Public Finance

10.1 Government fiscal operations aim to mobilize resources and ensure optimal allocation of government spending in order to attain sustainable and inclusive economic growth which in turn would help to alleviate poverty, reduce inequality and raise the standard of living of the people. As a developing country, for an increase in investment spending, Bangladesh follows a deficit budget. Still, budget deficit has been kept at a reasonable as well as the tolerable level at 5.5 percent of GDP in order to ensure the desired macroeconomic development and stability. A provisional estimate by Bangladesh Bureau of Statistics (BBS) hints that GDP grew at 5.2 percent only due to the worldwide shut down in economic activities caused by COVID-19 outbreak against the target of 8.2 percent in FY20.

Table 10.1 Government Revenue and Expenditure

(In billion BDT)

Items	FY19#	FY19 as % of GDP#	FY20*	FY20 as % of GDP*	FY21@	FY21 as % of GDP@
1. Total revenue	**2518.8**	**9.9**	**3480.7**	**12.4**	**3780.0**	**11.9**
a. Tax	2259.6	8.9	3130.7	11.2	3450.0	10.9
b. Non-tax	259.2	1.0	350.0	1.2	330.0	1.0
2. Total expenditure	**3916.9**	**15.4**	**5015.8**	**17.9**	**5680.0**	**17.9**
a. Operating	2381.1	9.4	2952.8	10.5	3481.8	11.0
b. ADP	1472.9	5.8	1929.2	6.9	2051.5	6.5
c. Others	62.9	0.2	133.8	0.5	146.7	0.4
3. Budget deficit	**1398.1**	**5.5**	**1535.1**	**5.5**	**1900.0**	**6.0**

Actual, * Revised Budget, @ Proposed Budget
Source : Budget in Brief, 2018-19, MoF and BBS.

FY20: Budget and Fiscal Outcome

Revenue Receipts

10.2 In the budget for FY20, revenue target was set considering various administrative and legal reforms, complete automation in collection process, compulsory TIN certificate for receiving different utility services, mandatory submission of return for the TIN holders, curtailing tax exemption, widening the tax net and tax base through survey, setting Electric Fiscal Device (EFD) for each business entity. As a result, the NBR revenue collection increased significantly in FY20 than that of the last few years.

10.3 In the revised budget for FY20, total revenue receipts targeted at BDT 3480.7 billion, which was 7.9 percent lower than the initial target. It was 38.2 percent higher than the actual revenue receipts in FY19. The revised target for tax revenue collection constituted 89.9 percent of the total revenue receipts which was 38.6 percent higher than that of the actual tax collected in FY19. Similarly, the revised target for non-tax revenue collection for FY20 was 35.0 percent higher than the actual collection for that of FY19 (Table 10.1).

10.4 In the revised budget for FY20, total revenue receipts as percentage of targeted GDP stood at 12.4 percent which was 9.9 percent in FY19. The target for total tax revenue receipts as a percentage of GDP revised at 11.2 percent in FY20 which was 8.9 percent in FY19. Similarly, total non-tax revenue as percentage of GDP targeted at 1.2 percent in FY20 which was 1.0 percent in FY19.

Expenditure

10.5 The total expenditure in the revised budget for FY20 amounted to BDT 5015.8 billion (17.9 percent of GDP) which tends to be 28.1 percent higher than the actual expenditure in FY19. The operating expenditure in the revised budget for FY20 targeted at BDT 2952.8 billion (10.5 percent of GDP) which was 24.0 percent higher than the actual operating expenditure of BDT 2381.1 billion in FY19 (Table10.1).

10.6 In the revised budget for FY20, direct taxes on income and profit increased by 52.9 percent to BDT 1028.9 billion from BDT 672.9 billion in FY19. Receipts from stamp duty (non-judicial), excise duty, land revenue, import duty, value-added tax (VAT), supplementary duty, and other taxes and duties increased by 133.3, 128.5, 110.5, 38.7, 29.2, 22.7 and 34.5 percent respectively in FY20 compared to those of FY19. However, receipts from export duty and taxes on the vehicle are revised to decrease by 57.4 and 55.3 percent respectively in the revised budget for FY20 compared to the actual collection for that in FY19 (Table 10.2).

