CHAPTER 4

FISCAL POLICY AND FISCAL MANAGEMENT

Fiscal policy is the strategic guideline of the Government's overall revenue and expenditure management. The main goal of fiscal policy is to pursue a prudent fiscal policy stance with a view to ensuring macroeconomic stability and conducive environment for sustained higher level of growth. According to the guidance in the 'Public Money and Budget Management Act 2009' the Government is conscious to maintain the budget deficit within sustainable level. The trend of revenue mobilisation shows that the revenue-GDP ratio is on the rise, albeit the pace of growth is slow. In FY2016-17, the total revenue mobilisation by NBR stood at Tk.1,85,003.69 crore against the target of Tk.1,85,000 crore. In FY2016-17 revenue mobilisation by NBR was 18.96 percent higher than the outturn of the previous fiscal year. The collection of income tax witnessed 17.58 percent growth compared to that of previous fiscal year reflecting progress in direct tax collection. Moreover, the growth of income-tax return submission was 40 percent higher compared to the previous fiscal year. The Government expenditure as percentage of GDP has been on the increase. Government expenditure increased to 16.21 percent in FY2016-17 from 15.27 percent in FY2015-16. The utilisation of ADP stood at 89.9 percent in FY2016-17. Currently, the larger portion of ADP is financed from domestic sources. Aid flow witnessed significant improvement in FY2016-17 than previous fiscal year due to emphasis on rapid and efficient utilisation of foreign aid.

A well balanced fiscal policy plays a very important role in meeting spending priorities with available resources, creating congenial environment for achieving faster economic growth and maintaining macroeconomic stability of the country. Currently, the Government is implementing a wide range of reforms to streamline both revenue and expenditure management. These reforms have a direct bearing on creation of employment opportunities, increasing productivity and poverty reduction.

Government Revenues

Tax is the principal source of government revenue. The rest of the revenue comes from non-tax sources like fees, charges, tolls etc. The trend of revenue mobilisation and revenue-GDP ratio for the period from FY2008-09 to FY2016-17 is presented in Table 4.1.

Table 4.1: Revenue Receipts

(In Crore Tk.)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Total Revenue	69180	79484	95188	114885	139670	156671	163371	177399	218500
Tax Revenue	55526	63956	79052	94754	116824	130178	140676	155399	192261
Non-tax Revenue	13654	15528	16135	22279	22846	26493	22695	22000	26239
As percent of GDP									
Total Revenue	9.81	9.97	10.39	10.89	11.65	11.66	10.78	10.24	11.17
Tax Revenue	7.88	8.02	8.63	9.12	9.74	9.69	9.28	8.97	9.83
Non-tax Revenue	1.94	1.95	1.76	1.76	1.91	1.97	1.50	1.27	1.34

Source: Various issues of Budget in Brief, Finance Division. Figures are based on revised budget.

The tax-GDP ratio is one of the recognised criteria for judging the level of development of a country. In FY2008-09, revenue-GDP ratio was 9.81 percent, which rose to 11.17 percent in FY2016-17. Table 4.1 shows that the lion share (more than 80-88 percent) of revenue comes from tax revenue which consists of mainly two types of tax such as direct tax and indirect tax. Rest of the revenue is collected from different non-tax sources.

Revenue Management

Formulation of tax policy and its implementation are performed by the National Board of Revenue (NBR) under the Internal Resource Division. The major steps taken by the Government during FY2016-17 for enhancing collection of direct and indirect taxes with a view to achieving the social and economic goals at a faster pace are shown in the Box 4.1.

Box 4.1: Measures under Direct and Indirect Tax System for FY2016-17

Measures under Direct Tax System

Tax Policy reforms initiated by the budget 2016-17. In budget 2016-17, seven policy areas for reforms in direct taxes have been considered:

(1) Fiscal adequacy
(2) Equity and fairness
(3) Facilitating business and growth
(4) Social responsibility
(5) Increasing tax compliance and combating tax evasion
(6) Adopting international best practices
(7) Simplification of tax system and increasing the effectiveness of tax laws;

Fiscal Adequacy

- *In FY 2016-2017 tax-exempted income-threshold and effective tax rates for both individual taxpayers and company taxpayers remain the same as the previous year; Tax-exempted income-threshold for individual taxpayers is increased from taka 2 lakh 20 thousand to taka 2 lakh 50 thousand. The tax exempted income- threshold for women and senior citizens aging 65 years or over 65 years is increased from taka 2 lakh 75 thousand to taka 3 lakh and for persons with disability from taka 3 lakh 50 thousand to taka 3 lakh 75 thousand.*
- *Compulsory return submission by all co-operative societies, taxpayers enjoying tax-holiday benefits, tax payers with reduced-rate tax benefits, all shareholder directors or shareholder employees of companies, all directors of the board of directors of companies and group of companies, all partners of firms, and all employees of government, non-government, semi-government and autonomous bodies with monthly basic pay of Taka 16 thousand or higher.*
- *Tax Identification Number (TIN) has been made compulsory for some sectors to bring new taxpayers under the tax net.*
- *Considering the importance of public health, policies have been adopted to discourage the usage of tobacco and tobacco products. The tax rate for the business of bidi, zarda, chewing tobacco, gul or any other smokeless tobacco has been increased to 45%.*

