



**Budget FY11: Report on the implementation Status, Income
and Expenditure Trend and Macroeconomic Analysis (up to
December 2010)**

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Speech of the Finance Minister

Abul Maal Abdul Muhith
Minister
Ministry of Finance

In the Name of Allah, the Most Gracious, the Most Merciful

Mr. Speaker

1. I seek your kind permission to present before this august House, in accordance with the article 15(4) of the 'Public Money and Budget Management Act-2009', the report on budget implementation, income-expenditure trend and macroeconomic analyses, for the period up to the second quarter (July-December) of the current fiscal year 2010-11.

Mr. Speaker

2. I am presenting this report in a month in which the liberation war - the final phase of our struggle for independence begun. In this same month, the man who led the Bengalee nation in their quest for self-identity, the greatest Bengalee of all times, the Father of the Nation, Bangabandhu was born, at whose clarion call the whole nation rose to its feet and begun the war of liberation. In return for his single-minded struggle, sacrifice and forbearance, we have achieved our long cherished independence. I feel specially privileged to present the budget implementation progress report before this august house in this auspicious month of our great leaders' 91st birth anniversary. The rare honor of hosting an elegant, spectacular and memorable inaugural ceremony of ICC World Cup Cricket has added further significance to this opportunity. After the successful and exceptional inaugural ceremony of World Cup Cricket, the word of our ability and proficiency has reached the far corners of the earth; I strongly believe this definitely has glorified the image and the potential of the country.

Mr. Speaker

3. We believe that we have the economic and institutional abilities of achieving the targeted 6.7 per cent growth in the current Fiscal 2010-11 albeit the concerns of some quarters about the target being highly ambitious. After observing the first six months' satisfactory economic trend, I am hopeful about the achievement of 6.7 percent growth. We must move towards higher growth trajectory in order to graduate to a middle income economy as envisaged in the Vision 2021. To make this journey effective, sustainable and consistent, we have given priority to infrastructure development. Through extensive planning, we have mobilized massive investments initiatives for the development of physical infrastructure sector including especially electricity, energy, communication and ports. At the same time, we have taken initiatives for human resource development and the extension of social safety net programs including social infrastructural development. I believe that people will gradually start receiving benefits from these initiatives.

4. According to a survey conducted by Japan Bank for International Cooperation, Bangladesh was ranked 15th in 2010, upgraded from 28th in 2009, as the most favored investment destinations among the emerging and developing economies. An increase in the number of registered foreign investors of the Board of Investment, indeed, reflects this

evaluation. In November 2010, the Board of Investment has received investment offers of 19 thousands crore taka, which is approximately 450 percent higher than that of October 2010 (4 thousands 300 crore taka).

Mr. Speaker

5. On December 08, 2010 I presented the first quarterly (July-September) report for FY11 on the progress of budget implementation. In continuation of this report, I am presenting up to second quarter report on the progress of budget implementation in the Fiscal Year 2010-11. A picture of the Governments income-expenditure and macro-economic situation till the second quarter of FY11 is presented in the Appendices of this report.

Fiscal Year 2010-11: revenue earnings up to second quarter

6. The revenue target in the current Fiscal Year is taka 92,847 crore, which is 11.9 per cent of the GDP. Up to December 2010, taka 41,432 crore has been collected, which is 16.5 per cent higher than that of the same period in the previous Fiscal. I believe that, overall, this trend is satisfactory.

7. This acceleration in revenue generation is the outcome of our various reform measures. In this aspect, I would like to refer to our initiatives for the amendment of the Value Added Tax Act and Income Tax Act. We have already published the first drafts of these two Acts. For all levels of public and professional opinion, these drafts have been uploaded in the National Board of Revenue's website. Hopefully, we will be able to place these two Acts before this august house in the current year. Besides, our ongoing program for extension of tax jurisdiction, automation in tax management, and identification and motivation of the new tax-payers will also continue. I strongly believe that, by the end of the current fiscal year, along with the implementation of the desired reforms we shall achieve the revenue target set in the budget.

Mr. Speaker

Fiscal Year 2010-11: Government expenditure up to second quarter

8. The estimated government expenditure in the current Fiscal Year is taka 1,32,170 crore, which is 16.9 percent of the GDP. Of this, Annual Development Program's (ADP) allocation is taka 38,500 crore, which is 4.9 per cent of the GDP. According to a preliminary estimation, the total expenditure up to second quarter was taka 41,483 crore, which is around 31.4 per cent of the budget allocation. Of this, the ADP expenditure was taka 10,292 crore, which was 27 per cent of the budgeted ADP allocation. Overall, up to second quarter, the total expenditure was 20 per cent higher than that of the same period in the previous fiscal. Albeit the fact that it was 2.0 per cent lower over the period ending December 2009, ADP expenditure was taka 1,481 crore higher.

9. The lion share of the ADP is spent by ten large ministries/divisions. 75 per cent of the total ADP allocation went to these ministries in the current fiscal year. Up to December

2010, approximately 22 per cent of the total allocation and 26 per cent of the ADP allocation has been spent by these ministries.

10. We are emphasizing on the appropriate implementation of the ADP. In this connection, we are emphasizing on the advance planning for project implementation, the ADP implementation progress review in the ECNEC meetings and the formation of a task force for intensive monitoring of the ADP implementation. Despite all these initiatives, the ADP implementation is yet to gather momentum. I am strongly hopeful that we will soon see the results of our integrated efforts in this regard. Besides, ministries/divisions have been creating separate Budget Management Wings or Branches. As a result, including the monitoring of budget implementation, the drive towards a new horizon of comprehensive budget management would gather further momentum.

