CHAPTER 4

FISCAL POLICY AND FISCAL 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. There is guidance in the 'Budget Management Act 2009' to keep the budget deficit in a sustainable level. Keeping in view Government is conscious to maintain the budget deficit within 5 percent of GDP in FY2016-17. The trend of revenue mobilisation shows that the revenue-GDP ratio is on the rise, albeit the pace of growth is slow. In FY2015-16, the total revenue mobilisation by NBR stood at Tk.1,55,519 crore against the target 103.67 percent of Tk.1,50,000 crore. In FY2015-16 revenue mobilisation by NBR was 14.60 percent higher than the outturn of the previous FY2014-15. The mobilisation against income tax witnessed 9.89 percent growth compared to that of previous fiscal year reflecting progress in direct tax collection. Government expenditure as percentage of GDP has been on the increase. Government expenditure increased to 15.30 percent in FY2015-16 from 13.50 percent in FY2014-15. The utilisation of ADP stood at 92 percent in FY2015-16. Currently, the larger portion of ADP is financed from domestic sources. Aid flow witnessed significant improvement in FY2015-16 than previous FY due to emphasis on rapid and efficient utilization of foreign aid.]

The overall management of Government's revenue and expenditure is fundamentally guided by the fiscal policy. 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 FY2007-08 to FY2015-16 is presented in Table 4.1.

Table 4.1: Revenue Receipts

(In Crore Tk.)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Total Revenue	60539	69180	79484	95188	114885	139670	156671	163371	177400
Tax Revenue	48012	55526	63956	79052	94754	116824	130178	140676	155400
Non-tax Revenue	12527	13654	15528	16135	22279	22846	26493	22695	22000
As percent of GDP									
Total Revenue	9.63	9.81	9.97	10.39	10.89	11.65	11.66	10.78	10.24
Tax Revenue	7.64	7.88	8.02	8.63	9.12	9.74	9.69	9.28	8.97
Non-tax Revenue	1.99	1.94	1.95	1.76	1.76	1.91	1.97	1.50	1.27

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 FY2007-08, revenue-GDP ratio was 9.63 percent, which rose to 11.66 percent in FY2013-14. But in FY2014-15 the revenue-GDP ratio decelerated to 10.78 percent and in FY2015-16 to 10.24 percent. Table 4.1 shows that the lion share (more than 83 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 execution responsibilities are performed by the National Board of Revenue (NBR) under the Internal Resource Division. The major steps taken by the Government during FY2015-16 for enhancing collection of direct and indirect taxes with a view to achieving the social and economic goals at a faster pace is shown in the Box 4.1.

Box 4.1: Measures under Direct and Indirect Tax System for FY2015-16

Measures under Direct Tax System

- *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. Considering the contribution of gazetted war-wounded freedom fighters in our great Liberation War, tax exempted income threshold for them is increased from taka 4 lakh to taka 4 lakh 25 thousand.*
- *Amendments have been made in provisions of surcharge for individual taxpayers. Under the amended provision, the minimum exempted net wealth threshold has been increased from taka 2 crore (at cost of acquisition) to 2.25 crore. Minimum surcharge of taka 3,000 for the taxpayers whose net wealth exceeds the minimum net wealth threshold remains unchanged.*
- *For the growth and stability of the capital market, the rate of tax for publicly traded banks, insurance and financial institutions, as well as the new generation banks approved by Government in 2013 is reduced from 42.5% to 40%. The existing tax rate for merchant banks and mobile phone operator companies remains unchanged at 37.5% and 45%.*
- *In order to avert harmful consequence of cigarette uniform tax rate of 45% for all cigarette manufacturing entities viz. private limited, public limited or publicly traded company and for taxpayers other than company including individual and partnership firm etc.*
- *Provisions have been made to consider calendar year as the income year for banks, insurance bodies and financial institutions, and financial year as the income year for all other taxpayers.*
- *Withholding tax rate on all export items including garments, terry towel, carton and accessories, jute and jute goods, and frozen foods is reduced to 0.60%.*
- *Tax rate for cigarette manufacturing companies has been increased to 45%, irrespective of the listing status of such companies.*
- *The rate of advance income tax on import has been reduced for a number of items.*
- *Income derived from production of pelleted poultry feed, cattle, production of pelleted feed for porn and fish, production of seeds, marketing of locally produced seeds, cattle farming, dairy farming, frog farming, horticulture, mulberry cultivation, apiculture, sericulture, mushroom farming and floriculture has been granted a reduce rate.*

