Dialogue on

State of the Bangladesh Economy

Analysis of the National Budget FY2011-12

Keynote Presentation
(on behalf of the CPD-IRBD Team)

by

Mustafizur Rahman
Executive Director, CPD

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CENTRE FOR POLICY DIALOGUE (CPD)
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CPD IRBD Team

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Fahmida Khatun	Khondaker Golam Moazzem
M Shafiqul Islam	A K M Nazrul Islam
Syeed Ahamed	Syed Saifuddin Hossain
Md Ashiq Iqbal	Towfiqul Islam Khan
Hasanuzzaman	Md Tariqur Rahman
Muhammad Al Amin	Farzana A Misha
Uttam Kumar Paul	Ashiqun Nabi
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Mazbahul Golam Ahamad	Md Zafar Sadique
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Nepoleon Dewan	Nusrat Jahan Tania
Shouro Dasgupta	Ahmed Sadek Yousuf
Fariya Mohiuddin	Faizaa Fatima
Pushpita Prithwee	
A H M Ashrafuzzaman	Md Hamidul Hoque Mondal

ANALYSIS OF THE NATIONAL BUDGET FY2011-12

Content

- **Introduction**
- **Public Finance Framework**
- **Overview of Fiscal Measures**
- **Sectoral Measures**
- **Social Sector**
- **Safety Net Programmes**
- **Concluding Remarks**

INTRODUCTION

Salient Features of the Budget Speech

- This year's budget speech set out a slogan: "***Towards Building a Happy, Prosperous and Caring Bangladesh***"
- Detailed narrative of past achievements
- Contextualisation of global trends
- A revised MTMF taking cognisance of the new realities

✓ A comparative matrix of past promises and present achievements would have been helpful

✓ A comprehensive implementation strategy would have been helpful in raising the efficacy of budgetary implementation

FY2011: The Score Card

June 2010

Positive Features

- NBR Revenue
- Balance of Payments
- Subsidy Requirement
- Liquidity Situation

Negative Features

- Inflation
- Export
- Energy & Power
- Investment

June 2011

Positive Features

- NBR Revenue
- Export
- Investment

Negative Features

- Inflation
- Balance of Payments
- Subsidy Requirement
- Energy & Power
- Liquidity Situation

Macroeconomic Benchmarks for FY12

Optimistic Trends

- Revenue Collection
- Export Growth
- Private Investment
- Domestic Demand

Uncertainties

- Forex Reserve
- Remittance
- Foreign Aid
- Food Security

Challenges

- Inflation
- Balance of Payment
- Liquidity Situation
- Deficit Financing

Status of the election promises

Some promises were kept	• **The Promise:** Net enrollment at primary level to be 100% by 2010 • **Budget Report:** The enrolment rate has increased to 99.3%
Some promises were revised	• **The Promise:** An employment guarantee scheme to provide 100 days employment to 1 youth per family • **Budget Report:** Employment guarantee scheme effectively scaled down to 80 days
Some promises remained unfulfilled	• **The Promise:** Pure drinking water will be supplied to all by 2011 • **Budget Report:** Though new water sources have been set up, not all citizens have access to arsenic-free pure drinking water.

Major Trade-offs

- **Growth vs Macro-economic Stability**
- **Subsidy Requirement vs Other Priorities**
- **Government Borrowing vs Servicing Private Sector Credit Demand**
- **Exchange Rate: Inflation vs Export**

Medium-Term Outlook

Medium Term Macroeconomic Framework						
Indicator	Revised	Growth Projection				
	FY11	FY12	FY13	FY14	FY15	FY16
Real Growth (%)	6.7	7.0	7.2	7.6	8.0	8.2
Inflation (annual average %)	8.0	7.5	7.0	6.5	6.0	5.5
Credit to Private Sector (% change)	27.0	20.0	18.0	18.0	18.0	18.0
Broad Money (M2) (% change)	20.0	16.0	16.0	16.0	16.0	16.0

- **Projections in the MTMF have been relegated**
- **Growth target stands at 7.0% for FY12; & 8.0% by FY15**
- Growth projections for Broad Money (M2) is moderate, while inflation target for FY12 remains moderately high
  - ✓ The question remains—how the high growth targets in government borrowings (to finance budget deficit) will be accommodated with such moderate growth of Broad Money!

Medium-Term Outlook

Medium Term Macroeconomic Framework						
Indicator	Revised	Projection				
	FY11	FY12	FY13	FY14	FY15	FY16
Export (% change)	38.0	14.5	14.5	14.5	15.0	15.0
Import (% change)	45.0	14.0	14.0	14.5	14.5	15.0
Remittances (bln USD)	11.5	12.7	14.2	15.9	17.8	20.0
Current Account Balance (% of GDP)	-0.3	-0.2	-0.2	-0.3	-0.4	-0.6
Forex Reserve (bln USD)	10.7	11.6	12.9	14.5	16.1	17.6

- Based on the high benchmarks of FY11, targets for export and import are set at a lower level
- The growth target of Forex Reserve for FY12 (at 11.6%) may not be achievable because—
  - ✓ Growth in remittance flow may be lower & import growth may be higher than anticipated

Medium-Term Outlook

Medium Term Macroeconomic Framework						
Indicator	Revised	Projection (as % of GDP)				
	FY11	FY12	FY13	FY14	FY15	FY16
Total Revenue	12.1	13.2	13.4	14.0	14.6	15.2
NBR Tax	9.6	10.2	10.8	11.4	12.0	12.6
Non-NBR Tax	0.4	0.4	0.4	0.4	0.4	0.4
Non-Tax	2.0	2.5	2.2	2.2	2.2	2.2
Total Expenditure	16.5	18.2	18.4	19.0	19.6	20.2
Budget Deficit & Financing	4.4	5.0	5.0	5.0	5.0	5.0
Domestic Financing	3.1	3.0	3.0	3.0	3.0	3.0
Banking System	2.3	2.1	2.2	2.2	2.2	2.2
Non Bank	0.8	0.9	0.8	0.8	0.8	0.8
Net Foreign Financing	1.3	2.0	2.0	2.0	2.0	2.0

- The government plans to bank on banking system for deficit financing
- The private sector will have to compete with the government in the credit market
- Given the missing links between various targets of MTMF, the question remains–

is MTMF a "Reality Based Projection" or just an "Ideal Target"?

PUBLIC FINANCE FRAMEWORK

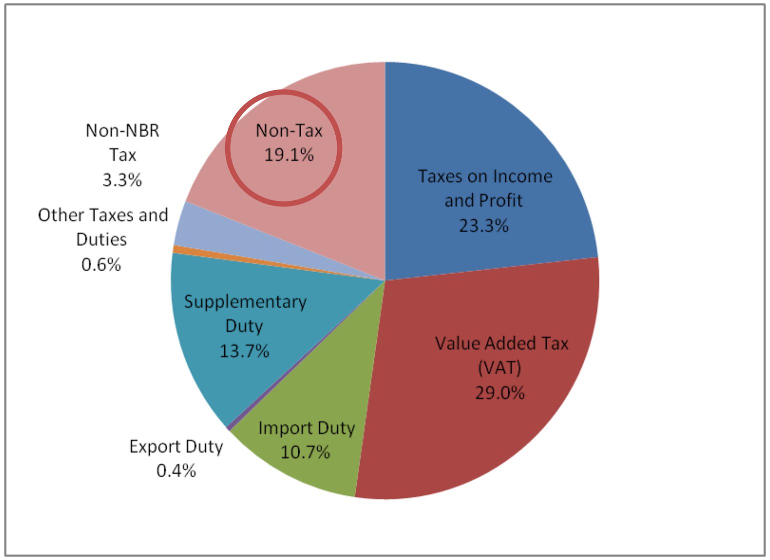
Main Features of the Proposed Fiscal Structure

- Total budget expenditure set at Tk 1,63,589 crore—25.8% higher than RB of FY11, marginally lower than the 24.4% growth target for revenue earnings
- ADP has been targeted at 46,000 crore, accounting for 28.1% of total public expenditure (27.6% in the RB of FY11, 20.9% in FY11 according to CPD projection)
- Budget deficit has been projected at 5.0% of GDP for FY12
- High foreign financing target (79.8% growth over the revised budget of FY11) has been set with anticipated gross foreign aid flow of USD 3.3 billion
- As the revised budget targets (revenue earnings and expenditures) for FY11 has been set on the high side, growth targets for FY12 would be higher when calculated over the actual figures of FY11
- Real defining elements in the framework are: revenue earnings (NBR and non-tax), subsidy and interest payments, ADP and foreign financing of fiscal deficit

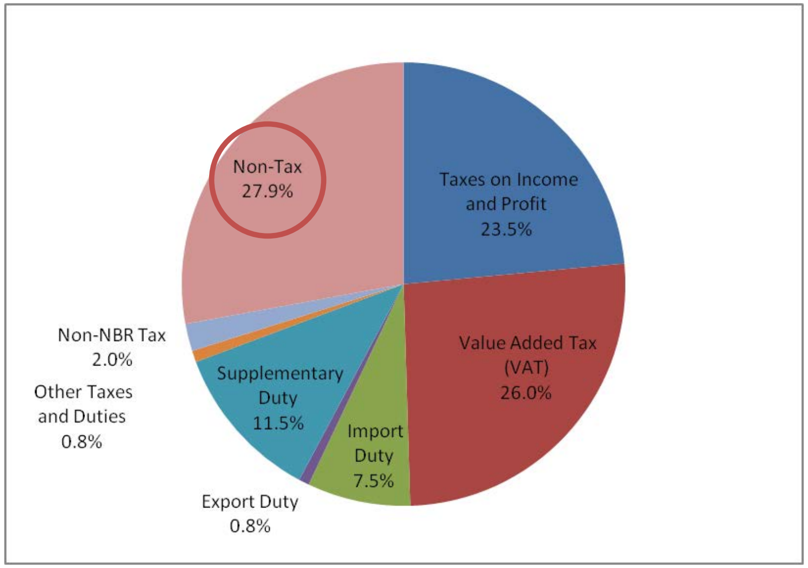
Revenue Earnings

- FY12 budget targets a revenue mobilisation of Tk. 1,18,385 crore (an additional Tk. 23,198 crore)
- NBR is expected to take the lead role (with 70% of additional revenue)
- Within NBR, tax collections from domestic sources (income tax, VAT and SD) will have to be intensified

Share of Revenue FY12



Incremental Share of Revenue FY12



- In view of the proposed fiscal measures, expected improvement in revenue collection effort and high price level, target for NBR Tax components should be within the reach

A Caveat: A significant part of CD-VAT is associated with ADP-related expenditure (in-built momentum). More efforts needs to be put on revenue mobilisation through direct taxes.

