CHAPTER 4

FISCAL POLICY AND FISCAL MANAGEMENT

Fiscal policy is an important tool for managing the affairs relating government income and expenditure. Government collects revenues to finance its expenditure programme. The fiscal policy of the government is meant to maintain balance between public income and expenditure. Sound fiscal policy is fundamental to maintain macroeconomic stability and fostering economic growth. Currently, a number of reform programmes are in progress to streamline public expenditure and revenue management. These reform programmes have direct bearing on determining the fiscal policy.

Formulation and implementation of a sound fiscal policy is one of the most important functions of the government. It lays emphasis on maintaining macroeconomic stability through harmonizing public expenditure management. There is no alternative to sound fiscal management in overall economic governance as a balanced public income and expenditure regime assures private sector institutions and individuals a stable macroeconomic environment.

Government Receipts

Tax revenue is the main source of the government revenue. Public revenue principally consists of direct and indirect taxes and it accounts for more than 80 percent of total government revenue. The rest of the public revenue comes from different non-tax collection such as fee, charge, toll etc. The level of revenue collection is an important indicator to determine the stage of economic development of a country. The stronger the economy ,the higher the revenue it collects. In FY 1999-00, revenue/GDP ratio was 8.47 percent, which gradually rose to 10.79 percent in FY2005-06. In FY 2007-08 the revenue/GDP further rose to 11.17 percent and the increasing trend of revenue-GDP ratio further enhanced to 11.24 percent in FY2008-09. Table 4.1 shows tax and non-tax revenue receipts and tax-GDP ratio during the period from FY1999-00 to FY2008-09.

Table 4.1: Revenue Receipts

(In crore Tk.)

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Total Revenue	20074	24342	27893	31120	35400	39200	44868	49472	60539	69180
Tax Revenue	16079	19778	21332	24950	28300	31950	36175	39247	48012	55526
Non-tax Revenue	3995	4564	6561	6170	7100	7250	8693	10225	12527	13654
As percentage of Gross Domestic Product (GDP)										
Total Revenue	8.47	9.6	10.21	10.35	10.63	10.57	10.79	10.58	11.17	11.24
Tax Revenue	6.78	7.8	7.81	8.30	8.5	8.62	8.70	8.40	8.86	9.02
Non-tax Revenue	1.69	1.8	2.4	2.05	2.13	1.96	2.09	2.19	2.31	2.22

Source: National Board of Revenue, Finance Division and BBS. Figures are based on revised budget.

Tax Management

Determination of tax policy and its implementation are the twin responsibilities performed by the National Board of Revenue (NBR) under the Internal Resource Division of the government. During FY 2008-09, various steps were taken to rationalise direct and indirect taxes with an aim to reduce poverty at a faster pace, attain self sufficiency in food production and food security, expand exportoriented industries, develop domestic industries, enhance industrial productivity and create employment opportunities to achieve accelerated economic growth for attaining Millennium Development Goals (MDGs) (Box 4.1).