- *Automobile manufacturing industry, Bi-cycle manufacturing industry, environment friendly Tunnel Kiln brick field and Tyre manufacturing industry is included as tax holiday sector.*
- *Any income not being interest or dividend classifiable under the head "Income from other sources", received by any educational institution has been made tax exempted if it -*
  (i) is enlisted for Monthly Pay Order (MPO) of the Government;
  (ii) follows the curriculum approved by the Government;
  (iii) is governed by a body formed as per Government rules or regulations.
- *Any income not being interest or dividend classifiable under the head "Income from other sources", received by any public university or any professional institute established under any law and run by professional body of Chartered Accountants or Cost and Management Accountants or Chartered Secretaries has been made tax exempted.*
- *In order to ensure equality in tax incidence among the employees of the public and private sectors, basic salary, bonus and festival allowances of the public servants have made taxable.*
- *To prevent money laundering, provisions have been made to impose additional tax on persons who employ or allow unauthorized foreign nationals in their business or profession.*
- *Tax exemption benefit has been extended up to 30 June, 2024 for the income derived in Bangladesh from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) or Information Technology Enabled Services (ITES)*
- *Any Income received from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Pound Sterling investment bond or Pound sterling premium bond is made exempted from tax.*
- *The reduced tax rate benefit for the income derived from textile and Jute-goods industry has extended upto June, 2019*

Measures under Indirect Tax System

Customs duty System

- *Four tiers/slabs of import duty structure (0%, 5%, 10% & 25%) have been kept unchanged. Moreover the highest rate of import duty has been kept 25% as before while keeping the import duty 2% for ICT sector unchanged. Further duty of capital machinery has been reduced from 2% to 1%.*
- *Eleven tiers of supplementary duty structure (10%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 350%, 500%) have been enacted. Among these 200%, 250%, 350% and 500% are imposed to discourage the importation of cigarette, liquor, motor vehicle having more than 2000 cc engine capacity as they are luxurious in nature and injurious to public health.*
- *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.*
- *Specific duty on MS billet/ingot has been increased from tk. 5000/MT to tk.7000/MT keeping that of meltable scrap tk.1500/MT unchanged. At the same way specific duty on silver bullion and gold bullion has been kept unchanged.*
- *Regulatory Duty (RD) on finished and luxurious items has been reduced from 5% to 4%. Besides that, RD has been imposed on some items of 10% import duty for the protection of the local industries.*
- *The SRO regarding to capital machinery has been rationalized and updated.*
- *Rules relating to ascertainment of minimum value of new and reconditioned motor vehicles have been kept unchanged.*
- *Import duty has been reduced on more than 40 items including ceramic, steel melting, printing, baby diaper, poultry, raw materials for plastic and many other industries.*
- *Supplementary duty on more than 700 items has been reduced and rationalized to combat false declaration and smuggling.*

Value Added Tax (VAT)

1. *Liberalisation of Value Added Tax (VAT) System:*

- *Firms enlisted under Turnover Tax are entitled to participate in Tender like Vat registered firms.*
- *Time limit for making records of Raw Materials into Purchase Register (Musuk-16) has been increased to 48 hours from 24 hours.*
- *Time limit for adjusting Duty Drawbacks in Vat Current Account (Musuk-18) has been increased to 6 months from 3 months; and*
- *Proprietorship business or partnership business having turnover more than one core is liable to deduct vat at source like limited company.*

2. *Value Added Tax exemption facilities extended:*

- *Iron Oxide and hydroxides (Production stage).*
- *Nutrition Premix in Animal Food (Production stage)*
- *Medicines for fatal viral diseases like hepatitis C (Production & Trading stage).*
- *Plastic crystals through recycling of plastic waste (Production stage)*
- *Solar Batteries up to 60 ampere supply to the IDCOL registered Solar panel manufacturers (production stage)*
- *Photo studio (Service stage)*
- *'Capitation grant' allocated for both public and private orphanages (Included in Second Schedule)*
- *Broken iron pieces or iron scraps (Service stage)*
- *Electricity bill against cold storage service (Service stage)*
- *Jute products (Trading stage)*
- *Raw material of polyester yarn-pet chips (Trading stage)*
- *Export of sample medicines limit extend from 30 thousand to one lac (Production stage).*
- *Vat on issuance and renewal fee of license of jute and jute products.*