Mr. Speaker

11. Now I will focus on likely changes in the revised budget. On the backdrop of under utilization of foreign assistance up to December 2011, the ADP allocation for project aid may be truncated by 3,370 crore taka. According to the revised estimate, ADP allocation is likely to stand at 35,130 crore taka. On the other hand, due to the changing circumstances, expenditures in the non-development sector may go up in some cases (for example, in subsidy management). It is assumed that the revised budget for non-development sector will be 1,28,645 crore taka (16.5 percent of GDP) after an overall reduction of 3,525 crore taka. In the revised budget, overall revenue projection will remain unchanged. However, taking into consideration the growth up to December 2010, we are planning to increase the target of NBR tax revenue by 1000 crore taka, to make a revised projection of 73590 crore taka. In line with this, we are considering the reduction of non NBR tax revenue and non tax revenue by 200 crore taka and 800 crore taka respectively. Thus, in the revised budget, non NBR tax revenue and non tax revenue target will vary from its early projection targeting at 3252 crore taka and 16005 crore taka respectively. In the original budget, deficit budget was estimated at 39323 crore taka (5.0 percent of GDP). However, the revised budget will ultimately comprise of a total deficit of 35,798 crore taka (4.6 percent of GDP).

Mr. Speaker

12. Before this august House, I have so far portrayed an interim picture of income and expenditure status of national economy for the second quarter of FY2011-11. Traditionally, from this time of the fiscal year and onwards, a noticeable dynamism in the activities of various implementing agencies becomes discernible. In this context, I look forward to present a brighter picture of our economic progress in the next quarterly presentation.

Macro economic scenario: performance of other sectors

Export scenario

13. At the outset, I would like to draw your attention to the export performance. With steady recovery of world economy from the recession, global demand is showing an up trend. It is having a visible impact on the performance of our export sector. At the end of the second quarter of current fiscal, export has recorded a vigorous 41 percent growth. Access to new market and complementary government incentives for product diversification was also

conducive to maintaining our export competitiveness. This robust growth in the export sector, as we have seen so far, is really encouraging. If this trend continues, we believe, our export income will exceed its target.

14. Until December 2010, there has been 36 percent growth in import expenditures over the same period of the preceding year. In recent times, we have observed a significant rise in the price of fossil fuel and various other essential commodities leading to increased import costs. However, in terms of L/C settlement, the import of industrial raw materials and capital machineries have registered a significant growth of 35 percent and 46 percent respectively indicating at the same time the growing prospects of our economic activities, including investment. It also signifies further invigoration of the economy in the days to come.

15. It is an undeniable fact that remittance contributes to our economy in a significant way. However, due to prolonged impact of global recession, manpower export in the major Middle Eastern countries has declined resulting in an adverse impact on remittance inflows. Despite that, with various government initiatives, remittance, at the end of the second quarter, has emerged with a positive growth trend over the earlier negative growth in the first quarter. Government is incessantly working to bring remittance inflows back to normal. To support government's diplomatic endeavors in this regard, eight (8) new labor wings have started working in various embassies. I hope remittance earnings will soon rebound to its earlier state. However, the ongoing unrest in North Africa and Middle Eastern countries might defer the period for receiving results of our initiatives.

16. Now, we will move to foreign exchange reserve position. At the end of December, 2010, foreign reserve stood at USD 11.2 billion which is good enough to foot the import bills of 5 months. In spite of sluggish growth in remittance and escalation of import costs, foreign reserve status, by and large, remained on balance. However, with increased investment in government and private sectors, alongside rising import costs fuelled by worldwide price increase in food products and fossil fuel, pressure is gradually mounting on the foreign reserve. Consequently, foreign exchange reserve may deplete significantly in the coming days.

Mr. Speaker

Money and Credit Supply

17. Let me now put some light on money and credit supply. At the end of December 2010, broad money supply grew at 22 percent on annual basis against 21 percent rise in the previous year. In the same manner, domestic and private sector credit flow have also risen by 24 percent and 28 percent respectively. In this regard, I would like to assure this august House that Bangladesh Bank has already steps for monetary tightening, in addition to stepping up its surveillance and monitoring activities.

18. I have already mentioned that government has taken various steps to provide policy supports to the export oriented industries. Spurred on by the government initiatives, investment in industrial sector has started to gain a faster pace. This trend of investment in the productive sector still continues. In the mean time, our export based industries have

consolidated their position which was evident from 34 percent growth of term loans as well as accelerated import growth of capital machineries and industrial raw materials.

19. We are giving equal importance to the agriculture sector as well. Government is committed to substantially inject institutionalized loans into the rural economy by simplifying lending process and bringing the rural masses under the banking network. As compared to the first six months of the previous year, disbursement of agricultural credit this year has increased by around 11 percent.

Mr. Speaker

Inflation Trend

20. Predominantly triggered by food inflation, a heightened pressure on inflation is noticeable worldwide. With the increase in the fuel prices and production shortfalls due to bad weather in various food producing countries, prices of food essentials have increased in the global market. It is having a deep impact on our import dependent economy. Alongside, higher price levels in the neighboring countries, more specifically in India, is creating additional pressures on domestic inflation. However, in addition to market monitoring, government has stepped up the open market sale (OMS) of food grains in order to ensure unhindered supply of essential commodities. Recently, rates of VAT for the import of edible oil, rice and sugar have also been reduced. Concurrently, government remains vigilant in managing inflationary pressures by pursuing prudent monetary policy and restricting banks to disburse credits in to the unproductive sector.