Box 4.1: Measures under Direct and Indirect Tax System for FY 2007-08

Measures under Direct Tax system

- Tax exemption limit has been increased from Tk. 1,50,000/- to Tk. 1,65,000/-.
- A separate exemption limits of Tk. 1, 80,000/- has been introduced for female taxpayers, senior citizens of 70 years and above and for retarded taxpayers.
- Tax rates for private limited company have been reduced from 40% to 37.5% for public limited company from 30% to 27.5%. Tax rate for Mobile Phone Operator Company and banks, insurance and financial institutions remains unchanged.
- Tax free income limit for persons having no income other than agricultural income has been raised from Tk. 40,000/- to 50,000 in addition to the normal tax free threshold.
- .Provision of minimum tax, irrespective of profit or loss under section 16CC has been deleted.
- Extended the tax exemption period by another three years from 1st July 2008 to 30th June 2011 for income from poultry, fisheries, dairy sector.
- Extended tax holiday facilities in a modified form for a period by another three years from 1st July, 2008 to 30th June 2011. Eligibility for tax holiday facilities expanded to agro-processing industry and industries engaged in the production of jute goods, MS Rod, CI sheet, Underground Rail, Mono rail, Telecom infrastructure except mobile phone.
- Income of manufacturing SME entities having annual turnover not exceeding Tk. 24 lakh has been exempted from income tax.
- Income from export of handicrafts exempted from income tax for the period from 1st July, 2008 to 30th June 2011.
- Income from Information Technology enabled services (ITES) has been exempted from income tax from 1st July, 2008 to 30th June 2011.
- Provision for collection of tax at the rate of Tk. 1,000/- at the time of issuance for trade license has been deleted. Provision for collection of advance tax at the rate of Tk. 500/- at the time of renewal of trade license by City Corporation and Pouroshava has been introduced.
- Tax rebate has been reduced from 15% to 10% on admissible investment allowance and admissible investment limit has been raised from 20% to 25% of income or maximum Tk. 5,00,000/- or actual investment whichever is less.
- The rate of normal depreciation on computer has been increased from 20% to 30%.
- Inter-corporate tax rate i.e. tax rate on dividend received by company has been increased from 15% to 20%.
- Tax rate of deduction at source for non-resident Bangladeshi (not being company) has been set at the rate applicable to resident taxpayers instead of 25%.
- Withdrawal of discretionary power of tax authorities to impose penalty ranging from 0% to 250% of tax for concealment of income under section 128. Penalty has been fixed at 10% for each year of concealment.
- Exemption from deduction of tax from interest on Deposit Pension Scheme (Sec. 53F).
- Tax exemption of dividend of a mutual fund or a unit fund is allowable up to dividend of Tk. 25,000/- and tax will be chargeable on the dividend in excess of Tk. 25,000/- as against provision of no exemption if dividend exceeds Tk. 25,000/-.
- Increase in the exemption limit of monthly rent from Tk. 15,000/- to Tk. 20,000/- in case of deduction at source under section 53A.
- Increase in the exemption limit of conveyance allowance receivable in cash from Tk. 18,000/- to 24,000/-.

Measures under Indirect Tax System

Customs duty

- Four tier duty structures changed to five tier structure. The highest duty rate of 25% remained unchanged and Capital Machinery and ICT sector's duty has set 3% in fiscal year 2008-2009. Basic raw materials and Intermediate goods duty increase 7% and 12% from 5% and 10% in FY 2008-2009 respectively.
- Five tier Supplementary duty rates of 20%, 60%, 100%, 250% and 350% remain unchanged in FY 2008-2009.
- Specific duty of raw sugar at the rate of TK. 4000.00/MT and finished sugar at the rate of TK. 5000.00/MT has been raised to TK. 5000.00/MT and TK. 7000.00/MT respectively in FY 2008-2009.
- Specific duty of Meltable scrap and MS Billet/ingot has set TK. 1500.00/MT and 2500.00/MT respectively Silver bullion and Gold Bullion has set TK. 6/11.664 gm (1vori) and TK. 150.00/11.664 gm (1vori) respectively.

Value Added Tax (VAT)