10.7 Under the non-tax revenue head, interest, administrative fees and charges, non-commercial sales, receipts for services rendered, and dividend and profit increased by 250.9, 212.3, 170.6, 94.1 and 31.5 percent respectively in FY20 compared to those of FY19. On the contrary, fines, penalties and forfeiture, capital revenue, and rent and leases revised to decrease by 63.1, 51.2 and11.7 percent respectively over the same period (Table 10.2). Compositions of revised tax revenue receipts for FY20 and targeted tax revenue receipts for FY21 are depicted in Chart 10.1 and Chart 10.2 respectively.

10.8 The Annual Development Programme (ADP) in the revised budget for FY20 amounted to BDT 1929.2 billion (6.9 percent of GDP) which was 31.0 percent higher than the actual ADP in FY19. From the sectoral allocation, it is found that nearly, 41.5 percent of the total ADP was planned to spend on the infrastructure sector (power, oil, gas and natural resources, transport and communication), 17.0 percent

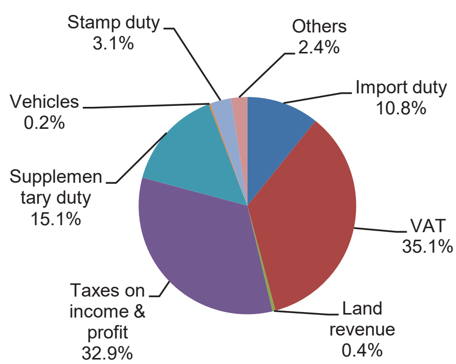
Table 10.2 Composition of Revenue Receipts

(in billion BDT)

Items	FY19#	FY20*	FY21@
1. Tax revenue	**2259.6**	**3130.7**	**3450.0**
A. NBR Tax revenue	**2186.2**	**3005.0**	**3300.0**
i) Taxes on income and profit	672.9	1028.9	1039.5
ii) Import duty	242.8	336.8	378.1
iii) Export duty	1.2	0.5	0.6
iv) Supplementary duty	384.3	471.4	578.2
v) Value Added Tax (VAT)	850.1	1098.5	1251.6
vi) Excise duty	23.4	53.5	36.9
vii) Other taxes and duties	11.5	15.5	15.3
B. Non NBR Tax revenue	**73.4**	**125.7**	**150.0**
i) Narcotics and liquor duty	0.8	1.1	1.2
ii) Taxes on vehicles	16.8	7.5	8.0
iii) Land revenue	6.7	14.0	16.7
iv) Stamp duty (non judicial)	42.0	98.0	118.5
v) Surcharge	7.2	5.1	5.6
2. Non-tax revenue	**259.2**	**350.0**	**330.0**
i) Administrative fees and charges	28.0	87.3	65.1
ii) Dividend and profit	26.5	34.9	17.5
iii) Interest	15.1	53.1	87.2
iv) Capital revenue	2.6	1.3	3.4
v) Receipts for services rendered	39.6	76.9	49.7
vi) Tolls	6.8	6.6	8.1
vii) Fines, penalties and forfeiture	6.9	2.5	4.9
viii) Non commercial sales	9.0	24.4	28.0
ix) Rents and leases	5.7	5.0	5.8
x) Other non-tax revenue and receipts	119.1	58.0	60.4
Total	**2518.8**	**3480.7**	**3780.0**

Actual, * Revised Budget, @ Proposed Budget.
Source : Budget in Brief, 2020-21, MoF.

Chart 10.1 Composition of Tax Revenue*-FY20



* Revised Budget
Source: Budget in Brief 2020-21, MoF.

on the social sector (education and religion, and health, nutrition, population and family welfare), and 3.8 percent on agriculture sector respectively (Table 10.3).

Budget Deficit and its Financing in FY20

10.9 In the revised budget for FY20, total deficit (excluding grants) revised at BDT 1535.1 billion which was 5.5 percent of the GDP (Table 10.1). The domestic borrowing component of the deficit financing was BDT 973.5 billion (3.5 percent of the GDP) in FY20. Of this component, BDT 824.2 billion (2.9 percent of the GDP) was bank borrowing and BDT 149.2 billion (0.5 percent of the GDP) was non-bank borrowing which was mainly through sales of national savings schemes (Chart 10.3). The foreign financing component (excluding grants) of the budget deficit was BDT 527.1 billion (1.9 percent of the GDP) (Table 10.4).

