Independent Review of

iRBD

Bangladesh's Development

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

National Budget for FY2022-23

Addressing Six Challenges: Measures Proposed and Measures Required

Dhaka: 16 June 2022

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Acknowledgements

The CPD IRBD 2022 Team would like to register its profound gratitude to *Professor Rehman Sobhan*, Chairman, CPD and *Dr Debapriya Bhattacharya,* Distinguished Fellow, CPD for their support.

The Team gratefully acknowledges the valuable support provided by the Dialogue and Communication Division and the Administration and Finance Division in preparing this report.

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Concerned officials of several institutions have extended valuable support to the CPD IRBD 2022 Team members, for which the Team would like to register its sincere thanks.

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

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I. Introduction

- The national budget for FY23 has been placed at a time when the economy is facing considerable challenges
- Indeed, the macroeconomic stability significantly weakened amid negative developments both on domestic and external fronts
- The Finance Minister has acknowledged the challenges and mentioned the following six points:

  i. *containing inflation and enhancing domestic investment*

  ii. *financing additional subsidy required for the increased price of gas, power and fertilizer in international markets*

  iii. *utilizing funds available through foreign assistance and ensuring timely completion of high priority projects of ministries/divisions*

  iv. *ensuring timely completion of projects in education and health sectors*

  v. *increasing collection of local Value Added Tax and raising the number of individual tax-payers*

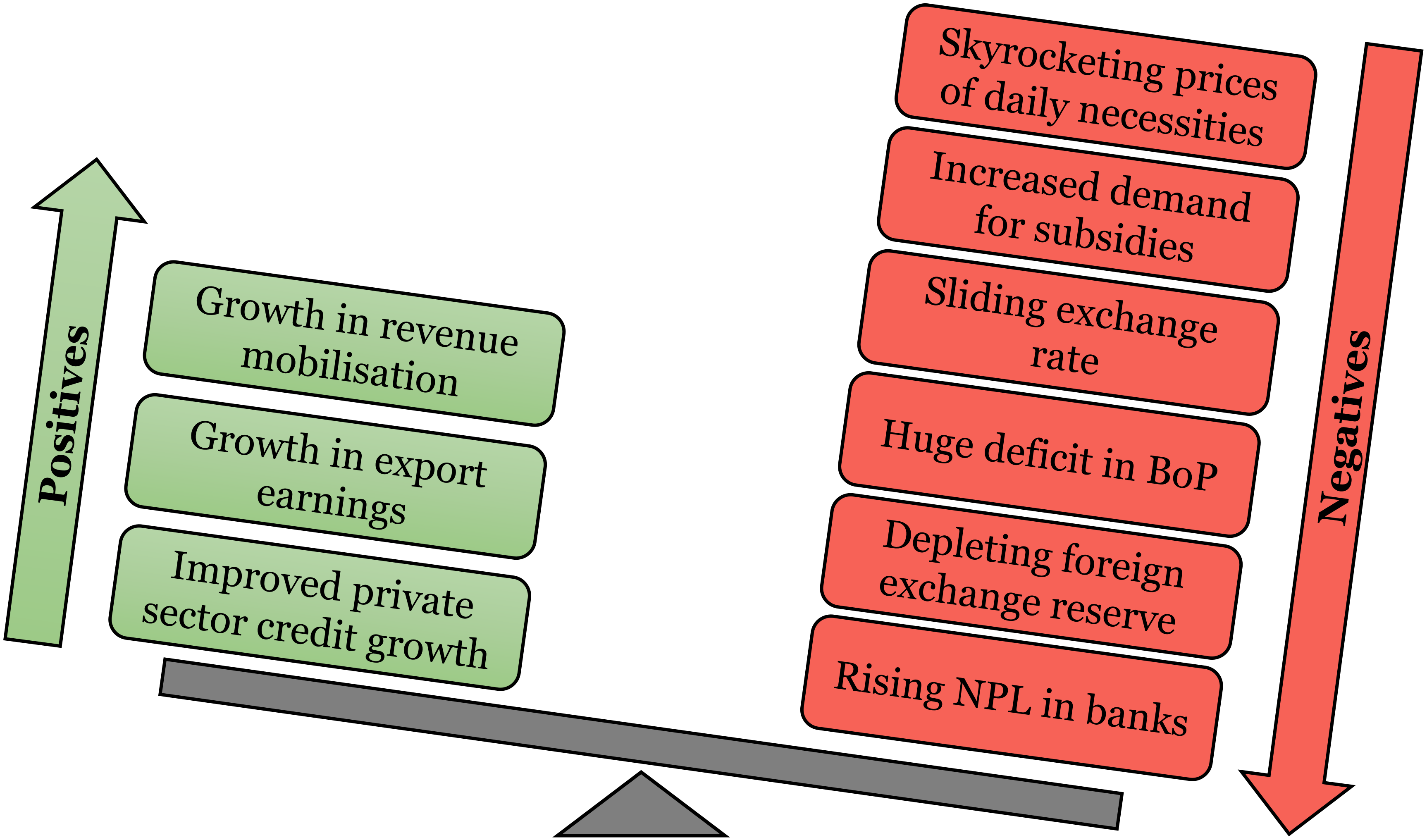
  vi. *maintaining stability in the exchange rate of taka and keeping foreign exchange reserves at a comfortable level*

CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

II. Macroeconomic framework of FY2023

II. Macroeconomic Framework

Macroeconomic stability under threat…



II. Macroeconomic Framework

GDP and Investment

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

Source: MTMPS

- For FY23, **GDP growth** target has been set at 7.5% (7.7% in 8FYP)
- The budgetary framework of MoF projected a 7.3% GDP growth in FY22 – similar to the provisional estimates by BBS
- **Public investment-GDP ratio** in FY23 has been assumed to be 6.7% (7.6% in FY22)
- **Private investment** has been estimated to be 24.8% of GDP in FY23
    - Accounting for 15.4% increase in nominal terms in FY23, Tk. 147,000 crore (approx.) additional private investment will be required (based on the MoF estimates for FY22 of Tk. 956,736 crore)
- **ICOR** is expected to be 4.2 in FY23 – productivity of capital is projected to rise (4.4 in FY22; 4.5 in FY21)

II. Macroeconomic Framework

Monetary sector and Inflation

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

Source: MTMPS

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

External sector

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

- **Growth target for export earnings** has been set at 20.0% in FY23
  - Up to May FY22, total export growth was 34.1%
- **Growth target for import payments** has been set at 12.0% in FY23 and projected to be 30.0% in FY22
  - Up to April FY22, total import growth was a whopping 41.4%
    - Capital machineries import recorded a 59.4% growth in this period
  - Up to April FY22, total L/C opening exhibited a growth of 44.5% while that of capital machineries recorded an increase of 45.5%
- Export earnings are primarily volume driven, while import payments are price driven – not a robust structure

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II. Macroeconomic Framework

- ❑ Remittance growth target for FY23 has been set at 16.0%
  - ➢ During Jul-May FY22, remittance inflow posted a negative growth of (-) 16.0% over corresponding figure – annual growth rate mentioned in MTMPS for FY22 (1.0%) is not feasible as it would require 201% growth of remittance inflow in the month of June 2022
- ❑ Exchange rate is expected to appreciate and reach Tk. 86.2/USD on an average in FY23 – does not reflect the realities on the ground
  - ➢ Currently, the official rate is Tk. 92.375/USD (as of 14 June 2022)