- Restriction of the facility to take input tax credit for the service provider on the input VAT procured at tariff value similar to the ban on input tax credit by supplier (manufacturer) on tariff value.
- Inclusion of the provision to allow installment facility for tax evaded amount in addition to the fine penalty.
- In order to facilitate the SME the threshold for annual turnover of VAT has been increased from Tk. 2.0 million to Tk. 2.4 million.
- The use of Electronic Cash Register (ECR) in the medium and large traders and service provider of all the city corporation area and district were made mandatory from the July 01, 2008. But since the use of ECR is a new concept in Bangladesh, in order to give adequate time for the collection/import of necessary device as well as to prepare for necessary infrastructure, the deadline to compulsory use of ECR in the city corporation area has been increased to January 01, 2009 and for the other district on July 01, 2009 instead of July 01, 2008.
- Fixation of time limit to 30 (thirty) days to return the collected sample by the VAT officials to the owner from infinitive time.
- In order to make the examination of VAT return by the VAT officials more trade friendly, the time frame for examination of VAT return has been reduced to 30 (thirty) days from 60 (sixty) days.
- Optimum level of investment under capital machinery (for cottage industry facility) has been readjusted to Tk. 1.5 million from Tk. 0.7 million and simultaneously the threshold for annual turnover for cottage industry facility has been increased from Tk. 2.0 million to Tk. 2.4 million.
- In order to facilitate the export trade of medicine, the value limit of VAT exempted medicine sample has been increased from Tk. 10,000 to Tk. 20,000.
- Re-fixation of the VAT exempted value limit for service on lump sum value in medical center and dental treatment center from Tk. 25 to Tk. 50 for medical service and from Tk. 50 to Tk. 100 for daily accommodation.
- The existing VAT exemption facility on import of “waste paper” the raw material for newspaper manufacturing industry has been increased till June 30, 2009.
- Providing VAT exemption facility for local manufacturing of “di-calcium phosphate” a bi product of Jiletine capsule, since the import of the product is exempted from VAT at the import stage.
- With a view to increasing domestic revenue, VAT network expanded in FY 2007-08 by introducing some new goods and services. These are as follows:
- Drugs for Thalassaemia (Import stage); Bar and Rods (Import stage); Chassis fitted with engine for motor vehicles of Heading 87.02 in CKD Condition (Import stage); Silver bullion (Import stage); Handmade biscuit (Manufacturing stage); Sandals and slippers made up of plastic and rubber [up to Tk. 60(sixty) per piece] (manufacturing stage); Fabrics made up of synthetic fiber and thread in handloom (except power loom) (manufacturing stage); Animal feed premix (trade stage).
- The following services has been included in the list of services for which the VAT collected at source is mandatory:

  Individuals or organizations involved in repairing or servicing of goods against considerations that are subject to VAT, Security Service, Legal Advisor, Engineering firm
- Imposition of Supplementary duty Supplementary duty on Satellite channel distributor has been increased from 15% to 25% Supplementary duty has been imposed on Diamond (Finished) at the manufacturing stage. The price slab and supplementary duty (at one price slab) of cigarette has been increased and the VAT, SD of bidi has been readjusted accordingly to the price change of cigarette.

Source**:** NBR

Revenue Collection Activities

The revenue targets of FY 2008-09 came under challenge from the beginning of the fiscal year due to the impact of the global financial crisis. The global economy plunged into recession particularly for toxic credit crunch in the US financial institutions and huge drop in prices of commodities like fuel, fertiliser etc. This price fall caused lower collection of import duties which is the biggest source of revenue though the price of commodities favoured easing of soaring inflation situation. The collection of import duty in FY 2008-09 fell short of the targets as the import duty is determined on the basis of prices of the imported goods. Analysis of revenue collection activities for FY2008-09 by categories shows that the bulk of revenue collection comes from value added tax (VAT). Income tax occupies the second place in the row. Next positions are held by import duties, supplementary duty, other taxes and excise duty. Overall, the share of VAT in the total revenue collection is gradually increasing. It may be mention that, income tax occupies second position over import duties for the second consecutive time.