Major Revenue Measures in FY20 Budget

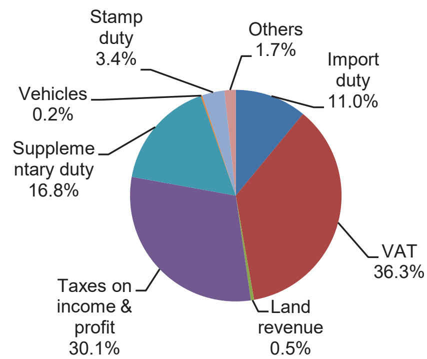
Direct Tax

10.10 Direct taxes on income and profit are considered as one of the principal sources of government revenue. It accounted for 32.9 percent share of the total tax revenue in the revised budget for FY20 compared to 29.8 percent in FY19. Marginal changes were made on direct taxes in the national budget for FY20 which are included below:

Taxes on Individual Income Remained Unaltered in FY20

- Tax exempted income limit for general taxpayer remained the same at BDT 2,50,000, but tax exempted income limit for parents of children with disablities at BDT 3,00,000.
- Tax exemption threshold for women and

Chart 10.2 Composition of Tax Revenue*-FY21



* Proposed Budget
Source: Budget in Brief 2020-21, MoF.

Table 10.3 Sectoral Shares in ADP Expenditure

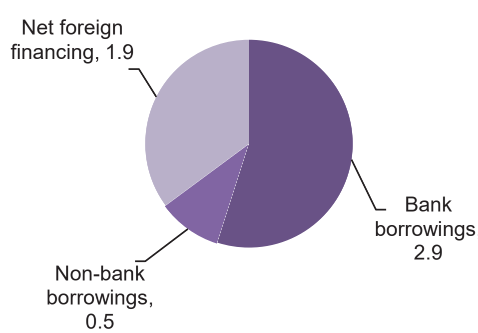
(In Percent)

Sectors	FY19*	FY20*	FY21@
Agriculture	4.1	3.8	4.1
Transport	12.8	26.1	25.4
Education & religion	9.3	10.6	11.4
Physical planning, water supply & housing	12.2	12.0	12.6
Power	13.9	12.8	12.1
Rural development & institutions	9.1	7.5	7.6
Health, nutrition, population & family welfare	6.5	6.4	6.4
Water resources	3.0	2.8	2.7
Industries	1.2	1.7	1.8
Oil, gas & natural resources	1.3	1.0	0.9
Communication	1.2	1.6	1.3
Others	25.3	13.9	13.8
Total	**100**	**100**	**100**

*Revised, @Proposed
Source : Revised Annual Development Programme, 2018-19, 2019-20 and Annual Development Programme 2020-21, Ministry of Planning

Chart 10.3 Deficit Financing* (including Grants) : FY20

(Percent of GDP)



* Revised
Source: Budget in Brief, 2020-21, MoF.

senior citizens aged 65 years or above remained the same at BDT 3,00,000.

- Tax exempted income limit for physically challenged individual remained the same at BDT 4,00,000.
- Tax exempted income limit for war-wounded gazetted freedom fighters remained the same at BDT 4,25,000.
- Tax rate for income of non-resident and income of Co-operative Society remained unaltered at 30.0 percent and 15.0 percent respectively.
- Existing minimum tax for a taxpayer, except company taxpayer, BDT 5,000 for the residents of Dhaka North City Corporation, Dhaka South City Corporation and Chittagong City Corporation, BDT 4,000 for the residents of any other city corporation, and BDT 3,000 for the residents of any other area is kept unchanged.

Taxes on Corporate Income

- Tax rate for publicly traded company remained the same at 25.0 percent as well as that of publicly traded bank, insurance and financial institution including bank, insurance and financial institutions approved by the Government in 2013 kept unchanged at 37.5 percent.
- Tax rate for non-publicly traded company remained the same at 35.0 percent and that of non-publicly traded bank, insurance and financial institutions kept unchanged at 40.0 percent.
- Tax rate for merchant banks remained the same at existing 37.5 percent.
- Tax rate for cigarette, bidi, zarda, chewing tobacco, gul or any other tobacco manufacturing company remained the same at existing 45.0 percent.
- Tax rates for publicly traded and non-publicly traded mobile phone operators remained the same at 40.0 percent and 45.0 percent respectively.
- Tax rate on the dividend income has been kept unchanged at existing 20.0 percent.
- To encourage payment of dividend in cash, 15.0 percent tax on stock dividend distributed to the shareholders by any listed company has been imposed.
- It has been proposed to impose 15.0 percent additional tax on so much of retained earnings and reserves as it exceeds 50.0 percent of the paid up capital of the company.