3. *VAT exemption facilities has withdrawn from the following items:*

- *Tissue holder, ice tray, ice scoop, hanger made of plastic (Production stage)*
- *Copra waste (Production stage)*
- *Indenting Agencies (Service stage)*
- *Exemption on commercial space and establishment threshold re-fixed from 300 sft to 150 sft.*

4. *Fixation & revision of truncated base of the following services:*

- *Existing VAT rate of 3% on Building Developer service has been changed as below:*

Size	***Truncated Base Rate***	***Tax rate***
i. up to 1100 sft	*10% of the total proceeds received from sale or transfer of Building*	*1.5%*
ii. From 1101 to 1600 sft	*16.68% of the total proceeds received from sale or transfer of Building*	*2.5%*
iii. More than 1600	*30% of the total proceeds received from sale or transfer of Building*	*4.5%*

5. *Restructuring of the Supplementary Duty Rate:*

H.S Code	***Item***	***Existing Rate***	***Changed Rate***
48.13 (Related H.S Code)	*Bidi Paper*	*0%*	*20%*
69.10 (Related H.S Code)	*Bathtub, Jacques, shower tray made of ceramics*	*0%*	*20%*
Service Code S012.10	*Service provided through mobile SIM/RUIM card*	*0%*	*3%*

Source: NBR

Revenue Mobilisation Programmes

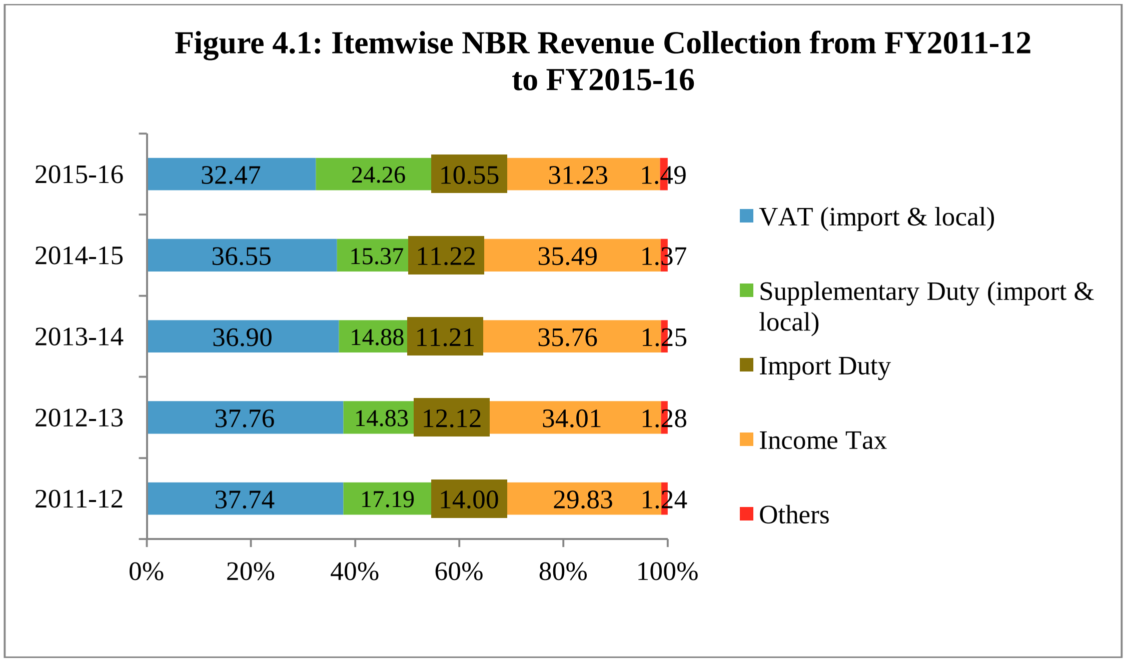
The NBR sources of revenue mobilisation set targets for FY2015-16 at Tk.1,50,000 crore Against the targets, revenue collection stood at Tk.1,55,518.72 crore, which is 103.68 percent of the revised target. In FY2014-15 revenue mobilisation was Tk.1,36,740.01 crore. Therefore, growth rate of revenue mobilisation in FY2015-16 was 13.73 percent. Analysis of revenue collection for FY2015-16 by categories shows that income tax generates most revenues as a single category, although the bulk collection of VAT (import and local) registered highest amount. Although, import duty and VAT are predominant in the overall revenue collection traditionally, there is a clear directional shift in the last couple of years. Item-wise tax collection from FY2011-12 to FY2015-16 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
Import Duty	13153.50	13259.42	13575.86	15349.85	18016.58
VAT (at import level)	13792.62	14815.16	15291.31	17690.47	20583.86
Supplementary Duty (at import level)	4367.71	4204.46	4335.77	5252.42	6560.20
Export Duty	38.95	33.47	41.98	40.63	32.75
Sub Total:	**31352.78**	**32312.51**	**33244.92**	**38333.37**	**45193.39**
Excise Duty	660.36	772.53	822.39	960.38	1582.03
VAT (Local)	21984.81	26367.26	29252.11	32290.13	34862.82
Supplementary Duty (Local)	11923.97	11985.29	13647.19	15758.31	19630.96
Turn Over Tax	3.49	3.68	4.72	4.71	4.85
Sub Total:	**34572.63**	**39128.76**	**43726.41**	**49013.53**	**56080.66**
(A) Total of Indirect Tax	**65925.41**	**71441.27**	**76971.33**	**87346.90**	**101274.05**
Income Tax	28261.87	37120.65	43207.27	48525.00	53325.96
Other taxes and duties	415.15	589.81	641.25	868.11	918.71
(B) Total of Direct Tax	**28677.02**	**37710.46**	**43848.52**	**49393.11**	**54244.67**
Grand Total (A+B)	**94602.43**	**109151.73**	**120819.85**	**136740.01**	**155518.72**
Share of Indirect Tax (%)	69.69	65.45	63.71	63.88	65.12
Share of Direct Tax (%)	30.31	34.55	36.29	36.12	34.88