Mr. Speaker

Progress on Some Prioritized Issues Pledged in the Budget of Current Fiscal

21. Now, I will turn to the latest picture of progress, made so far, in some of the prioritized sectors that we pledged in the budget speech of current fiscal:

(a) In last budget speech, in the report titled “Towards Revamping Power and Energy Sector: A Road Map”, I mentioned that by the next 5-years we will add 9426 Megawatts of electricity to the national grid. You will be pleased to know that we have already revised our commitment and fixed our target to add 11973 Megawatts electricity to the national grid by 2015. Since assumption of office by the present government, additional 1131 Megawatts electricity has been added to the national grid. In addition, there is a target to add more 2194 Megawatts electricity to the national grid by 2011. As part of a long term solution to electricity problem, a primary agreement has been signed with Russia for the construction of two Nuclear Power Plants each having 1000 Megawatts capacity. Work is going on in full swing for the drilling of wells in order to explore onshore and offshore gas and oil. For increasing the supply of gas through onshore and offshore exploration of oil and gas, work on drilling of wells is going on in full swing.

(b) On the way forward to Digital Bangladesh- the construction of basic Infrastructure of High-tech Park at Kaliakoir has been completed. As a part of implementing the action plans to fulfill the commitment to ensure e-Governance by 2014, Hon’ble Prime Minister has inaugurated 4,501 “*Union Information Service*

Centre” during November 2010. At present, dial up internet facility is available at 455 upazillas of the country. I am hopeful that, all the activities for installing digital telephone exchanges at 3 hill districts will be completed by June 2011. In order to make Broadband Internet facility available, optical fiber connection has been developed in 15 Zillas and 25 Upazillas of the country. To achieve the target of establishing e-commerce by 2012 we have bestowed Certifying Authority Licence on 6 private institutions under rules and regulations formulated in this purpose. I am very much hopeful of introducing digital signature within this fiscal year.

c) Government has attached top most priority to building Padma Bridge with an objective of bringing equity in the management of communication networks among all regions. Already, detailed design of Padma Bridge has been finalized. Also assurance of receiving US\$ 2.355 billion out of probable total construction cost of US\$ 2.97 billion has been obtained from the development partners. The processes for appointing contractors and consultants are at the final stage. Hopefully, we shall be able to start the construction of main bridge very soon. A concession agreement has been signed for constructing an elevated expressway from airport to Jatrabari to mitigate the traffic congestion problem of Dhaka city. Moreover, construction work under Gulistan-Jatrabari Fly-over project has been going on.

d) In order to address the issue of investment gap in the infrastructure sector, we are emphasizing on public private partnership (PPP). In an attempt to institutionalize the system, we have already published PPP related policy in the official Gazette. PPP office has been set up and manpower has also been employed against some of the posts. Formalities for registering Bangladesh Infrastructure Financing Fund (BIFF) as a company will be completed soon. We are hopeful that we will be able to provide financial assistance to investors interested to invest under PPP initiative very soon.

e) Considering education as the key strategy for development and poverty alleviation, our government has all along placed major emphasis on education sector. With the aim of introducing contemporary and vocational education we have started building five technical schools at each division. We have already formulated policy for making computer and technical educational compulsory at higher secondary level.

(f) Attaining self-sufficiency in food within 2012 is one of our main objectives. In order to make agricultural inputs available at a reasonable price, allocation against subsidy on agriculture may be raised from Tk 4000 crore to Tk 5000 crore in the revised budget of the current fiscal. Also, the price of non-Urea fertilizers (DAP, TSP, MP) has been decreased for the third time to keep fertilizer prices within the reach of the farmers. Number of bank accounts opened with initial deposit of Tk 10 has increased to 91,40,000. These bank accounts are being utilized to provide the benefits of agricultural subsidy directly to the farmers. With the invention of salinity tolerant Bri-47 and hybrid Bina-7, production of rice has increased in the salinity prone southern and monga prone northern areas of the country.

(g) With the aim of ensuring quality health services for all, we have already started the operations of 13323 community clinics. Besides, we have upgraded 216 Upazilla

Health Complexes to 50 bedded hospitals and 4 District Hospitals to 250 bedded hospitals. After the completion of construction of 3 new Institutes of Health Technology and 12 Nursing Institutes, academic sessions in those institutions have started. Recently draft of National Health Policy has been formulated. Duration of maternity leave for women officials working in the public sector has been raised from 4 month to 6 months.

(h) We have taken steps for the modernization of land management to get rid of our age old complicated land management system. As a part of digitizing the land management system, we have initiated the digitization of maps, record of rights, khatian and land survey throughout the country. Digital land management system are being piloted in 45 upazillas.

(i) We have taken necessary steps to combat the impacts of the most talked about issue of our time and equally crucial for our existence – the climate change. As part of our preparedness, 45 projects have been approved under the Climate Change Fund and additional 53 private projects have received policy level approval. Projects have been undertaken maintaining environmental balance and bio-diversity in Sundarban area. Besides, we have started the preliminary work for dredging of 23 km river to increase the water flow of rivers surrounding the Dhaka city as well as to minimize pollution. I firmly believe, we will be able to face the challenges of climate change through our integrated initiatives.

