CHAPTER FOUR

FISCAL POLICY AND FISCAL MANAGEMENT

Fiscal policy is the strategy of revenue earning and expenditure management of a government. A balanced fiscal policy plays significant role in macroeconomic stability to create investment friendly environment, poverty reduction and human resource development. The government has taken various important reform activities to modernise the revenue management earning activities and expenditure management. The government is conscious to maintain the budget deficit within 5 percent of GDP. The trend of revenue mobilisation shows that the revenue-GDP ratio is on the rise, albeit the pace of growth is not at expected level In FY2017-18, the total revenue mobilisation by NBR stood at Tk.2, 06,407.25 crore which was 91.73 percent of revised target (Tk.2,25,000 crore). In current FY2018-19 up to January 2019 the collection of revenue is stood at Tk.1,16,825.75 crore which is 42 percent of revised target and 7 percent higher than that of previous fiscal year. The government expenditure as percentage of GDP has been on the increase. The government expenditure increased to 17.45 percent in FY2018-19 from 16.61 percent in FY2017-18. The utilisation of RADP stood at 93 percent in FY2017-18 and 42 percent of FY2018-19 (up to February 2019).Currently, the larger portion of ADP is financed from domestic sources. Aid flow witnessed slightly increased in FY2018-19 than previous fiscal year.

A well balanced fiscal policy plays an 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 FY2010-11 to FY2018-19 is presented in Table 4.1.

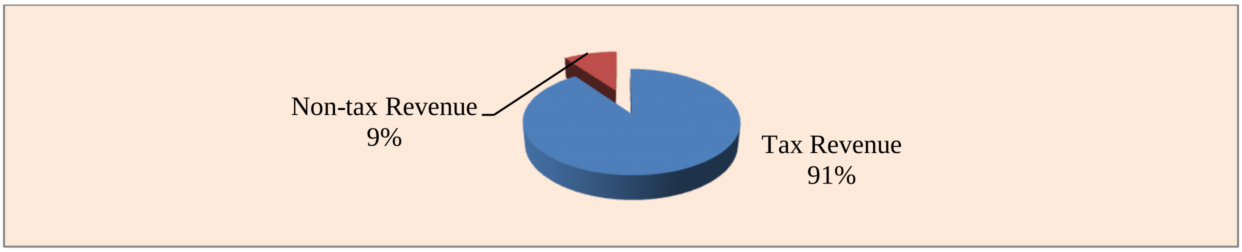
Table 4.1: Revenue Receipts

(In Crore Tk.)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Total Revenue	95188	114885	139670	156671	163371	177400	201210	259454	316599
Tax Revenue	79052	94754	116824	130178	140676	155400	178075	232202	289599
Non-tax Revenue	16135	22279	22846	26493	22695	22000	23135	27252	27000
As percent of GDP (Base Year 2005-06)									
Total Revenue	10.39	10.89	11.65	11.66	10.78	10.26	10.16	11.60	12.48
Tax Revenue	8.63	8.98	9.74	9.69	9.28	8.98	9.00	10.39	11.42
Non-tax Revenue	1.76	1.91	1.91	1.97	1.50	1.28	1.16	1.29	1.06

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

Figure 4.1: Revenue Receipts



Source: 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 FY2010-11, revenue-GDP ratio was 10.39 percent, which rose to 11.66 percent in FY2013-14. But there was decreasing trends from FY2014-15 to FY2016-17. Again increasing trends is shown from FY2017-18 and rose to 12.48 percent in FY2018-19. Table 4.1 and Figure 4.1 shows that the lion share (more than 90 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 FY2018-19 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, 4.2 and 4.3.

Box 4.1: Measures taken under Tax System for FY2018-19

- *Reform in direct tax was taken based on seven policy philosophies for first time in FY2016-17:*

(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 and (7) Simplification of tax system and increasing the effective use of tax laws.

In light of it, tax policy has been taken in FY2018-19.The policy reforms of FY2018-19 have earned following significant achievements:

(a) Introduction of the return submission deadline termed as 'Tax Day' (30 November). This has been introduced in light of international good practice and has brought a revolutionary change in the return filing culture. With the introduction of Tax Day, most taxpayers filed their returns within the Tax Day.

(b) Remarkable success has been achieved in taxpayer's registration. The number of tax registrations has reached more than 33 lakh by the end of FY2017-18, exceeding the target for FY2017-18.

(c) The achievement in return filing has also exceeded the expectation. The number of filing of return in the assessment year 2015-16 was 10.92 lakh. It has passed 15.50 lakh in the assessment year 2016-17. In the assessment year 2017-18, the number of filing return was 19 lakh.

(d) The growth of tax collection was 50 percent higher than the growth in previous year. In the FY2016-17 the growth was 17.71 percent; the growth rate reached to 22.08 percent in FY2017-18.

To consolidate the reforms initiated in the previous year and to achieve the target of collecting more than 50 percent of NBR revenue by means of income tax, in addition to seven policy philosophies adopted in FY2016-17, five more areas have been covered in the policy reforms of FY2018-19:

(1)Policy consistency and stability, (2) Attaining SDG, Ease of doing business ,(4) Environment and (5) Clarity.