Public debt

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

III. Fiscal Framework for FY2023

III. Fiscal Framework

Broad fiscal framework for FY23

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

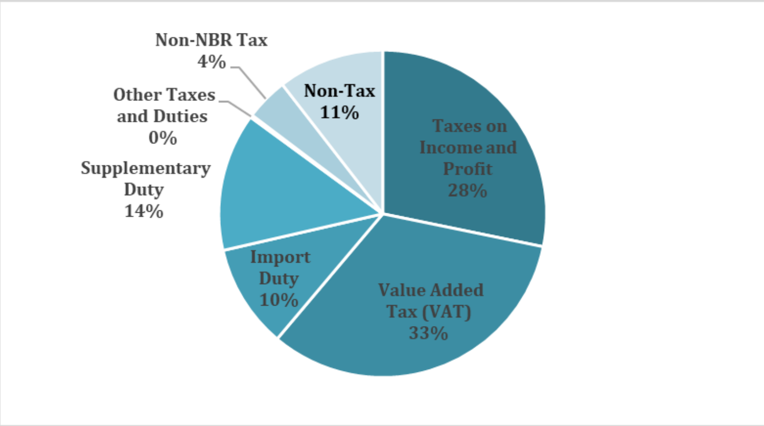
III. Fiscal Framework

Revenue mobilisation

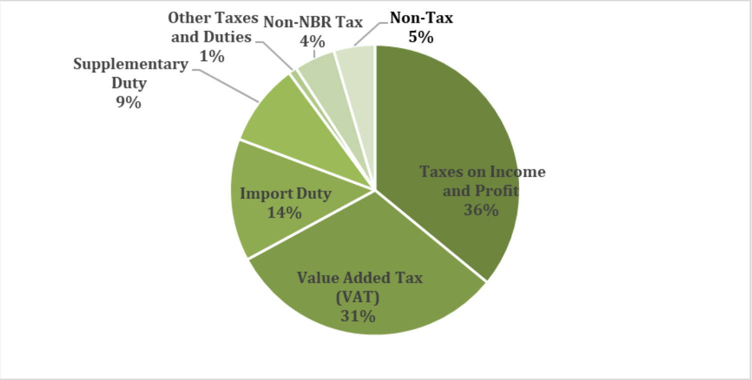
FY23 (Crore Tk.)	4,33,000
FY22(Revised Budget) (Crore Tk.)	3,89,000
FY22 (CPD Projection) (Crore Tk.)	3,59,000
Target Growth (%) FY23 (Budget)	11.3
Target Growth (%) FY23 (CPD Projection)	20.6

- Budget FY23 targets 11.3% growth over RBFY22
  - CPD projection: Approx. an additional Tk. 44,000 crore may need to mobilised
- NBR revenue to grow by 12.1% and deliver the lion's share of the incremental revenue (90.9%)
  - Collection from LTU to grow by only 10.0%
- VAT to provide on 31% of incremental revenue
- Non-tax revenue growth is expected to be only 4.7%
  - Only Tk. 123 crore additional revenue is expected to be mobilised from Tolls – the Padma Bridge alone should be able to mobilise significantly more!

Share of revenue FY23



Incremental share of revenue FY23



CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

III. Fiscal Framework

Total Public Expenditure

Sector	Share in BFY23	Share in RBFY22	Change in FY23B over FY22R		Incremental Share
	%		Crore Tk	%	%
Public Services	19.9	18.7	23,764	21.4	28.1
Education and Technology	14.7	14.8	12,238	13.9	14.5
Transport and Communication	12.0	11.1	15,639	23.7	18.5
Interest	11.9	12.0	9,131	12.8	10.8
LGRD	6.6	7.2	2,165	5.1	2.6
Agriculture	6.2	5.9	7,135	20.4	8.4
Defence Services	5.9	6.3	2,869	7.7	3.4
Social Security and Welfare	5.5	6.0	1,683	4.7	2.0
Health	5.4	5.4	4,589	14.2	5.4
Public Order and Safety	4.6	4.9	2,004	6.9	2.4
Energy and Power	3.8	4.1	1,547	6.3	1.8
Housing	1.0	1.2	-22	-0.3	0.0
Recreation, Culture and Religious Affairs	0.8	0.9	-56	-1.0	-0.1
Industrial and Economic Services	0.6	0.7	-238	-5.6	-0.3
Others (Memorandum Item)	1.0	0.8	2,116	43.0	2.5
Total Expenditure	**100.0**	**100.0**	**84,564**	**14.2**	**100.0**

- ❑ Public services sector accounts for 28.1% of total incremental expenditure; followed by Transport and Communication (18.5%)
- ❑ Total incremental allocation for **Interest Payments** is **Tk. 9,131** crore (about 10.8% of total additional public expenditure for FY23); of which, **domestic interest** is **Tk. 8,175 crore**

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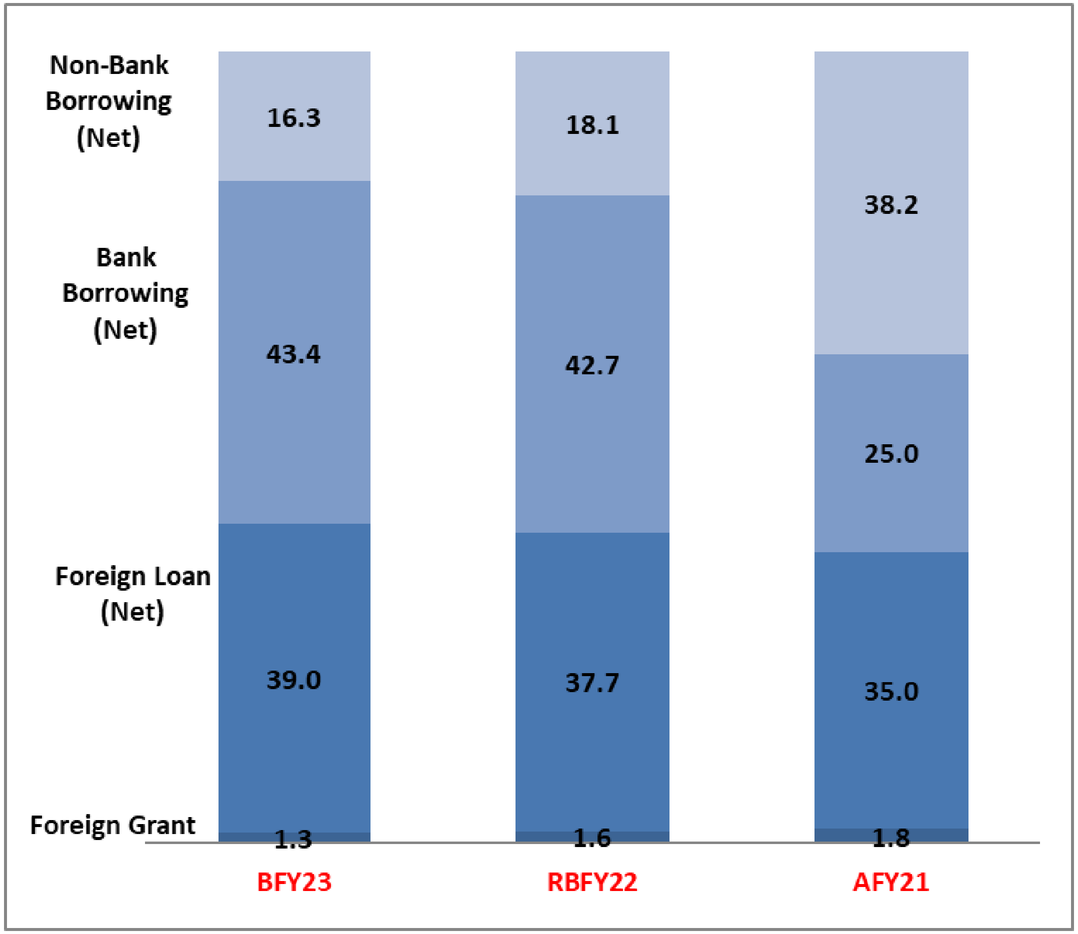
III. Fiscal Framework

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

Budget Deficit and Financing



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

IV. Addressing Six Challenges

Challenge One

Containing **inflation**
and enhancing
domestic investment

Challenge 1a: Containing inflation

Measures undertaken

Various indirect tax measures proposed to tackle inflation

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

Challenge 1a: Containing inflation

- Incentives to Agriculture and allied sectors (AAS) have important implications on containing inflationary pressure

Over the years allocation for the AAS has been increasing (from 5.2% in AFY20 to 6.2% in BFY23)

- Agriculture sector is the 2nd highest priority sector in BFY23 (3rd in last year)
- The sector has an allocation of 6.2% of total budget in BFY23
- AAS allocation in BFY23 has increased by 20.4% over RBFY22
- Number of "carry-over" projects has decreased to 20 in FY23 from 29 in FY22
    - However, compared to the 8FYP, ADP allocation in BFY23 is lower by BDT 19972 crore
- Allocation for **social safety nets** has **increased** from BDT 111,467 crore in revised budget for FY22 to BDT 113,576 crore in budget for FY23

Challenge 1a: Containing inflation

Lowering Personal Income Tax (PIT) thresholds will provide some tax relief to tax-payers, however, the structure remains unchanged

- Tax exempt threshold for PIT remains the same at Tk. 300,000

- Wealth Surcharge free limit remains unchanged at Tk. 3 crore
- Rate of investment tax rebate has been fixed at 15% on eligible amount - *higher taxpayers i.e. top earners will get higher tax rebate benefits (annual income below 15 lacs will not get any additional tax benefits)*
- Admissible amount of investment has also been slashed to 20% of taxable income from 25% of taxable income *– will increase the tax burden*
- The allowable ceiling of perquisite has also been raised from Tk. 5.5 lacs to Tk. 10 lacs in FY23 - *those with annual income between Tk. 16.5 lacs to Tk. 30 lacs will get additional tax benefits of up to Tk. 112,500 in a year, another instance of benefitting only the high income groups*

