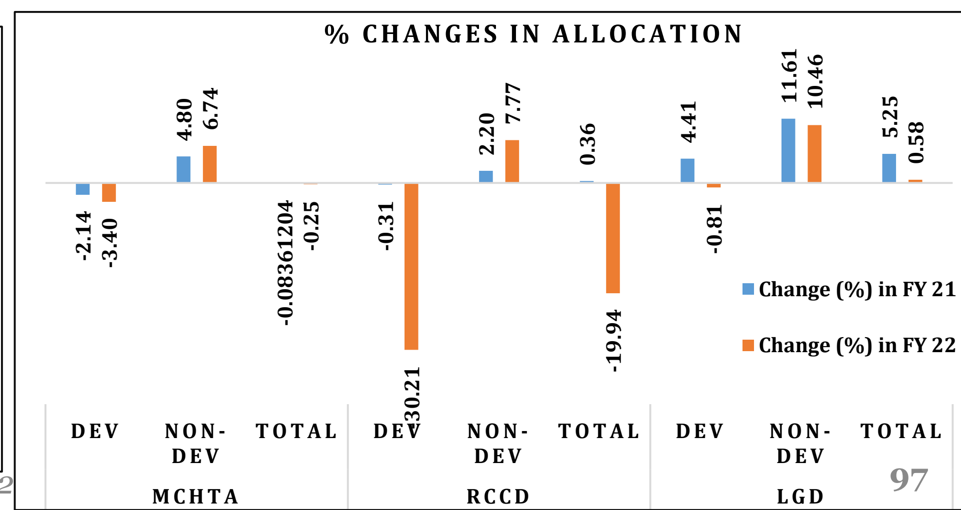
VII. OTHER SELECTED ISSUES

Local Government

Local Government

- ❑ CPD appreciate the role of local government institutions for addressing the challenges at grass roots level in view of addressing rising poverty and employment
    - ➢ The poverty rate increased from 21.8% in 2019 to 30% amid the pandemic. Almost 16.38 million people became new poor. (CPD, BILS, 2021)
- ❑ The proposed allocation for LGRD in BFY'22 is Tk 42,193 crore, which is 0.55% less than that of RBFY'21
    - ➢ LGRD accounts for 7.0% of the total budget, similar to that of BFY'21
    - ➢ Given the demand for rising engagement of the public sector at the local level in view of the COVID pandemic, reduction of budget allocation will undermine COVID related effects and measures
- ❑ About 93% of LGRD's total allocation will be utilized by the LGD
    - ➢ This is a rise of 0.58% in BFY'22 as compared to RFY'21
- ❑ The other two divisions, RGCD and MCHTA, will see a decline by their budgets by 19.9% and 0.25%, respectively
    - ➢ This will likely have an adverse impact on people living outside the urban areas such as those living in rural areas marginal and lagging regions





Local Government

- Given the better performance in budget implementation (53.9% up to April 2021), which is above the average completion rate (49.09%), higher allocation to LGD is likely to ensure higher utilization which would assure higher benefit for the targeted people
  - In comparison to the 8th Five Year Plan, ADP allocation for BFY2022 is 14.5% higher (Tk.366.5 billion vis-à-vis Tk320.2 billion)
- Despite LGRD's good ADP implementation capacity, diversity in levels 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 FY22 as well.
    - These projects include Rural Market Development Project-(06/21: 25.1%); Rural Road Rehabilitation- (06/21: 39.4%) need more focus for implementation.
  - In case of concluding projects, the proposed allocation will help to complete important projects. These include Ashrayan-2 (06/22: 99.2%); LGSP-3 (12/21: 92.4%); Multipurpose Disaster Shelter (12/21: 81.6%)
    - The LGSP-3 was initiated to ensure cleanliness at the grass root level, and masks, sanitizers, soaps/handwash, bleaching powder, etc. that were distributed among 673 thousand households