The changes adopted on the basis of above described policy guidelines for the FY2018-19

- *To increase collection of revenue through expansion of tax net there is no change in existing slab of tax rate for non-company tax payers and existing area based minimum tax rate has been kept unchanged.*

➢ ***Equity and Equality:***

- *Threshold limit for parents or legal guardians or retarded child has been increased from Tk.25,000 to Tk.50,000 in addition to applicable threshold limit for them*
- *The existing tax rate for publicly traded bank, insurance and financial institution taxpayers has been reduced to 37.50% from 40%*
- *The existing tax rate for non-publicly traded bank, insurance and financial institution taxpayers has been reduced to 40% from 42.50%*
- *The existing tax rate for other companies has remain unchanged.*

➢ ***The surcharge of individual tax payers***

- *The existing tax rate of surcharge has been rearranged for individual tax payers*
- *Any taxpayer having more than two motorcars registered in his or her name or having house property of 8,000 sqft. or more than 8,000 sqft. is brought under the payment of surcharge*
- *Minimum surcharge rate for individuals has been split into two slabs. If net wealth is below Tk.10 crore minimum surcharge is Tk.3,000 and if more than Tk.10 crore minimum surcharge is Tk.5,000*
- *Existing law of surcharge has been continued at the rate of 2.5 percent on the income from the business of producing cigarette, bidi, zarda, gul and other tobacco items.*

➢ ***Ease of Doing Business and Facilitating in Growth of Business***

- *To boost up economic growth and create new job the corporate tax rate for Knit Wear and Oven Garments has been reduced at 12 percent*
- *Income from taxed dividend is exempted if it is distributed to resident company*
- *Limit for admissible expenses for perquisite has been increased from Tk.4.75 lakh to Tk.5.50 lakh*
- *Income from multipurpose container plying in inland route is declared as presumptive income.*

➢ ***Social Responsibility***

- *The operating income of any Day Care Home and educational and training institution for retarded person has been tax exempted*
- *Extra 5% tax will be imposed to medical service provider if it does not provide facility for retarded person. It will be implemented from FY2019-20.*

➢ ***Conservation of nature***

- *In order to prevent environment pollution and to maintain ecological balance the government has integrated the issue of environment conservation in the tax policy. In line with that, a reduced tax rate of 10 percent has been introduced for a readymade garments company, if the factory of such company has an internationally recognised green building certification.*

➢ ***Compliance***

- *The return of business entities will be brought under audit if withholding tax return, salary statement and information regarding filing of tax return of the employee share not submitted to tax authority*
- *Area and scope of penalty for failure to comply sections of tax law has been expanded.*

- ***Expanding the area of tax net***
  - *Tax deducted at source has been imposed on income from ride sharing service. E-TIN and filing of return has been made compulsory for the people who earn income providing their motor vehicle to ride sharing system*
  - *Tax rate of 1 percent will be deducted at the source from distributors and dealers for the time of sale of products under distributing financing*
  - *Tax deducted at source from non-resident shall be considered as minimum tax.*

- ***Tax Administration Reform***
  - *Necessary amendment has been made in order to bring income from virtual transactions of foreign institutions into tax net*
  - *To make tax system digitalized measures for service of notice via e-mail is introduced*
  - *Electronic and automatic sharing of financial information of taxpayers from various agencies and offices have been introduced*
  - *Section for filing appeal has been updated*
  - *The procedure of issuance of certificate for tax exemption or tax at reduced rate by NBR in order to execute Double Taxation Agreement and to facilitate implementation of necessary law for international organization has been clarified*
  - *Formation of new tax law is in progress in line with and keeping pace with modern tax system, globalisation and information technology revolution which will be placed for approval in 2018-19*
  - *To materialise legal reform successfully immense reform works will be done in tax administration.*

Box 4.2 Important steps taken for Reform of VAT law and Rules in FY2018-19:

Value Added Tax (VAT) is one of the important sources among the revenue earning sources in Bangladesh. The revenue earning target from VAT in FY2018-19 is estimated Tk.1,11,000 crore, which is 32.53 percent higher than that of previous year. To achieve this target VAT Act, 1991, VAT Rules, 1991 and gazettes and orders issued under these act and rules was updated.

- ***Reform of VAT Law and Rules:***
  - *The Value Added Tax Act and its rules have been simplified for Automated and Transparent Environment*
  - *Online VAT registration has been compulsory and software has been prepared to provide online submissions. It will be possible to create a comfortable trade environment along with transparency and accountability*
  - *Using Electronic Cash Register/Point of Sale (ECR/POS) software has been compulsory replaced with Electronic Fiscal Device (EED) in big resorts, hotels and other institutions*
  - *Using of Fiscal Device is compulsory if the turnover is up to Tk.80.00 lakh to Tk.5.00 crore, but above that introducing of online system is compulsory.*

a) VAT exemption facilities extended to the following goods and services:

a) VAT, SD and ATV exemption facility has been granted against the LNG (at the import stage);
b) VAT and SD exemption facility has been granted against Natural gas (in production and trading stage)
c) Exemption for Locally produced mobile phone (at the import and manufacturing stage);

d) *Exemption for Locally produced motorcycle and motorcycle parts (at the import and manufacturing stage);*
e) *Exemption on solar panel (at import and manufacturing stage);*
f) *Exemption on Travel agency (at service stage);*
g) *MNP Service (at service stage)*

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

Tiltle No./H.S. Code	*Description*	*Existing SD Rate*	*Revised SD Rate*
2202.90.00	Energy Drinks	25%	35%
3304.99.00	Beauty or make-up preparations and preparations for the skin care(other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations.	0%	10%
Similar H.S. Code	Ceramic Bathtub and Gikoji, Shower Shower tray	20%	30%
Similar H.S. Code	All kinds of Plastic Bag and other closures of Plastic	0%	5%

c) Increase of value and duty rate for tobacco products considering the health risk it imposes on people:

(a) Cigarette

past price(for 10 sticks) in Tk	*past total tax incidence*	*present price(for 10 sticks) in Tk*	*present total tax incidence*
27.00	***52%***	***35.00***	***55%***
45.00 and above	63%	45.00 and above	65%
70.00 and above	65%	75.00 and above	65%