(j) Considering the necessity of improving the socio-economic conditions of the freedom fighters we have enhanced the rate of honorarium for insolvent freedom fighters and increased the number of beneficiaries. Besides, we are working on determining the actual number of freedom fighters and enlisting them in order to bring all freedom fighters under the coverage of regular allowance scheme as well as other facilities. We have formulated policy guidelines to provide overseas medical treatment to injured freedom fighters.

k) With the objective of ensuring social safety and empowering the poor, we have extended the coverage of different social safety net programs, like old age allowance, allowances for the financially insolvent disabled, maternity allowances for the poor lactating mothers, allowances for the widow, deserted and destitute women and also the fund for the welfare of Acid burnt and disabled. Up to December' 2010, about Tk 3,353 crore has been distributed as cash transfer and different allowances which constitutes 56% of the total allocation in the budget in this regard. Besides, implementation of various income generating programs including ensuring food security has been going on properly. Under the National Service Program, we have successfully managed to train 35726 persons. Among them 21399 persons are provided with temporary jobs.

l) We have formulated the Industry Policy, 2010. Through the implementation of this policy, we are hopeful of bringing substantial progress in the area of agriculture and labor intensive and environment friendly industrial development. We have already started the process of establishing Leather Industrial City, Central Effluent Plant, Dumping Yard and Pharmaceutical Park.

m) With the objectives of developing skilled human resource and ensure equity in regional divide of manpower, Draft National Skill Development Policy has been formulated, which will be finalized soon. Also a draft has already been formulated for the amendment of Bank Company Act and Financial Institutions Act.

n) In order to reduce the cost of doing business, various programs have been undertaken in six priority areas, like (1) modernization and automation of land registration procedures on pilot basis (2) initiating digitalized method for the land survey, record and maintenance (3) Dedicated benches at the High Court Division has been established to deal with commercial disputes as well as to resolve pending cases related to NBR revenues and cases related to default loans of deposit money banks (4) for the purpose of advance declaration and cargo clearance, introducing modern technology at all units to ensure availability of automated accounts of import duties (5) opening a one-stop service center to provide clearance certificates to construction companies from one point (6) installing online chalan submission system for deposition of all government dues through online or by using cell phones instead of treasury chalans. I am expecting that implementation of all these reform initiatives will provide functional ease and reduce the cost of doing business substantially.

22. The sectoral scenario of the economy that I have briefly presented before this august house unfolds the following progressing areas of our economic management-the bright possibility of higher growth in the agriculture sector, momentum in electricity production, high growth in the export and the import sectors, velocity in investment and the continuing trend of satisfactory revenue growth in the second quarter. Under the collective influences of these factors, domestic demand is actively generating greater employment opportunities. Encouraged by the government's strong commitment and effective initiatives in the form of short, medium and long term development planning in reducing infrastructural deficiency, numerous foreign and domestic investors have been attracted to invest in Bangladesh. Due to increasing trend in investment in new areas, rural agriculture and service sectors are becoming more vibrant. We are observing the anticipated momentum returning to the long stagnated investment scenario. Under this circumstance, I strongly believe, we will achieve the asserted 6.7 per cent growth, InshAllah.

**Khoda Hafez,
Joy Bangla
Joy Bangobondhu**

ANNEXURES

**Budget FY 2010-11: 2nd Quarter (October –December) Report on Progress
of Implementation, Trends of Income and Expenditure and
Macroeconomic Analysis**

A. Revenue Situation

A.1. Revenue Income

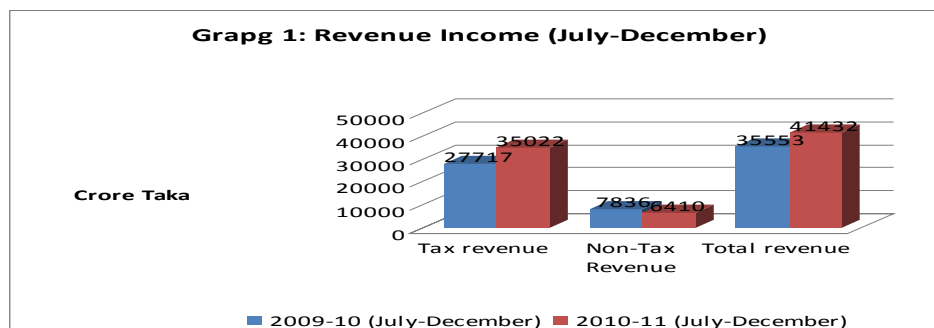
Table 1: Revenue Earning Position

(In crore Taka)

Item	2010-11 Budget	2010-2011 (October-December)	2009-2010 (July-December)	2010-2011 (July-December)	Performance compare to target of FY 11 (%)
1	2	3	4	5	6
Total Revenue	92,847	20,491	35,553	41,432 (16.5)	44.6
Tax Revenue	76,042	18,802	27,717	35,022 (26.4)	46.1
NBR	72,590	18,025	26,438	33,550 (27.1)	46.2
Non-NBR	3,452	777	1,279	1,472 (15.1)	42.6
Non-Tax Revenue	16,805	1,689	7,836	6,410 (-18.2)	38.1

Source: NBR and Finance Division. Figure within brackets () shows percentage change over the last year of same period.

- ❖ Revenue income growth in July-December was 16.5 percent compared to the corresponding period of last year.
 - During this time growth of NBR revenue collection was approximately 27 percent
 - Growth of Non-NBR revenue collection was 15.1 percent
 - Non-tax revenue collection was negative (-18.2 percent)
- ✓ Dividend receipt from the Bangladesh Bank and receipt from Bangladesh Telecom Regulatory Commission (BTRC) was approximately 926.0 crore and 839.4 crore less compared to the corresponding period of previous year.
- ❖ Revenue collection up to December 2010 was 44.6 percent of Budget target.