Value Added Tax (VAT)

10.11 Value Added Tax (VAT) is the single largest source of tax revenue collection in Bangladesh. VAT representing 35.1 percent of total tax revenue increased by 29.2 percent to BDT 1098.5 billion in FY20 compared to BDT 850.1 billion in FY19. The marginal changes on VAT in the national budget for FY20 included:

The new Value Added Tax and Supplementary Duty Act, 2012 has been finalized which is empowered with online VAT related services, abolition of price declaration system before the supply of goods and provision to maintain sufficient balance in the Account Current Register etc.

VAT Impositions and Expansions

- Encourage the small and medium sector (SMEs) by giving opportunity to pay turnover tax at 4 percent rate in the case of annual turnover from BDT 5 million to BDT 30 million;

- The VAT rate has been fixed at 5.0 percent for the local traders;
- Along with the standard VAT rate of 15.0 percent, there will be reduced rates of 5.0 percent, 7.5 percent and 10.0 percent for specific goods and services;
- Considering the sensitivity of the product, the VAT rate at the trading stage of pharmaceutical and petroleum products was fixed at 2.4 percent and 2.0 percent respectively.

VAT Exemptions

- The small and marginal traders with an annual turnover up to BDT 5 million was exempted to keep them out of the VAT net;
- Considering the interest of poor and marginalized people, the production and supply of bread, hand-made biscuits and hand-made cakes up to the value of BDT 150 per kg was exempted from VAT;
- For incentivizing the agricultural sector, the local supply of agricultural machineries such as Power ripper, Power tiller operated seeder, Combined harvester, Low lift pump, Rotary tiller etc. was exempted from VAT;
- The rent of a business showroom run by women entrepreneurs was exempted from VAT;
- The supply of natural gas, suppliers and electricity in the case of investment in Bangladesh Economic Zone (BEZA) was exempted from VAT;
- VAT was exempted for Rooppur nuclear power plant project on the procurement of services from freight forwarders, clearing and forwarding agencies, insurance companies, suppliers and banking services.

Table 10.4 Composition of Budget Financing

(In billion BDT)

Items	FY19#	FY20*	FY21@
Domestic Financing	1068.5	973.5	1099.8
Bank borrowing	345.9	824.2	849.8
Non-bank borrowing	722.6	149.2	250.0
Foreign financing (net)	312.9	527.1	760.0
Budget Deficit (including grants)	1381.3	1500.5	1859.9
Budget Deficit (excluding grants)	1398.1	1535.1	1900.0
GDP (Memorandum Item)	25424.8[1]	27963.8	31718.0

#Actual, *Revised, @Targeted
Source : Budget in Brief, 2020-21, MoF and BBS.

Customs Duty and Taxes

10.12 To ensure necessary protection to the promising domestic industries under global competing scenario, helping expand of the export oriented industries, maintaining competitiveness of Bangladesh economy, simplifying and facilitating trade and commerce the existing duty –tax structures have been rationalized from time to time. Besides, inconsistent duty-tax structures have been corrected to combat against smuggling and false declarations. Import duty increased by 38.7 percent to BDT 336.8 billion in FY20 compared to BDT 242.8 billion in FY19. The proposed changes on custom duties and taxes in the national budget for FY20 include:

- Considering the protection of local farmers, existing highest rate of customs duty at 25.0 percent and recently imposed 25.0 percent regulatory duty will remain unchanged on rice import;
- Zero rates are kept unchanged for the prime

ingredients of agricultural sector, especially for fertilizer, seeds, and insecticides;