(b) Bidi

Description of Goods	*Past Tariff Value & Unite*	*present Tariff Value*	*Supplementary Duty Rate*
handmade Bidi without help of machine (with filter)	Tk.6.00 (10 Sticks Per Pack)	Tk.7.50	35
	Tk.12.00 (20 Sticks Per Pack)	Tk.15.00	35

d) Activities taken for the development and expansion of information technology::

- *Exemption on computer and computer parts, computer modem, Software (in production and trading stage);*
- *VAT rate reduced against 'Internet Service Provider' from 15% to 5%.*

- ***Changes brought in some other cases:***

  a) *ATV exemption on Photovoltaic cells at the import stage*
  b) *Information and Technology Development Surcharge increases to 2% from 1% on the value of imported mobile set*
  c) *VAT exemption facilities for the refrigerator, freezer and air-conditioner manufacturing industries have been extended up to 30th June 2021*
  d) *VAT exemption facility has been rationalized for 100 percent export oriented product producing organisations on the expenditure of four item i.e. workers welfare and recreation, transport cost, information technology based services and laboratory test services.*

Box 4.3 Measures under Customs duty Tax System in FY2017-18

- *Existing six tiers/slabs of import duty (CD) like 0%, 1%, 5%, 10%, 15% & 25% is unchanged in FY2018-19*
- *Existing Supplementary Duty (SD) at 11 (eleven) tiers like 10%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 350%, 500% is unchanged*
- *Regulatory Duty (RD) is imposed at the rate of 3% on the items which are considerable for highest CD (25%)*
- *Exemption of CD for agricultural inputs (i.e. fertilizer, seeds, pesticides), for essential commodities (lentils, edible oil, wheat, onion etc.) and for import of life saving medicine is unchanged*
- *RD at the rate of 2% and CD at the rate of 25% imposed on paddy, rice to ensure the fair prices for local farmers*
- *CD increased on the imported software which can be produced in the country*
- *H.S. Code has been revised related to CD on Software justification and included into Bangladesh Customs Tariff*
- *Concessionary rate of import duty has been allowed on essential parts and components of mobile, laptop, iPod's manufacturing and assembling industry*
- *To facilitate the domestic producers of cellular phones import duty increased from 5% to 10% for importing mobile*
- *In order to flourish local motorcycle industry exemption benefit on imported equipment and inputs has been rationalise*
- *SD has been reduced for fuel efficient and environment friendly Hybrid cars(on both new and reconditioned)*
- *Minimum value SRO has been updated/ rationalised for several commercially imported items*
- *SRO has been balanced/ rationalised issued for textile sector*
- *To facilitate for concession SRO has been issued for importing raw materials used to preparation cancer protecting medicine*
- *Concession facilities for raw materials of pharmaceutical industry is updated*
- *To rationalise the facilities for the pharmaceutical industry medicine for Hepatitis-C i.e. Daclatasvir HCL and Velpatasvir are included to H.S. Code 2942.00.10*
- *Concession facilities given to import raw materials for producing Active Pharmaceutical Ingredients*
- *As the Electronic Seal and Lock Rules,2017 expired Electronic Seal and Lock Rules,2018 issued to secured the import-export trade, revenue protection in transit and transshipment trade as well as sovereign security*
- *To give incentives for the VAT registered local producers on some products new H.S. Code created and concession rate revised*
- *Activities are taken to introduce paperless taxation system in import-export trade*
- *Preparation of Customs Act, 2019 in Bangla language and modern/up to date instead of Customs Act, 1969 is ongoing.*

Revenue Mobilisation Programs

The target for the NBR taxes for FY2018-19 was set at Tk.2,96,201.00 crore. But revised target is set at Tk.2,80,000.00 crore. According to NBR statistics, against the targets, revenue collection up to January 2019 stood at Tk.1,16,825.75 crore (42 percent of revised target). Growth of revenue collection was 7 percent higher during same month of last fiscal year. Analysis of revenue collection for FY2018-19 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. In FY2017-18 revenue mobilisation was Tk.2,06,407.25 crore which was 91.73 percent of the revised target. Item-wise tax collection from FY2013-14 to FY2018-19 is presented in Table 4.2 and Figure 4.2.

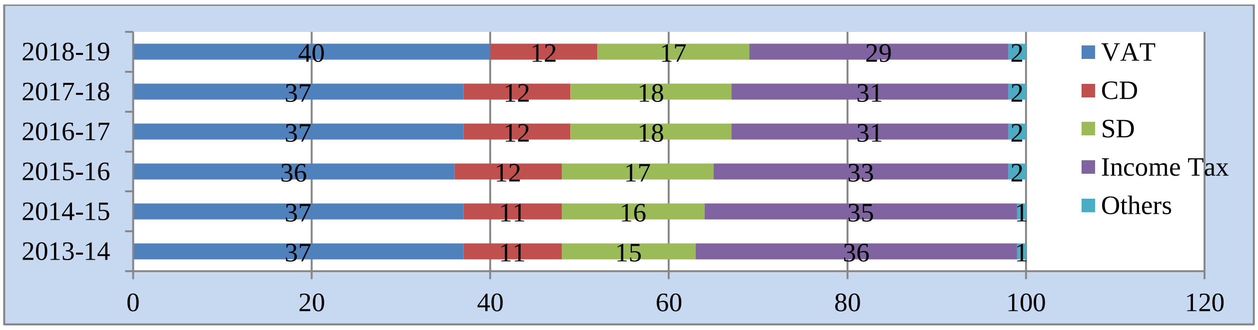
Table 4.2: Item wise Revenue Collection

(In Crore Taka)