Revenue Earnings

- The budget predicts a recovery of non-NBR tax & non-tax revenues in FY12. However—
  - ✓ Performance of FY11 does not indicate this (15.6% during Jul-Dec)
  - ✓ The current trend of revenue collection by Non-NBR and Non-Tax component may result in a shortfall (perhaps by 3%)
  - ✓ Shortfall in benchmark (FY11) would mean a higher than stipulated growth targets for FY12
- Within Tk. 6,465 crore additional revenue targeted from non-tax sources, Tk. 4,893 crore is expected to come from 'Other Non-Tax Revenue and Receipts'—
  - ✓ May hinge on the decision with regard to telecom spectrum fee

Sector-wise Distribution of Total Expenditure (Non Development and Development)

Sector	Share in BFY12	Share in RBFY11	Change in FY12B over FY11R	
	%		Crore Tk	%
Public Service	14.7	7.7	13992.0	140.1
Education and Technology	12.4	14.3	1741.0	9.4
Interest	11.0	11.2	3419.0	23.5
Agriculture	7.7	10.1	-553.0	-4.2
LGRD	7.5	8.1	1783.0	17.0
Defence Services	7.3	7.2	2633.0	28.3
Transport and Communication	6.9	6.7	2618.0	30.2
Social Security and Welfare	6.8	8.0	627.0	6.0
Health	5.4	5.9	1252.0	16.4
Public Order and Safety	5.2	5.8	921.0	12.2
Fuel and Energy	5.1	5.6	1055.0	14.5
Recreation, Culture and Religious Affairs	1.0	1.2	83.0	5.1
Housing	0.9	1.0	205.0	15.7
Industrial and Economic Services	0.8	0.7	373.0	40.2
Others(Memorandum Item)	7.4	6.7	3429.0	39.6
Total Expenditure	**100.0 (1,63,589)**	**100.0 (1,30,011)**	**33578.0**	**25.8**

Total development and non-development allocations for *Public Services* is set to increase by 1.4 times, driven partly by subsidies (including for export), PPP & lump allocation for development programmes financed from the revenue budget

- Revenue expenditure as a percentage of GDP is set at **11.4** % (**10.6**% in the RB of FY11)

- Revenue expenditure target for FY12 is set at Tk **91,897** crore, an increase of Tk **10,977**crore from FY11 (**16.3%** growth)

- Share of three major heads (interest payments, pay and allowances, subsidies & current transfers) stood at **80.8**% in FY12 (**83.2%** of FY11)

  - ✓ ***Interest Payments*** will increase by **23.5**% in FY12– about one-third of total incremental revenue expenditure will be due to interest payments, particularly from domestic interest payments

Economic Analysis of Revenue Expenditure

Indicators	Growth FY12/RB FY11	Share B FY12	Share RB FY11	Incremental Share FY12B
Pay and Allowances	5.7	23.5	25.3	10.6
Goods and Services	7.6	12.8	13.5	7.6
Interest Payments	23.5	19.6	18.0	31.1
Domestic	*25.6*	*18.0*	*16.3*	*30.6*
Foreign	*3.9*	*1.6*	*1.8*	*0.5*
Subsidies and Current Transfers	7.4	37.7	39.9	21.7
Block Allocation	180.8	2.0	0.8	10.6
Deduct: Recoveries	-100.0	0.0	-2.2	16.4
Acquisition of Assets and Works	6.0	4.4	4.7	2.1
Total Augmented Non-Development Revenue Expenditure	13.6	100.0	100.0	100.0

- ✓ Interest payments (domestic) will increase by 25.6%
- ✓ Interest payments (foreign) will increase by 3.9%
- ✓ Expenditure on ***Pay and Allowances*** is set to rise by **5.3%** in FY12
- ✓ Expenditure on ***Subsidies and Current Transfers*** (share 37.7%) is set to increase by 7.4%

- ‘Subsidies and Current Transfers’ reported in economic analysis of non-development revenue expenditure does not include all subsidy expenditures
- Budget documents also did not provide a detailed account of subsidy expenditures and contingent liabilities
- ‘MTBF document’ reports that revised allocation for total subsidy in FY11 was Tk. 16,085 crore (2.3% of GDP)
- One can understand that subsidy allocation for FY12 is set to rise by a substantial amount (may get close to 3-4% of GDP)

Annual Development Programme

- ADP of Tk. 46,000 crore (5.11% of GDP) has been proposed for FY12.
  - ✓ 28.2% higher than RADP of FY11 and 19.5% higher than ADP FY11
  - ✓ Project Aid component will be 40.6% of total ADP (33.3% in RADP of FY11 and 39.7% in original ADP of FY11)
- The top 5 sectors has received 67.9% of the total allocation—

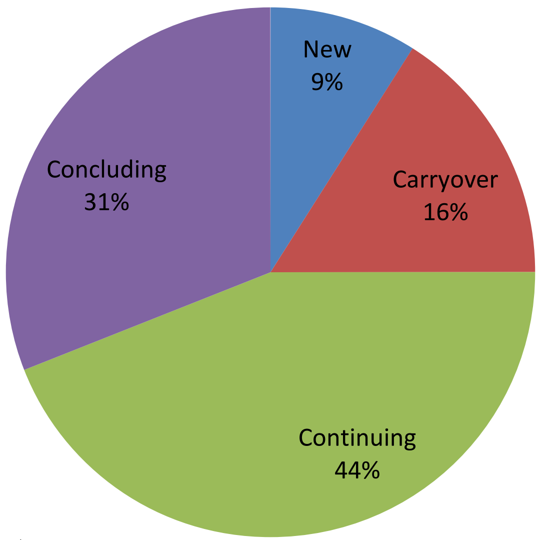
Top 5 Sectoral Allocation in ADP for FY12 (%)

Sector	Share FY11 (ADP)	Share FY11 (RADP)	Share FY12 (ADP)	Growth ADPFY12 over RADPFY11
Transport	14.3	14.9	16.85	47.83
Power	13.0	14.3	15.59	42.96
Education & Religious Affairs	13.5	14.4	13.31	21.18
Physical Planning, Water Supply &Housing	9.2	9.5	12.61	73.33
Rural Development & Institutions	11.5	13.0	9.57	-3.23

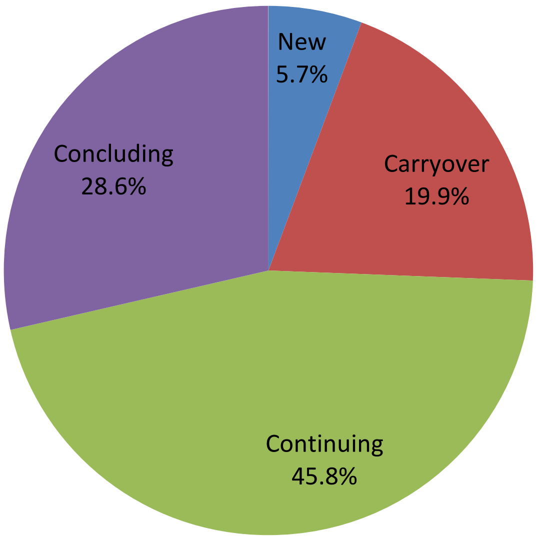
Annual Development Programme

- 77 new projects worth Tk. 2,251.91 crore has been included in the new ADP
  - ✓ i.e., only 5.7% of total allocation is for new projects

Structure of ADP FY11



Structure of ADP FY12



  - ✓ Carryover projects consist of 19.9% of the total allocation (16.0% in FY11)
  - ✓ 325 projects with 28.6% of total allocation is expected to be concluded in FY12
- These need to be prioritised. We need to know the top 50 projects those are being "intensively" monitored by Taskforce

- Power, 'Oil Gas & Natural Resources' and Social Welfare sectors are carrying over 46.7%, 39.5%, and 38.1% of their allocations respectively
  - ✓ Lack of progress in the development of power and energy related sectors and in promoting social benefits
  - ✓ Even though, Power division spent 107% of its RADP allocation during Jul-May FY11, considerable reallocation among the projects within power sector had to be made due to under implementation of some old projects.