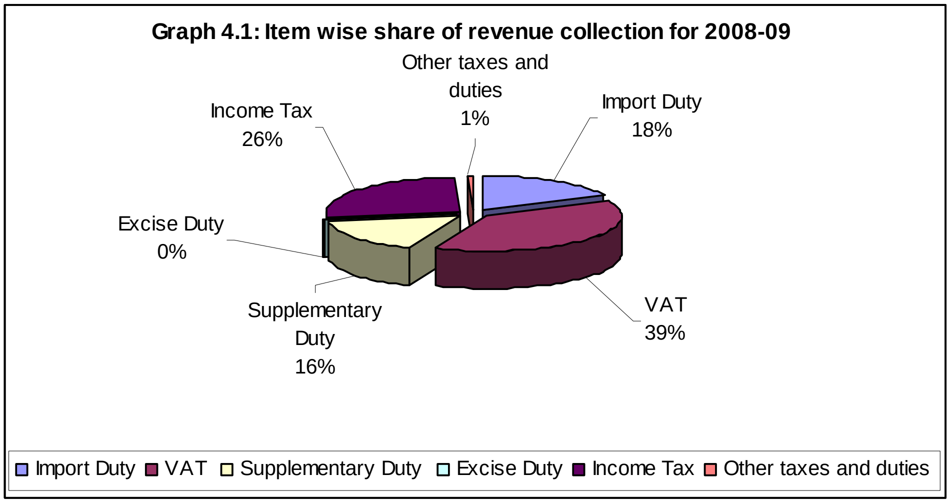
In FY 2008-09, although the total revenue collection by NBR source fell short of the targets but total revenue collection stood at TK. 52525.61 crore, which is TK. 5236.49 crore higher than the collection of the previous fiscal year showing an 11.07 percent growth. In FY 2007-08, total revenue collection stood at TK. 47289.12 crore, which was Tk. 10,069.8 crore or 27.06 percent higher than the collection of the previous year. In FY 2006-07, the total revenue collection under NBR amounted to Tk. 37219.32 crore which was Tk. 3,216.89 crore or 9.46 percent higher than that of the previous year. Item-wise tax collection from FY2006-07 to FY 2008-09 is presented in Table 4.2.

Table 4.2: Item wise Revenue Collection

(In crore TK.)

Items of revenue collection	FY 2006-07	FY 2007-08	FY 2008-09
Import Duty	8154.76	9619.19	9351.92
VAT (at import level)	6311.17	8474.66	9186.92
Supplementary Duty (at import level)	1196.63	1752.86	2331.37
Sub Total	**15662.56**	**19846.71**	**20870.21**
Excise Duty	183.49	213.69	238.34
VAT (Local)	7471.13	9181.03	10965.40
Supplementary Duty (Local)	4846.09	6001.07	6173.43
Turn Over Tax	6.00	4.68	4.96
Sub Total	**12506.71**	**15400.47**	**17382.13**
Total of Indirect Tax	**28169.27**	**35247.18**	**38252.34**
Income Tax	8721.24	11595.32	13858.09
Other taxes and duties	328.81	446.62	415.18
Total of Direct Tax	**9050.05**	**12041.94**	**14273.27**
Grand Total	**37219.32**	**47289.12**	**52525.61**

Source: National Board of Revenue (NBR).



Public Expenditure

Public expenditure management is an important segment of the fiscal management of the government. The principal objectives of fiscal management are to maintain social safety net activities, encourage expenditure in productive sector, and exercise austerity in public expenditure and restrain over unproductive outlays. The key aspects of huge public outlays in each year are to reduce poverty through improving the living conditions of the commons, build physical infrastructure and develop human resources. Total public expenditure, development expenditure and expenditure/GDP ratio for FY 2008-09 and over the last decade are presented in Table 4.3.

Table 4.3: Public Expenditure

(In crore Tk.)

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Public Expenditure (a+b+c)	34464	37399	40757	42075	47184	53903	59030	66836	93608	94140
(a) Non-development expenditure	18195	20536	22700	25307	28390	33324	36618	45412	57425	67125
(b) Development expenditure (ADP)[1]	15211	15901	15050	15271	16817	18771	19473	17206	22500	23000
(c) Other expenditure[2]	1048	962	3008	1497	1977	1808	2940	1404	13683	4015
As percentage of Gross Domestic Products (GDP)										
Public Expenditure as percent of GDP (a+b+c)	14.54	14.75	14.92	14.00	14.17	15.01	14.18	12.79	17.27	15.30
(a) Non-development expenditure	7.67	8.10	8.31	8.42	8.53	8.99	8.80	8.81	10.6	10.91
(b) Development expenditure	6.42	6.27	5.51	5.08	5.05	5.53	4.68	3.68	4.15	3.74
(c) Other expenditure	0.44	0.38	1.10	0.50	0.59	0.49	0.70	0.30	2.52	0.65

Source: ADP from IMED, M/O Planning and Non-development and other expenditure are revised from Finance Division, M/O Finance.