A.2. NBR Tax Revenue Collection

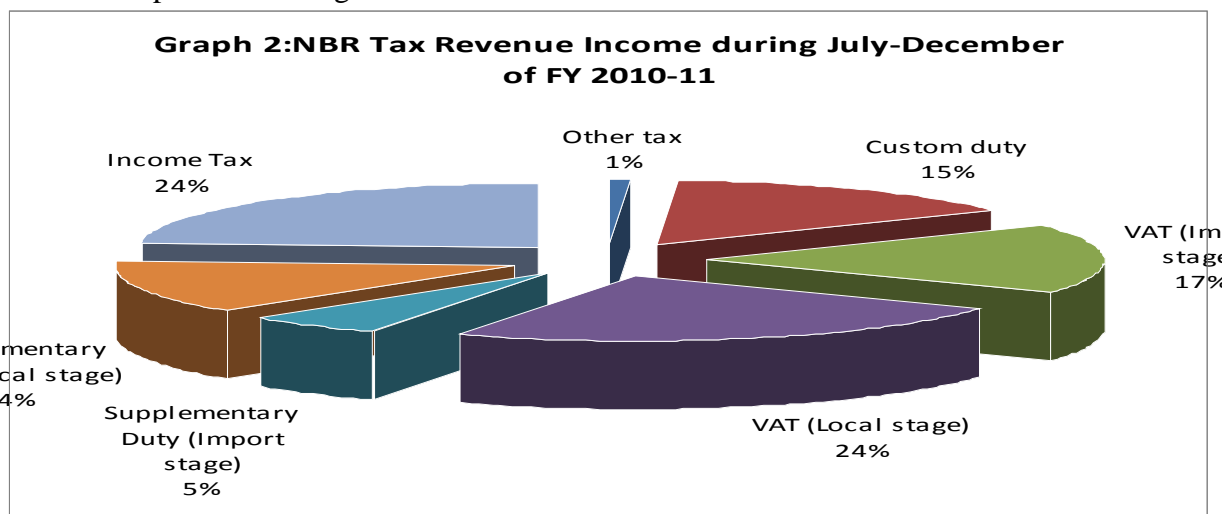
Table 2: NBR Tax Revenue Collection Position

(In crore Taka)

Items	2010-11 Target	2010-2011 (October-December)	2009-2010 (July-December)	2010-2011 (July-December)	Performance compare to target of FY 11 (%)
1	2	3	4	5	6
Customs Duty	10,863	2,690.0	4,521.0	5,126.1 (13.4)	47.2
VAT (Import Stage)	11,468	2,958.7	4,554.0	5,692.1 (25.0)	49.6
VAT (Local Stage)	15,618	4,292.9	6,137.9	8,053.3 (31.2)	51.6
Supplementary Duty (Import Stage)	3,482	1,003.7	1,441.0	1,852.3 (28.6)	53.2
Supplementary Duty (Local Stage)	9,384	2,394.5	3,558.8	4,567.1 (28.3)	48.7
Income Tax	21,005	4,559.1	5,985.5	8,020.5 (34.0)	38.2
Other Tax	770	125.6	213.0	238.5 (12.0)	31.0
Total	72,590	18,024.6	26,394.6	33,549.9 (27.1)	46.2

Source: NBR . Source: NBR and Finance Division. Figure within brackets () shows percentage change over the last year of same period.

- ❖ Overall NBR tax revenue collection has increased in the second quarter over the first quarter of current fiscal year
- ❖ Growth of NBR tax revenue collection up to December 2010 was 27.1 percent which is 46.2 percent of announced budget target.
- ❖ Considering the revenue collection situation up to December 2010 of FY 2010-11, it is expected that target will be achieved.



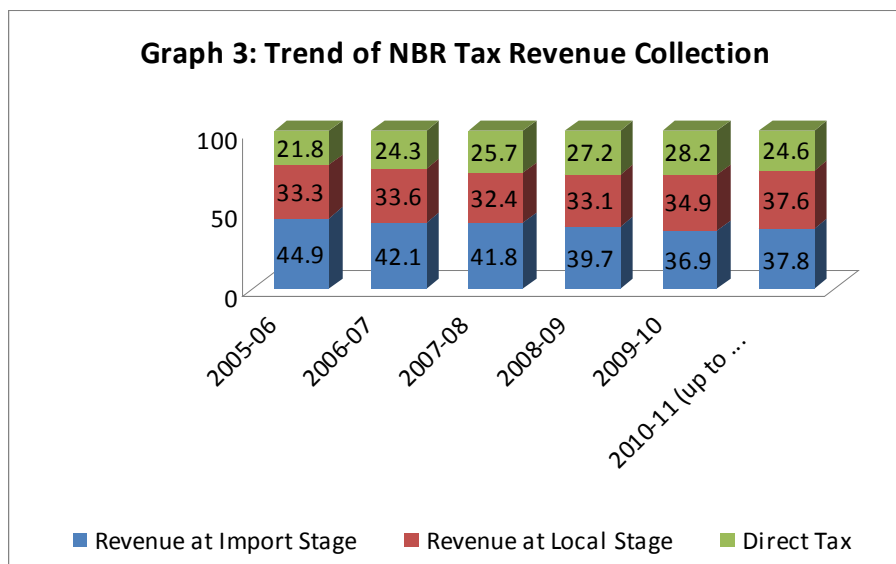
A.3. Trends of NBR Revenue Collection

Table 3: Trends of Revenue Collection of Last Five Years

Serial No.	Item	2006-07	2007-08	2008-09	2009-10	2010-11 (Up to December)
1	2	3	4	5	6	7
1	Custom Duty	21.9	20.2	17.8	15.3	15.3
2	VAT (import stage)	17.0	17.9	17.5	16.6	17.0
3	Supplementary Duty (import Stage)	3.2	3.7	4.4	5.0	5.5
	Total (Import Stage)	42.1	41.8	39.7	36.9	37.8
4	Excise Duty	0.5	0.5	0.5	0.6	0.0
5	VAT (local Stage)	20.1	19.3	20.9	22.1	24.0
6	Supplementary Duty (local Stage)	13.0	12.6	11.8	12.2	13.6
7	Turn Over Tax	0.0	0.0	0.0	0.0	0.0
	Total (local Stage)	33.6	32.4	33.1	34.9	37.6
8	Income Tax	23.4	24.7	26.4	27.6	23.9
9	Travel Tax	0.9	1.0	0.8	0.6	0.4
10	Others	0.0	0.0	0.0	0.0	0.0
	Sub-total	0.9	1.0	0.8	0.6	0.3
	Total (Direct Tax)	24.3	25.7	27.2	28.8	24.6
	Overall Total	100.0	100.0	100.0	100.0	100.0