Share of Allocation in the Priority Sectors (%)

Projects	Power	Oil, Gas and Natural Resources	Transport	Education	Physical Planning, Water Supply &Housing	Health
Carry over	46.7	39.5	21.5	4.3	3.1	22.3
Concluding in FY12	31.7	56.9	21.5	18.0	47.6	19.4
Continuing	21.1	3.6	54.3	69.9	36.2	53.1
New	0.6	0.0	2.8	7.8	13.1	5.3

- Allocation for Padma Bridge accounts for 28.2% of the total allocation for the Transport sector—
  - ✓ 78.15 % of this is expected to come from Project Aid

Outlook for RADP 2012

- Some 259 development projects, worth Tk. 140 billion, are in the pipe-line and are listed in the ADP FY12 list (without allocation) to attract foreign financing—
  - ✓ About 35.6% of projects in this list are carried over from the FY11 list of unapproved projects
  - ✓ If the related negotiations are successful, an additional US$ 230 million (Tk. 16.9 billion) of foreign aid will come to Bangladesh annually over the next five years

Public Private Partnership (PPP)

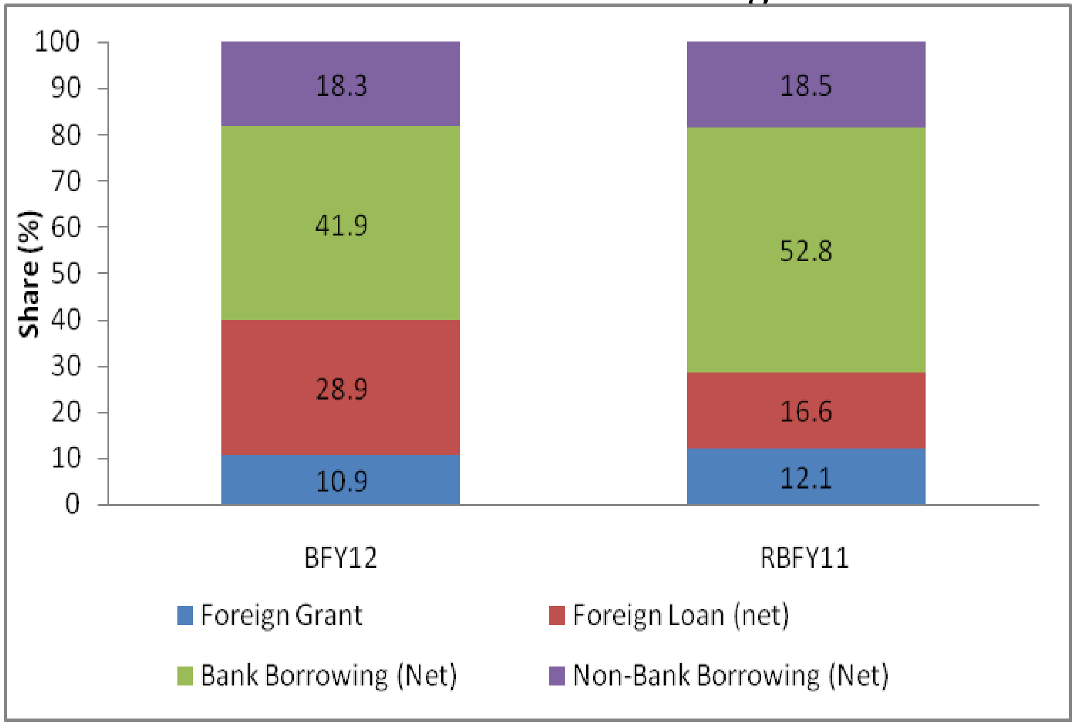
- Except for the fast implementing *Jatrabari-Gulistan flyover* (under build-own-operate-transfer (BOOT) arrangement of PPP), the budget for these much hyped PPP initiative remained mostly unutilised over the last two fiscal years
- Fiscal allocation for PPP in FY12 is 1.8 per cent of total Budget FY2011-12—
  - ✓ Tk. 2,500 crore for the BIFFCL;
  - ✓ Tk. 400 crore as viability gap fund (VGF); and,
  - ✓ Tk. 100 crore for technical support
- 16 new PPP projects are included in the ADP for FY12 (13 of these in power sector)
- A PPP focal point has been established in each of the line ministries
- The *Policy and Strategy for PPP* has been finalized in 2010 outlining the functions of the concerned ministries and the OPPP
- The PPP office is yet to be fully functional although some recruitments were made

Budget Deficit and Financing

Description	RBFY11		BFY12		Growth
	Crore Tk	% of GDP	Crore Tk	% of GDP	FY12 over RB FY11
Revenue Collection	95,187	12.1	118,385	13.2	24.4
Total - Expenditure	130,011	16.5	163,589	18.2	25.8
ADP	35,880	4.6	46,000	5.1	28.2
Non-ADP	94,131	12	117,589	13.1	24.9
Overall Deficit (Excl Grants):	34,824	4.4	45,204	5	29.8
Financing					
Foreign Grants	4,224	0.5	4,938	0.5	16.9
Foreign Loan-Net	5,783	0.7	13,058	1.5	125.8
Foreign Loan	10,920	1.4	18,685	2.1	71.1
Amortization	5,137	0.7	5,627	0.6	9.5
Domestic Borrowing	24,817	3.2	27,208	3	9.6
Bank Borrowing (Net)	18,379	2.3	18,957	2.1	3.1
Non-Bank Borrowing (Net)	6,438	0.8	8,251	0.9	28.2
Total Aid Requirement (Net)	10,007	1.3	17,996	2	79.8
Total Aid Req (Net, bln US$)	1.4	-	2.5	-	79.8
Total Aid Req (Gross)	15,144	1.9	23,623	2.6	56
Total Aid Req (Gross, bln US$)	2.1	-	3.3	-	56

- Budget deficit (excl. grants) has been estimated at Tk 45,204 crore (5.0% of the GDP) for FY12 (Tk 34,824 crore in RB of FY11, 4.4% of GDP).

Sources of Deficit Financing

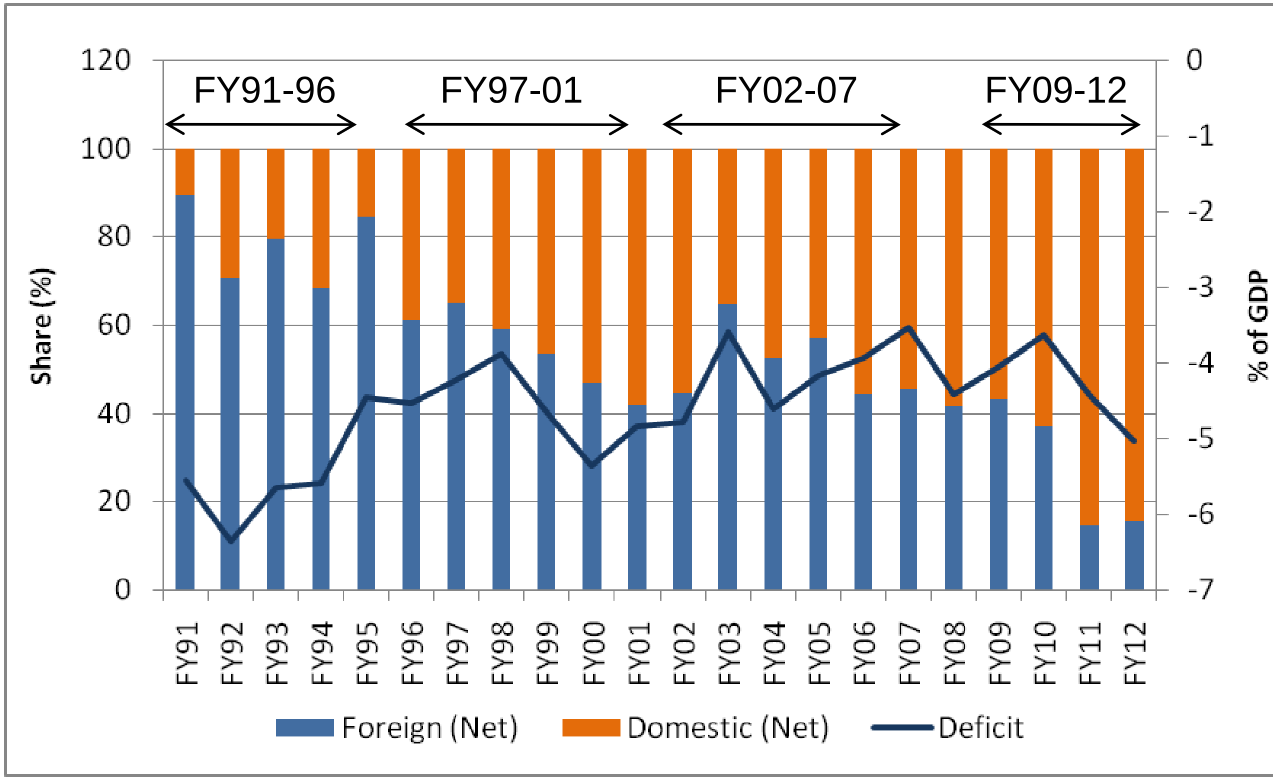


Financing of Budget Deficit in FY12

- Share of domestic financing 60.2%
  - ✓ Tk 18,957 crore (69.7%) of the domestic financing will be from the banking system (74.1% in RB of FY11)
  - ✓ Tk 8,251 crore (30.3%) will be from non-bank instruments (25.9% in RB of FY11)
- Share of foreign financing will be 39.8% in FY11 (28.7% in RB of FY11).

- Gross foreign aid requirement will be around USD 3.3 bln (USD 2.1 bln in FY11) – a challenging target in view of only USD 1.4 billion was received during Jul-Apr FY11
- The government could not help but rely on bank borrowing
- *Implications*:
  - ✓ Crowding out impact on private borrowing from banks should be monitored, while inflationary impact needs to be considered as well
  - ✓ Much will depend on whether interest on NSD certificates will be fixed to the level of market interest rates of other savings alternatives (e.g. FDR)

Budget Deficit and Financing



- It is interesting to note that, historically, AL has been dependent on domestic borrowing to finance the budget deficit, while during BNP regimes foreign aid's share tended to be higher

OVERVIEW OF FISCAL MEASURES

Centre for Policy Dialogue (CPD)

Direct Tax

- Income tax threshold limit has been raised to Tk. 180,000 from Tk. 165,000
  - ✓ *9% increase against over 15% inflation since the time of last adjustment in FY09.*
  - ✓ *However, significant growth in per capita income has also taken place (although the rate might have varied among income groups).*
  - ✓ *In net terms the adjustment appears logical.*
- Exemption limits for individuals above 65 years, women and physically challenged people have been raised.
  - ✓ *From the point of social justice a differentiated tax slab for special sections of people is a positive move.*
- 10% surcharge on tax payable for those having wealth over Tk. 2 crores is a welcome measure from the perspective of income distribution.