Source: National Board of Revenue (NBR)



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 FY2007-08 to FY2015-16 are presented in Table 4.3.

Table 4.3: Public Expenditure (Revised Budget)

(In Crore Taka)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure (a+b+c)	93608	94140	110523	130011	161213	189326	216222	239668	264565
(a) Non-development expenditure	57425	67125	77,127	83177	100986	110627	134907	149399	163751
(b) Development expenditure	24350	25702	31816	39615	45650	57751	65145	80476	95908
(c) Other expenditure	11833	1313	1580	7219	14577	20948	16170	9793	4906
As percent of GDP									
Total Expenditure	**14.89**	**13.35**	**13.86**	**14.20**	**15.28**	**15.79**	**16.09**	**15.81**	15.27
(a) Non-development expenditure	9.13	9.52	9.67	9.08	9.57	9.23	10.04	9.86	9.45
(b) Development expenditure	3.87	3.65	3.99	4.33	4.33	4.82	4.85	5.31	5.53
(c) Other expenditure	1.88	0.19	0.20	0.79	1.38	1.75	1.20	0.65	0.28

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. The past few years' ADPs were formulated with a goal to transform Bangladesh into a middle-income country and "digital Bangladesh" by 2021. As a result investment in socio-economic development has been gradually increasing. Although the ADP's absolute size has been increasing and 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 FY2015-16, the factors that were given prominence were the 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.

Including the amount of Tk.2,894.00 crore of the autonomous bodies, the total size of the RADP of FY2015-16 is Tk.93,894.00 crore (GoB Tk.64,734.00 crore and project aid Tk.29,160.00 crore). Out of the total size of RADP, excluding the allocation for the autonomous bodies and corporations, the total allocation was Tk.91,000.00 crore (GoB Tk.6,1840.00 crore and Project Aid Tk.29,160.00 crore). A total of 1,458 projects were included in the Revised ADP out of which 1,124 were investment projects, 178 were Technical Assistance Projects, 13 are funded by JDCF, and 143 projects are financed by autonomous bodies and corporations. Table 4.4 shows that in FY2015-16 Tk.91,000.00 crore was earmarked for financing the implementation of 1,315 projects (self-finance projects of autonomous bodies are excluded), which was Tk.75,000 crore and 1,204 projects in FY2014-15. The implementation status of ADP from FY2006-07 to FY2014-15 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
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%)

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**
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%)
2007-08	931	26500	16700	9800	1058	22500	13550	8950	18455	11480	6975
									(82%)	(85%)	(78%)

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

Table 4.4 shows that in FY2007-08, RADP allocation was Tk.22,500 crore which increased four-folds to Tk.91,000 crore in FY2015-16. 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 FY2007-08 was 82 percent which almost gradually increased to 95 percent in FY2015-16. Including autonomous bodies and corporation's self-funded project, total RADP implementation in FY2015-16 is 92.53 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 FY2015-16 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 FY2015-16.