Source: National Board of Revenue (NBR)

- ❖ Revenue income at import stage has been gradually decreasing; conversely, revenue income from the local stage remains somewhat stable
- ❖ Contribution of direct tax has comparatively increased although it is within the average of 25 percent.
- ❖ In the context of diminishing import duties, revenue mobilization from VAT at local stage and income tax should be emphasized. For this purpose, measures have been taken to reform VAT and income tax laws including broadening of the tax base.



B. Public Expenditure Situation

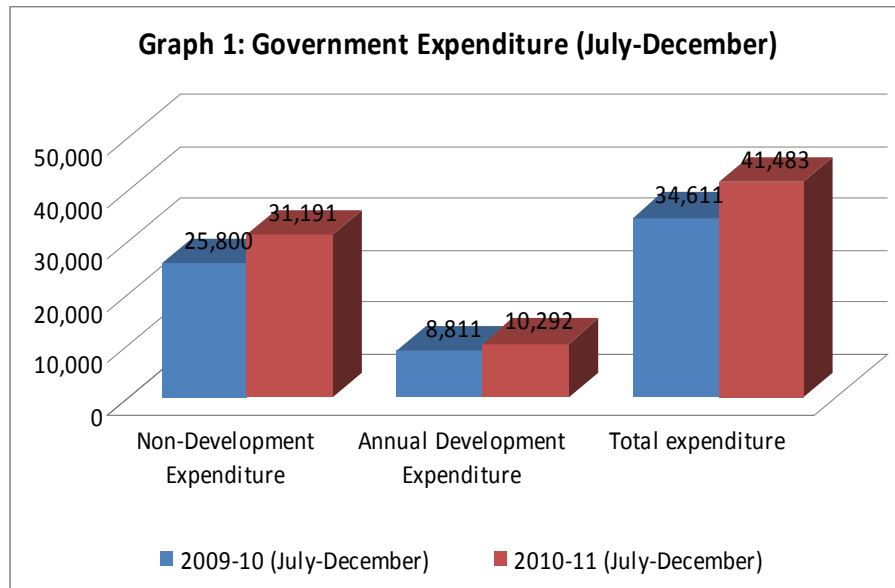
B1. Public Expenditure

Table 4: Public Expenditure Position

Items	2010-11 Target (% of GDP)	2010-2011 (October-December)	2009-2010 (July-December)	2010-2011 (July-December)	Performance compare to target of FY 11 (%)
1	2	3	4	5	6
Non-Development Expenditure	93,670 [12.0]	10,662	25,800	31,191 (20.9)	33.3
ADP	38,500 [4.9]	6,942	8,811	10,292 (16.8)	26.7
Government Expenditure	132,170 [16.9]	17,604	34,611	41,483 (19.9)	31.4

Source: IMED and finance Division. Figure within brackets () shows percentage change over the last year of same period.

- ❖ Expenditure incurred during the first six months of current Fiscal year was 31.4 percent of total allocation.
 - Expenditure in Non- Development sectors was 33.3 percent of respective allocation
 - Expenditure under Annual development program was 26.7 percent of respective allocation.
- ❖ Although overall expenditure growth was 20 percent during the first six months of current fiscal year, only 31.4 percent of budget has been achieved.
- ❖ Achieving the expenditure target will not be possible if the current ADP implementation rate continues.



B.2. Budget Expenditure of 10 Large Ministries

Table 4: Budget Expenditure situation of 10 Large Ministries

(In crore Taka)

Ministries/Divisions	2010-11 Budget	2010-2011 (October-December)	2009-2010 (July-December)	2010-2011 (July-December)	Performance in relation to target of FY 11 (%)
1	2	3	4	5	6
Primary and Mass Education	8,062	1,613	2,800	3,167 (13.1)	39.28
Ministry of Education	9,865	2,962	3,403	4,882 (43.5)	49.5
Local Govt. Division	9,622	1,274	2,471	2,126 (-14.0)	22.1
Health and Family Welfare	8,129	1,457	2,320	2,486 (7.2)	30.6
Ministry of Agriculture	6,738	934	1,034	1,565 (51.4)	23.2
Roads and railway Division	6,163	1,260	1,087	1,489 (37.0)	24.2
Power Division	5,000	741	687	828 (20.5)	16.6
Ministry of Water Resources	2,049	386	283	511 (80.6)	24.9
Bridges Division	1,277	192	175	192 (9.7)	15.0
Energy and Mineral Resources Division	1,114	41	228	242 (6.1)	21.7
Total: 10 Large Ministry	58,019	10,860	15,509	17,488 (12.8)	30.14
Other Ministry and Division	55,828	3509	12,484	15,703 (25.8)	28.12
Total Program Expenditure	1,13,847	14,369	27,993	33,191 (18.6)	29.2
Other Expenditure	18,323	3,332	6,614	8,292 (25.4)	45.3
Overall Expenditure	1,32,170	17,701	34,607	41,438 (19.9)	31.4

Source: Finance Division. Figure within brackets () shows percentage change over the last year of same period)

Program Expenditure= (Total Expenditure) – (Interest Payment + Structural Adjustment Expenditure+ Net Food Account + Net Borrowing and Advance)

- ❖ 10 large ministries spent 30.14 percent of their allocation during the first six months of current fiscal year.
- ❖ Other ministries and divisions spent 28.12 percent of their allocation during this time.
- ❖ Program expenditure was 29.2 percent of total allocation during July-December time.
- ❖ Total expenditure was 31.4 percent of budget allocation during July-December.