Equity and Fairness

- *To ensure a more equitable distribution of income and wealth the rate of surcharge for individual taxpayers has been restructured.*
- *The rates of tax rebate have been restructured to ensure an equitable tax burden under the progressivity principle of income tax.*
- *E-commerce and online businesses has been subject to taxation to ensure a level playing field among the general business community and those who are involved in e-commerce and online businesses.*
- *5% TDS (Tax Deduction at Source) from the interest accrued from Super Annuation fund, Pension Fund, Gratuity Fund, Worker's participation fund has been imposed.*
- *Considering the potential growth aspect of the jute sector the tax rate for the jute sector has been reduced to 10%.*

Facilitating Business and Growth

- *Considering the important role of the Ready-Made Garments (RMG) industry in the economic growth and employment generation of the country, tax rate from the earnings of the RMG exporters has been kept at a reduced rate.*
- *In the capital market small individual investors has been given tax-free benefit against waiver of margin loan and interest thereof up to Tk.10 lakh.*
- *The scope of Alternative Dispute Resolution (ADR) has been broadened.*
- *The rate of tax deduction at source for real estate businesses has been restructured. This will help to create social demand for planned and small housing projects in view of inadequate land resources available for a large population.*
- *For facilitating the SME sector tax-exempted turnover limit has been extended from Tk.30 lakh to Tk.36 lakh.*

Social Responsibility

- *Considering the fact that the person with disability requires special physical and mental care at his work allowable perquisite limit for such person has been approved at Tk.25 lakh in place of Tk.4.75 lakh.*
- *While calculating the salary income of a person with disability the limit of his tax-exempted medical allowance has been approved at Tk.10 lakh.*
- *Any medical assistance received by an employee from his employer for surgical treatment of heart, kidney, ophthalmological, liver related disease or cancer has been exempted from tax.*

Simplification of Tax System

- *Submission of wealth statement has been made optional for the marginal taxpayers who have gross wealth not exceeding Tk.20 lakh.*

Tax Compliance

- *A fixed deadline for return filing which will be called "Tax Day" has been introduced.*
- *The provision for auditing the return of withholding tax has been introduced.*
- *Return submission has been made compulsory for all entitities which are either tax exempted or are taxed at a reduced rate (except charitable institutions). Tax holiday benefits or reduced-tax benefits of taxable entities will not be allowed in case of failure to submit the tax return in due time.*
- *A modern and automated Tax Information Unit is going to be established to collect information automatically and to identify potential tax payer and to address tax evasion.*
- *A new unit of "Tax Deducted at Source" is going to be established.*
- *An electronic source tax monitoring system is going to be established.*
- *In order to address the cross-border tax evasion issue, the capacity of the Transfer Pricing Cell will be strengthened.*

Measures under Indirect Tax System

Customs duty System

- *At present there are six tiers/slabs of import duty (CD) like 0%, 1%, 5%, 10%, 15% & 25%.*
- *In general 0% CD is for essential commodities (like oil, onion etc.), 1% CD for capital machinery, 5% CD for basic raw materials, 10% CD for intermediate raw materials, 15% CD for semi-finished products and 25% CD for finished products.*
- *Supplementary Duty (SD) is imposed on the products that are luxurious in nature or injurious to public health. At present there are eleven tiers of Supplementary Duty like 10%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 350%, 500%.*
- *As a part of trade liberalization, Regulatory Duty (RD) has been reduced from 4% to 3%.*
- *25% import duty has been imposed on rice to ensure its right/commendable price.*
- *Only 1% CD has been imposed on the parts required to make agricultural machinery.*
- *0% CD for all kind of coal.*
- *Existing Specific Duty on raw and refined sugar has been increased and fixed at tk. 2000/MT and tk. 4500/MT respectively. Moreover to protect the local industry tariff value of sugar has been increased as well as VAT has been imposed at its import stage.*

- *Exemption benefit has been given on fire fighting equipments and pre-fabricated building materials imported by 100% export oriented industries.*
- *In order to protect the local industries tariff value of billet has been fixed at $ 380/MT as well as 20% RD and 15% VAT has been imposed.*
- *Hybrid motor vehicles are given exemption benefit on cc basis.*
- *In order to flourish motorcycle industry exemption benefit has been given to various parts and raw materials importable under progressive manufacturing.*

Value Added Tax (VAT)

Reform of VAT law and Rules:

- *Value Added Tax and Supplementary Duty Rules 2016 has been passed.*
- *Provision of price approval by the VAT Divisional officer has been abolished.*
- *Simplification of Alternative Dispute Resolution (ADR) system.*

VAT exemption facilities extended to the following goods and services:

- *Non-alloy pig iron containing by weight 0.5% or less of phosphorus (At import stage).*
- *Non-alloy pig iron containing by weight more than 0.5% of phosphorus (At import stage).*
- *Alloy pig iron; spiegeleisen (At import stage).*
- *Spare parts of wheat crusher (At manufacturing stage).*
- *Hard rock (In case extraction from Maddhapara Hard Rock Mining Project).*
- *procurement service provider (In case of supply of jute made goods).*