VAT and SD Act 2021 and Rule 2016 thresholds remained unchanged

- VAT free annual threshold for business enterprises remains unchanged at Tk. 50 lakhs; Turnover tax ceiling has also not changed (Tk. 3 crore); 4% turnover tax remains unchanged – *will play no additional tax relief on small traders*

Challenge 1a: Containing inflation

Identified gaps

- The Budget FY23 did not offer any significant respite through fiscal measures from the inflationary pressure originating from high import prices and recent significant BDT depreciation, particularly as far as the low-income people were concerned
- There was no strong move to go for import duty reduction of essential commodities to signal a lessening of imported inflation burden on low- and fixed-income groups
- Without any upward adjustment in the tax exempt threshold for PIT, raises questions as regards tax relief for lower income individuals
- Delay in implementing Agriculture Census 2018 would have an adverse effect on better planning for crop storage, cultivation, harvesting, and pricing during the post COVID period
- Earlier CPD has identified many daily necessary items which will continue to have higher duties

Challenge 1a: Containing inflation

- Adequate allocation in social safety net programmes (SSNP) is necessary to tackle inflationary pressure for marginalised groups
- **SSNP budget did not reflect the reality on the ground**
  - Increase in SSNP of only 1.89% is lower than the average rate of increase of 17% between FY10 and FY22
  - Overall social safety net budget as a percentage of budget and GDP decreased from RBFY22 to BFY23
  - Social safety net budget excluding pension as a percentage of GDP decreased 2.22% from RBFY22 to 1.92% in BFY23
  - Allocation has been cut for **Open Market Sales (OMS)** which would harm low income and fixed income households who are already suffering immensely due to high inflation

Challenge 1a: Containing inflation

Required additional measures

- As regards **PIT changes** in view of the skyrocketing prices of essentials, CPD had proposed
  - to either increase this threshold to Tk. 350,000 in order to provide some respite to the general citizens
  - or to raise the range of the next tier (at 5% tax) from Tk. 1 lacs to Tk. 3 lacs
- CPD also proposed to reinstate the highest PIT rate, applicable for top earners, from 25% to 30% in FY23 (was reduced in FY21) – *raising this rate would be an additional source of revenue for government to mobilise additional resources for thrust sectors*
- As CPD proposed earlier, existing high duties on daily necessary items should be lowered immediately

Challenge 1b: Enhancing domestic investment

Measures undertaken

- VAT, AIT, AT, CD, SD reduction has also been proposed for several products
  - Customs duty has been proposed to be reduced on industrial products such as Prefabricated buildings of wood, Sewage treatment plant (STP) etc.; industrial raw materials such as winding wire of copper, Wire rod, Metal frames for LCD/LED TV panel etc.
  - Complete manufacture of motor vehicle and car (up to 2,500 cc): manufacturing VAT exemption; also duty exemption for importing raw materials – *will incentivise local production*
  - VAT exemption at manufacturing stage for mobile phone batteries, chargers and interactive displays; customs duty imposed on imported mobile chargers – *domestic protection at both ends as well as revenue generation*
  - Customs duty has been proposed to be reduced on ICT and computer manufacturing industry's raw materials products such as Sensor, Fuse, Back Light, Power adapter, Battery, Speaker etc

Challenge 1b: Enhancing domestic investment

- Local VAT exemptions for manufacturing of Active Pharmaceuticals Ingredients (API) – *important in view of upcoming LDC graduation and TRIPS enforcement*
- LPG manufacturers: VAT at concessionary rate of 5% will continue

- Selected targeted fiscal measures in the agriculture sector would promote investment in domestic market-oriented agro-based industries and would also contribute to stabilise forex market
- 5% rebate on payable tax for an employer has been proposed if at least 10% of the total workforce is recruited from differently able population
- Tax rebate has been proposed to an employer employing 10% or more than 100 persons of the total workforce from the hijra community
- The higher allocation to development budget for MoEWOE indicates that government wants to put a special focus on overseas employment in FY23, *which perhaps focusing the election pledge of AL government (i.e.) 1000 workers from each upazila would be sent abroad*
- Some of the major tax exemptions that has been proposed include corporate tax – *with a hope that these fiscal measures could encourage investment by generating investible surplus to businesses*

Challenge 1b: Enhancing domestic investment

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

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

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

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Challenge 1b: Enhancing domestic investment

- CIT rates for banks, insurance and financial institutions (both listed and unlisted), merchant banks, tobacco item producers, mobile operators (both listed and unlisted), and private educational institutes (college and university level) remained unchanged from FY22
- Rate of source tax on export proceeds has been raised to 1% from 0.5% - *welcome move*
- Aligned CIT (12%) for all export-oriented entities might play a role in providing **equal opportunity to non RMG industries** for growing
  - 10% for green industries including **sectors exporting both goods and services -** *Expected to incentivise green initiatives and export diversification*
- Textile sector will continue to enjoy 15% tax rate till FY25 – *will provide some competitive advantage and encourage backward linkage in export oriented apparels sector*
- Turn over tax for **start-up entrepreneurs** has been reduced from 0.6% to 0.1% - *will help expansion of start-up ecosystem*

Challenge 1b: Enhancing domestic investment

Identified gaps

- Given the uncertainties prevailing in the domestic and global arena, and without other measures to improve business environment, whether the reduction in CIT will stimulate investment remains a question
- It remains a question whether the raise in source tax on export proceeds (1%) can be enforced - *in recent past similar measure was not finally passed in the parliament*
- Source tax on bank interest for company taxpayers to go up to 20% from the prevailing 10% - *will mobilise additional revenue, however may discourage domestic investment*

Challenge 1b: Enhancing domestic investment

- Budget FY23 has mentioned about gradual initiation of Unemployment Insurance, Maternity Insurance, Sickness Insurance, and Employment Injury Insurance
  - However, other than launching of a pilot of the Employment Injury Scheme to protect workers from injury in the workplace, no specific allocation and steps found to be mentioned
- In 8FYP, additional 1.61 million domestic employment and 0.65 million overseas employment was targeted to create
  - ADP allocation for three selected employment generation related ministries has deviated from the 8FYP largely
  - It is not very clear what are the targeted initiative in this regard (apart from fiscal measures) and how this target will be achieved in FY23
- Other than differently able, hijra community, fiscal measures targeting specific segment of workforce are mostly missing in the proposed budget
- Allocation for Employment Generation Programme for the Poorest (EGPP) has been decreased by 5% in FY 23 compared to RFY 22

Challenge 1b: Enhancing domestic investment

- In view of LDC graduation, along with creating new employment, Bangladesh is expected to start focusing on improving productivity and ensuring decent work
  - However, the focus in employment and decent work is not evident in BFY23
    - Allocation to three selected lead ministries related to employment generation (Ministry of Industries, Ministry of Labour and Employment, and Ministry of Expatriates' Welfare and Overseas Employment) has decreased
    - Total allocation for two crucial ministries for employment, MoI and MoLE proposed to be decreased by Tk. 690 crore and 3 crore respectively in BFY23 compared to RFY22
    - The justification for proposing 43.2% increase in the operating expenditure of MoLE is not clear (spending on travel and transfer of MoLE proposed to be increased more than 100%)

Figure : Recent trends of allocation of selected ministries (in Crore Taka)

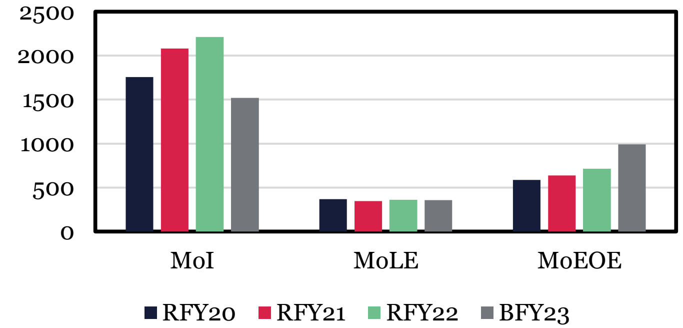
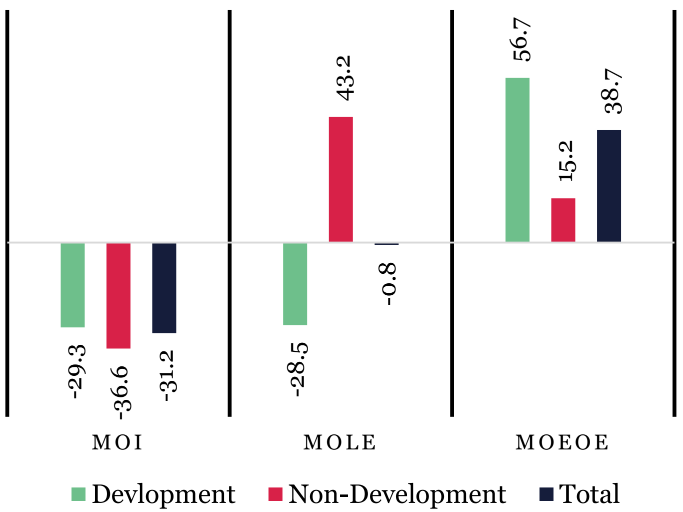