B.3. ADP Implementation Status of 10 large ministries

Table 5: ADP Implementation Status of 10 Large Ministries

(In crore Taka)

Ministries/Divisions	Allocation (number of Project)	Percent of ADP (%)	2010- 2011 (October- Dec.)	2009-2010 (July-Dec.)	2010-2011 (July- Dec.)	Performanc e compare to target of FY 11 (%)
1	2	3	4	5	6	7
Local Govt. Division	8,013.4 (122)	21	2,194.4	2,570.6	2785.4 (8.4)	34.8
Power Division	4,916.2 (40)	13	624.8	675.9	897.8 (32.8)	18.3
Health and Family Welfare	3,444.7 (10)	9	270.3	876.1	786.3 (-10.2)	22.8
Roads and railway Division	3,386.1 (133)	9	400.5	464.2	629.9 (35.7)	18.6
Primary and Mass Education	3,021.0 (10)	8	703.2	1,093.1	1,230.2 (12.5)	40.7
Ministry of Education	1,624.7 (61)	4	376.8	386.4	519.8 (34.5)	32.0
Ministry of Water Resources	1,385.7 (56)	4	196.9	157.8	205.9 (30.5)	14.9
Bridges Division	1,276.0 (2)	3	57.5	133.7	76.6 (-42.7)	6.0
Ministry of Agriculture	967.0 (45)	2	243.0	322.9	299.0 (-7.4)	30.9
Energy and Mineral Resources Division	877.8 (33)	2	79.3	506.3	135.8 (-73.2)	15.5
Total: 10 Large Ministry	28,892.8 (33)	75.0	5,146.7	7,187.0	7,566.7 (5.3)	26.2
Other Ministry and Division	9,607.2 (394)	25.0	1,786.6	1,624.0	2,725.3 (67.8)	28.4
Total	38,500 (916)	100.0	6,933.3	8,811.0	1,0292 (16.8)	26.7

Source: IMED. Figure within brackets () shows percentage change over the last year of same period.

- ❖ Up to December '10, expenditure implementation of 10 large ministries was 26.2 percent of their respective allocation
- ❖ During this time, expenditure implementation of other ministries and divisions was 28.4 percent of their respective allocation
- ❖ Overall spending up to December '10 was 26.7 percent of ADP allocation
- ❖ In general average progress rate in FY2010-11 was 32 percent in terms of local currency use which is 2.0 percent higher than corresponding period of last fiscal
- ❖ Average progress rate in FY2010-11 was 32 percent in terms of overall utilization of project aid which is 10.0 percent less than the corresponding period of last fiscal year
- ❖ Achieving the expenditure target will not be possible if the current ADP implementation trend continues

C: Budget Balance and Finance

C.1. Budget Balance and Finance

Table 7: Budget Balance and Finance

(In crore Taka)

Item	2010-11: Budget (% GDP)	2009-10 (July- December)	2010-11S (July- December) ^P
1	2	3	4
Revenue Income	92,847(11.9)	35,553	41,432
	1,32,170(16.9)	47,304	48,288*
Govt. Exp.	1,32,170(16.9)	34,607	41,483
Other Balancing Item	-	12,697*	6,805**
Budget Balance	-39,323 (-5.0)	-11,751	-6,856*
Financing	39,323	11,751	6,856
Foreign (Net)	15,643 (2.0)	5,172	648
Domestic (Net)	23,680 (3.0)	6,579	6,208
Banking System	15,680 (2.0)	1,318	4,361
Other than Bank	8,000 (1.0)	5,261	1,846

Source: Finance Division P: Provisional ** including other balancing items; other items are included in pre-audit cheques , GPF, other items including welfare fund.

- The amount of borrowing from Deposit Schemes has remarkably been decreased in current year in comparison to the last fiscal year due to changes in the policy regarding interest rate and tax deducted at source introduced at the very beginning of the year

C.2. Status of Foreign Assistance

Table 8: Status of Foreign Assistance

(In crore Taka)

Item	2010-11 Budget	October- December 2010-11	July- December	
			2009-10	2010-11 ^P
1	2	3	4	5
Net Financing	15,643	906	5172	648
Credit	15,968	2524	6655	2788
Grant	4,809	61	904	154
Loan Repayment	5,134	1679	2387	2294

Source: ERD and Finance Division P: Provisional

- Net foreign financing during July-December of fiscal year 2010-11 decreased in comparison to the corresponding period of previous year. The amount of both foreign grant and aid decreased due to lower utilization of projects development fund.
 - The amount of loan repayment remained the same compared to the corresponding period of previous year.

D. Money and Credit Situation

D.1 Money and Credit flow

Table 9: Money and Credit Situation

(Year on year percentage, end period)

(In crore Taka)

Sector	June'09	December'09	June'10	December'10
1	2	3	5	6
Broad Money supply	19.2	20.7	22.4	22.0
Domestic Credit	16.0	13.7	17.9	24.4
Private Sector Credit	14.6	19.1	24.2	27.6

Source: Bangladesh Bank

- Excess money supply has been creating extra pressure on inflation since last year.
- It is essential to reign in the supply of money to achieve the expected target (15.2%) at the end of the year.