Items of Revenue Collection	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19*
Import Duty	13575.87	15349.85	18016.58	21069.19	24502.12	13919.04
VAT (at import level)	15291.31	17690.47	20583.86	25561.09	29367.76	18433.52
Supplementary Duty (import level)	4335.77	5252.42	6560.20	7628.89	7912.23	4355.28
Export Duty	41.98	40.63	32.75	22.70	35.77	34.51
Sub Total:	**33244.92**	**38333.37**	**45193.39**	**54281.87**	**61817.88**	**36772.35**
Excise Duty	822.39	960.38	1582.03	1790.51	2080.34	1573.75
VAT (Local)	29252.11	32290.13	34862.82	38287.76	47171.80	28880.75
Supplementary Duty (Local)	13647.19	15758.31	19630.96	23481.70	29639.15	15567.52
Turn Over Tax	4.72	4.71	4.85	2.45	2.89	1.37
Sub Total:	**43726.41**	**49013.53**	**56080.66**	**63562.42**	**78894.18**	**46023.39**
(A) Total of Indirect Tax	**76971.33**	**87346.90**	**101274.05**	**117844.29**	**140712.06**	**82795.74**
Income Tax	43207.27	47477.40	51328.92	52754.93	64548.26	33361.66
Other taxes and duties	641.25	876.40	1018.37	1057.22	1146.93	668.35
(B) Total of Direct Tax	**43848.52**	**48353.80**	**52347.30**	**53812.15**	**65695.19**	**34030.01**
Grand Total (A+B)	**120819.85**	**135700.70**	**153621.34**	**171656.44**	**206407.25**	**116825.75**
Share of Indirect Tax (%)	63.71	64.37	65.93	68.65	68.17	70.87
Share of Direct Tax (%)	36.29	35.63	34.07	31.35	31.83	29.13

Source: National Board of Revenue (NBR).* Up to January 2019

Figure 4.2: Comparative statement of Item wise revenue collection (%)



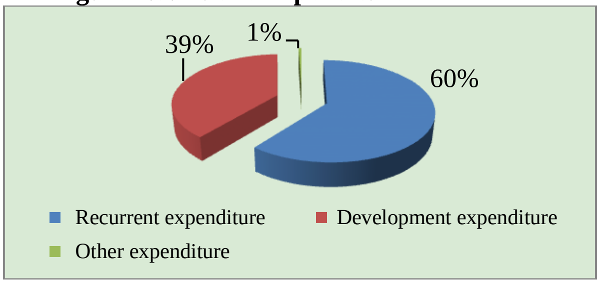
Source: National Board of Revenue (NBR).* Up to January 2019.

From the above table 4.2 and figure 4.2 shows that income tax and Value Added Tax (VAT) plays significant role in revenue mobilisation . The share of VAT is in highest position and 40 percent of revenue collection of NBR tax in current fiscal year. In few years share of VAT was 36-37 percent. The share of income tax is the second highest position. Revenue earning from income tax was 36 percent in FY2013-14, which reduced to 31 percent in FY2017-18. In the current FY2018-19 up to January 2019 the percent stood at 29. Though there is an increasing trend in amount of income tax collection but 64-70 percent of revenue is coming from indirect source.

Public Expenditure

Public expenditure management is an integral part of fiscal management. Total public expenditure including non-development, development and other expenditure in respect of expenditure-GDP ratios from FY2013-14 to FY2018-19 are presented in Figure 4.3 and Table 4.3.

Figure 4.3: Public Expenditure



Source: Budget in Brief, Finance Division, M/O Finance.

Note: Based on Revised Budget of FY2018-19.

Table 4.3: Public Expenditure

(In Crore Taka)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
(a) Recurrent expenditure	134907	149399	156592	175849	210578	266926
(b) Development expenditure	65145	80476	81407	88090	153688	173449
(c) Other expenditure	16170	9793	217	5560	7229	2166
Total Public Expenditure (a+b+c)	**216622**	**239668**	**264564**	**269499**	**371495**	**442541**
As percent of GDP						
(a) Recurrent expenditure	10.04	9.86	9.46	8.86	9.10	11.12
(b) Development expenditure	4.85	5.31	5.54	4.33	6.87	7.07
(c) Other expenditure	1.20	0.65	0.29	0.18	0.32	0.09
Total Public Expenditure	**16.12**	**15.81**	**15.30**	**13.56**	**16.61**	**18.30**

Source: Budget in Brief, Finance Division, M/O Finance.

Note: Data are based on revised budget. 'Development Expenditure' includes ADP, Non-ADP, FFW and Projects and Development Programe under Revenue Budget,'Other Expenditure' includes net outlay for food account operation, loans and advances.

Annual Development Programe (ADP)

The Annual Development Programe (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.

In FY2018-19 the total size of the Revised ADP (RADP) (including self-financed projects of autonomous bodies), is Tk.1,76,619.71 crore (GoB Tk.1,24,959.71 crore and project aid Tk.51,660 crore). A total of 1,916 projects are included in the Revised ADP, where 1,629 are investment projects, 154 are Technical Assistance Projects, 2 are funded by JDCF and 131 projects are financed by autonomous bodies and corporation. Table 4.4 shows that excluding the self-financed projects of autonomous bodies, there were 1,551 projects in FY2017-18 and the number stood at 1,785 in FY2018-19. The implementation status of ADP/RADP from FY2013-14 to FY2018-19 is presented in 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 Project	Total	Taka	PA	No. of Project	Total	Taka	PA	Total	Taka	PA
2018-19*	1511	173000	113000	60000	1785	167000	116000	51000	70772 (42%)	42979 (37%)	24225 (48%)
2017-18	1308	164085	96331	57000	1551	148381	96331	52050	141492 (95%)	89155 (93%)	52337 (100.55%)
2016-17	1123	110700	70700	40000	1415	110700	77700	33000	100840 (91%)	72410 (93)	28430 (86%)
2015-16	999	97000	62500	34500	1315	91000	61840	29160	83581 (92%)	58357 (94%)	25224 (86%)
2014-15	1034	80315	52615	27770	1204	75000	50100	24900	68524 (91%)	46080 (92%)	22444 (90%)
2013-14	1046	65870	41307	24563	1254	60000	38800	21200	56747 (95%)	38051 (98%)	18696 (88%)

Source: Programming Division, Planning Commission; IMED, Ministry of Planning.
Note: Excluding own funded projects. *Up to February 2019

Table 4.4 shows that in FY2013-14, RADP allocation was Tk.60,000 crore which increased three-folds to Tk.1,67,000 crore in FY2018-19. The utilisation rate of the RADP allocation was 95 percent in FY2017-18. RADP implementation in FY2018-19, up to February 2019 is 42 percent.