[1] 'Actual expenditure' of Annual Development Programme (ADP) except financing from 'own source'.
[2] Capital expenditure, food expenditure, net lending and other development expenditures are included in 'other expenditure'.

Composition of Non-development Expenditure

Analysis of total non-development expenditure shows that in FY 2003-04, expenditure on pay and allowances was 27.4 percent of total non-development expenditure (Appendix Table 20). In FY 2004-05 and FY 2005-06 these ratios went down to 25.3 and 27.6 respectively, but increased to 28.5 percent in FY 2006-07 and again went down to 23.6 percent in FY 2008-09. In FY 2003-04, the expenditure on subsidy and current transfer accounted for 28.4 percent of total non-development expenditure. In FY 2004-05, FY 2005-06, FY 2006-07 and FY 2008-09 the expenditure on subsidy and current transfer accounted for 30.1, 29.1, 31.4 and 40.5 percent of total non-development expenditure respectively. In FY 2004-05, FY 2005-06, FY 2006-07 and FY 2008-09 the shares of interest payments on foreign and domestic loans in total non-development outlay were 18.8, 19.8, 20.2 and 20.8 percent respectively.

Expenditure under Annual Development Programme (ADP)

The average actual expenditure against the revised allocation of ADP was around 90 percent during the period from 1999-00 to 2005-06 (Table 4.4). In FY2006-07 and FY 2007-08, the utilization of ADP is about 83 and 82 percent respectively. In FY 2008-09 the provisional expenditure registers 85.7 percent utilization of revised allocation.

Table 4.4: Implementation of Annual Development Programme (ADP)

(In crore Tk.)

Year	Original Allocation	Revised Allocation	Actual Expenditure	Expenditure as % of Revised Allocation
1999-00	15500	16500	15471	93.8
2000-01	17500	18200	16240	89.2
2001-02	19000	16000	14090	88.1
2002-03	19200	17100	15434	90.0
2003-04	20300	19000	16817	89.0
2004-05	22000	20500	18771	91.6
2005-06	24500	21500	19472	91.0
2006-07	26000	21600	17917	83.0
2007-08	26500	22500	18455	82.0
2008-09p	25600	23000	19707	85.7

Source: IMED, Ministry of Planning. Data are based on revised ADP. Provisional figure has provided by IMED for 2008-09

Composition of Annual Development Programme (ADP) Expenditure by Major Sectors

The increasing trend of allocation and expenditure in socio-economic and physical infrastructure sectors through ADP is consistent with the twin goals of the government-achieving higher growth and reducing poverty. ADP expenditure and its composition by major sectors are presented in Table 4.5.

Table 4.5: ADP Expenditure and its Composition by Major Sectors (%)

Sector	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Agriculture	4.7	4.5	4.4	3.74	4.04	3.62	5.20	5.86	7.00	6.27
Rural Development	12.2	12.2	11.1	10.09	13.83	14.27	15.83	17.14	15.00	16.6
Water Resources	6.9	6.1	5.4	4.29	4.04	2.44	3.22	2.29	4.00	4.09
Industries	1.7	3.3	1.9	1.14	2.74	2.42	1.64	1.24	1.00	2.09
Power	12.9	12.2	12.1	13.70	17.26	20.74	16.22	13.87	13.00	11.7
Gas, Oil & Natural Resources	4.3	2.5	3.1	4.00	5.19	6.04	1.62	0.74	1.00	1.07
Transport	17.4	20.4	19.9	16.15	18.04	12.27	14.30	14.40	11.00	10.10
Communication	3.1	2.8	6.1	3.63	2.23	2.93	2.82	2.72	2.00	0.93
Physical Planning & Housing	7.0	7.5	6.6	5.61	5.91	6.03	7.56	6.86	7.00	11.5
Education & Religion	12.8	13.3	14.2	13.88	12.28	13.70	13.83	15.48	16.00	16.0
Health & Population	8.1	7.3	7.9	6.72	8.27	8.17	9.59	9.97	11.00	10.7
Others	9.1	7.8	7.4	17.00	6.24	7.38	8.19	9.43	12.00	8.94
Total ADP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.00	100.0

Source: IMED, Ministry of Planning.