VAT exemption facilities withdrawn from the following goods and services:

- *Billet (At import stage).*
- *Bread, bun, handmade cake of value not exceeding Tk. 100 (At manufacturing stage).*
- *Hardboard (At manufacturing stage).*
- *Fabrics produced from power loom.*
- *Sandals made from plastic and rubber of value not exceeding Tk. 100.*
- *Electric generator.*
- *Classified advertisements published in the daily newspaper (At service stage).*
- *Travel agency (At service stage).*
- *Meditation (At service stage).*

Restructuring of the Supplementary Duty (SD) rate for some goods and services:

Description	*Existing SD Rate*	*Revised SD Rate*
Jorda and Gul	*60%*	*100%*
Service provided through mobile sim/rim cards	*3%*	*5%*
Cultural program for entertainment purpose where foreign artists perform	*0%*	*10%*

Cigarette

FY 2015-16 (for 10 sticks) in Tk	*FY 2015-16 total tax incidence*	*FY 2016-17 (for 10 sticks) in Tk*	*FY 2016-17 total tax incidence*
18	*48%*	*23*	*50%*
21 to 42	*60%*		
44 to 69	*61%*	*45 and above*	*63%*
70 and above	*63%*	*70 and above*	*65%*

Bidi

Description of Goods	*FY 2015-16 Tariff Value& Unite*	*FY 2016-17 Tariff Value*	*Supplementary Duty Rate*
handmade Bidi without help of machine (without filter)	*Tk. 1.58 (8 Sticks Per Pack)*	*Tk. 2.25 (8 Sticks Per Pack)*	*30*
	Tk. 2.36 (12 Sticks Per Pack)	*Tk. 3.40 (12 Sticks Per Pack)*	*30*
	Tk. 4.91 (25 Sticks Per Pack)	*Tk. 7.10 (25 Sticks Per Pack)*	*30*
handmade Bidi without help of machine (with filter)	*Tk. 2.69 (10 Sticks Per Pack)*	*Tk. 3.85 (10 Sticks Per Pack)*	*35*
	Tk. 5.34 (20 Sticks Per Pack)	*Tk. 7.75*	*35*

Revenue Mobilisation Programmes

The target for the NBR taxes for FY2016-17 was set at Tk.1,85,000.00 crore. According to NBR statistics, against the targets, revenue collection stood at Tk.1,85,003.69 crore, which is 100 percent of the revised target and 18.96 percent higher than the revenue collection of last fiscal year. In FY2015-16 revenue mobilisation was Tk.1,55,518.72 crore. Therefore, growth rate of revenue mobilisation in FY2015-16 was 13.73 percent compared to the previous fiscal year. Analysis of revenue collection for FY2016-17 by categories shows that income tax generates most revenues as a single category. However, indirect taxes including import duty and VAT are predominant in the overall revenue collection historically. But there is a clear directional shift in the last couple of years with increased contribution of direct taxes. Item-wise tax collection from FY2011-12 to FY2016-17 is presented in Table 4.2 and Figure 4.1.

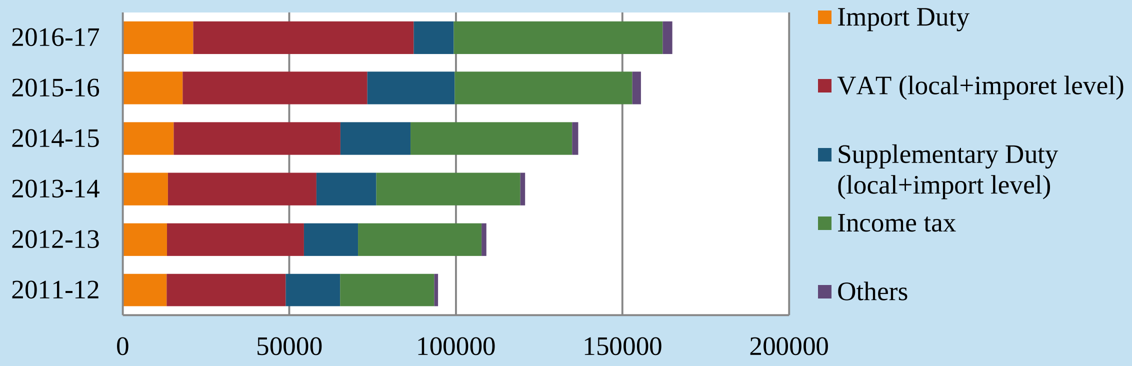
Table 4.2: Item wise Revenue Collection

(In Crore Taka)