Local Government

❑ Implementation Status of Selected Carry Over Projects

Project Name	Max Implementation rate by FY22 (%)
Countrywide Rural Market Infrastructure Development Project- 01/07/2017-30/06/2021	25.1
Flood and Disaster Affected Rural Road Infrastructure Rehabilitation- 01/01/2018-30/06/2021	79.9
Rural Road Rehabilitation Project- 01/11/2018-30/06/2021	39.4
Rural Transport Improvement Project-2 (2nd Amendment)- 01/07/2012-30/06/2021	88.4
Strengthening Inclusive Development in Chattogram Hill Tracks- 01/02/2017-30/03/2021	30.9

❑ Implementation Status of Concluding Projects

Project Name	Max Implementation rate by FY22 (%)
Ashrayan-2 Project (3rd Amendment)- 01/07/2010-30/06/2022	**99.2**
Rural Infrastructural Development Project for Mymensingh Region- 01/10/2017-30/06/2022	49.0
Income Support Program for the Poorest (ISPP)- Jawtno Project- 01/04/2015-30/06/2022	61.0
Third Local Governance Project (LJSP-3)- 01/01/2017-31/12/2021	**92.4**
Multipurpose Disaster Shelter Constructional Project (1st Amendment)- 01/01/2015-31/12/2021	81.6
Ashrayan-3 Project (Construct Necessary infrastructure in "Vashanchar" for Security of the Rohingyas' from Myanmar) (1st Amendment)- 01/12/2017-31/11/2021	23.5
Efficient and Accountable Local Governance (EALG)- 01/01/2018-31/12/2022	**89.4**

❑ Implementation Status of Selected Continuing Projects

Project Name	Max Implementation rate by FY22 (%)
Cyclone "Amphan" and Flood Affected Rural Road Infrastructure Rehabilitation Project- 01/10/2020-31/12/2023	4.1
Preferable Important Rural Infrastructure Development Project-3- 01/07/2020-30/06/2024	10.4

Local Government

  - The status of the continuing projects is not satisfactory. Funds need to be increased to complete the projects within the stipulated timeline
- Some employment generating and infrastructure development projects did not get ADP allocation in FY22
  - Rural infrastructure development project in haor areas and Countrywide bridge construction in rural areas
  - Allocation should be made for these projects
- RGCD is implementing project titled "Poverty reduction of marginalized population and ensuring employment of the extreme poor in northern areas/production and marketing of nutritious high value cereals" with a budget of Tk.156.3 crore
  - The project will benefit 0.89 lakh people
- LGD should undertake a project in FY2022 similar to the one which is going to be completed by June, 2021
  - For distributing free masks, hand sanitizers and soaps to distribute among the common people and students in hats, bazaars, bus stations, schools and colleges in the municipal areas
- GoB initiated a new rural development project, "My Village-My Town", for 15 pilot villages all over the country. However, this covers only 0.01% (Total 87,310 villages, BBS 2011) of the villages in the country
  - The GoB should complete the pilot project and go for expanded coverage and scaling up, with more allocation, as early as possible
  - CPD proposed initiating such project in order to enhance employment in rural areas through infrastructure development