Budget Balance and Financing

Budget is prepared in line with the national plans and strategies adopted for economic growth, poverty reduction and social development. There occurs a budget deficit arising from a gap between the government revenue and expenditure, where expenditure outweighs the revenue income. The successive governments are taking initiative to channel resources and transfer income at an enhanced rate to the poor people of the country as over 40 percent of population live below poverty line. Although, this increases budget deficit little further, but it creates purchasing power of a huge population that ultimately propel growth by increasing aggregate demand. It also helps a large part of the population to maintain minimum livelihood. The trend of budget deficit in Bangladesh clearly shows that deficit remains below 5 percent of GDP except those years when there were natural calamities. t. Table 4.6 below shows data on budget deficit and the mode of its financing during the period from FY1999-00 to FY2008-09.

Table 4.6: Overall Budget Balance

(As percent of GDP)

Budget Deficit/ financing	1999- 00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Overall budget deficit (excluding foreign grants)	- 4.6	-6.1	-5.1	-4.4*	-4.2*	-4.2*	-3.9*	-3.7*	-6.1*	4.1*
Overall budget deficit (including foreign grants)[3]	-3.2	-4.5	-4.1	-3.7	-3.4	-3.4	-3.3	-3.3	-5.3*	3.4
Net foreign financing[4]	2.5	2.5	2.0	1.7	2.3	2.4	1.7	1.8	2.4	1.8
Net domestic financing[5]	1.9	2.8	2.7	1.3	2.2	1.8	2.2	1.9	3.7	2.3

*According to actual outturn, the overall budget deficit in FY 2002-03, FY 2003-04, FY 2004-05, FY 2005-06, FY 2007-08 and FY 2008-09 stood at 3.5, 3.4, 3.5 and 3.7, 4.9 percent and 3.4 percent of GDP respectively.

Source: Finance Division, M/O Finance, BBS and Bangladesh Bank.

[3] According to IMF, foreign grants are net receipts to Government, because it does not carry any liabilities to the government.

[4] Net foreign financing = (foreign borrowing + grants) - principal payment of foreign borrowing.

[5] Net domestic financing = Net borrowing from public + borrowing from banking system. {Net borrowing from public = Total sale of saving certificates - principal payments for saving certificates}. There exists difference between budget deficit and financing for check float and other errors & omission.

Resources for ADP

The contribution of domestic resources towards financing of ADP shows an upward trend and accounts on average 50 percent domestic resources in ADP during 1999-00 to 2008-09. Only in 2007-08 contribution of domestic resources fell below 40 percent. During 2007-08 external assistance registered a sharp growth for arresting losses due to recurrent floods and devastation of cyclone sidr. Table 4.7 below shows the financing of ADP from external and domestic sources during the period from FY1999-00 to FY2008-09.

Table 4.7: Quantum of Resources (Domestic and foreign) in financing revised ADP

(In crore Tk.)

	1999- 00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Total Financing	16500	18200	16000	17100	19000	20500	21500	21600	22500	23000
Foreign Financing	8274	8670	8215	8241	9410	10430	10700	10194	14430	12990
Domestic Financing	8226	9530	7785	8859	9590	10070	10800	11406	8424	10011
Domestic financing as % of Total ADP allocation	49.85	52.36	48.66	51.81	50.47	49.12	50.23	52.81	37.44	55.65

Source: IMED, M/O. Planning, Finance Division, ERD, Ministry of Finance and Planning Commission.

Public Debt Management

The government resorts to borrowing to fulfil its commitment of social welfare expenditure, meet unexpected expenditure in emergencies, increase investment, and defray development plan outlays. The government borrows both from domestic and external sources. Table 4.8 shows year-wise government borrowing (net) from domestic sources covering the period from FY 1998-99 through FY 2007-08. Source-wise government borrowing from domestic sources over the last 10 years has been presented in Graph 4.2.