Items of Revenue Collection	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Import Duty	13153.50	13259.42	13575.86	15349.85	18016.58	21142.91
VAT (at import level)	13792.62	14815.16	15291.31	17690.47	20583.86	25553.62
Supplementary Duty (import level)	4367.71	4204.46	4335.77	5252.42	6560.20	7611.27
Export Duty	38.95	33.47	41.98	40.63	32.75	22.68
Sub Total:	**31352.78**	**32312.51**	**33244.92**	**38333.37**	**45193.39**	**54330.48**
Excise Duty	660.36	772.53	822.39	960.38	1582.03	1816.85
VAT (Local)	21984.81	26367.26	29252.11	32290.13	34862.82	40649.49
Supplementary Duty (Local)	11923.97	11985.29	13647.19	15758.31	19630.96	4422.51
Turn Over Tax	3.49	3.68	4.72	4.71	4.85	2.60
Sub Total:	**34572.63**	**39128.76**	**43726.41**	**49013.53**	**56080.66**	**66891.45**
(A) Total of Indirect Tax	**65925.41**	**71441.27**	**76971.33**	**87346.90**	**101274.05**	**121221.93**
Income Tax	28261.87	37120.65	43207.27	48525.00	53325.96	62729.24
Other taxes and duties	415.15	589.81	641.25	868.11	918.71	1052.52
(B) Total of Direct Tax	**28677.02**	**37710.46**	**43848.52**	**49393.11**	**54244.67**	**63781.76**
Grand Total (A+B)	**94602.43**	**109151.73**	**120819.85**	**136740.01**	**155518.72**	**185003.69**
Share of Indirect Tax (%)	69.69	65.45	63.71	63.88	65.12	65.52
Share of Direct Tax (%)	30.31	34.55	36.29	36.12	34.88	34.48

Source: National Board of Revenue (NBR).

Figure 4.1: Item wise revenue collection from FY2011-12 to 2016-17



Public Expenditure

Public expenditure management is an integral part of fiscal management. Total public expenditure including non-development, development and other expenditure with respective expenditure-GDP ratios from FY2008-09 to FY2016-17 are presented in Table 4.3.

Table 4.3: Public Expenditure (Revised Budget)

(In Crore Taka)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Total Expenditure (a+b+c)	94140	110523	130011	161213	189326	216222	239668	264565	317174
(a) Non-development expenditure	67125	77,127	83177	100986	110627	134907	149399	163751	192932
(b) Development expenditure	25702	31816	39615	45650	57751	65145	80476	95908	115990
(c) Other expenditure	1313	1580	7219	14577	20948	16170	9793	4906	8252
As percent of GDP									
Total Expenditure	**13.35**	**13.86**	**14.20**	**15.28**	**15.79**	**16.09**	**15.81**	**15.27**	**16.21**
(a) Non-development expenditure	9.52	9.67	9.08	9.57	9.23	10.04	9.86	9.45	9.86
(b) Development expenditure	3.65	3.99	4.33	4.33	4.82	4.85	5.31	5.53	5.93
(c) Other expenditure	0.19	0.20	0.79	1.38	1.75	1.20	0.65	0.28	0.42

Source: Budget in Brief, Finance Division, M/O Finance.
Note: 'Development Expenditure' includes ADP, Non-ADP, FFW and Projects and Development Programme under Revenue Budget,
* 'Other Expenditure' includes net outlay for food account operation, loans and advances.

Annual Development Programme (ADP)

The Annual Development Programme (ADP) is an essential fiscal tool for government as short term development planning. Investment in socio-economic development has been gradually increasing. Although the ADP's absolute size has been increasing along with the number of projects, there has been a marked improvement in the ADP implementation. Among the various macro issues considered in the ADP of the FY2016-17, the factors that were given priority were macro-economic stability, achievement of rapid economic growth, creation of greater employment opportunities, increase the supply of gas and electricity, human resource development, removing food deficit, ensure access to health and education services for all, strengthen the local governments, empowerment of women, reduce crime rate, establish good governance, development of rural infrastructure, sanitation and safe drinking water, improve the education system for human development, and expansion of ICT Programmes.

Excluding the self-financed projects of autonomous bodies, the total size of the Revised ADP (RADP) of FY2016-17 is Tk.1,10,700 crore (GoB Tk.77,700 crore and project aid Tk.33,000 crore). A total of 1,581 projects were included in the Revised ADP, out of which 1,341 were investment projects, 158 were Technical Assistance Projects, 6 are funded by JDCF, 9 were funded by Development Assistant block and 67 projects were financed by autonomous bodies and corporation. The implementation status of ADP from FY2008-09 to FY2016-17 is presented in the Table 4.4.

Table 4.4: ADP Allocation, RADP Allocation and Expenditure

(In Crore Tk)

Fiscal Year	ADP Allocation				RADP Allocation				Expenditure (as% of RADP)		
	No. of Projects	Total	Taka	PA	No. of Projects	Total	Taka	PA	Total	Taka	PA
2016-17*	**1365**	**123346**	**80346**	**43000**	**1581**	**110700**	**77700**	**33000**	**100840 (90.09%)**	**72410 (93.19)**	**28430 (86.15%)**
2015-16	999	97000	62500	34500	1315	91000	61840	29160	86880	58206	25196
									(95%)	(94%)	(86%)
2014-15	1187	80315	52615	27770	1204	75000	50100	24900	68524	46080	22444
									(91%)	(92%)	(90%)
2013-14	1046	65870	41307	24563	1254	60000	38800	21200	56747	38051	18696
									(95%)	(98%)	(88%)
2012-13	1037	55000	66500	21500	1205	57120	38620	18500	50035	33639	16396
									(88%)	(87%)	(89%)
2011-12	1039	46000	27315	18685	1231	41080	26000	15000	38023	25448	12575
									(93%)	(98%)	(84%)
2010-11	916	38500	23200	15300	1185	35880	23950	11930	32855	23045	9810
									(92%)	(96%)	(82%)
2009-10	886	30500	17655	12845	1100	28500	17200	11300	25917	16405	9512
									(91%)	(95%)	(84%)
2008-09	904	25600	13600	12000	1040	23000	12800	10200	19701	11873	7828
									(86%)	(93%)	(77%)

Source: Programming Division, Planning Commission; IMED, Ministry of Planning. *Excluding own funded projects.