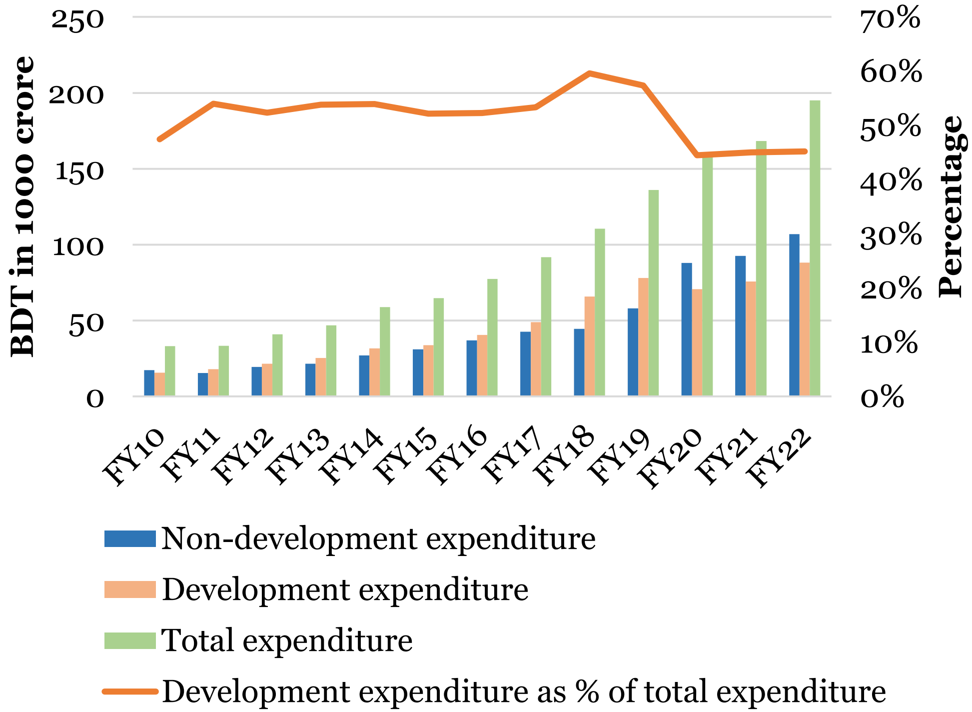
Gender

Gender

❑ **Allocation for gender budget has increased by 13.2% in FY22 to BDT 197,524 crore against RBFY21.**

- The allocation for operating expenditure for gender budget is Tk. 106,874 crore in FY22 which is highest in the past 12 years.
  - Actual expenditure for the previous year is unavailable; lack of transparency.
- Gender budget for FY22 accounts for nearly 5.71% of total GDP.
  - It is slightly higher than RBFY21 (5.64%)

Trend of Gender Budget allocation



- The gender budget allocated for the Ministry of Women and Children Affairs is Tk. 3,396 crore for FY22 which is around 81% of the total budget for the ministry.

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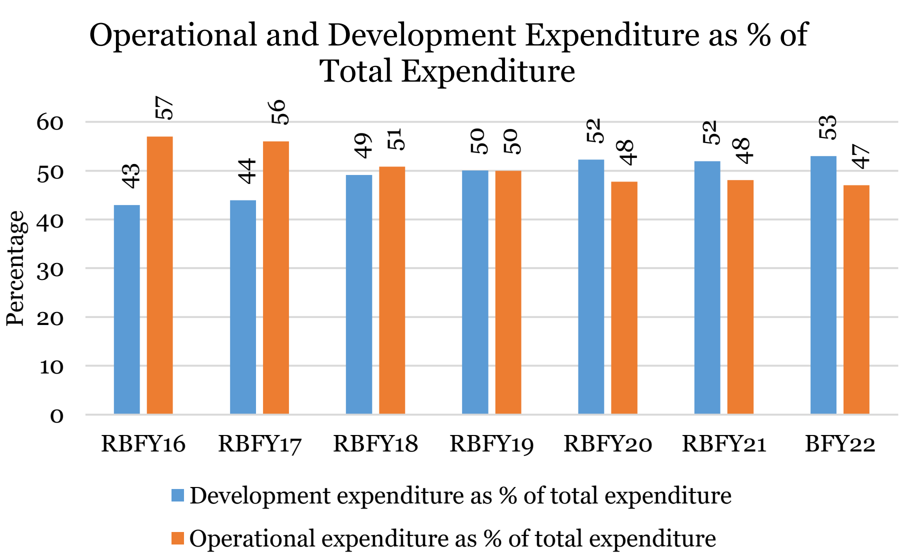
Gender