Centre for Policy Dialogue (CPD)

Direct Tax (Cont..)

- Withdrawal of tax exemption for parliamentarians and government officials is a bold and long awaited measure towards establishing equity between public and private sector employees.
- Deduction of tax at 10% at the time of payment of service charges received from abroad by residents
  - ✓ This income is tax free, but now provisioned for deduction at source – this is contradictory.
  - ✓ May discourage growing self-employment catering for outsourced work from overseas. May also encourage diversion of foreign currencies in foreign bank accounts.
- A reduced rate of 5% tax on the income from fisheries, poultries etc. has been proposed.
  - ✓ This is a move towards bringing the agriculture (non-crops) sector under the tax net.
- **No changes in corporate tax rates**

Special Tax Measures

- Tax deduction rate for savings instruments to be brought down from 10% to 5%.
  - ✓ *This will benefit the small savers and pensioners*
- The provision of allowing investment in BIFFL or Treasury Bonds, without asking source of income, has been maintained (subject to payment of tax at the rate of 10%).
  - ✓ *However, it is to be noted that BIFFL bond could be issued last year; and the Finance Minister stated that bonds will be issued in three months.*
  - ✓ *Creates moral hazard for regular taxpayers.*

Custom duties, supplementary duties and VAT

- Continuation of zero import duty on rice, pulse, wheat, sugar, edible oil, onion, fertilizer, seeds.
  - ✓ *Right choice in view of current high inflation.*
- Supplementary duty on chewing tobacco has been raised to 30% from 10%.
  - ✓ *This is a positive move in bringing down its consumption.*
  - ✓ *However, only a marginal increase in supplementary duty on cigarettes has been proposed.*
- Significant increase in supplementary duties on cars ((double cabin pick-ups) has been proposed
  - ✓ *This should have positive implications from the perspective of both revenue generation and traffic congestion.*
- Imports of all kinds of fabrics and RMG articles have to pay 45% supplementary duty (increased from 20%)
  - ✓ *This is a positive move to protect domestic market oriented apparel industries.*
- Custom duty on imported text books has been increased from 5% to 12%
  - ✓ *Will raise cost of education for students. Amounts to taxing knowledge.*

Custom duties, supplementary duties and VAT (Cont..)

- Continuation of 5% regulatory duty on the import of finished products (with 25% import duty) to continue.
    - ✓ *This will help protect the local industry and increase revenue collection.*
- Taka 800 tax on SIM card (under VAT) has been reduced to Taka 600 - *is likely to lead to a revenue implications of (-)Tk. 300 crore;*
    - ✓ *Although there is a revenue consequence for the government, there will be no impact on consumers as the tax burden was absorbed by the service providers.*
    - ✓ *Proposed import duty (USD on smart/magnetic and SIM cards will contribute to generate revenue*
- Continuation of zero import duty on life saving medicine is a major contribution to the health sector.

Export Tax

- Tax deduction at source for exports to increase from 0.40 /0.50%to 1.5%.
    - ✓ *This may be a burden on exporters: should be done in a gradual manner.*
- Export tax on tobacco (not stemmed, partly stemmed or wholly stemmed) has been reduced from 10% to 5%
    - ✓ *This might encourage conversion of agricultural land to tobacco cultivation and can threaten food security.*

Some Selected Changes in Tax Rates

Changes in Some Tax Measures	Duty/Tax	FY11	FY12	Implications
LP gas	ID	5	0	Likely to increase the use and reduce pressure on domestic gas supply
All kinds of RMGs and similar articles	SD	20	45	Increased ERP to local industry
Cotton waste	Export duty	0	25	Prevent export and support local textile industries
Cars - Cylinder capacity upto 1000 cc (double cabin pick-up)	SD	0	30	Reduce purchase of cars/traffic congestion; increase govt revenue
Cars - Cylinder capacity of 1000-1500 cc (double cabin pick-up)	SD	0	45	Reduce purchase of cars/traffic congestion; increase govt revenue
Cars - Cylinder capacity 4001 and above (double cabin pick-up)	SD	0	500	Reduce purchase of cars/traffic congestion; increase govt revenue
Particle board	RD	5	0	Will protect the environment
Cigarettes (at different price level)	SD	33, 53, 56, 58	36, 55, 58, 60	Marginal increase; less likely to reduce consumption
Tobacco, partly or wholly stemmed/stripped	Export duty	10	5	Might encourage agricultural land conversion to tobacco cultivation
Rice, pulse, wheat, sugar, edible oil, onion, fertilizer, seeds	ID	0	0	Right move in view of current inflationary trend; will help to keep prices low
Motor cycles (CBU condition)	SD	30	45	Should help the growing domestic motor cycle manufacturing industries
CKD motor cycle	RD	5	0	Helpful for domestic motor cycle assembling industries
Imported toilet paper and facial tissue	SD	20	30	Higher protection for the growing domestic industry

Tax Incidence

- At the import stage, revenue collection during FY11 (Jul-Apr) was Tk. 22006.6 crore , which is about 37% of total revenue collection.
- CPD has estimated that proposed changes in CD, SD, RD and VAT (import) will increase import related revenue by 23.7% - appears to be consistent with projection for FY12.
  - ✓*This is based on the assumption that import growth for FY12 will be 14% as proposed in MTBF.*
  - ✓*If the trend of high import growth (as was 41% during Jul-Mar FY11) continues in FY12, this will be higher.*
- Estimated revenue collection is possible in the following circumstances
  - ✓*import grows at the rate as is projected*
  - ✓*composition of import structure remains the same as in FY10.*

Tax Administration

A number of measures were announced in the budget for FY11. Noticeable progress has been made. These include:

- E-filing of income tax returns on a limited basis - after a pilot programme, online filling and digitization of tax return is scheduled to start this month.
- Installment of tax calculator software on the website of NBR – already in place.
- Motivational programme for taxpayers of income tax and VAT – a number of programmes such as tax fair and regional dialogues were carried out.

However, a number of measures are yet to be implemented. These are:

- *Restructuring of manpower and other facilities of income tax department – not resolved*
- *Introduction of 2 page income tax return form*
- *Reforms in judicial process for easy settlement of VAT related cases.*
- *Reforms to be introduced in VAT administration including setting up more VAT offices and recruitment of officials, setting up VAT offices in each upazilla.*

Tax Administration: Measures for FY12

- In view of nearly 19 thousand pending cases and about Tk. 5000 crore being stuck with those, 'alternative dispute settlement means' are proposed to be used to settle the dispute outside the court
  - ✓ *This is a welcome measure; needs to be promoted.*
- Online tax return filling facility is to be expanded from 2 tax zones to 4 tax zones with a plan to cover the whole country by 2013
  - ✓ *This is a welcome development which will be facilitate payment of taxes and will help to widen tax net.*

Some other positive measures

- Two Taxpayers' Information and Service Centres to be established in Dhaka and Chittagong from July 1, 2011 to provide taxpayers all tax related services
- Withdrawal of the requirement of paying tax of Tk. 1,000 for TIN registration
- Taxpayers disclosing 20% higher income than last year, in general, will not be audited.

Tax Administration: Measures for FY12 (Cont..)

Concerns

- Acute shortage of manpower by the NBR remains (only a few field officials employed).
- Requirement of a quarterly withholding tax return submission (by institutions) in addition to annual information return will increase hassle for tax payers.
- Required submission of Annual Information Return (AIR) for certain financial transactions.
  - ✓ *This will improve the transparency of financial transactions. However, the discretion should be applied on the basis of merit of the case.*

Need to finalize the new Direct Tax Act and VAT Law after consultation with the relevant stakeholders and experts and appropriate preparation

Measures to Promote Overseas Employment

- Establishment of labor wings in 7 countries with high Bangladeshi labor concentrations
  - ✓ *Need to expand the initiative to all other countries in a phased manner*
- Tk. 140 crore has been allocated to the 'Immigration and Skill Development Fund' for skill development of workers
  - ✓ *Includes 30 new Technical Training Centres and 5 new Marine Technology Institutes – a positive initiative.*
  - ✓ The earlier project named "Skill Development Fund for Expatriate Returnees and New Entrants to Labor Market" is discontinued in FY12. Has it been replaced by the new one?

Gaps in Addressing Special Needs

- Despite much discussion, nothing has been mentioned about designing a 'Contingency Plan' to address the needs of Bangladeshi migrant workers in the host countries during times of crisis.
- Budget provided no indication towards giving special focus on skill development of aspirant female migrant workers.