Table 4.4 shows that in FY2008-09, RADP allocation was Tk.23,000 crore which increased five-folds to Tk.1,10,700 crore in FY2016-17. ADP implementation has started showing improvement from FY2009-10 with implementation rate over 90 percent of revised allocation. The utilisation rate of the RADP allocation in FY2008-09 was 86 percent which almost gradually increased to 95 percent in FY2015-16. Excluding autonomous bodies and corporation’s self-funded project, total RADP implementation in FY2016-17 was 90.09 percent.

Composition of Annual Development Programme (ADP) by Major Sectors

The increasing trend of allocation to physical infrastructure and socio-economic infrastructure sectors through ADP is consistent with the policy and strategy of the Government. The analysis of the sectoral composition of the ADP of FY2016-17 shows that the policy to create favourable environment to increase in the investments for creating infrastructures needed for gross production has been upheld. Similarly the increasing trend in allocations and utilisation rate for the socio economic infrastructure sectors in the ADP indicate relevance to the government's sectoral policies and strategies. Table 4.5 shows the revised allocations for the 17 sectors in the RADP from FY2010-11 to FY2016-17.

Table 4.5: ADP Allocation and Its Composition by Major Sectors

(In crore Taka)

FY	2011-12		2012-13		2013-14		2014-15		2015-16		2016-17	
Sector	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**
1. Agriculture	2541.34	6.20	2905.76	5.55	3511.76	5.85	4157.71	5.54	4410.05	4.85	5741.60	5.19
2. RD and RI	5027.61	12.26	6712.47	12.82	6977.15	11.63	7840.09	10.45	9046.13	9.94	10761.43	9.72
3. Water Resources	1420.46	3.46	1593.25	3.04	1889.38	3.15	2035.92	2.71	2609.49	2.87	3342.11	3.02
4. Industry	969.05	2.36	1915.25	3.66	2727.14	4.55	1863.80	2.49	1711.35	1.88	974.12	0.88
5. Power	7208.10	17.58	8569.04	16.36	8066.11	13.44	8223.71	10.96	15478.21	17.01	13447.57	12.15
6. Gas, Oil and Natural Resources.	738.82	1.80	1386.19	2.65	1912.66	3.19	1071.15	1.43	1068.17	1.17	1067.87	0.96
7. Transport	6193.24	15.11	8306.32	15.86	10295.13	17.16	17361.90	23.15	19212.13	21.11	27360.23	24.72
8. Communication	877.96	2.14	911.10	1.74	786.67	1.31	1003.58	1.34	1434.82	1.58	1915.79	1.73
9. Physical Planning and Housing	4196.09	10.23	4881.32	9.32	5383.35	8.97	7194.27	9.59	11092.38	12.19	14391.17	13.00
10. Education and Religion	4829.06	11.78	6610.72	12.62	7994.74	13.32	9026.65	12.04	10101.74	11.10	12845.97	11.60
11. Sports and Culture	152.42	0.37	177.52	0.34	265.92	0.44	166.92	0.22	261.00	0.29	314.19	0.28
12. Health and Population	3385.15	8.26	4027.31	7.69	4219.79	7.03	5041.61	6.72	5556.47	6.11	5655.33	5.11
13. Mass Communication	86.25	0.21	52.04	0.10	111.90	0.19	109.95	0.15	117.98	0.13	176.00	0.16
14. Social Welfare, Women Affairs and Youth Dev.	325.07	0.79	409.11	0.78	451.31	0.75	409.04	0.55	424.48	0.47	347.19	0.31
15. Public Administration	982.44	2.40	1037.20	1.98	1371.27	2.29	1703.35	2.27	2327.43	2.56	2344.55	2.12
16. SICT	139.74	0.34	299.20	0.57	1559.03	2.60	4628.82	6.17	1808.38	1.99	5472.04	4.94
17. Labour and Employment	130.97	0.32	282.75	0.54	354.40	0.59	511.10	0.68	421.29	0.46	450.77	0.41
Block/Others	1796.23	4.38	2289.45	4.37	2122.29	3.54	2650.43	3.53	3918.50	4.31	4092.07	3.70
Grand Total	**41000.00**	**100**	**52366**	**100**	**60000**	**100**	**75000**	**100**	**91000**	**100**	**110700**	**100**

Source: IMED, Ministry of Planning, Programming Division, Planning Commission, RADP of different years.
Note: Data according to RADP.