Composition of Annual Development Programe (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 sectorial composition of the ADP of FY2018-19 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 sectorial policies and strategies. Table 4.5 and Figure 4.4 shows the revised allocations for the 17 sectors in the RADP from FY2013-14 to FY2018-19.

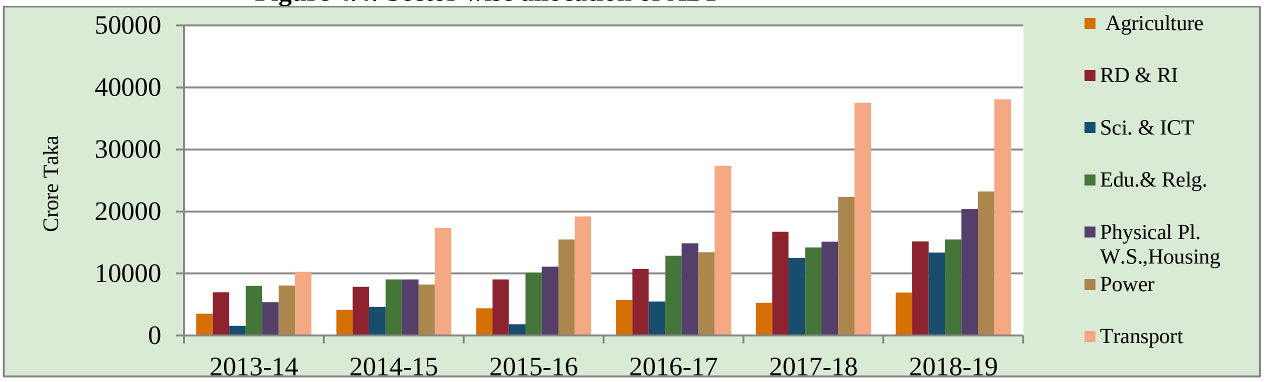
Table 4.5: Sector Wise Allocation of ADP

(In crore Taka)

FY	2013-14		2014-15		2015-16		2016-17		2017-18		2018-19	
Sector	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**	**Allocation**	**%**
1. Agriculture	3511.76	5.85	4147.23	5.33	4410.05	4.85	5741.60	5.19	5283.52	3.56	6918.24	4.14
2. RD and RI	6977.15	11.63	7840.09	10.07	9046.13	9.84	10761.43	9.72	16722.00	11.27	15154.25	9.07
3. Water Resources	1889.38	3.15	2035.92	2.62	2609.49	2.87	3342.11	3.02	4147.31	2.80	5000.87	2.99
4. Industry	2727.14	4.55	1863.00	2.39	1711.35	1.88	974.12	0.88	1563.55	1.05	2046.27	1.23
5. Power	8066.11	13..44	8223.71	10.56	15478.21	17.01	13447.57	12.15	22340.32	15.6	23225.36	13.91
6. Gas, Oil and Natural Resource.	1912.66	3.19	2209.33	1.38	1068.17	1.17	1067.87	0.96	1346.48	0.91	2209.12	1.32
7. Transport	10295.13	17.16	17361.9	22.30	19512.13	21.11	27360.23	24.72	37513.22	25.28	38099.58	22.8
8.Communi-cation	786.67	1.31	1003.58	1.29	1434.82	1.58	1915.79	1.73	937.44	0.63	2021.01	1.21
9. Physical Planning and Housing	5383.35	8.97	7194.27	9.24	11092.38	12.19	14391.17	13.00	15146.83	10.21	20371.84	12.2
10. Education and Religion	7994.74	13.32	9026.65	11.6	10101.74	11.10	12845.97	11.60	14186.56	9.56	15468.65	9.26
11. Sports and Culture	265.92	0.44	166.92	0.21	261.00	0.29	214.19	0.28	318.61	0.21	653.66	0.39
12. Health and Population	4219.79	7.03	5041.61	6.48	5556.47	6.11	5655.33	5.11	9607.51	6.47	10902.07	6.53
13.Mass Com.	111.90	0.19	109.95	0.13	117.98	0.13	176.00	0.16	219.65	0.15	250.39	0.15
14. Social Wel-fare, Women Affairs and Youth Dev.	451.31	0.75	409.04	0.53	424.48	0.47	347.19	0.31	431.86	0.29	649.71	0.39
15. Public Administration	1371.27	2.29	1703.35	2.19	2327.43	2.56	2361.38	2.12	2118.91	1.43	4964.30	2.97
16. SICT	1559.03	2.60	4628.82	5.95	1808.38	1.99	5472.04	4.94	12593.18	8.49	13353.63	8.00
17.Labour and Employment	354.40	0.59	511.10	0.66	421.29	0.46	450.77	0.41	356.25	0.24	464.30	0.28
Block/Others	2122.29	3.54	2650.43	3.40	3918.50	4.31	4092.07	3.70	3547.80	2.39	5246.75	3.14
Grand Total	**60000**	**100**	**75000**	**100**	**91000**	**100**	**110700**	**100**	148381	**100**	**167000**	**100**

Source: Programming Division, Planning Commission.
Note: Data according to RADP.

Figure 4.4: Sector wise allocation of ADP



Source: Programming Division, Planning Commission.
Note: Data according to RADP.