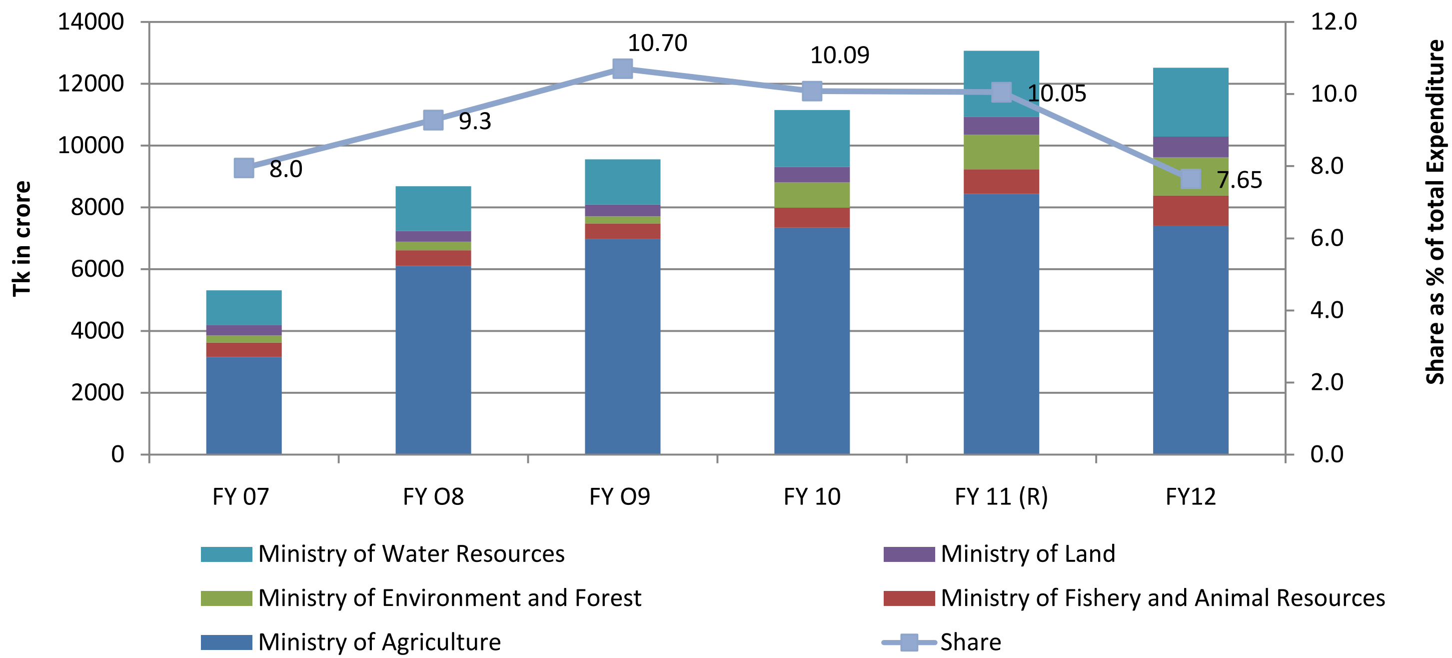
SECTORAL AND REGIONAL MEASURES

Agriculture

Allocation for Agriculture and Allied Sector

- Allocation for the agriculture and allied sectors in total budget (revenue + development) is
  - ✓ 4.23% lower than RB-FY2010-11 and 9.70% higher than budget FY2010-11
  - ✓ 7.65% of total budget which was 10.05% in RB-FY2010-11

Trends in Allocation for Agriculture and Allied Sector



Agricultural Subsidy

- Allocated Tk. 4,500 crore in FY2011
  - ✓ 26.66% lower than RB-FY2010-11
  - ✓ 12.5% higher than FY2010-11

- Fertilizer subsidy may have to be revised upward
  - ✓ CPD estimation based on imported price and projected demand of fertilizer shows that an amount of Tk. 5,732 crore may be needed in FY12 as subsidy for fertilizer which is Tk. 1,232 crore higher than the allocated Tk. 4,500 crore in the budget
  - ✓ High price in international market is one of the reasons behind this (between January 2010 and April 2011.
    - ➢ Price of urea, TSP, DAP and MoP increased by 24%, 81%, 44%, and 17% respectively)

Agricultural Subsidy

An Estimation of Subsidy Requirement for Fertiliser in FY2011-12

Fertiliser	Source	Price (USD/ton)	Insurance and freight charge (USD/ton)	Imported Cost (USD/ton)	Cost (Tk/kg)	Administered Price (Tk/kg)	Quantity (lakh ton)	Subsidy (Crore Tk)
DAP	China	617	50	667	48.6	27	6.5	1401
UREA	China	340	60	400	29.1	20	21	1915
	Bangladesh				9.5	20	9	-945
TSP	Tunisia	536	100	636	46.3	22	7	1701
MoP	Belarus	414	100	514	37.4	15	7.4	1659
TOTAL							50.9	5732

- If GoB recently did not readjust the administered price of urea (from Tk.12/kg to Tk.20/kg) additional subsidy of Tk. 2, 400 crore would have been needed.

Fair Price for Agricultural Produce

- Government will form additional 600 "Farmers' Marketing Group" and 6,200 "Farmers' Club" and establish 4 agro-products processing centres
  - ✓ Will facilitate agricultural marketing; needs to be promoted and supported

Agriculture Insurance

- To introduce "Crop Insurance", Sadhanron Bima Corporation has drawn up a pilot project in one Upazila.
  - ✓ No allocation has been made for this
  - ✓ Clarity on modalities and procedures is needed

Centre for Policy Dialogue (CPD)

Agricultural Research

- Agricultural research fund has been increased to Tk. 450 crore from Tk. 350 crore, mainly through interest accumulation
  - ✓ No new funds since FY09
  - ✓ The size of the fund is rather small compared to the needs and in view of government's commitment towards agricultural development
  - ✓ More fund and specific fund utilization mechanism are needed

Livestock Development

- In FY2011-12, there is a plan to construct 200 artificial insemination points and one semen production lab, set up bull stations and provide training to farmers and volunteers.
  - ✓ Useful initiative, however, specific allocation is needed

Industry

Tax Holiday

- Major changes seen with regard to sectors and locations considered for tax holiday which has been extended till June, 2013: mismatch with the Industrial Policy 2010
  - ✓ Six sectors proposed to be withdrawn (jute, shipbuilding, textile, some of light engineering products)
  - ✓ Thrust sectors: 8 not in the list; 3 added
- Major industrial zones (Dhaka, Gazipur, Narayangonj, Chittagong) excluded from the tax holiday to encourage industrialization in lagging region may be not as effective.
  - More advantageous tax holiday facilities for lagging regions under the existing scheme did not work well due to other constraints (access to power and gas, lack of adequate infrastructural facilities, availability of workers)

Domestic Market Oriented Industries

- A number of domestic market oriented industries will enjoy incentives through various fiscal measures (differences in TTI between FY11 & FY12: -7.7 to 70).
  - Plastic, PET light sheet, LPG cylinder instruments; Computer & related parts; pharma products; ETP & related parts; poultry industry; capital machinery; perfumes; woven fabrics; RMG; glass tube; fan; furniture parts; particle board; CKD motorcycle; sugar confectionary; spectacles.

Thrust Sectors	Sectors under existing tax holiday measures	Sectors under newly proposed tax holiday measures
Agro-based & Agro-Processing Industry	Fertilizer, Insecticide, Pesticide, Agro-machineries and Agro-processing	Tax Holiday on Bio-fertilizer, Insecticide & Pesticide and Processing of locally produced foods and vegetables
Shipbuilding	Tax holiday present	N/A
Renewable energy and appliances	Solar Energy Plants	Energy-efficient appliances
Tourism	Residential hotels of 3-Star Standard	N/A
Basic chemicals	Basic ingredients of chemicals	Basic chemicals or dyes and chemicals
ICT & ICT Based Service	Computer Hardware production	Basic ingredients of electronic industry (e.g. resistance, capacitor, transistor, integrator circuit), Computer Hardware
RMG, Home textiles and handicrafts	High Value Garments & Textile	Textile Machinery
API, Radio Pharmaceuticals, Pharmaceuticals	Pharmaceuticals, Basic Ingredients of drug and pharmaceuticals	Pharmaceuticals, Active Pharmaceuticals ingredient industry and radio pharmaceuticals industry
Radioactive Industry	N/A	Tax holiday proposed
Development of Polymer Industry	Melamine, Petrochemicals	Petrochemicals
Jute & Jute Products	Jute goods	N/A
Light Engineering Industry	Steel Production from Iron Core, Boilers, Compressors, MS Rod	Boilers, Compressors
Plastic Industry	Plastic	N/A
Ceramic	Ceramic & Sanitary Ware	N/A
Tissue grafting & Biotechnology	N/A	Tax holiday proposed
Jewellery	Diamond Cutting	N/A
Cosmetics & Toiletries	N/A	Barrier Contraceptive and Rubber latex
Tea Industry, Herbal Medicinal Plant, Hospital & Clinic, Leather & leather products, Furniture, Frozen Fish, Toys, Human Resource Export	N/A	N/A

Centre for Policy Dialogue (CPD)

Import-substituting Sectors: Change in Tax Incidence

Sectors	Difference in TTI in between FY12 and FY11
Chemical (raw materials)	-0.6
Particle board (raw materials)	-7.7 to -0.6
RMG(intermediate/finished products)	38 to 70
Glass(intermediate/finished products)	14.8
Light Engineering (raw materials/finished products)	-0.6 to 22.5
Furniture (finished product)	14.8

SME

- Recent removal of the lending cap and increased government borrowing from banking sector (likely to continue FY2012) may push already high interest rates (interest rate on term/working loan: 10% -18%) even higher.
- Annual turnover tax for SMEs reduced to 3% from 4% (turnover margin Tk.60 lakh unchanged)
  - ✓ Currently limited to few subsectors: should be available for all SMEs
- Coverage of EEF proposed to be expanded to silk, flowers and herbs;
  - ✓ Other potential labour-intensive industries such as light engineering, plastic, melamine, and electronics should be considered.
- Import tariff on capital machinery across the board should be set at 1% (instead of current 1% for export-oriented and 3 % for others).
- With negligible allocation (FY2012: Tk.0.1 crore) for the project 'Strengthening of BSTI' out of Tk. 72.9 crore the project will miss the target date for completion in the upcoming fiscal.
- The light engineering sector has been supported through reduction of duty on some raw materials including products of iron and steel.