Table 4.5: ADP Allocation and Its Composition by Major Sectors

(In crore Taka)

FY	2010-11		2011-12		2012-13		2013-14		2014-15		2015-16	
Sector	**Allo-cation**	**%**	**Allo-cation**	**%**	**Allo-cation**	**%**	**Allo-cation**	**%**	**Allo-cation**	**%**	**Allo-cation**	**%**
1. Agriculture	2317.54	6.60	2541.34	6.19	2905.76	5.09	3527.53	5.54	4168.19	5.35	4410.05	4.85
2. RD&RI	4550.23	12.72	5057.61	12.31	6712.47	11.75	6977.15	10.95	7840.09	10.07	9046.13	9.94
3. Water Re-sources	1232.82	3.51	1420.46	3.46	1593.25	2.79	1889.38	0.97	2035.92	2.62	2609.49	2.87
4. Industry	431.10	1.23	969.05	2.36	1924.18	3.37	3144.82	4.94	2178.32	2.61	1711.35	1.88
5. Power	5017.08	14.28	7208.10	17.55	8569.04	15.00	8066.11	12.66	8223.71	10.56	15478.21	17.01
6. Gas, Oil & Natural Re-sources.	1071.50	3.05	738.82	1.80	3391.93	5.94	3775.07	5.93	2209.33	2.84	1068.17	1.17
7. Transport	5242.27	14.92	6243.24	15.20	8878.32	15.54	10757.28	16.89	17632.30	22.65	19212.13	21.11
8. Communica-tion	279.93	0.80	877.96	2.14	937.60	1.64	808.76	1.27	1023.16	1.31	1434.82	1.58
9. Physical Planning & Housing	3346.14	9.53	4196.09	10.21	7004.22	12.26	6218.71	9.76	8347.57	10.72	11092.38	12.19
10. Education &Religion	5053.84	14.39	4829.06	11.76	6628.65	11.60	8064.99	12.66	9091.40	11.68	10101.74	11.10
11. Sports & Culture	381.75	1.09	152.42	0.37	177.52	0.31	265.92	0.42	166.92	0.21	261.00	0.29
12. Health & Population	3164.68	9.01	3385.15	8.24	4027.31	7.05	4219.79	6.62	5041.61	6.48	5556.47	6.11
13. Mass Communication	92.60	0.26	86.25	0.21	52.04	0.09	111.9	0.18	109.95	0.14	117.98	0.13
14. Social Welfare, Wom-en Affairs & Youth Dev.	332.66	0.95	325.07	0.79	409.11	0.72	451.31	0.71	409.04	0.53	424.48	0.47
15. Public Administration	1095.28	3.12	982.44	2.39	1037.20	1.82	390.791	2.18	1718.45	2.21	2327.43	2.56
16. SICT	151.96	0.43	134.74	0.34	299.20	0.52	1559.03	2.45	4628.82	5.95	1808.38	1.99
17. Labour & Employment	46.38	0.13	130.97	0.32	282.75	0.50	354.4	0.56	511.10	0.66	421.29	0.46
Block/Others	1322.24		1796.23		2289.45		2122.29		2650.43		2198.50	
Grand Total	**35130.00**		**41080.00**		**57120.00**		**63705.23**		**77841.69**		**87081.50**	

Source: Programing Division, Planning Commission. **Note:** Data according to RADP**. Note**: Grand Total is excluding block.

ADP allocations in Table 4.5 shows that maximum importance has been given to transport, energy, education & religion, physical infrastructure, water supply and housing, rural development; health, nutrition & 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 bridge was a national priority, the increased allocation for the *Padma Multipurpose project* to Tk 3,592.05 crore made the transport sector the highest recipient of ADP allocation in FY2015-16 as well, which was 21.11 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 FY2005-06 to FY2015-16, the average contribution of domestic resources towards ADP stood at around 56 percent despite an exception in FY2007-08 where it stood around 35 percent. It is to be noted that during FY2007-08, there was an increased flow of external resources to carry out rehabilitation work following recurrent floods and devastation of the cyclone S*idr*. In FY2014-15 the share of domestic resources went up to 65.22 percent for financing a larger ADP compared to that of the previous year. In FY2015-16 the share of domestic resources is 67.96 percent. Table 4.6 shows the financing of revised ADP from domestic sources during the period from FY2005-06 to FY2015-16.