ADP allocations in Table 4.5 shows that maximum importance has been given to transport, energy, physical infrastructure, water supply and housing, rural development education and religion, science and information technology (SICT), health, nutrition and family planning and agriculture sectors. During the last five 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 Bridge project, *Padma* Bridge Rail Connectivity project and third important project 'Dhaka Mass Rapid Transit Development' project allocated Tk.2,656.00, crore, Tk.3,290.00 crore and Tk.2,488.83 crore respectively. These allocations made the transport sector the highest (Tk. 38,099.58 crore) recipient of ADP allocation in FY2018-19 as well, which is 22.81 percent of the total outlay.

Power sector also continues the trend of increasing allocation for the significant project '*Matarbari* Ultra Super Critical Coal Fired Power' project which allocated Tk.2,827.00 crore and a total sectorial allocation made Tk.23,225.36 crore which is 13.91 percent of RADP. '*Ruppur* Nuclear Power Plant (another mega project)' is implementing under Ministry of Science and Technology which is the highest allocated project in RADP i.e. Tk.11, 313.38 crore. So the SICT sector gets 8.00 percent of total ADP. The Physical infrastructure, water supply and housing sector got 12.20 percent allocation of ADP in FY2018-19.

Education and Religion sector allocated 9.61 percent of ADP which is highest in last five years. To emerging the rural economy and to create more employment, Rural development and Rural Institutions sector allocated 9.07 percent of RADP in FY2018-19.

Domestic Resources for ADP

The contribution of domestic resources towards financing of ADP shows an ups and downs trend during FY2013-14 to FY2018-19. The average contribution of domestic resources towards ADP stood at around 65 percent. Table 4.6 shows the financing of revised ADP from domestic sources during the period from FY2013-14 to FY2018-19.

Table 4.6: Domestic Resources in Financing ADP

(In crore Taka)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
ADP	60000	75000	91000	110700	148381	167000
Total Domestic Resource	38800	50100	61840	77700	96331	116000
Domestic Resource as % of ADP	64.67	66.80	67.95	55.86	64.92	69.46

Source: Programming Division, Planning Commission. Data according to RADP.

The contribution of domestic resources to ADP was 64.67 percent in FY2013-14. Next to years it increased but in FY2016-17 contribution of domestic resources to ADP decreased to 55.76 percent. Again the percentage of domestic resources started to increase from FY2017-18. In FY2018-19 the share is 69.46 percent.

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 Program 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 executing 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 in June 2011. This system is pioneers e-tendering system in Bangladesh. 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, Up to January 2019, 1,291 organisations out of 1,333 organisations are registered in the system. At the same time, 55,221 procuring entities/ procuring institutions registered in e-GP system. 2,48,007 tender invited and 1,43,144 work order done through e-GP. CPTU has signed MoU with 46 banks to receive tender security and performance security including registration fee, renewal fee and tender document fee related to e-GP system and 4,117 branches of this banks linked with the system. A total 25,385 officers from different procuring entities including banks have received training on e-tendering.

To ensure more transparency, speediness in government procurement and to bring CPTU under a legal framework the government has approved the policy to reorganize the CPTU to 'Bangladesh Public Procurement Authority (BPA)' in March 2018. At that respect, Bangladesh Public Procurement Authority Act, 2019 and Public Procurement (Amendment) Act, 2019 is under process for approval. To ensure value for money on the basis of whole life of product, work and service Sustainable Public Procurement is included to the revised proposal of PPA, 2006. Besides this, to achieve the target of SDG Disposal Policy, Reverse Auction, Quality Based Selection for intelligent Service procurement is also included to the revised proposal.

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 and Figure 4.5 shows the data of overall budget balance and financing of last few years:

Table 4.7: Overall Budget Balance and Financing*

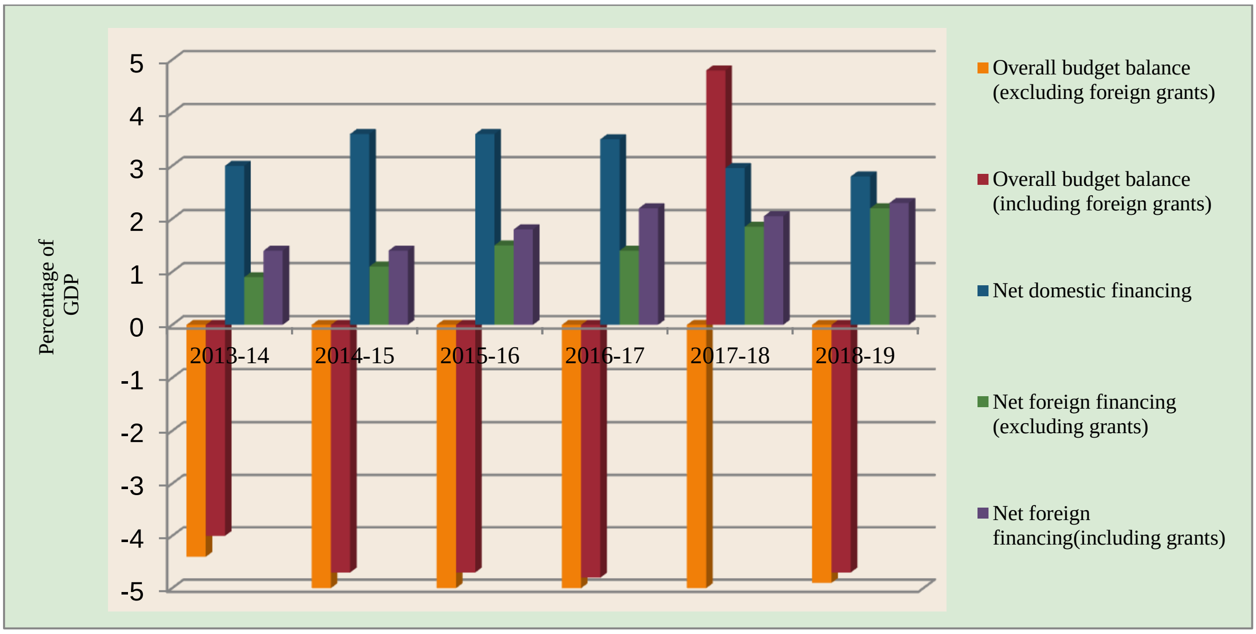
(As Percent of GDP)