Textiles and RMG

- Proposed rise of SD on imported fabric (20% to 45%) is likely to make domestic textiles more competitive
- Withdrawal of tax-holiday over textile industry is a contradictory step considering the current pressure on the sector
  - ✓ Government should consider providing additional support to the backward-linkage textile sector (additional cash incentive over the existing 5% level)
  - ✓ Some of the ongoing projects related to establishment of textiles institutes will not be completed within the stipulated time (only 8.6% will be completed within 2/3 of the targeted timeline).
- Rise of tax deduction at source for all export proceeds from 0.40% or 0.50% to 1.5% will contribute to government's revenue
  - ✓ Export of SMEs may be considered at the existing rate
- Extension of the timeline for renewal duration of bond licenses from 1 year to 2 years will reduce barrier for exporters
- Duty on certain chemicals required for ETP (not locally produced) will be brought down to 3%
  - ✓ Likely to reduce setup cost of ETP in industrial enterprises.

Textiles and RMG

- Project on "Garment Palli' has been included as 'unapproved and unallocated' project in the ADP for FY12.
  - ✓ Necessary allocation is required for land and infrastructure development
- Allocation required for construction of dorms for RMG workers

Jute

- Exclusion of Jute industry from the Tax holiday facility does not live up to the stance adopted in the *Industrial Policy 2010*
- For undertaking technological restructuring in the jute sector, special *Technology Upgradation Fund* is needed
- Separate HS codes are required for machineries and spare parts imported for jute mills; hence duties of these can be reduced to 1%.

Leather

- As of Dec 2010, only 18.4% of the **Leather Industrial City project** has been completed since 2003, with another 27.7% to be completed this year alone – a very optimistic target.
  - ✓ Removal of bureaucratic and financial impediments (e.g. relocation compensation, availability of soft loans and cost burden of CETP facilities) is necessary.

Pharmaceuticals

- Completion of the *Active Pharmaceutical Ingredient Industrial Park* Project *should be accelerated* (proposed end date 31st Dec. 2011)
  - ✓ Only 29.9% has been completed so far, with 22.3% optimistic for the coming fiscal year.
- Suggestions for possible allocation: establishment of a drug-testing laboratory in Gopalgonj, upping the manpower in the other 2 drug-testing facilities, setting up drug storage facilities in airports.

SEZ/EPZ

- Bangladesh Economic Zone Act 2010 has been enacted.
  - ✓ World Bank (IDA) funding of US$120 million will be used for firm-level training and process development
  - ✓ Tax holiday for physical infrastructural facilities to be increased from 5/7 years to 10 years
- Digitization of the National Trade Portal: an investor-friendly measure to promote FDI through increasing ease of accessing information and starting businesses.

ICT

- 5.5% of total ADP was allocated for ICT sector in FY2011 (complied with the target mentioned in the ICT Policy 2009)
    - ✓ At least Tk. 2,300 crore need to be spent in FY2012 to comply with the target
- Poor ADP implementation in monetary terms: especially in SASEC information highway and Hightech Park projects;
    - ✓ Greater progress should be made to connect Bangladesh with 2nd sub-marine cable.
- Duty should be reduced for several computer parts and components (specially networking parts and cables); VAT should be withdrawn on use of internet and all kinds of IT service
- Tax exemption facility for ICT services has been extended till 2013
    - ✓ This facility should be extended further till 2018 as per *ICT Policy 2009*.
- IT and IT enabled services need separate VAT code in order to reduce complexities in the VAT collection process.
- As per the ICT Policy 2009, efforts should be made to set up a separate ICT authority and ICT development fund of Tk. 70 cr. (10% of proposed Tk.700 cr).

Tourism

- Allocation for the Ministry of Civil Aviation and Tourism has fallen (23.32%) in FY 2011-12
  - ✓ Problems with the implementation of the project to upgrade Shahjalal International Airport has led to drastic fall of RADP in FY 2010-11 (from Tk.283 crore to Tk. 86 cr.)
- A large number of projects have been included without approval and allotment, e.g- establishing provision for tourism facilities in the areas of Bangabandhu and Padma bridge and in Panchagar and Noakhali.

Real Estate and Housing

- Reduction in income taxes on real estate companies in case of registration of apartments
  - ✓ Substantial rise in taxes in case of registration of commercial spaces

	Apartments			Commercial Spaces				
Level	Existing tax rate for Category B (TK. 2000/sq. m)	Proposed tax for Category B(Tk.1800/sq. m)	Reduced tax burden (Tk.)	Existing tax rate for Category A & B (TK. 2000/sq. m)	Proposed tax rate for Category A (TK. 20000/sq. m)	Proposed tax for Category B (Tk.15000/sq. m)	Increased tax burden for Category A (Tk.)	Increased tax burden for Category B (Tk.)
1000 sq. ft	185874	167286	18588	185874	1858736	1394052	1672862	1208178
1200 sq. ft	223048	200743	22305	223048	2230483	1672862	2007435	1449814
1500 sq. ft	278810	250929	27881	278810	2788104	2091078	2509294	1812268
2000 sq. ft	371747	334572	37175	371747	3717472	2788104	3345725	2416357

Industrial Workers

- Several unapproved projects need immediate approval and allocation:
  - ✓ 5 Zonal and 4 Regional Training Centers; 22 Labour Welfare Centers & 3 Industrial training centers; National Institute of Labour Admin. & Training in Tongi; Developing skills of Monga afflicted people in North Bengal; Northern Area's Reduction of Poverty Initiative; Reconstruction of Dhaka Divisional Labour Office
- Increase food distribution to the RMG and textile workers at a reduced price through OMS and other distribution mechanisms.
  - ✓ Welcome at a time of high food inflation
- Funds need to be allocated for the existing 29 Worker Welfare Centres to make those fully operational.
- Development of workers' housing facilities in major industrial zones under PPPs should be considered.

Capital Market

- Timely implementation of ADB project (development of surveillance system) in the SEC is needed.
  - ✓ Initially was scheduled to be finished by 2008 but extended upto year 2012.
  - ✓ Because of the delay cost of the surveillance software has gone up
- Although government announced not to make mandatory TIN for BO accounts, in view of establishing better transparency in transactions government should reconsider its decision and should make mandatory of TIN for all BO accounts.
- A number of measures have been announced which if implemented would positively contribute to financial reporting of listed companies and would ensure better governance in the capital market.
  - ✓ Financial Reporting Act, Financial Reporting Council, Clearing and Settlement Company
  - ✓ Demutualization of Stock Exchanges, amendment of the SEC Act, different rules and Companies Act, Security and Exchange Commission (Public Issue) Rules, 2006
- Tax deductible at source for brokerage commission of stock brokers listed with Stock Exchange has been raised from 0.05% to 0.10% is likely to have positive revenue implications.
- No tax on capital gains in order to discourage short term speculation in the secondary market.
  - ✓ Perhaps done in view of the current situation. But should be considered in future.

Power and Energy

Power & Energy Sector

- 'Power & Energy' sector received a total allocation of Tk.8,311 crore in FY12
  - ✓ Of which, Tk.8286.5 crore is allocated under the ADP and the remaining Tk.24.5 crore is meant for non-development expenditure.
  - ✓ 15% higher than the last year's allocation.
- Allocation for 'power sector' appears to be in line with the government's policy to strengthen power supply in the country.
- However, the allocation for 'energy sector' appears to be low compared to its demand, particularly to accelerate power generation.
- To achieve the GDP targets envisaged in the draft SFYP, about 10% annual growth in energy consumption is required during FY12 to FY15.
  - ✓ As the FY12 budget doesn't support such a 'big push' in energy consumption, this may pose a challenge in achieving the GDP targets projected in the SFYP.
- The target of an additional gas production of 1,920 mmcfd by 2013 appears to be rather high, as the production of 1,000 mmcfd gas by the IOCs is quite uncertain.
- In addition to that, the budgetary allocation made for BAPEX is not adequate in view of the task ahead.

- The need for a 'planned energy use guideline' to achieve 'energy use efficiency' is missing in the revised 'Power and Energy Sector Road Map'.
- The revised target of producing 11,698 MW of additional power by 2015 (in place of 8,634 MW projected in the last year's plan) reflects the need of the economy.
  - ✓ This appears to be rather difficult to achieve given the current rate of success and resources constraint.
- By the first week of June 2011, 5 quick rental power plants of 333 MW capacity failed to start their planned generation.
- On the other hand, the actual generation from the 7 quick rental plants of 622 MW capacity is seen to be only 75% in the month of May 2011 (due to problems such as machine problem; BPDB).
  - ✓ Delay in generation and underperformance by quick rental plants may pose a serious problem in attaining the targets envisaged in the revised 'power and energy' plan.

- The government has targeted to generate 5% power (610 MW) from renewable energy sources by 2015.
  - ✓ This may appear to be difficult given that such a target will require huge resource allocation as renewable energy generation is costlier.
- The budget proposed a provision for tax holiday for physical infrastructure facility related to renewable energy (energy savings bulb, solar energy panel, windmill) for 10 years.
- The proposals for cutting import duty on LED lamps (12% from 25%) and withdrawal of 60% supplementary duty on solar powered lamp is praiseworthy .

- The target of generating additional 700-800 MW of power from renovation of aged plants appears to be an open-ended target as no time line has been mentioned in the plan.
  - ✓ This seems difficult to realise as only 2 projects running under the ADP for the renovation of aged plants in the country and no new project in FY12 has been considered.
- Increasing 'subsidy' demand for power and energy also needs a careful consideration.
- Subsidy requirement for quick rental power in FY12 can reach to the tune of Tk.6,300 to Tk.9,850 crore.
  - ✓ Such a significant subsidy, in addition to fuel subsidy, has not been mentioned in the budget.
- There is a need to make the subsidy issue (both on account of sale of fuel and purchase of power) more transparent and maintain accountability for the long term sustainability of power and energy sector growth in the economy.
- There should be some direction in the budget with regard to tariff rationalisation to give an idea about the amount of subsidy requirement.