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

(In crore Taka)

	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Total Financing	21500	21600	22500	23000	28500	35588	41080	52366	60000	75000	91000
Domestic Financing	10800	11480	7973	10011	12000	20850	26080	33866	36399	48915	61840
Domestic Financing as % of ADP	50.23	53.00	35.00	44.00	42.00	58.59	63.48	64.67	60.67	65.22	67.96

Source: Programming Division, Planning Commission.

Steps Taken to Accelerate ADP Implementation

With a view to accelerating ADP implementation and ensuring transparency, accountability and efficiency in public procurement, Central Procurement Technical Unit (CPTU) was established under the Implementation Monitoring and Evaluation Division (IMED) to bring public procurement management under a legal framework. After the establishment of CPTU, Public Procurement Act, 2006 was enacted and Public Procurement Rules, 2008 was issued. Standard Tender Documents have been prepared under PPR-2008. Electronic Government Procurement or e-GP (www.eprocure.gov.bd) has been introduced in order to institutionalise the online process of public procurement. National Data Centre has been set up. CPTU is performing the responsibility of the administration, operation and management of this system. Help Desk has been established in CPTU to implement e-GP effectively. Training of the officials and renderers are going on. In the primary phase 4 government agencies-Local Government Engineering Department

(LGED, Roads and Highways Department (RHD), Bangladesh Rural Electrification Board (BREB) and Bangladesh Water Development Board (BWDB) are running e-GP on pilot basis. 2,257 procurement agencies of 148 government organisations of 35 Ministries/Divisions came under the purview of e-GP system as of February 2016. Simultaneously, 20,083 tenderers/ institutions have been registered in e-GP and 46,458 tenders have been invited through e-GP system.

Budget Balance and Financing

There is a clear guideline in "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	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Overall budget balance (excluding foreign grants)	-3.2	-5.3	-3.5	-3.9	-4.0	-4.4	-4.1	-4.4	-5.0	-5.0
Overall budget balance (including foreign grants)	-2.8	-4.6	-2.8	-3.4	-3.6	-4.0	-3.6	-4.0	-4.7	-4.7
Net domestic financing	1.8	3.2	2.0	2.2	3.3	33	2.7	3.0	3.6	3.6
Net foreign financing (excluding grants)	0.9	1.4	0.8	1.3	0.4	0.7	1.0	0.9	1.1	1.2
Net foreign financing (including grants)	1.3	2.1	1.5	1.7	0.7	1.1	1.4	1.4	1.4	1.4

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 FY2006-07 to FY2015-16 the overall budget deficit excluding grants stood at 2.82, 4.96, 3.51, 3.21, 3.86, 3.58, 3.90, 3.54, 3.81 and 3.26 percent of GDP respectively.

From the above table it is evident that overall budget deficit (excluding foreign grants) remains within 5 percent of GDP except of FY2007-08. Due to reimbursement of liabilities of BPC, budget deficit crossed a little from desired level in FY2007-08. If foreign grants are considered as receipts, this rate remains within 4 percent from FY2008-09 to FY2013-14. But in FY2014-15 and FY2015-16 it rose to over 4 percent.

Public Debt Management

Government borrows both from domestic and external sources to meet the social welfare expenditure, unexpected expenditure in emergencies, development planning expenditure and increase investment. The analysis of Government domestic borrowing from different sources shows that in FY2014-15 although Government borrowing from banking system decreased by

220.2 percent, Government borrowing from non-banking system increased by 55.75 percent compared to the last fiscal year. The total Government borrowing (net) stood at Tk.26,018.94 crore during FY2014-15, which is 1.7 percent of GDP. In this time period, Government repaid to banking system Tk.8,661.4 crore and total borrowing from other than banks stood at Tk.34,680.3 crore. The total government borrowing (net) stood at Tk.35,222.7 crore during FY2015-16, which is 2.0 percent of GDP. Sector-wise Government borrowing from domestic sources from FY2008-09 to FY2015-16 are presented in Table 4.8 and in Figure 4.2.