Figure : Disaggregated % Changes of allocation for selected ministries



Challenge 1b: Enhancing domestic investment

- Important ADP projects (carryover and concluding) as regards employment generation did not receive adequate allocation to be completed in a timely manner

- Implementation status selected **carry over projects**

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

- Implementation status of selected **concluding projects**

Project Name	Max Completion by FY23
BEPZA Economic Zone, Mirershorai01/09/2018-30/06/2023)	76.7%
BSCIC Plastic Industrial Park (01/07/2015-31/12/2022)	51.5%
Export Competitiveness for Jobs (1st Revised) (01/07/2017-30/06/2023)	44.4%
DIFE modernization and establishment 13 district office (01/07/2019-31/12/2022)	31.1%

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Challenge 1b: Enhancing domestic investment

Required additional measures

- Government priorities to enhance domestic investment and employment generation should be well aligned with 8FYP and that should be reflected in the budget's allocative priorities
- Carryover and concluding ADP projects (with high completion priority) should receive adequate allocation
- Budget of FY23 comes with a number of fiscal measures (mainly in the form of tax cut) with the objective of enhancing investment in the economy and generate employment thereby
  - But CPD always emphasised on the fact that investment depends on other factors as well (e.g., ease of doing business; competitiveness environment) (private sector credit growth is 9.5% up to March FY22, it is still low compared to the pre-COVID period)
  - An Accounting exercise for additional return on reduction in CIT is also required
- Measures targeting specific group of labor forces are found to be more cost-effective as compared to the generic one (IMF, 2014)

Challenge Two

Financing additional **subsidy** for the **increased price** of gas, power and fertilizer in international markets

Challenge 2: Additional subsidy to tackle increased price of gas, power and fertiliser

Measures undertaken

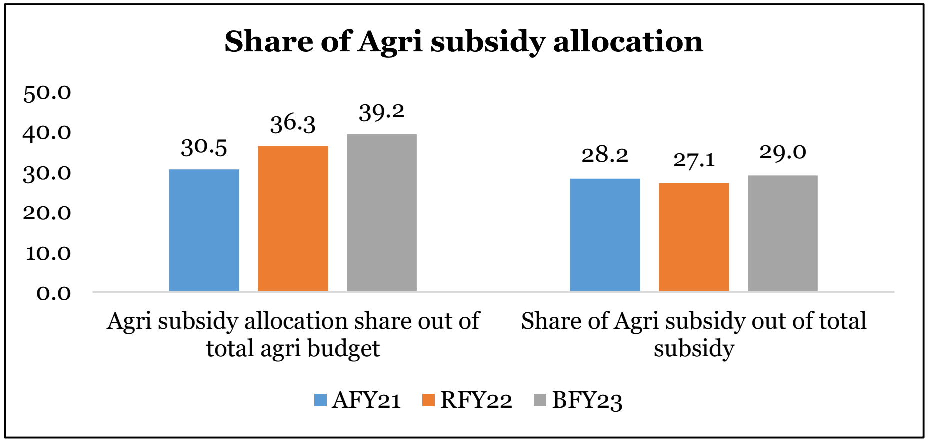
- According to MTMPS, in BFY23 allocation for **total subsidies and incentives is Tk. 82,745 crore (12.2% of total public expenditure and 1.9% of GDP)**
  - In RBFY22, it was Tk. 66,825 crore (12.2% of total public expenditure and 1.9% of GDP)
  - Of the additional Tk. 15,920 crore earmarked for BFY23, Tk. 4,000 crore (25.1%) is for fertiliser & other agricultural incentives
- According to the budget speech, the estimated budget for subsidy and incentives can be 15-20% higher than the initial estimates and could reach around Tk. 95,000-99,000 crore
  - There is no doubt that the administered prices are set to rise in FY23

Challenge 2: Additional subsidy to tackle increased price of gas, power and fertiliser

- The government has declared a subsidy package of BDT 16,527 crore for agriculture sector which is one-fifth of the total amount
  - The sudden rise in subsidy in FY22 is because of accommodating additional expenditure for import of fertilisers such as TSP, DAP, and MOP fertilizers from the international market significantly at high prices

Subsidy in Agriculture (BDT crore)

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



Challenge 2: Additional subsidy to tackle increased price of gas, power and fertiliser

Required additional measures

- Proposed budget articulates that – "The sales price of fossil fuel, gas, electricity and chemical fertilizers will be adjusted gradually and on a small scale"
  - It reflects that government's motive of passing on the burden of additional subsidies to the consumers
  - Government should consider reducing import duties on subsidised commodities (such as fuel for which total tax incidences on import are in the range of 22%-34%) before planning any upward price revision

Challenge Three

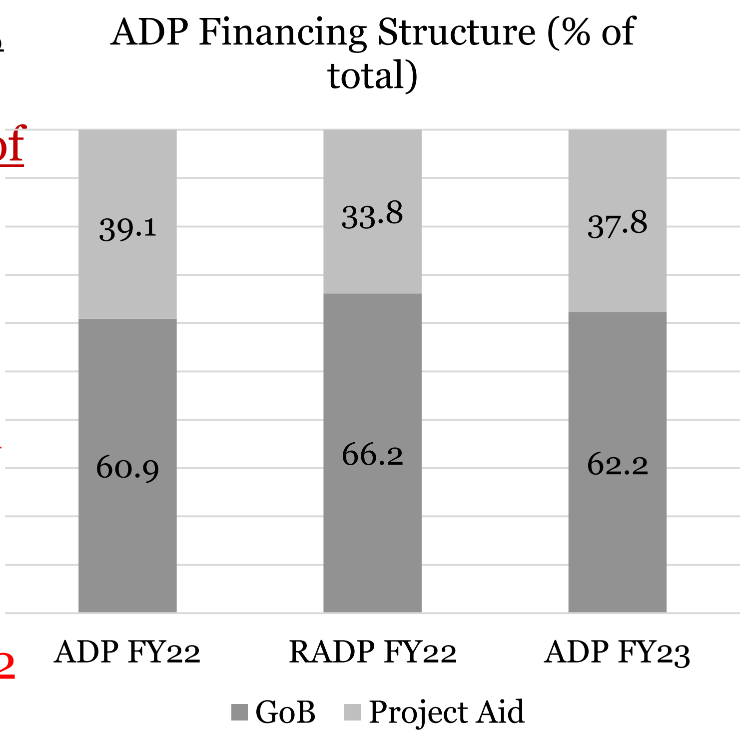
Utilising funds available through **foreign assistance** and ensuring timely completion of high priority projects

Challenge 3: Utilisation of foreign funds and timely completion

Measures undertaken

An ADP sized Tk. 246,066 crore has been proposed for FY23

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



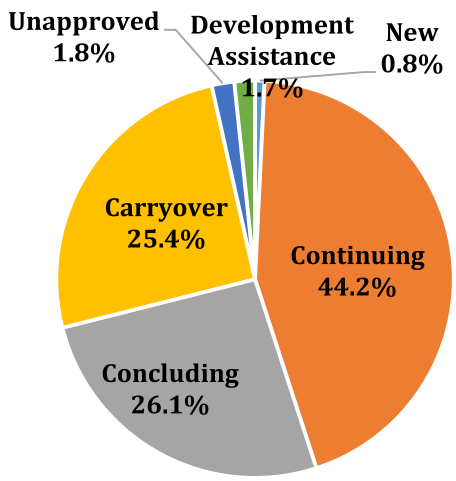
- ❑ **The ADP for FY23 contains 1,356 projects (1,426 in FY22)**
- ❑ The top 5 sectors have received 74.4% of total ADP allocation, led by Transport and Communication Sector

CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

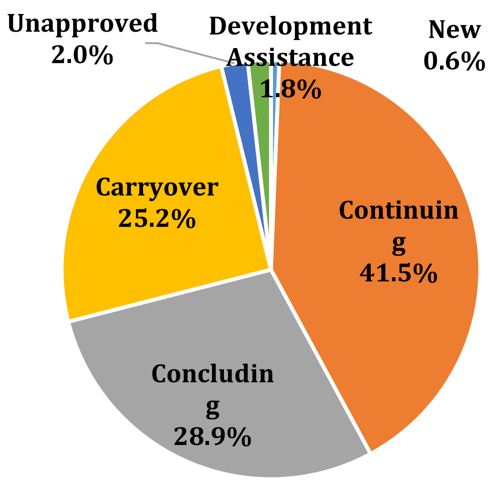
Challenge 3: Utilisation of foreign funds and timely completion

Share of allocation for <u>continuing projects has further declined</u> while that of concluding projects has <u>increased</u>

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



Share of allocation in FY22



Share of allocation in FY23

- ❑ **40 new projects** are included in FY23 (29 in FY22)
  - ➢ However, share has declined: 0.6% of total ADP allocation in FY23 (0.8% in FY22)
  - ➢ 192 new projects were included in the RADP for FY21 - tradition of allocating new projects in the RADP continues

CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

Challenge 3: Utilisation of foreign funds and timely completion

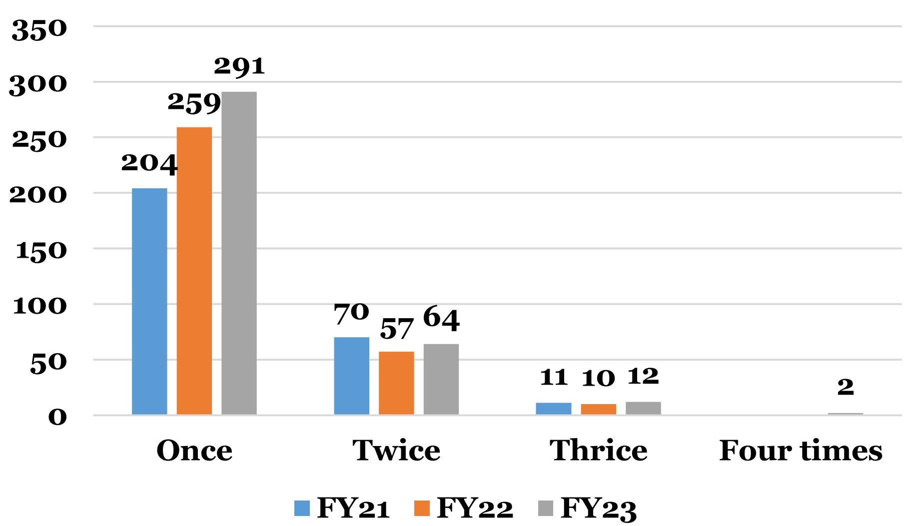
- A total of **462 projects are scheduled to be concluded in FY23**, according to project completion timeline
- There are **527** 'carryover' projects (account for **25.2%** of the total allocation)
  - Thus, total number of projects which should be concluded in FY23: **983**
- the share of projects with **symbolic allocation** (token allocation to keep these projects in the ADP list) is on the rise again! Majority of these are carryover projects
  - **59 projects (4.4% of total number of projects) under ADP FY23 have received only Tk. 1 lakh or below**; (31 projects (2.2%) received such allocation in FY22)
  - **52 (88.1%) of those are carried over from ADP FY22**
- Planning Commission has identified **269** projects which may be **completed in FY23** (355 were listed in FY22)
  - **Many of these are unlikely to be completed in FY23**

Challenge 3: Utilisation of foreign funds and timely completion

Time-overrun projects continue!

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

ADP Projects with number of revisions



Independent Review of Bangladesh's Development (IRBD)

Challenge 3: Utilisation of foreign funds and timely completion

- Tk. 76,715 crore is allocated for 20 mega projects (mostly infrastructure including fast-track and based on project size) which is 31.2% of total ADP of FY23
- Only two out of 20 mega projects are scheduled to be completed in FY23
  - These are the Padma Multipurpose Bridge project and the Fourth Primary Education Development Programme (PEDP4)
    - Maximum possible completion for PEDP4 by FY23 is 53.3% - indicating a need for time extension in the future
- Four projects were targeted to be completed by FY22
  - Two of these are related to the 4th Health, Population and Nutrition Sector Development Programme (HPNSDP)
    - The need for time and cost extension is evident from the ADP allocation so far for these projects

Challenge 3: Utilisation of foreign funds and timely completion

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

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

CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

Challenge 3: Utilisation of foreign funds and timely completion

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

Challenge 3: Utilisation of foreign funds and timely completion

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

Challenge 3: Utilisation of foreign funds and timely completion

Identified gaps

- No significant change in the structure of ADP allocation for FY23 can be observed
  - Physical infrastructure-related sectors have continued to dominate
- The problems of 'carryover' and 'time-overrun' projects will persist in FY23
- Progress of **mega projects implementation is unsatisfactory**
  - The wait may continue with consequent adverse impacts on public service delivery and crowding-in private sector investment
  - The delay in implementing mega projects will also have repercussions in the form of cost escalation
- Practice of allocating higher number of 'new' projects in the previous RADP (FY22) to hide the new projects in the ADP (FY23) is pervasive
- Utilisation of project aid will be critical for ADP implementation – also implies higher share of foreign financing in budget deficit financing

Challenge 3: Utilisation of foreign funds and timely completion

- The prioritisation exercise of ADP projects is confusing
  - 269 **completing projects (PC identified)** have been tagged as "low priority" mostly
  - 17 of the 20 mega projects in the ADP for FY23 are marked as "low priority" but have received significant allocations
  - However, most of the unapproved new projects (633 and another 150 seeking foreign funds) have been tagged as "high priority"

CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

Challenge 3: Utilisation of foreign funds and timely completion

Required additional measures

- ADP for FY23 again marked with high number of projects with 'symbolic allocations'
    - Practice of undertaking projects on political consideration should be discouraged
- 'Completing projects' should receive adequate allocation and high priority for timely completion – priority projects should be intensively tracked

Challenge Four

Timely completion of projects in **education** and **health sectors**

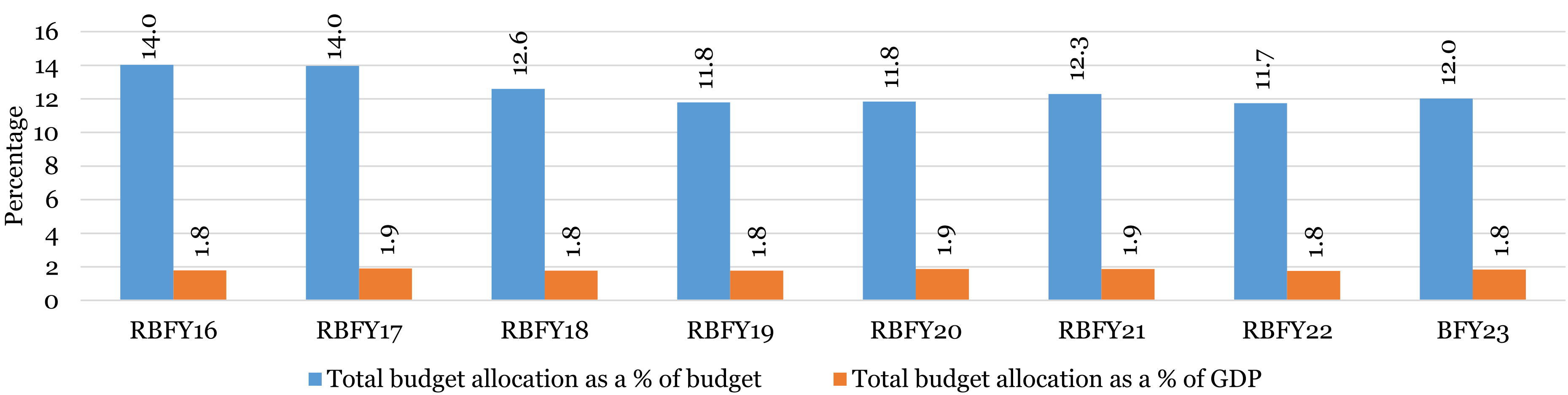
Independent Review of Bangladesh's Development (IRBD)