Environment, Climate Change and Disaster Management

- In line with the previous two years, Tk. 700 crore is allocated for FY12 for 'Bangladesh Climate Change Trust Fund' (BCCTF).
  - ✓ In FY10 and FY11, total Tk.1,400 crore was allocated
  - ✓ 60 projects (worth Tk. 719.61 crore) initiated under this fund
- Tax on chemicals imported for ETP has been reduced to 3% from higher rates (ragning between 5-12%)→ a welcome step towards abating industrial pollution.
- Provision for 'Green Financing' targeting energy generation through renewable sources, transportation and housing schemes are missing in the budget, although the relevance is very high.
- Internalising climate change concerns into development projects has not received any positive nod in the current budget.
- An early warning system for disaster management through cell phone networks of Grameen Phone and Teletalk in Cox's Bazar district and Sirajganj district is a welcome step and more districts should be covered in the coming years.

Local Government and Regional Development

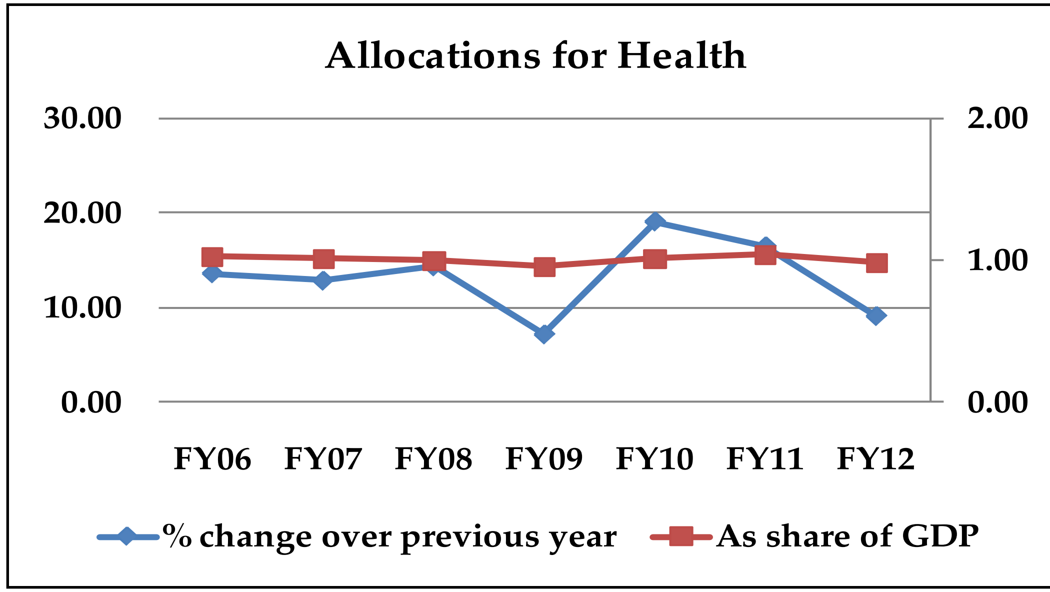
Rural Development

- 24% of the development expenditure in FY12 will go towards rural development. This includes total 68 projects, of which only 5 are new.
  - ✓ All the new projects are under the LGED and mostly for infrastructure development, including construction of *aila*-affected rural infrastructure.
- For ensuring supply of arsenic free water in rural areas, at least one water source in each village will be ensured.
  - ✓ Coastal belt, drought-prone and other disaster-prone areas in Bangladesh should get priority.
- Under 2nd phase of the *Chittagong Hill Tracts Development Project,* Tk.10 crore has been allocated for constructing a housing colony for *Dhangar* ethnic community → This is a positive step.
- Some positive non-traditional measures for rural electrification -
  - ✓ REB has set a target of 14,408 home solar systems in areas that are not covered by the national power grid.
  - ✓ IDCOL plans to add another 150,000 bio-gas plants by 2016 under *National Household Bio-gas and Fertilizer Program*

SOCIAL SECTORS

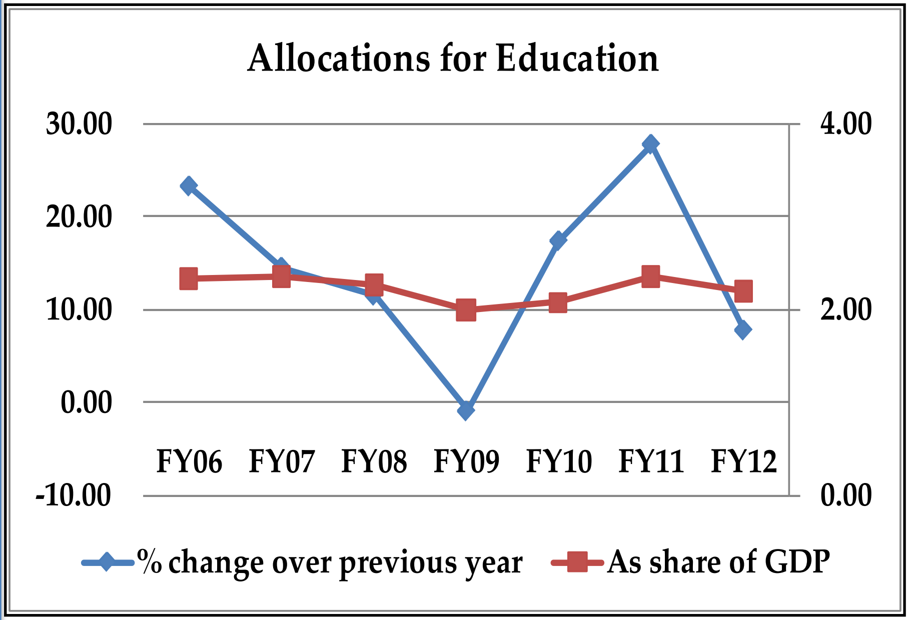
Health

- Allocation for FY12: Tk. 8869 crore (5.4% of total budget)
- About 1% in terms of share of GDP; lower than previous year



- Discontinuation of the *Micro-Nutrient Supplementation Programme* from SSN:
  - ✓ Might further aggravate the already weak position in attaining nutrition related MDGs
  - ✓ The proposed new phase of HNPSP (2011-16) is a welcome initiative
- Human resource scarcity in the Directorate of Drug Administration (DDA): ***Still remains an untouched area***
- Plan to employ alternative healthcare practitioners at district and upazila levels: A positive idea towards strengthening healthcare services
  - ✓ What about budgetary implications (infrastructure dev., salary, etc.)?

Education



- 12.1% (Tk. 19806 crore) of total budget allocated for education sector
- As share of GDP: 2.2% in FY12
- Tk. 1000 crore earmarked for *Prime Minister's Education Assistance Foundation*: Commendable initiative
  - ✓ Should be extended to postgraduate level (particularly for students coming for poor families)

- Expansion of both coverage and fund for School Feeding Programme is laudable
- Intention to establish directorates of education at district level is well appreciated. However,
  - ✓ What about the existing education offices at District Headquarters? Will these be upgraded to directorates? →No indication provided to this end.
- *Talent Hunt* programme: Sounds great → but implementation will call for significant additional resources (funds, HR, etc.)
- Proposal to revisit the whole MPO system: ***Bold step*** → However, challenge will be to implement without influence

Allocation

- Allocation for Ministry of Women Affairs is 0.76% of total Budget of FY 2012.

- This is 0.32% lower than that of FY 2010-11.

Gender Disaggregated Budget

- Reporting of gender disaggregated budget allocation has increased to 20 ministries in FY 2011-12 from 10 ministries in FY 2010-11.

- Allocation for women’s development has increased in 12 ministries and reduced in 8 ministeries in FY 2011-12 compared to FY 2010- 11.

New Measures

- *Women Entrepreneurs :* For marketing products of women entrepreneurs a programme has been introduced under PPP.

  -This is good initiative ;

  - But no mention of the name of or allocation for the programme under PPP.

New Measures

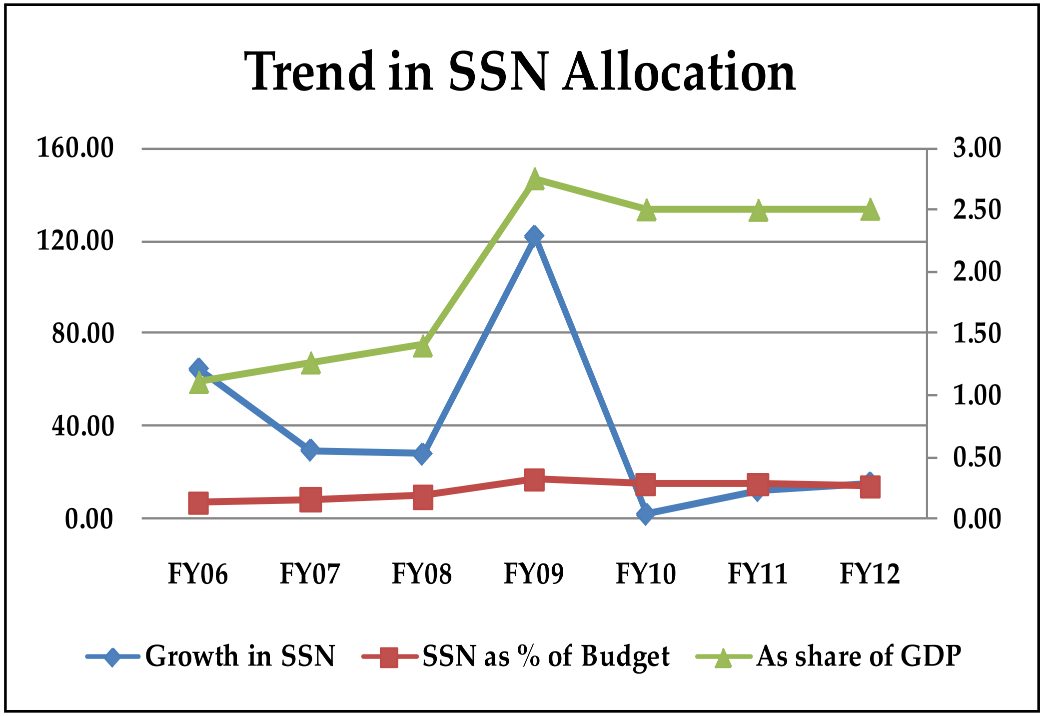
- *Maternity Allowances for Poor Working Mothers Scheme:* Beneficiary coverage increased by 15 % in rural areas and 15.8% in urban areas in FY 12011-12.