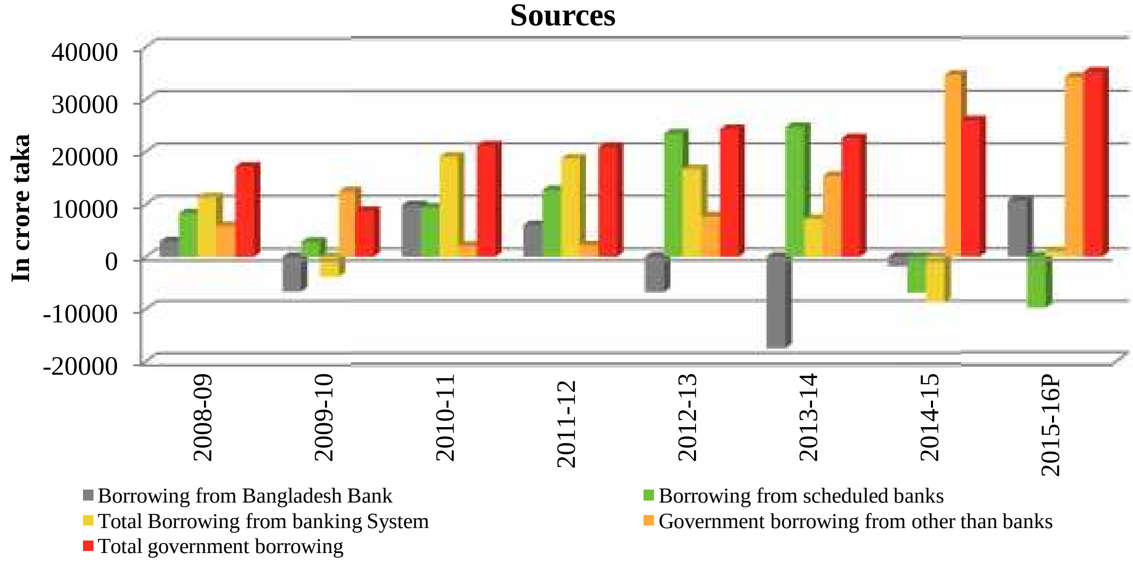
Table 4.8: Government Domestic Borrowing (net) from Different Sources

(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	2842.0	-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	24299.6	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
2015-16P	10750.5	-9733.9	1016.6	34206.0	35222.7	2.0

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. As a result, pace of increment of net flow of external resources becomes slow, and sometimes this flow reduces also. Analysing data from external sources it is seen that in FY2014-15 amount of foreign resources stood at US$3,043 million which is 1.36 percent less than the receipt US$3,085 million of previous fiscal year. At that time repayment of principal and interest was US$1,097 million which was 15.22 percent less than the previous fiscal year. As a result, in this fiscal year net flow of foreign assistance increased by 7.30 percent than previous fiscal year. In FY2015-16 disbursement has peaked to a record breaking US$3,450 million. Compared to FY2014-15, disbursement of FY2015-16 has increased by 13.74 percent. On the other hand debt service (principal and interest) expenditure of FY2015-16 has decreased by US$53 million compared to last fiscal year. As a result, net external assistance flow (after deducting principal and interest payment) in FY2015-16 has increased by 24.54 percent compared to last fiscal year. Table 4.9 shows the Government borrowing from external sources and its repayment during FY2008-09 to FY2015-16. The foreign aid flow situation is shown in Figure 4.3.

Table 4.9: Government Borrowing from Foreign Sources

(In million US$)

Fiscal 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)
2008-09	658	1189	1847	200	655	855	1192	992
2009-10	634	1588	2222	190	685	875	1537	1347
2010-11	745	1032	1777	200	729	929	1048	848
2011-12	588	1538	2126	197	770	957	1357	1160
2012-13	726	2084	2811	195	895	1091	1915	1719
2013-14	681	2404	3085	206	1089	1294	1996	1790
2014-15	571	2472	3043	188	909	1097	938	750
2015-16*	546	2904	3450	202	842	1044	1386	1184