Budget Balance/ financing	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Overall budget balance (excluding foreign grants)	-4.40	-5.00	-5.00	-5.00	-5.00	-4.80
Overall budget balance (including foreign grants)	-4.00	-4.50	-4.70	-4.80	4.80	-5.00
Net domestic financing	3.05	3.61	3.59	3.53	2.96	3.10
Net foreign financing (excluding grants)	0.94	1.05	1.56	1.22	1.85	1.70
Net foreign financing(including grants)	1.38	1.42	1.85	1.46	2.05	1.80

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 FY2013-14 to FY2017-18 the overall budget deficit excluding grants stood at 3.54, 3.81, 3.77 ,3.39 and 5.4 percent of GDP respectively.

Figure 4.5: Overall Budget Balance and Financing



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. In FY2017-18 the government borrowed Tk.2,866.40 crore from banking system. Besides, the government borrowed Tk.47,490.70 crore from non-bank sources at same fiscal year. Therefore, the total government borrowing (net) from the domestic sources stood at Tk.44,624.30 crore in FY2017-18 which was 2.00 percent of the GDP. Sector-wise government borrowing from domestic sources during FY2013-14 to FY2018-19 are presented in Table 4.8 and in Figure 4.6.

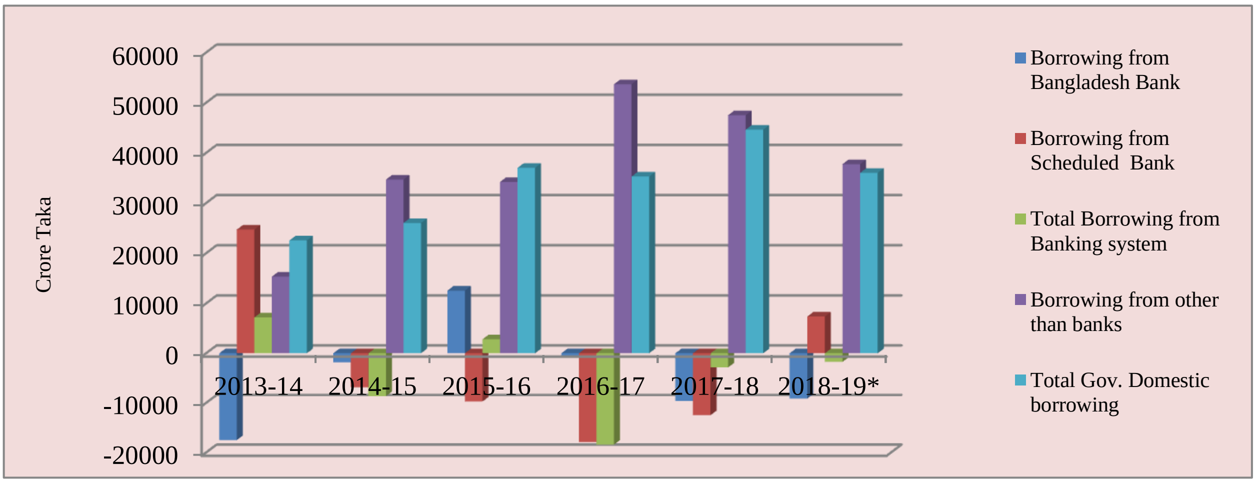
Table 4.8: Government Borrowing (net) from Domestic Sources

(Taka in crore)

Fiscal Year	Net government borrowing from the banking system			Government borrowing from other than banks	Total government borrowing	Percent of GDP
	Bangladesh Bank	Scheduled banks	Total from banking System			
2013-14	-17497.7	24704.8	7207.2	15344.3	22551.5	1.7
2014-15	-1821.9	-6839.4	-8661.4	34680.3	26019.0	1.7
2015-16	12548.7	-9733.9	2814.8	34206.0	37020.8	2.0
2016-17	-520.2	-17884.8	-18405.0	53689.2	35284.2	1.8
2017-18	9619.3	-12485.7	-2866.4	47490.7	44624.3	2.0
2018-19*	-9116.9	7382.7	-1734.2	37759.7	36025.5	-

Sources: National Savings Directorate (NSD) and Bangladesh Bank (BB),* up to February 2019.

Figure 4.6: Government Borrowing (net) from Domestic Sources



Sources: National Savings Directorate (NSD) and Bangladesh Bank (BB),* up to February 2019.

Government Borrowing from External Sources

To achieve the target to become Bangladesh a middle income country within 2021, the budget of recent years shows a trend of steady decline of dependence on external assistance. But the amount of external resource is increasing. The principal and interest repayment for received loans by Bangladesh is also gradually increasing. The amount of disbursement for external assistance was US$ 6,370 million in FY2017-18. The received amount of foreign assistant was 73 percent higher than previous fiscal year. External resource supply jumped almost double in FY2017-18 due to Russian disbursement for *Ruppur* Nuclear Power Plant project starting that year which should be continued. The payment of foreign aid was US$ 1,409 million which was US$ 21 million less than the budget allocated for payment of foreign aid. Table 4.9 and Figure 4.7 show the government borrowing from external sources and its repayment during FY2013-14 to FY2018-19.