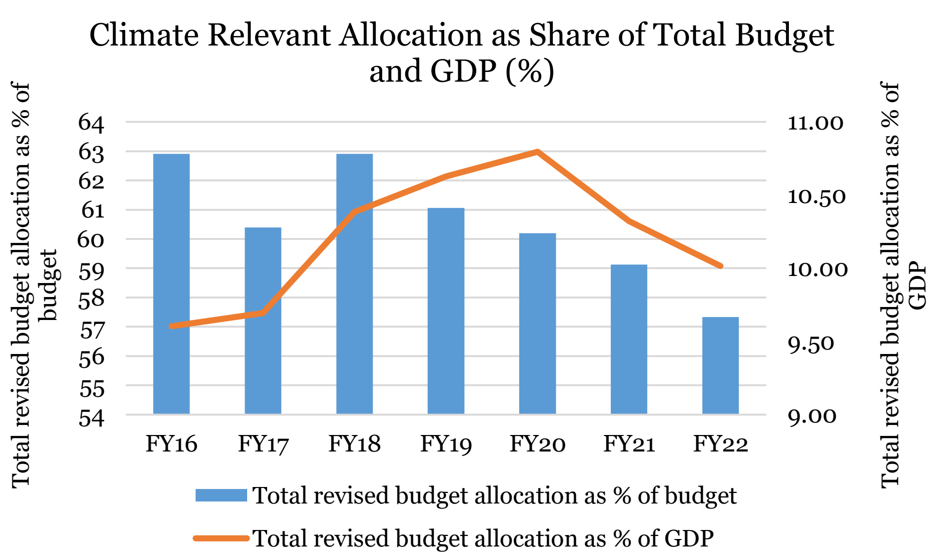
Impact of COVID-19 on women	Gender Projects and Programs in FY 2020-21
Increase in rape, domestic violence by partners and violence against women and girls in general	• 67 One-Stop Crisis Centers for women and children victims of violence in divisional districts and medical college hospitals in 6 districts have been set up - 47 in district sadar hospitals and 20 in upazila health complexes. • Instant support is being provided through the mobile app 'Joy'. • Prevention of Violence against Women and Children (Amendment) Act 2020 has been enacted. • Allocation for "Multi-sectoral Program to prevent Violence Against Women" decreased from BDT 27.40 crore in RBFY21 to BDT 17.56 crore in BFY22.
Increase in burden of unpaid care and domestic work	• The Child Daycare Act 2021 has been drafted and awaits enactment.
Increase in child marriage	• No measures taken
More susceptible to health risks	• No measures taken

Climate Change

Climate Change

- In the revised budget from FY2015-16 to FY2020-21 the development expenditure as a share of total expenditure has been increasing. In the new budget the increasing trend is still visible in the development expenditure.
- The climate relevant allocation as a share of total budget of 25 Ministries/Divisions has declined in the new budget.





Climate Change

- Notable Steps to Tackle Climate Change and Protect the Environment
  - To determine the air quality index, **16 round-the-clock air monitoring centers are being set up** in Dhaka and other cities of the country.
  - To reduce noise pollution, the Bangladesh Secretariat area has been **declared as horn-free zone**.
  - The project - "My Village-My Town" has already been approved, and 15 villages have been selected as pilots. This project will ensure a **road system free from the negative effects** of climate change.
  - A total of **37,254 climate refugee families** have so far been rehabilitated across the country under the Guchchhgram-II project. In FY 2021-2022, a target of rehabilitating another 1,000 landless poor families has been set.
  - As part of the United Nations Framework Convention on Climate Change (UNFCCC) obligation to create and update national greenhouse gas inventories to address the adverse effects of climate change, implementation of the project titled 'Bangladesh: First Biennial Update Report to the UNFCCC' is underway.