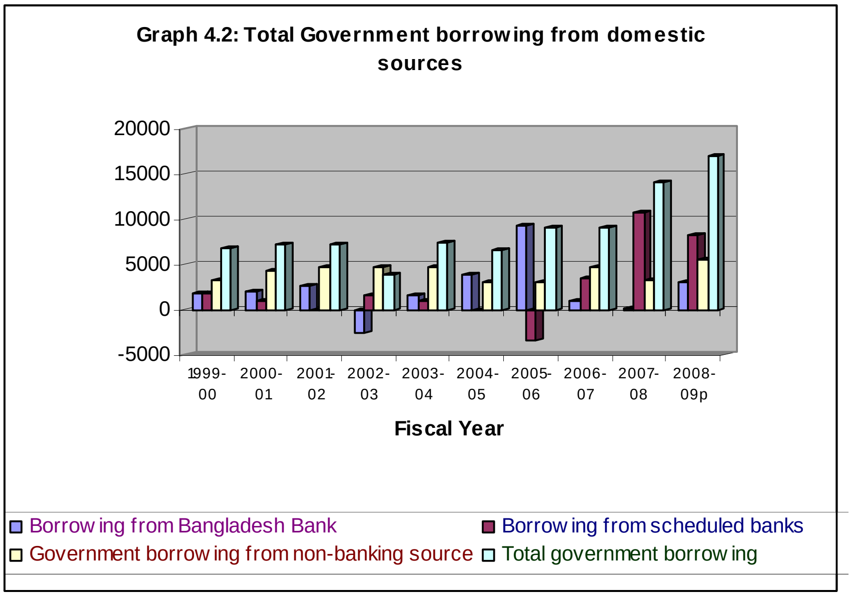
Domestic Sources

Table 4.8: Net Government Borrowing from Domestic Sources

(In crore Tk.)

Fiscal Year	Net Government borrowing from the banking system			Government borrowing from non-bank sources	Total government borrowing	Percentage of GDP
	Borrowing from Bangladesh Bank	Borrowing from scheduled banks	Total borrowing			
1	**2**	**3**	**4=2+3**	**5**	**6=4+5**	**7**
1999-00	1738.10	1786.20	3524.30	3229.68	6753.98	2.8
2000-01	2009.30	895.10	2904.30	4208.42	7112.82	2.8
2001-02	2727.00	-158.60	2568.40	4711.47	7279.87	2.7
2002-03	-2589.70	1607.20	-982.50	4795.22	3812.72	1.3
2003-04	1653.00	1016.10	2669.10	4658.90	7328.00	2.2
2004-05	3826.70	-142.80	3683.90	2972.57	6656.47	1.8
2005-06	9351.80	-3310.40	6041.40	3103.23	9144.63	2.2
2006-07	905.00	3510.90	4415.90	4682.30	9098.20	1.9
2007-08	66.20	10802.90	10869.10	3144.80	14013.90	2.6
2008-09p	2958.1	8317.9	11276.00	5596.00	16872.00	2.7

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



Government Borrowing from Foreign Sources

The trend of external resources flow clearly shows that grants to Bangladesh are decreasing continuously and the receipts of credit from foreign sources are increasing. As a result, amortization of principal and interest payment by Bangladesh is increasing that in fact lessen the net flow of external resources to Bangladesh. The net flow of foreign assistance increases during years of natural calamities. The statement of foreign interest and principal repayment clearly reveals that, , Bangladesh never became default in repaying foreign debt. Table 4.9 shows the government borrowing from foreign sources and its repayment during FY 1999-00 to FY2008-09. The foreign aid flow situation is shown in Graph 4.3.