Table 4.9: Flow of External Resources

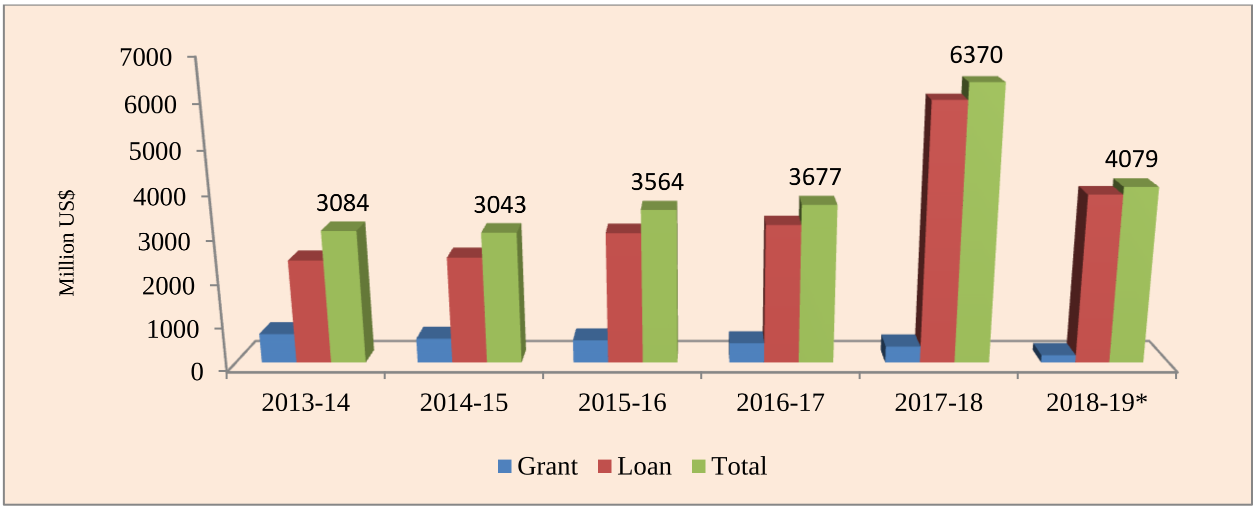
(In million US$)

Fiscal Year	External Aid			Principal and Interest Payment			Net Foreign Aid Flow	
	Grant	Loan	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=4-6	9=4-7
2013-14	680	2404	3084	206	1088	1294	1996	1790
2014-15	571	2472	3043	188	909	1097	2134	1946
2015-16	531	3033	3564	202	849	1051	2715	2513
2016-17	459	3218	3677	229	894	1123	2783	2554
2017-18	383	5987	6370	299	1110	1409	5260	4961
2018-19*	173	3906	4079	241	749	990	3330	3089

Source: ERD, Ministry of Finance *provisional

Considering the amount of received external resources in current FY2018-19 up to February 2019, net supply of foreign aid may be increase at the end of this fiscal year.

Figure: 4.7: Flow of External Resources



Source: ERD, Ministry of Finance *provisional.

Table 4.10: Budget at a Glance

(In Crore Taka)

Description	Revised Budget 2018-19	Budget 2018-19	Actual 2017-18
Revenue Receipts:			
Revenues	**3,16,599**	**3,39,280**	**2,16,557**
Tax Revenue	2,89,599	3,05,928	1,94,327
NBR-Tax Revenue	2,80,000	2,96,201	1,87,103
Non-NBR Tax Revenue	9,600	9,727	7,224
Non-Tax Revenue	27,000	33,352	22,231
Foreign Grants	3,787	4,051	868
Total Receipts:	**3,20,386**	**3,43,331**	**2,17,425**
Expenditure:			
Non-Development Expenditure	**2,66,926**	**2,82,415**	**1,91,473**
Non-Development Revenue Expenditure	2,47,945	2,51,668	1,78,879
Domestic Interest	45,278	48,377	38,160
Foreign Interest	3,467	2,963	3,605
Non-Development Capital Expenditure	18,981	30,747	12,593
Food Account Operation	**282**	365	**6,994**
Loans and Advances (Net)	**1,884**	2,124	**1,430**
Development Expenditure	**1,73,449**	**1,79,669**	**1,22,154**
Development Programmes financed from Non-Development Budget	299	327	141
Non-ADP Projects	4,143	4,365	1,495
Annual Development Programe (ADP)	1,67,000	1,73,000	1,19,538
Non-ADP FFW and Transfer	2,008	1,978	980
Total Expenditure:	**4,42,541**	**4,64,573**	**3,22,051**
Deficit:			
Overall Deficit (including Grants)	**-1,22,155**	**-1,21,242**	-1,04,626
Deficit in Percent of GDP	-4.8	-4.7	-5.3
Overall Deficit (Excluding Grants)	-1,25,942	-1,25,293	-1,05,494
Deficit in Percent of GDP	5.0	-4.9	-5.4
Financing:			
Foreign Borrowing-Net	**43,397**	**50,016**	**25,621**
Foreign Borrowing	53,883	60,585	33,132
Amortization	-10,486	-10,569	-7,512
Domestic Borrowing	**78,758**	**71,226**	**79,076**
Borrowing from Banking System (Net)	30,908	**42,029**	-11,731
Long-Term Debt (Net)	21,130	23,965	-6,171
Short-Term Debt (Net)	9,778	18,064	-5,560
Non-Bank Borrowing (Net)	47,850	**29,197**	67,346
National Saving Schemes (Net)	45,000	26,197	46,289
Others	2,850	3,000	20,984
Total Financing:	**1,22,155**	**1,21,242**	**1,04,624**
Memorandum Item: GDP	**25,36,177**	**25,37,849**	**22,36,498**

Source: iBAS++ data, Finance Division, (Base year 2005-06).