Climate Change

- Notable Steps to Tackle Climate Change and Protect the Environment
  - The approval process for the 'Adaptation Initiative for Climate Vulnerable Offshore Small Islands and Riverine Char Lands in Bangladesh' project to take adaptive action on small islands and offshore islands along climate vulnerable areas is in progress.
  - The government is going to implement the 'Developing Bangladesh National Red List of Plants and Developing Invasive Plant Species Management Strategy for Selected Areas' project, to create a Red List Index of 1,000 plant species in the country and prepare a management strategy for controlling alien invasive plant species in 5 selected areas.
  - To expand the country's Green Economy, a fund of million US$ refinancing scheme called **Green Transformation Fund (GTF) has been set up** to ensure sustainable development of export-oriented textile and leather industries. Recently, an amount of 200 million Euro has been allocated to the fund.

Climate Change

Notable Climate Relevant Funds, Plans and Projects	
Bangladesh Delta Plan (BDP) 2100	A long-term holistic plan for mitigating climate change that annually requires 2.5% of total income by 2030. Bangladesh will be able to maintain an average growth rate of 9% until 2041. BDP2100 projected, the combined effects of moderate climate change could cause an average loss of about 1.3% in the growth of GDP per year until FY2041.
Bangladesh Climate Change Trust Fund (BCCTF)	To finance BCCTF, the government allocated 3,652 crore Taka so far. Up to FY2020-21, BCCTF received a total allocation of Tk. 3,752 crore and till May 2021, a total of 789 projects under BCCTF have been approved.
Green Climate Fund (GCF)	GCF has till now granted USD 94.7 million for 4 climate change related projects. As of 3rd February 2020, an amount of US$ 10.3 billion was initially pledged to the GCF as climate finance; and some US$ 8.2 billion was confirmed.
Nationally Determined Contribution (NDC)	Bangladesh government decided to reduce greenhouse gas emission by 5% from business-as-usual levels by 2030. To implement the NDC adaptation activities, a total of TK. 3,52,800 crore is required during 2015-2030 which implies that TK. 23,520 crore is required annually. Similarly, to implement the NDC mitigation activities, a total of TK. 2,26,800 crore is required during 2011-2030 which implies that TK. 11,340 crore is required annually.

The world community is working towards Green Recovery from the pandemic. How Bangladesh will implement Green Recovery is not clear.

Defence Services

Defence Services

- The budgetary allocation for Defence Services in FY22 is Tk. 37,281 crore, which is 11.3% higher RBFY21
  - Overall, share of defence services in the budget (6.2%) has not changed for FY22
  - The share of non-development component in the overall defence budget has always been more than 95%
  - The share of the development component is 4.9% in FY22 which same in BFY21

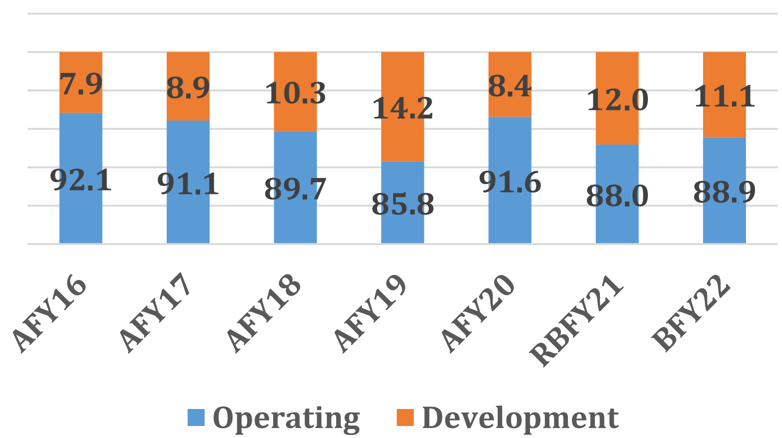
Defence Allocation and Expenditure in Recent Years (In crore Tk.)