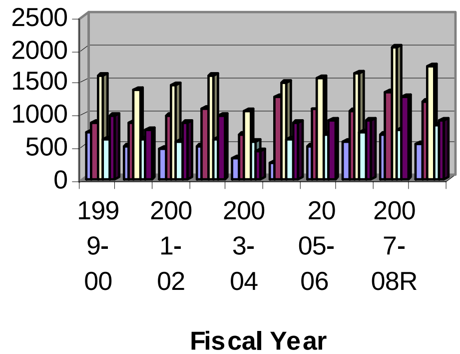
Table 4.9: Government Borrowing from Foreign Sources, 1999-00 to 2008-09

(In million US$)

Financial year	Disbursement of Loans and Grants			Principal and Interest Payment			Net Foreign Aid Flow	
	Grant	Loans	Sub-Total	Interest	Principal	Sub-Total	After Principal Payment	After Principal & Interest Payment
1	2	3	4=2+3	5	6	7=5+6	8=4-6	9=4-7
1999-00	726	862	1588	172	447	619	1141	969
2000-01	504	865	1369	159	438	597	931	772
2001-02	479	963	1442	151	435	586	1007	856
2002-03	510	1075	1585	156	452	608	1133	977
2003-04	338	695	1033	165	423	588	610	445
2004-05	234	1257	1491	185	434	619	1057	872
2005-06	501	1067	1568	176	502	678	1066	890
2006-07	590	1040	1630	182	540	722	1090	908
2007-08[R]	702	1337	2039	184	582	766	1457	1273
2008-09p	523	1204	1727	193	647	840	1079	887

Source: Economic Relations Division (ERD). R= Revised, P=Provisional

Graph 4.3: Foreign grants, loans, repayment and flow of net assistance



Currently the debt obligation of the government is at a tolerable level. Financing through grant and credit from external sources is gradually narrowing due to shift in the policies of donors. This, prompted, the government to take various reform initiatives and to adopt motivational measures to mobilize resources from domestic sources alongside from external sources. In principle, the government prefers concessional foreign borrowing to domestic borrowing because of the lower cost of foreign borrowing and longer repayment period.

Table 4.10: Budget at a Glance

(Tk in crore)

Description	Budget 2009-10	Revised 2008-09	Budget 2008-09
Revenue and Foreign Grants			
Revenues	**79461**	**69180**	**69382**
Tax Revenue	63955	55526	56789
NBR-Tax Revenue	61000	53000	54500
Non-NBR Tax Revenue	2955	2526	2289
Non-Tax Revenue	15506	13654	12593
Foreign Grants	5130	4929	6346
Total:	**84591**	**74109**	**75728**
Expenditure			
Non-Development Expenditure	**77243**	**67125**	**66753**
Non-Development Revenue Expenditure	69504	62676	60758
of which			
Domestic Interest	14471	12002	11274
Foreign Interest	1337	1311	1291
Non-Development Capital Expenditure	7739	4449	5994
Net Outlay for Food Account Operation	326	78	689
Loans & Advances (Net)	1631	559	1972
Structural Adjustment Expenditure	332	750	1000
Development Expenditure	**33059**	**25628**	**29549**
Employment Generation and Development Programmes financed from Non-Development Budget	1420	1468	2171
Annual Development Program	30500	23000	25600
Non-ADP FFW and Transfer	1139	1160	1778

(Tk in crore)			
Description	**Budget 2009-10**	**Revised 2008-09**	**Budget 2008-09**
Total Expenditure:	**113819**	**94140**	**99962**
Overall Deficit (including Grants) :	-29228	-20031	-24234
(In Percent of GDP) :	-4.2	-3.2	-3.95
Overall Deficit (Excluding Grants) :	-34358	-24960	-30580
(In Percent of GDP) :	**-5.0**	**-4.1**	**-4.99**
Financing			
Foreign Borrowing-Net	**8673**	**5833**	**7236**
Foreign Borrowing	13215	10215	11457
Amortization	-4542	-4382	-4221
Domestic Borrowing	**20555**	**14197**	**16998**
Borrowing from Banking System (Net)	**16755**	**10697**	**13498**
Long-Term Debt (Net)	12577	9899	-1800
Short-Term Debt (Net)	4178	798	15298
Non-Bank Borrowing (Net)	**3800**	**3500**	**3500**
National Saving Schemes (Net)	3277	2786	2786
Others	523	714	714
Total - Financing	**29228**	**20030**	**24234**
Memorandum Item GDP	**686730**	**614943**	**613111**

Source: Finance Division.