Challenge 4a: Timely completion of Education sector projects

Measures undertaken

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

Allocation for education as share of total budget and GDP



Challenge 4a: Timely completion of Education sector projects

As share of total ADP allocation, Education sector has received 11.8% in FY23 from 10.3% in FY22

- However, it remains way below the prescribed level of share for developing countries
- Out of total 110 projects in the Education sector,
  - there are 50 projects in the education sector being carried over from previous years;
  - 41 projects are concluding in FY23
- The Fourth Primary Education Development Programme (PEDP4) is the largest project in the education sector which is set to be completed as per the project completion deadline
  - Maximum possible completion for PEDP4 by FY23 is 53.3% - indicating a need for time extension in the future

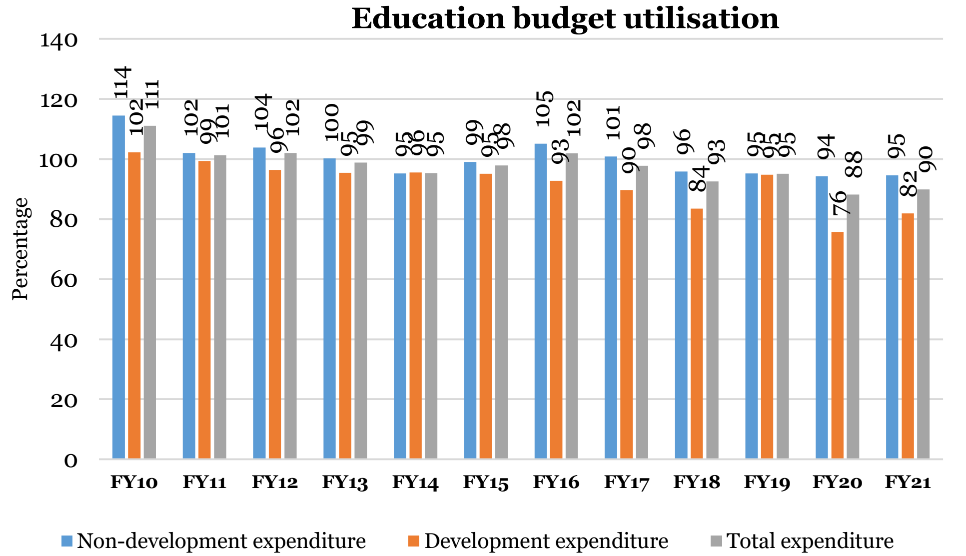
A number of fiscal measures go against the priorities of the education sector

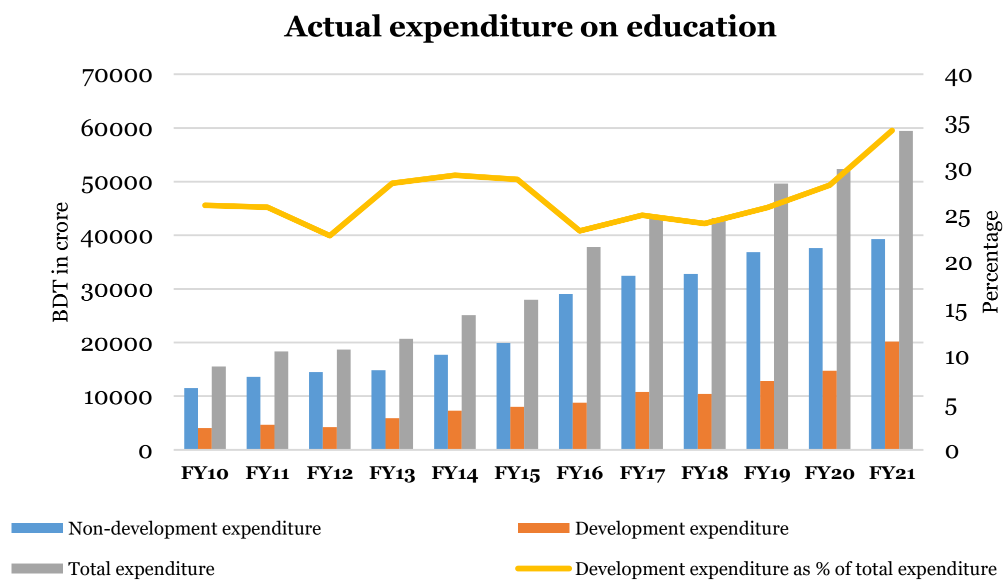
  - Private academic institutions were subjected to 15% corporate tax
  - total tax incidence on imported books is 73.96%
- This impedes the efforts made in order to achieve SDG 4, which aims for inclusive and quality education for all

Challenge 4a: Timely completion of Education sector projects

Gaps identified

- Budget utilisation has been decreasing over the years, especially for the development expenditure
- Actual expenditure portrays an increasing trend between FY10 and FY21, **however, operating budget accounted for much of the actual fund spent**
- In recent fiscal years, actual development expenditure has been significantly **lower** than actual non-development expenditure in the education sector





CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

Challenge 4a: Timely completion of Education sector projects

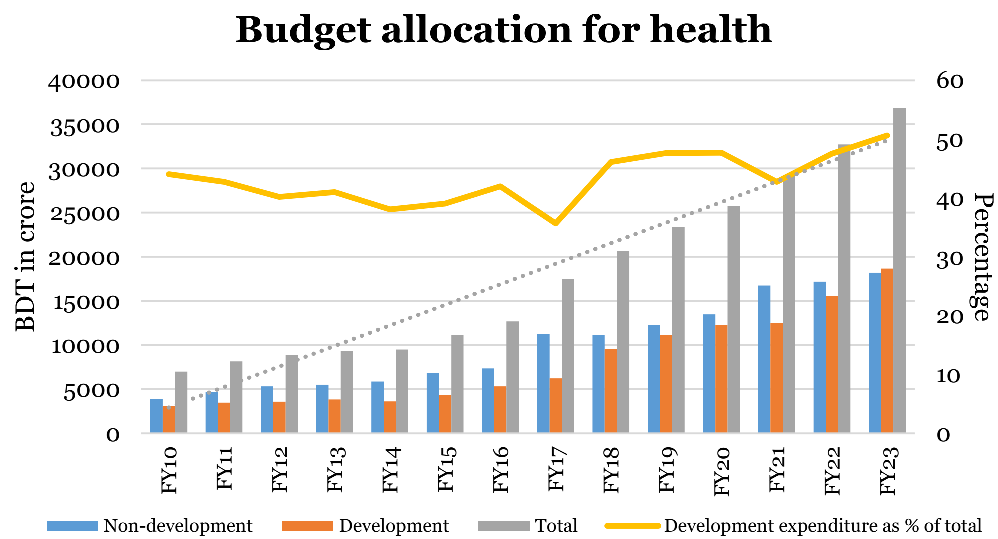
Required additional measures

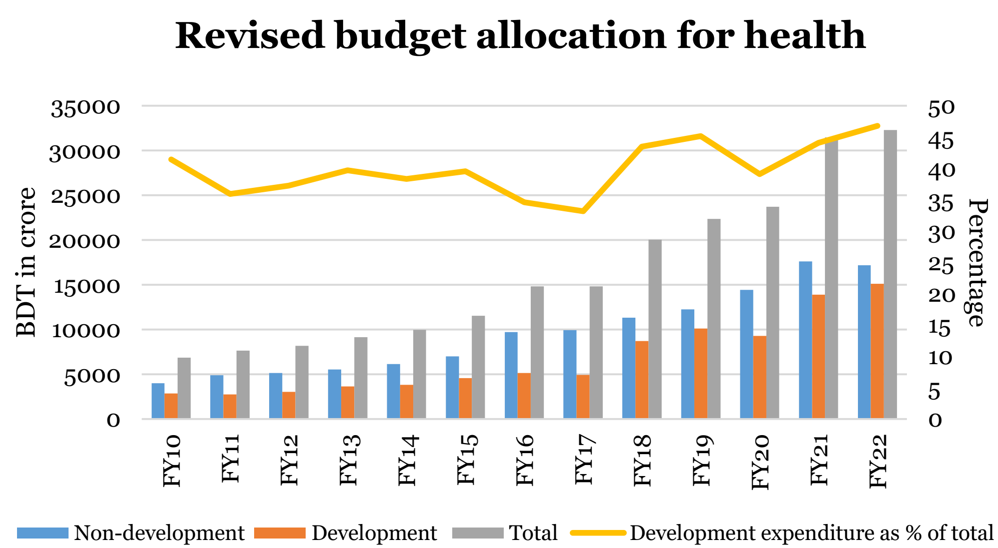
- Implementation of allocated budget remains a challenge
    - High priority projects should be intensively monitored for timely completion
- CPD recommends corporate tax on private academic institutions to be reduced to 10% from existing from 15%
- All taxes on imported foreign books should be exempted in FY23