ADP allocations in Table 4.5 shows that maximum importance has been given to transport, energy, education and religion, physical infrastructure, water supply and housing, rural development; health, nutrition and family planning and agriculture sectors. During the last four fiscal years, the highest allocation has been given to the transport sector. As the construction of *Padma* Multipurpose bridge is a national priority, the increased allocation for the *Padma* Multipurpose project made the transport sector the highest recipient of ADP allocation in FY2016-17 as well, which was 24.72 percent of the total outlay.

Domestic Resources for ADP

The contribution of domestic resources towards financing of ADP shows an upward trend and accounted for on average over 60 percent from FY2011-12. During FY2008-09 to FY2016-17, the average contribution of domestic resources towards ADP stood at around 59 percent. In FY2015-16 the share of domestic resources went up to 67.96 percent for financing a larger ADP compared to that of the previous year. In FY2016-17 the share of domestic resources is 65.1 percent. Table 4.6 shows the financing of revised ADP from domestic sources during the period from FY2008-09 to FY2016-17.

Table 4.6: Quantum of Resources (Domestic and Foreign) in Financing Revised ADP

(In crore Taka)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Total Financing	23000	28500	35588	41080	52366	60000	75000	91000	123345
Domestic Financing	10011	12000	20850	26080	33866	36399	48915	61840	80345
Domestic Financing as % of ADP	44.00	42.00	58.59	63.48	64.67	60.67	65.22	67.96	65.10

Source: Programming Division, Planning Commission.

Steps Taken to Accelerate ADP Implementation

Central Procurement Technical Unit (CPTU) under Implementation Monitoring and Evaluation Division (IMED) was established in April, 2002 with a view to expediting the implementation of Annual Development Programme and ensuring transperency, accountability as well as efficiency in public procurement. At the initial stage of the establishment, Public Procurement Regulation 2003 was enacted for performing procurement activities. Then Public Procurement Act (PPA) 2006 was enacted and Public Procurement Rules 2008 was formulated to ensure more transparency, accountability and fair competition in public procurement. Standard Tender Document (STD) was prepared under Public Procurement Rules 2008 for excuting procurement.

Again, for ensuring value for money as well as equal treatment in public procurement, National e-GP web portal was introduced as a centralised online procurement system in Bangladesh and inaurgurated by Honorable Prime Minister in June 2011. This system pioneers e-tendering system in Bangladesh. A guide line on e-GP system was issued on 15 February 2011.

For the expansion of e-GP system, high speed new data centre has been set in CPTU. CPTU also provides 24/7 help desk support service to tenderer and procuring entity as well. In the meantime, 1,140 organisations out of 1,233 organisations are registered in the system. Up to August 2017, in total 7,122 officers from different procuring entities including banks have received training on e-tendering. Initially four agencies (Local Government Engineering Department, Roads and Highways Department, Bangladesh Water Development Board and Rural Electrification Board) were targeted by CPTU for implementation of e-GP on pilot basis. CPTU has signed MoU with 45 banks to receive tender security and performance security including registration fee, renewal fee and tender document fee related to e-GP system. About 3,342 branches of these banks are providing services for e-tendering.

Budget Balance and Financing

There is a clear guideline in 'Public Money and Budget Management Act 2009' to keep the budget deficit to a sustainable level. Therefore, government is conscious to keep the budget deficit within 5 percent of GDP. Table 4.7 shows the data of overall budget balance and financing of last few years:

Table 4.7: Overall Budget Balance and Financing*

(As Percent of GDP)

Budget Balance/ financing	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Overall budget balance (excluding foreign grants)	-3.5	-3.9	-4.0	-4.4	-4.1	-4.4	-5.0	-5.0	-5.0
Overall budget balance (including foreign grants)	-2.8	-3.4	-3.6	-4.0	-3.6	-4.0	-4.7	-4.7	-4.8
Net domestic financing	2.0	2.2	3.3	33	2.7	3.0	3.6	3.6	3.5
Net foreign financing (excluding grants)	0.8	1.3	0.4	0.7	1.0	0.9	1.1	1.5	1.4
Net foreign financing(including grants)	1.5	1.7	0.7	1.1	1.4	1.4	1.4	1.8	2.2

Source: Finance Division, M/O Finance and BBS. (Various issues of the Budget in Brief). Base year of GDP 2005-06.

* According to the iBAS, according to actual outturn, from FY2008-09 to FY2016-17 the overall budget deficit excluding grants stood at 4.96, 3.51, 3.21, 3.86, 3.58, 3.90, 3.54, 3.81 and 3.26 percent of GDP respectively.

Public Debt Management

The Government borrows both from domestic and external sources to meet the budget deficit caused by the social welfare expenditure, unexpected expenditure in emergencies, development planning expenditure and increased investment. Data on government domestic borrowing from different sources (Table-4.8) shows that the Government has paid back Tk.18,405 crore to the banking system in FY2016-17. On the other hand, in FY2015-16 the Government borrowed Tk.2,814.8 crore from banking system. Besides, the Government borrowed Tk.53,689.2 crore from non-bank sources in FY2016-17. Therefore, the total government borrowing (net) from the domestic sources stood at Tk.35,284.2 crore in FY2016-17, which is 4.92 percent lower compared to FY2015-16. Sector-wise government borrowing from domestic sources during FY2008-09 to FY2016-17 are presented in Table 4.8 and in Figure 4.2.