- *Rehabilitation of Acid Burnt Women and Physically Disabled:* An amount of Tk. 11.95 crore is proposed to be allocated for social voluntary organizations under the Social Welfare Council.
  - *This money will be used for rehabilitation for acid burnt women.*

- *Maternal and Child Health:* An allocation of Tk. 271 crore is proposed for Maternal Health Voucher Scheme and National Nutrition Programme under Health, Population and Nutrition Sector Development Programme.

SAFETY NET PROGRAMMES

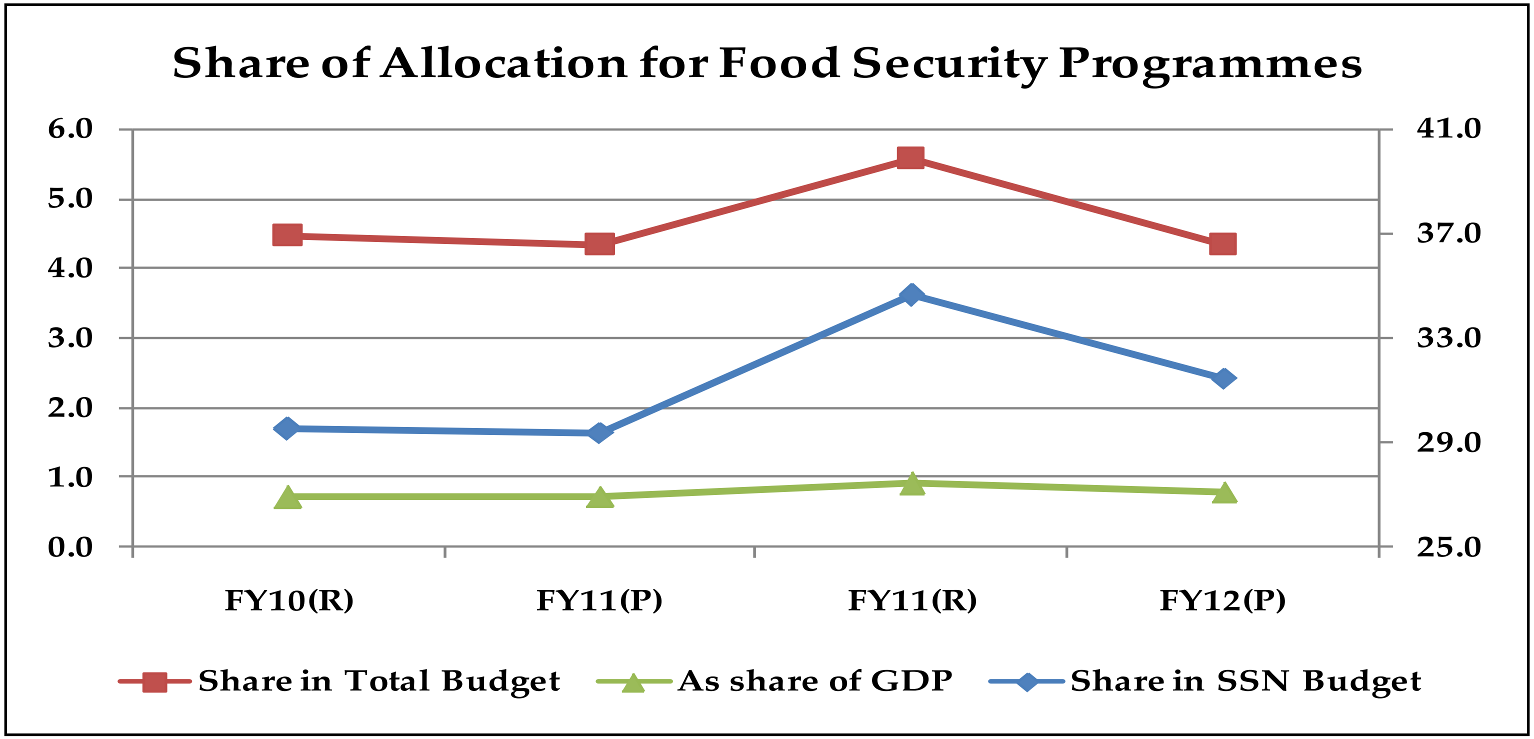
- SSN in FY12 budget
  - ✓Allocation of Tk. 22556 crore (13.8% of total budget)
  - ✓5 prog discontinued; 2 new added (*Universal Pension Scheme* and *Construction of Sweeper Colony*)
  - ✓Beneficiary decreased by 5% (about 40 lakh → from 8.08 crore to 7.68 crore)



Contradictory to the commitment of ensuring social security for all

- The programme 'Vulnerable Group Development for Ultra Poor (Women)' **has been listed twice** (!!) with different allocation → ***Are these two different?***
- Like previous budget speech, expansion of *Ghore Fera* programme has been announced → ***once again, no fund allocated***
- Increase in both allocation and coverage for various maternity allowances is commendable

Food Security in SSNP



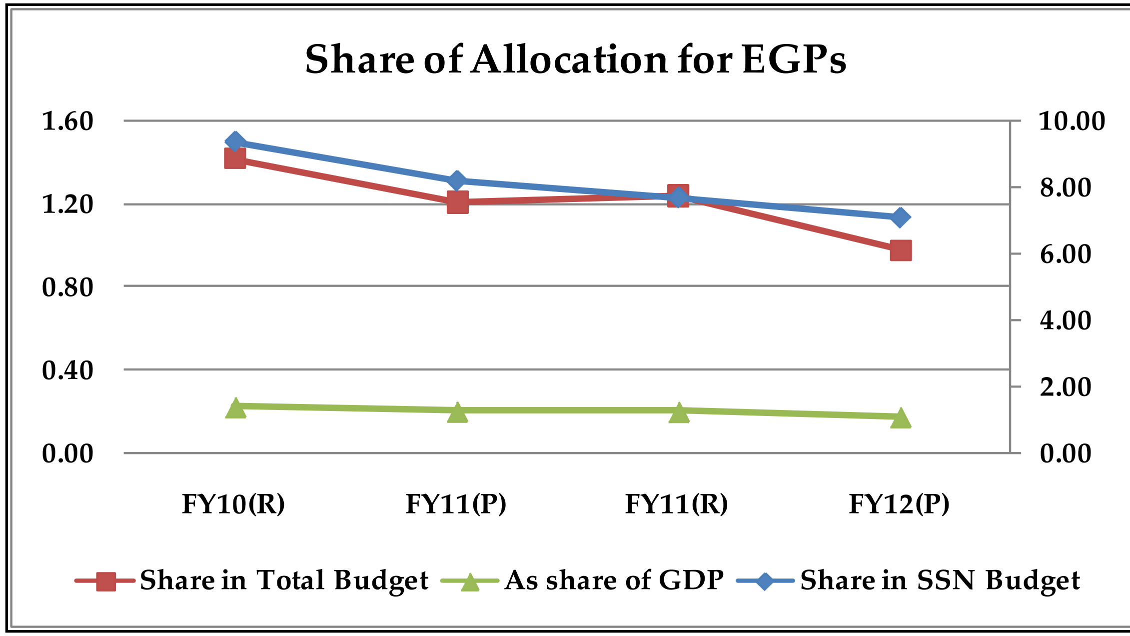
- FY12 allocation for Food Security Programmes : 4.3% of total budget; 31.5% of total SSN budget; and 0.8% as share of GDP
- Lower in all the three indicators when compared to FY11 revised budget

Of particular concern is the lower allocations for OMS (-16.3%) and FFW (-1.4%)

✓ *Perhaps due to assuming a fall in inflation and food price in FY12!*

Employment Generation Programmes (EGPs) in SSNP

- 11 EGPs in FY12 SSN
- EGP allocation: Tk. 1599 crore (less than 1% of total budget)
- It is less than 0.2% as share of GDP for FY12



- Despite increased number of beneficiaries, total allocation for 11 EGPs in FY12 was found to be less (-0.40%) than the revised allocation for FY11
  - ✓ Is wage decreasing? or Are more small scale projects being taken up?
  - ✓ Real income per worker will be lower in FY12 → ***Is it desired?***
- Two continuing programmes in EGP
  - ✓ Employment for Ultra Poor in Northern Region (allocation: Tk. 8 crore)
  - ✓ EGP for the Ultra Poor (allocation: Tk. 1000 crore)

Are these two different programmes?

CONCLUDING REMARKS

Four defining factors that are critically important for implementation of budget for FY12

- **Financing**
  - ✓ While the flow of foreign aid has been low during the past few years , a number of large foreign-aided projects including the Padma Bridge have been earmarked for implementation in the upcoming fiscal year. Efforts to release foreign aid in the pipeline needs to be intensified. Government should seek alternative sources of foreign aid in the form of grant and budgetary support to reduce pressure on domestic credit market.
- **Macroeconomic Balance**
  - ✓ Prudent management of monetary and fiscal sectors is necessary so the fuller implementation of ADP can be ensured without crowding out the private sector. Adjustment of Interest Rate and management of Exchange Rate is also necessary.

Four defining factors that are critically important for implementation of budget for FY12

- **Institutional Strengthening**
  - ✓ Strengthening of institutions that deal with development praxis is crucial to better administration of development. It is essential to invest in development of human resources and capacity building and raise the efficacy of all Ministries and Institutions related to ADP and budgetary implementation.
- **Political Stability**
  - ✓ A conducive political environment will be necessary to ensure the desired outcome of Budget FY12.

THANK YOU