Challenge 4b: Timely completion of Health sector projects

Measures undertaken

- ❑ Total budget allocation for health has increased **only by 13%**, from BDT 32,731 in FY22 to BDT 36,864 in FY23
- ➢ Increase in total budget allocation for health in FY23 followed a linear trendline, indicating that the rise was gradual, even though **the challenges of recovering from the pandemic still have not ended**
- ➢ Development budget allocation has increased by 49.7%, whereas non-development budget allocation increased by 22%
- ➢ Share of development budget allocation in total budget allocation has increased from 48% in FY22 to 51% in FY23
- ➢ Share of revised development budget allocation in total budget allocation has increased from 44% in FY21 to 47% in FY22





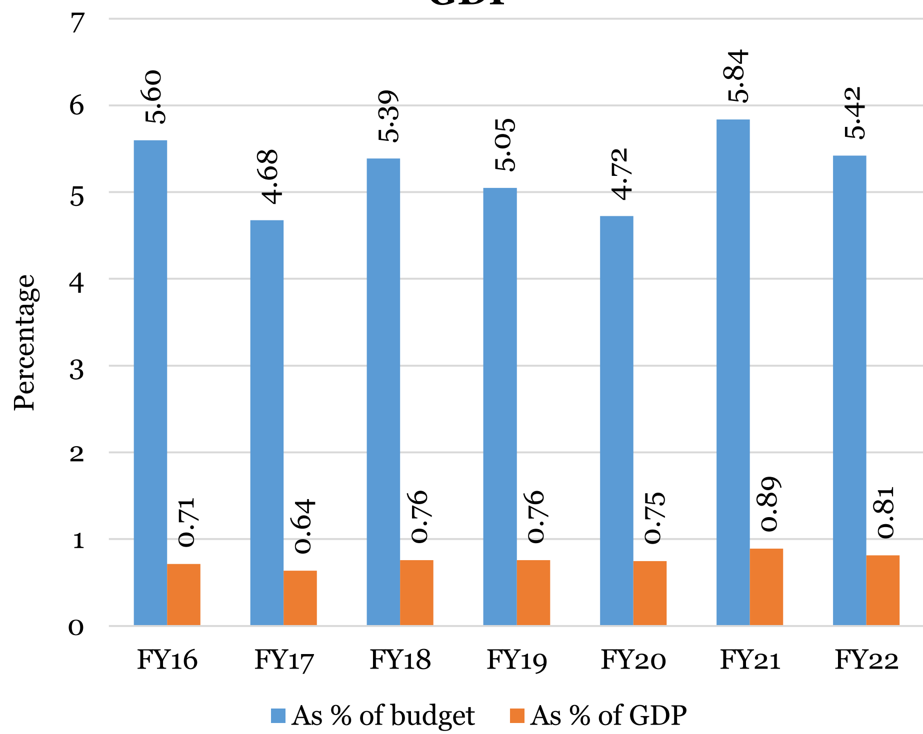
CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

Challenge 4b: Timely completion of Health sector projects

Allocation for health as a share of the total budget has slightly increased

- **Increased to 5.44% in FY23** from **5.42% in FY22**
  - However, this is lower than the allocation of 6.18% of the budget in FY10 when there was no pandemic
- Allocation for health as a *share of GDP* has increased **from 0.81% in FY22 to 0.83% in FY 23**
  - Such allocation is only marginally higher than the average allocation of 0.77% of GDP during FY16 to FY23.

Health allocation as share of total budget and GDP



Challenge 4b: Timely completion of Health sector projects

- The share of **Health** sector in ADP FY23 (7.8%) has marginally increased from 7.7% in ADP FY22
- Out of 58 development projects for Health sector,
  - There are 27 projects in the health sector being carried over from previous years
  - 24 projects are concluding
  - It means 51 out of 58 projects are scheduled to be completed in FY13 as per the project timeline
- Various indirect tax measures has been undertaken
  - COVID-19 Test Kit, PPE, protective garments, plastic face shields, medical protective gear, protective spectacles, and goggles for medical use and mask, meditation services: VAT exemption withdrawn – *may slowdown maintenance of health protocols and hygiene*
  - Imports of wheel chair and battery for hearing aid, brail materials: VAT, AIT, AT exempted – *will benefit persons with disabilities*

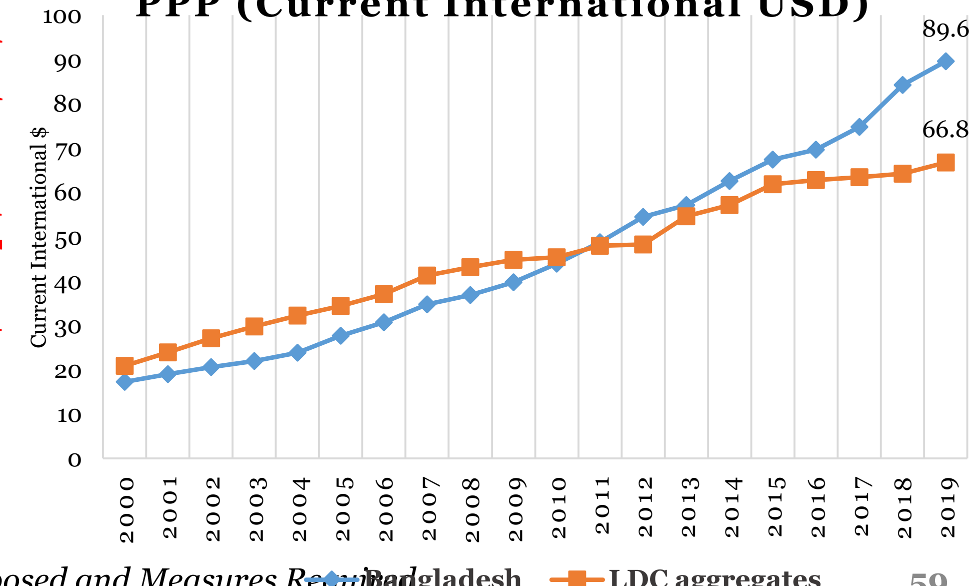
Challenge 4b: Timely completion of Health sector projects

Identified gaps

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

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

Out-of-pocket Expenditure Per Capita, PPP (Current International USD)

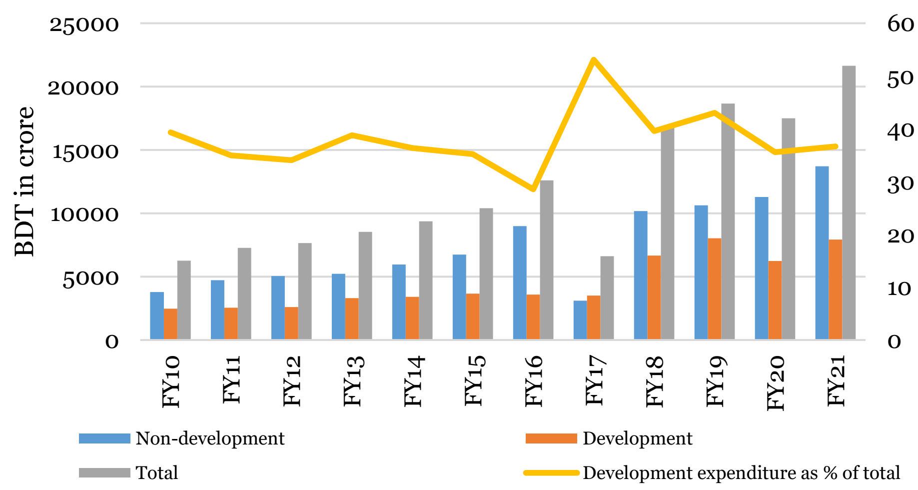


CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

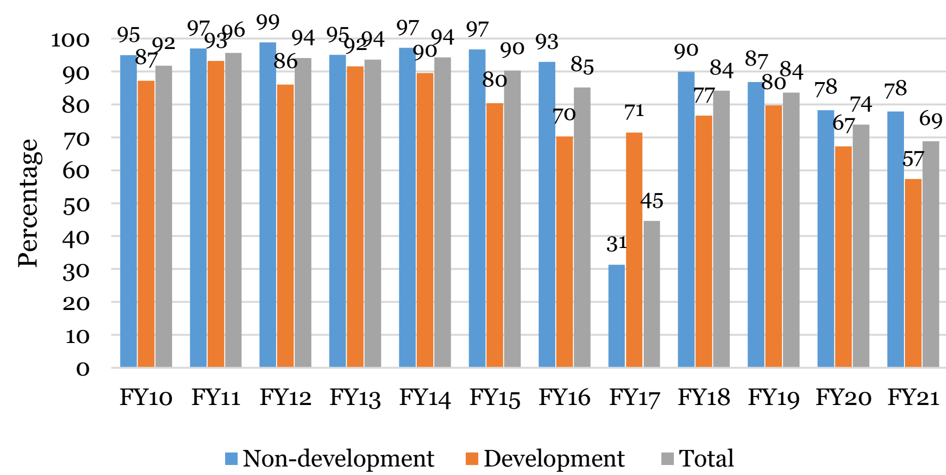
Challenge 4b: Timely completion of Health sector projects