Source: Economic Relations Division (ERD). * provisional

Figure 4.3: Foreign Aid Flow Situation

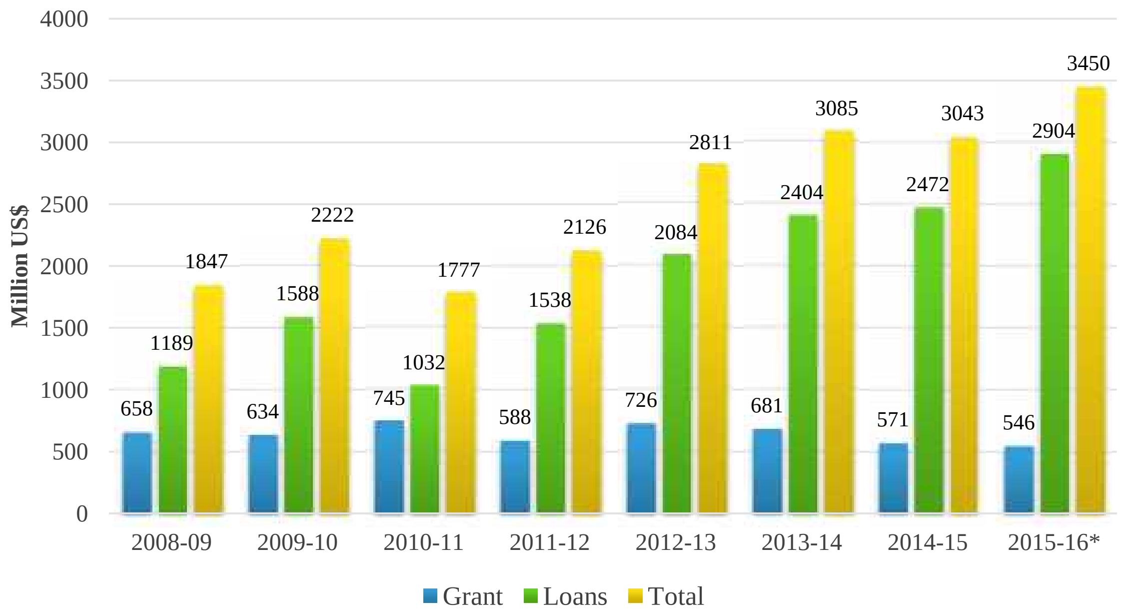


Table 4.10: Budget at a Glance

(In Crore Taka)

Description	Revised 2015-16	Budget 2015-16	Account 2014-15
Revenue and Foreign Grants:			
Revenues	**177400**	**208443**	**145966**
Tax Revenue	155400	182244	128798
NBR-Tax Revenue	150000	176370	123977
Non-NBR Tax Revenue	5400	5874	4821
Non-Tax Revenue	22000	26199	17167
Foreign Grants	**5027**	**5800**	**2324**
Total Revenue and Foreign Grants:	**182427**	**214243**	**148290**
Expenditure:			
Non-Development Expenditure	**163662**	**184559**	**136358**
Non-Development Revenue Expenditure	150381	164571	118994
Domestic Interest	30044	33396	29436
Foreign Interest	1625	1713	1537
Non-Development Capital Expenditure	13281	19988	10536
Net Outlay for Food Account Operation	**206**	**227**	**2131**
Loans & Advances (Net)	**4799**	**7755**	**9047**
Development Expenditure	**95897**	**102559**	**65999**
Development Programmes financed from Non-Development Budget	585	633	706
Non-ADP Projects	2687	3339	2346
Annual Development Program (ADP)	91000	97000	62054
Non-ADP FFW and Transfer	1625	1587	893
Total Expenditure:	**264564**	**295100**	**213535**
Deficit:			
Overall Deficit (including Grants)	-82137	-80857	-65245
Deficit in Percent of GDP	-4.70	-4.7	-4.3
Overall Deficit (Excluding Grants)	-87164	-86657	-67569
Deficit in Percent of GDP	-5.0	-5.0	-4.5
Financing:			
Foreign Borrowing-Net	**19963**	**24334**	**4909**
Foreign Borrowing	27047	32239	11990

Description	Revised 2015-16	Budget 2015-16	Account 2014-15
Amortization	-7084	-7905	-7082
Domestic Borrowing	**62175**	**56523**	**90648**
Borrowing from Banking System (Net)	31675	38523	514
Long-Term Debt (Net)	17241	24182	11898
Short-Term Debt (Net)	14434	14341	-11384
Non-Bank Borrowing (Net)	30500	18000	90134
National Saving Schemes (Net)	28000	15000	29777
Others	2500	3000	60357
Total Financing:	**82138**	**80857**	**95556**
Memorandum Item: GDP (Base year 2005-06)	**1729567**	**1716700**	**1513600**

Source: Revised Budget in Brief 2015-16, Finance Division.