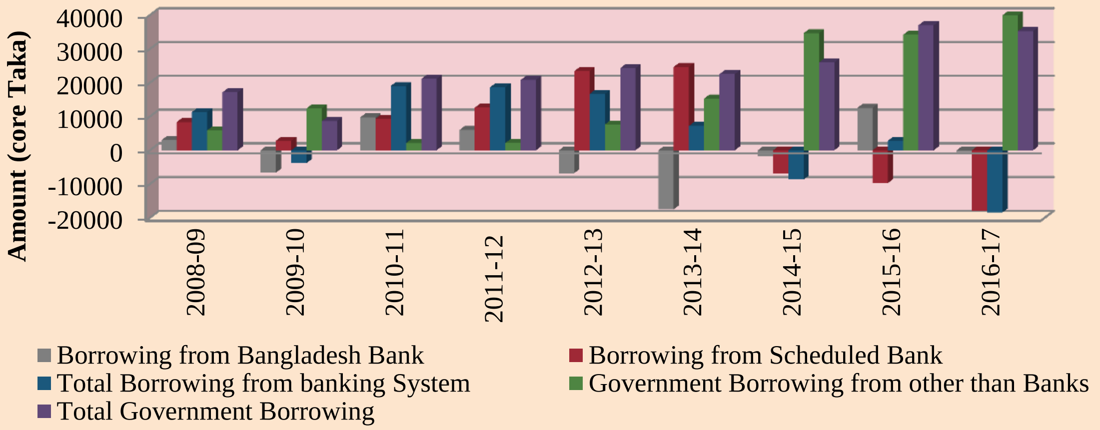
Table 4.8: Government Domestic Borrowing (net) from Different Sources

(Taka in crore)

Fiscal Year	Net Government borrowing from the banking system			Government borrowing from other than banks	Total government borrowing	Percent of GDP
	Borrowing from Bangladesh Bank	Borrowing from scheduled banks	Total Borrowing from banking System			
2008-09	2958.2	8317.9	11276.1	5877.4	17153.5	2.4
2009-10	-6634.9	2842	-3792.9	12419.6	8626.7	1.1
2010-11	9729.2	9314.7	19043.8	2088.8	21132.6	2.3
2011-12	6033.2	12628.6	18661.7	2160.4	20822.1	2.0
2012-13	-6776.6	23441.4	16666.8	7634.7	24301.5	2.0
2013-14	-17497.7	24704.8	7207.2	15344.3	22551.5	1.7
2014-15	-1821.9	-6839.4	-8661.4	34680.3	26018.9	1.7
2015-16	12548.7	-9733.9	2814.8	34206	37020.8	2.0
2016-17^{P}	-520.2	-17884.8	-18405	53689.2	35284.2	1.8

Sources: National Savings Directorate (NSD) and Bangladesh Bank (BB),P=Provisional

Figure 4.2: Government Domestic Borrowing (net) from Different Sources



Government Borrowing from External Sources

The budget of recent years shows a trend of steady decline of dependence on external assistance. But principal and interest repayment for received loans by Bangladesh is gradually increasing. Analysing data from external sources it is seen that in FY2016-17 amount of foreign resources stood at US$3,531 million which is 0.93 percent less than the receipt of US$3,564 million of previous fiscal year. At that time repayment of principal and interest was US$1,144 million which was 8.21 percent more than the previous fiscal year. Compared to FY2015-16, disbursement of FY2016-17 has decreased by 0.87 percent. On the other hand debt service (principal and interest) expenditure of FY2016-17 has increased by US$94 million compared to last fiscal year. As a result, net external assistance flow (after deducting principal and interest payment) in FY2016-17 has decreased by US$127 million compared to last fiscal year.

Table 4.9 shows the Government borrowing from external sources and its repayment during FY2010-11 to FY2016-17. The foreign aid flow situation is shown in Figure 4.3.

Table 4.9: Government Borrowing from External Sources

(In million US$)

Fiscal Year	Commitment			Disbursement			Principal and Interest Payment			Net Foreign Aid Flow	
	Grant	Loan	Sub-Total	Grant	Loan	Sub-Total	Interest	Principal	Sub-Total	After Principal Payment	After Principal and Interest Payment
1	2	3	4=2+3	5	6	7=5+6	8	9	10=8+9	11= 7-9	12= 7-10
2010-11	630	5338	5968	745	1032	1777	200	729	929	1048	848
2011-12	1441	3323	4764	588	1538	2126	196	770	966	1356	1160
2012-13	555	5300	5855	726	2085	2811	198	908	1106	1903	1705
2013-14	498	5346	5844	681	2403	3084	206	1088	1294	1996	1790
2014-15	493	4765	5258	571	2472	3043	188	909	1097	2134	1946
2015-16	545	6503	7048	531	3033	3564	202	848	1050	2716	2514
2016-17*	294	17555	17849	357	3174	3531	231	913	1144	2618	2387