	FY19 (A)	FY20 (A)	FY21 (RB)	FY22 (B)
Ministry of Defence-Defence Services				
Non-Development	28,467	33,058	30,558	33,616
Development	38	62	1,490	1,832
Total	28,505	33,120	32,048	35,448
Ministry of Defence-Other Services				
Non-Development	1,450	1,323	1,413	1,789
Total	1,450	1,323	1,413	1,789
Armed Forces Division				
Non-Development	34	37	39	44
Total	34	37	39	44
Total-Defence Services				
Total-Defence Services	29,989	34,480	33,500	37,281
% of Total Budget Allocation	7.7	8.2	6.2	6.2

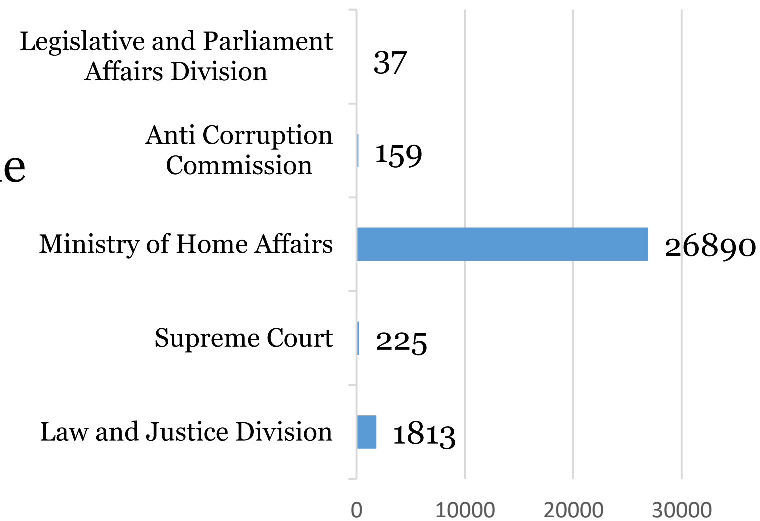
Public Order and Safety

Public Order and Safety

- The allocation for Public Order and Safety for FY22 is Tk. 29,124 crore(8.08% higher than RBFY21)
  - Overall, share of this sector in total budget has been declining (from 6.2% in FY17 to 4.8% in FY22)
  - The share of operating expenditure within the budget for the sector has always been higher – both in terms of allocation and actual expenditure
- Following the usual trend, Ministry of Home Affairs (MoHA) has taken the lion's share of the total allocation for the sector in FY22
  - From 91.5% in FY17 to 92.3% in FY22
  - Budget of MoHA is largely dominated by operating expenditure



Allocation for FY22(Crore Tk.)



VIII. CONCLUDING REMARKS

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- *The budget document refers to management of the COVID situation throughout which was not the case during the first COVID budget (FY21). However, the document does not have much to offer in terms of concrete measures and innovative policies to combat COVID-induced challenges*
- In the budget speech it is mentioned that health, agriculture and employment generation have been given priority while allocating resources for ADP. However, actual allocation does not reflect this as these promises have not been supported by adequate resources.
- The budget does not seem to recognise the implementation challenges and hence does not spell out ways to overcome those challenges. Nothing has been mentioned regarding capacity development, stronger monitoring and evaluation, results based framework etc. towards better implementation of budgetary proposals

Independent Review of iRBD Bangladesh's Development

VIII. CONCLUDING REMARKS

- *The macroeconomic framework of the budget is far from reality. It takes the revised budget targets, which are unlikely to be achieved, as reference points and assumes that most of the macroeconomic correlates would perform better than the targets set in 8FYP*
- Though there is a section on reforms in the budget document, it only refers to what have been done so far. It does not spell out what concrete reforms would be undertaken to improve the efficiency in the economy. The unfinished reform agenda in many areas such as tax, customs duty, banking sector, health sector and social sector has constrained the achievement of budgetary targets and its ability to cope with adverse impacts of the pandemic
- Given the magnitude of negative impact on various sectors due to COVID-19, CPD had emphasised on the need for medium term strategy for economic recovery. The budget for FY22 has no indication on this. This puts under risk the fulfillment of the promise made in the 50th budget to move towards a resilient future by giving priority to lives and livelihoods

Independent Review of Bangladesh's Development (IRBD)

Stay Well, Stay Safe

CPD (2021): An Analysis of the National Budget for FY2021-22