- ❑ Actual expenditure increased by 24% from BDT 17,513 crore in FY20 to BDT 21,647 crore in FY21
- ❑ Budget utilisation (actual expenditure as a percentage of revised budget allocation) has **worsened** over the past decade
  - ➢ Non-development budget utilisation decreased from 97% in FY11 to 78% in FY21
  - ➢ **Development budget utilisation also decreased from 93% in FY11 to 57% in FY21**
  - ➢ Total budget utilization decreased from 96% in FY11 to 69% in FY21
- ❑ Over the past several years, non-development budget utilization has been consistently higher than development budget utilization

Actual expenditure on health



Health budget utilisation



Challenge 4b: Timely completion of Health sector projects

Required additional measures

- More emphasis should be provided towards completion of important health sector projects according to the project timeline
- The budget documents of FY23 have failed to publish data on how much funds were disbursed through the fiscal support measures launched in response to the COVID-19 pandemic
  - Such lack of transparency and accountability threatens to reduce the effectiveness of the government's COVID-19 response
- Disaggregated data on the implementation status of all liquidity support packages should be published on a monthly basis
- Budget presentation mentioned that a total of 258 million dose of COVID-19 vaccines have been administered so far
  - Detailed financing information as regards administering vaccines should also be published to ensure transparency and accountability

Challenge Five

Increased collection of **local VAT** and raising the number of **individual tax-payers**

Challenge 5: Increased collection of local VAT and raising number of tax-payers

Measures undertaken

- Necessary amendments have been proposed to expand VAT net and for easing procedural complexities
  - VAT payment encouraged by reducing penalties and increasing adjustment time - *will leave more space for VAT evasion and compliance*
  - Amendments to ease availing of input tax credits, partial input tax credit, VAT deduction at source. A new section has been added to the law to introduce VAT refund – *positive move towards more simplicity*
  - Incorporation of MFS payments (VAT invoice) along with bank transactions – *will create more options for easier payments and ensure transparency*
- Income tax: Mandatory proof of submission of income tax return to avail 38 various services is a welcome move – *will improve tax compliance*
- Reform in NBR: in a joint initiative with ICAB, introduced the Document Verification System (DVS) in November 2020 – *a welcome move to curb fake reporting by taxpaying companies. The tax authority should proactively pursue similar initiatives to curb tax evasion in the future*

Challenge 5: Increased collection of local VAT and raising number of tax-payers

Identified gaps

- Slow implementation of various measures, absence of required reform measures and inadequate administrative capacity are constraining revenue mobilisation over the past years
- The VAT and SD Act 2012 was finally passed in the parliament in FY2019
  - To collect VAT at local stage, NBR could install only 4,595 EFD / SDC machines at existing businesses against the target to reach 10,000 mark by June 2022
  - The NBR provided the first 3,500 EFD/SDCs at free of cost to commercial outlets. These at present have to pay Tk 20,500 for EFD installation and Tk 24,000 for SDC device installation – *that may be slowed down the entire process*
- The draft Income Tax Act 2022 was prepared to replace the Income Tax Ordinance, 1984
  - The need for holistic revision in the Income Tax Ordinance, 1984 was first mentioned in the budget speech of FY2010-11

Challenge 5: Increased collection of local VAT and raising number of tax-payers

- With a view to replace the existing Customs Act of 1969, a new Customs Act,2021 has been drafted
  - However, the draft Act is yet to be enacted. This needs speedy action
- No specific mention of implementing actions under *Money Laundering Prevention (Amendment) Act, 2015* despite expressing the need to curb money laundering, capital flight and tax evasion.
  - Rather there has been a reversal through opportunities offered to whiten money laundered through capital flight
- The budget speech also did not present a full report on the state of progress towards implementation of the Public Financial Management (PFM) Action Plan 2018-2023

Challenge 5: Increased collection of local VAT and raising number of tax-payers

Required additional measures

- Presenting the national budget for FY2023, the Finance Minister has revised stated the plan to reach the target to install 10,000 EFD/ SDC devices by June 2023
  - CPD has been repetitively drawing attention to the need for a faster installation of these for expansion of the VAT-net
  - Revenue authority may collect the price of device in instalments
- The focus should be on the speedy passing of the **draft Income Tax Bill** to modernise the tax collection system – *will help identifying potential tax-payers remaining outside the tax net*
- The dependence on indirect tax has continued in FY23. Fiscal proposals to raise the share of direct tax in total tax was wanting. For example, the highest tax slab which was reduced to 25% from 30% in view of Covid should have been reinstated at the earlier 30%

Challenge 5: Increased collection of local VAT and raising number of tax-payers

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

Challenge Six

Maintaining stability in the **exchange rate** of taka and keeping **foreign exchange reserves** at a comfortable level

Challenge 6: Maintaining exchange rate stability

Measures undertaken

- Maintaining exchange rate is more of a monetary policy measure rather than a fiscal measure
  - Bangladesh Bank has already relaxed measures on lending rates, margins, bank rates, free floated exchange rates, restricted bank officials foreign trips in a bid to save foreign exchange;
  - Government has also imposed restriction on unnecessary foreign travels by government officials;
  - Earlier NBR imposed regulatory duties on import of luxurious goods

Government is exploring enhanced budgetary support

- Government is exploring budgetary support of USD 1 billion from multilateral sources in support of economic recovery. Government has already negotiated supports of USD 500 million each from two multilateral funders

Challenge 6: Maintaining exchange rate stability

Special Tax Treatment in respect of undisclosed offshore assets

- A new provision added in the Income Tax Ordinance 1984 with a view to mainstreaming money earned and asset acquired abroad into the economy
- According to the proposed provision, no authority, including the income tax authority, shall raise any question as to the source of any asset located abroad if a taxpayer pays tax on such asset
- The proposed rates are:
  - **15% for immovable property not repatriated to Bangladesh; 10% for movable property (including cash and cash equivalents) not repatriated to Bangladesh; and 7% for cash and cash equivalents repatriated to Bangladesh**
- This opportunity **will be in force for the full FY23 period**

Challenge 6: Maintaining exchange rate stability

Identified gaps

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

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

Challenge 6: Maintaining exchange rate stability

Government's contingent liabilities are creeping up

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

List of Government Guarantees (Contingent Liability)

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

- In view of increasing contingent liabilities, Bangladesh's credit risks will be more exposed, hence, **securing concessional loans may become critical**

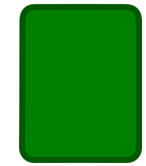
CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

Challenge 6: Maintaining exchange rate stability

Required additional measures

- Such an initiative is ethically unacceptable, will discourage honest taxpayers, and unlikely to generate the intended revenue – CPD strongly urges for removal of this provision
- In the face of falling forex reserves, the government should resort to alternative sources maintain the reserve stability
  - Average grants approved for NGOs amounts to about USD 700 million each year
  - However, transferring mechanism of foreign grants available to NGOs is becoming stringent following cumbersome procedures
  - In view of this, processes should be eased to allow more forex in the reserve through NGO activities

How successfully are the challenges addressed?

Challenge 1a **Containing inflation**	
Challenge 1b **Enhancing domestic investment**	
Challenge 2 **Subsidy to tackle increased price of gas, power and fertilizer**	
Challenge 3 **Utilisation of foreign funds and timely completion**	
Challenge 4a **Timely completion of education sector projects**	
Challenge 4b **Timely completion of health sector projects**	
Challenge 5 **Increased collection of local VAT and raising number of tax-payers**	
Challenge 6 **Maintaining exchange rate stability**	

CPD (2022): Addressing Six Challenges: Measures Proposed and Measures Required

V. Concluding remarks

V. Concluding remarks

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

V. Concluding remarks

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

V. Concluding remarks

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

Independent Review of

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Bangladesh's Development

Thank You

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