Source: ERD, Ministry of Finance *provisional

Figure:4.3. Government Borrowing from External Sources

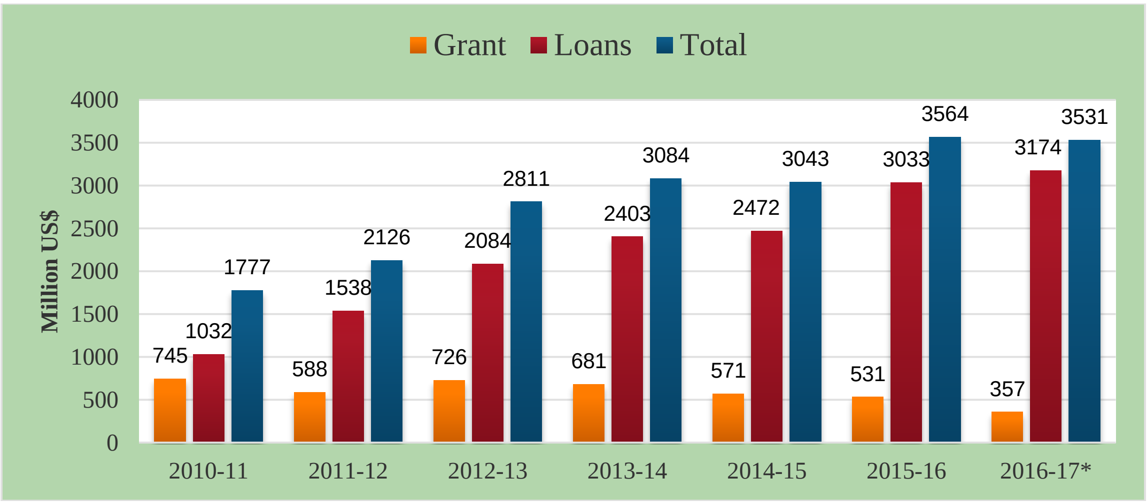


Table 4.10: Budget at a Glance

(In Crore Taka)

Description	Budget 2017-18	Budget 2016-17	Revised 2016-17	Outturn 2016-17
Revenue and Foreign Grants:				
Revenues	**2,87,990**	**2,42,752**	**2,18,500**	**2,00,751**
Tax Revenue	2,56,811	2,10,402	1,92,261	1,77,795
NBR-Tax Revenue	2,48,190	2,03,152	1,85,000	1,71,497
Non-NBR Tax Revenue	8,621	7,250	7,261	6,297
Non-Tax Revenue	31,178	32,350	26,239	22,956
Foreign Grants	**5,503**	**5,515**	**4,694**	**638**
Total Revenue and Foreign Grants:	**2,93,494**	**2,48,268**	**2,23,195**	**2,01,390**
Expenditure:				
Non-Development Expenditure	**2,34,085**	**2,15,743**	**1,92,931**	**1,73,584**
Non-Development Revenue Expenditure	2,07,210	1,88,966	1,78,153	1,58,377
Domestic Interest	39,511	38,240	33,494	29,980
Foreign Interest	1,945	1,711	1,863	1,840
Non-Development Capital Expenditure	26,875	26,777	14,777	15,206
Net Outlay for Food Account Operation	**361**	**-594**	**561**	**3,780**
Loans and Advances (Net)	**6,879**	**8,428**	**7,690**	**2,477**
Development Expenditure	**1,59,013**	**1,17,026**	**1,15,989**	**80,403**
Development Programmes financed from Non-Development Budget	248	353	370	207
Non-ADP Projects	3,512	4,147	2,986	2,051
Annual Development Programme (ADP)	1,53,331	1,10,700	1,10,700	76,686
Non-ADP FFW and Transfer	1,920	1,826	1,932	1,456
Total Expenditure:	**4,00,339**	**3,40,604**	**3,17,172**	**2,60,245**
Deficit:				
Overall Deficit (including Grants)	-106845	-92337	-93977	-58,855
Deficit in Percent of GDP	-5.4	-5.3	-5.4	-3.4
Overall Deficit (Excluding Grants)	-112349	-97852	-98672	-59,494
Deficit in Percent of GDP	-5.7	-5.7	-5.7	-3.5
Financing:				
Foreign Borrowing-Net	**19963**	**30,789**	**24,076**	**7,024**
Foreign Borrowing	27047	38,947	31,586	14,227
Amortization	-8,893	-8,158	-7,510	-7,202
Domestic Borrowing	**60,351**	**61,548**	**69,904**	**51,786**
Borrowing from Banking System (Net)	28,202	38,938	23,904	-8,514
Long-Term Debt (Net)	20,887	28,910	8,506	-177
Short-Term Debt (Net)	7,315	10,028	15,398	-8,337
Non-Bank Borrowing (Net)	32,149	22,610	48,000	60,301
National Saving Schemes (Net)	30,150	19,610	45,000	51,579
Others	1,999	3,000	1,000	8,722
Total Financing:	**1,06,771**	**92,337**	**93,981**	**58,812**
Memorandum Item: GDP (Base year 2005-06)	**19,61,017**	**17,16,700**	**17,29,567**	**19,75,815**

Source: iBAS++ data, Finance Division, *Provisional