- Bangladesh Bank has already increased CRR and SLR.
- In spite of satisfactory growth of domestic credit, especially, in private sector, it is important to ensure its proper utilization -
 - To increase monitoring to ensure proper utilization of term and SME loans.
 - To control the flow of credit in unproductive sectors (consumable goods, Housing, investment in stock market).

D.2 Reserve money and its major components

Table 10: Reserve money and its major Component
(Year on year percentage, end period)

(In crore Taka)

Sector	June'09	December'09	June'10	November'10
1	2	3	5	6
Reserve Money	31.7	17.7	16.0	21.7
Net Foreign Resource	31.0	85.2	41.5	8.2
Net Domestic Resource	31.5	-56.5	-26.2	85.2

Source: Bangladesh Bank

- Though the growth of net foreign resources has decreased due to slow growth in the flow of remittance and high growth in import expenditure, net domestic resources has increased as a result of high growth in the supply of domestic credit. Above all, at the end of December, on annual basis the growth rate of reserve reached at 21.7%

D.3 Agricultural and Industrial Credit Distribution

Table 11: Agricultural and industrial credit distribution

(In crore Taka)

Sector	2010-11 (October-December)	2009-10 (July-December)	2010-11 (July-December)
1	2	3	4
Agricultural Loan	3,691	5,598	6,224
Growth (%)	0.2	32.4	11.2
Industrial Term Loan	9,450	12,615	16,923
Growth (%)	31.0	41.1	34.2

Source: Bangladesh Bank

- The growth in the amount of agricultural and industrial term loan is indicative of the growth of investment in these sectors as well as the possibility of achieving the credit targets at the year end

E. External Sector

E. 12: Import and Export Situation

Table 12: Import and Export Situation

Sector	2010-11 (October-December)	2009-10 (July-December)	2010-11 (July-December)
1	2	3	4
Export (million USD)	5,230	7,279	10,263
Growth (%)	53.5	-6.0	41.0
Import (million USD)	5,232	11,158	15,213
Growth (%)	35.8	-5.7	36.3

Source: Bangladesh Bank & Export Promotion Bureau (Growth: compared to the corresponding period of the previous financial year)

- The growth rates in both import and export during July-December in the fiscal year 2010-11 has remarkably increased, which is an attestation of the dynamic growth in economic activities including domestic investment.
- Recent high growth of import has created extra pressure on the balances of the current account and foreign currency reserve.

E.2 Remittance position

Table 13: Remittance position

Sector	2010-11 (October-December)	2009-10 (July-December)	2010-11 (July-December)
1	2	3	4
Remittance (million USD)	2,886	5,533	5,545
Growth (%)	2.15	22.8	0.21

Source: Bangladesh Bank (Growth: compared to the corresponding period of the previous financial year)

- Manpower export was impacted somewhat negatively due to declining trend in export to the main middle-eastern labor markets. But, recently this situation has slightly improved
- Remittance has again bounced back to positive growth trend in the second quarter after posting a negative growth in the first quarter of the current fiscal. All signs are there to confirm that this trend will continue

E.3: Foreign Exchange Reserve

Figure 14: Foreign exchange reserve situation

Sector	31 December 2009	30 June 2010	30 Sept. 2010	31 December 2010	Growth (%)
1	2	3	4	5	6
Foreign Exchange Reserve (million USD)	10,345	10,750	10,834	11,174	8.02*
In month of import**	5.7	5.4	5.5	5.1	-

(*Growth on 30 December'09 compared to 30 December '10; ** in consideration of average import of last 12 months)

Source: Bangladesh Bank

- Though growth in remittance was negative in the first quarter, it has again reversed to the positive in the second quarter-
 - The negative impact was due to the decrease in manpower export to middle-east based labor markets and increase in the number of returnees.
- At the end of December 2010, the amount of reserve has increased almost by 8% compared to the corresponding period of last fiscal year-
 - The amount of foreign currency reserve has increased due to remarkable growth in export earnings against sluggish remittance growth and high growth in import expenditure.
- The import expenditure may have increased on account of increased public-private investment and world-wide increase of food and fuel prices.

F: Inflation

F.1 Inflation Trend

Figure 15: Inflation trend (Point to Point)

	2009-10						2010-11					
1	2	3	4	5	6	7	8	9	10	11	12	13
Inflation (%)	July	August	September	October	November	December	July	August	September	October	November	December
General	3.46	4.69	4.60	6.71	7.24	8.51	7.26	7.52	7.61	6.86	7.54	8.28
Food	3.34	4.93	4.98	7.78	7.84	9.5	8.72	9.64	9.72	8.43	9.80	11.01
Other than food	3.74	4.54	4.28	5.07	6.44	7.04	4.87	3.76	3.69	3.82	3.33	3.27

Source: Bangladesh Bureau of Statistics (BBS)

- With the increase in the fuel prices and production shortfalls due to bad weather in various food producing countries, prices of food essentials have increased in the global market creating upward pressures on inflation
- High inflation in neighboring countries especially India (8.2%) is exacerbating the inflation scenario in Bangladesh.
- The inflation rate will exceed its target (6.5%) due to the combined effects of a continuing price spiral in international fuel and commodity market, upward adjustments in the prices of electricity and fuel, depreciation in exchange rate and increase in the minimum wages in the RMG sector. However, Boro harvest will likely have an overall positive impact.