- To protect local dairy industry, customs duty on this milk powder import was increased to 10.0 percent from existing 5.0 percent;
- Existing specific duty was increased to BDT 3000.00/MT on import of raw sugar, to BDT 6,000.00/MT for refined sugar. Regulatory duty will be 30.0 percent instead of 20.0 percent for both refined and raw sugar import;
- Rice bran is the prime raw material of rice bran oil. As there is a huge demand from local rice bran industries, export duty of rice bran proposed to increase from 10.0 percent to 25.0 percent to discourage exports;
- To protect domestic tyre and tube industry, it was proposed to increase regulatory duty from 3.0 percent to 5.0 percent on the importation of 16-inch tyre, motorcycle tyre and tube used in CNG baby taxi and light vehicles;
- Customs duty of smart phone increased to 25.0 percent from existing 10.0 percent to help protect the local manufacturers of this sector. However, customs duty of feature phone will remain unchanged at existing 10.0 percent as it is used by relatively poor people;
- Import duty for natural honey in bulk was increased to 15.0 percent from existing 10.0 percent;
- Import duty for olive oil wrapped/canned up to 2.5 kilogram was increased to 25.0 percent from existing 10 percent;
- All single or multi phase AC/DC motor are now subject to 10.0 percent of import duty;
- In order to improve the traffic congestion situation and develop the public sector transport system, issuance or renewal of all kinds of vehicles registration, route permit, fitness certificates, ownership certificate etc. except for passenger buses, trucks, lorries, three wheeler, ambulances and school buses are now subject to 10.0 percent of supplementary duty;
- the supplementary duty increased to 25.0 percent from existing 20.0 percent on chartered aircrafts and helicopters service;
- Ice-cream are now subject to 5.0 percent of supplementary duty;
- It has been proposed to increase the supplementary duty from existing 5.0 percent to 10.0 percent of the services provided through mobile phone SIM/ RIM card;
- The price of every 10 sticks of low segment cigarette are fixed at BDT 37 and the supplementary duty rate at 55.0 percent, medium segment cigarette at BDT 63 and the supplementary duty rate to 65.0 percent, high segment and premium segment cigarette at BDT 93 and BDT 123 respectively and keep the supplementary duty rate to existing 65.0 percent;
- The price of 25 sticks of non-filter bidi was fixed at BDT 14 and supplementary duty rate at 35.0 percent and the price of 20 sticks filter bidi at BDT 17 and supplementary duty rate at 40.0 percent;
- The minimum retail price were fixed at BDT 30 per 10 grams for zarda and at BDT 15 per 10 grams for gul and the supplementary duty rate was fixed at 50.0 percent;

- Supplementary duty for particle board was increased to 20.0 percent from existing 10.0 percent;
- Decrease of existing export duty of building bricks from 25.0 percent to 15.0 percent;
- The duty of lightning arrester, bond seal paint and Fire retardant paint was reduced to 5.0 percent to save valuable life and electrical equipment from lightening;
- Concessionary rate during the import of fire frightening equipment have been extended to other Vat registered service oriented organizations;
- To prevent gold smuggling, a reduction of duty of gold under Passenger (non-tourist) and Baggage (import) Rules-2016 and for commercial import, from BDT 3000.00/11.664 gm to BDT 2000.00/11.664 gm was proposed;
- Ethylene/propylene imported by VAT registered PVC/PET resin manufacturing industry in economic zone was exempted from existing 5.0 percent of import duty and now subject to 3.0 percent regulatory duty;
- Cotton seeds are now subject to 5.0 percent of regulatory duty but exempted from the existing 5.0 percent of import duty;
- Import duty was reduced to 5.0 percent for steel plate imported by VAT registered refrigerator manufacturing industry ;
- It was proposed to withdraw existing 10.0 percent export duty on unmanufactured tobacco to reduce domestic availability of these harmful products;
- Exemptions and concessionary rate of duties of some pharmaceutical raw materials including that of cancer medicines have been proposed. Moreover, regulatory duty proposed to decrease from 20.0 percent to 10.0 percent on import of liquid Oxygen, Nitrogen, Argon and Carbon Dioxide for making these lifesaving gases available to the poor patients at low cost;
- Tubes, pipes and hoses of plastics, PVC Screen and various textile fabrics that are used in footwear industry have been exempted from supplementary and regulatory duty;
- To encourage poultry sector, Ammonia Binder (Feed grade), Liver Protector, renal protector, respiratory protector, Vaccine stabilizer used Poultry/Dairy/Fish feed production has been exempted from tax;
- Approximately 43 ingredients that are used as raw materials to prepare medicine of cancer have been exempted from customs duty;
- Various components for compressor manufacturing and lift industry on which all duty-taxes are exempted except either 1 percent or 5 percent customs duty.

FY21 Budget and the Way Forward

10.13 The budget of FY21 has been formulated aiming at higher GDP growth, lower inflation and gearing up investment. In the budget for FY21, the GDP growth target has been set at 8.2 percent, average inflation rate at 5.4 percent and the budget deficit is expected to be within 6.0 percent of GDP.

10.14 The total size of the budget for FY21 is set at BDT 5680.0 billion, which is 17.9 percent of the GDP and 13.2 percent higher than the revised budget for FY20. The estimated outlay for Annual Development Programme (ADP) for FY21 stands at BDT 2051.5 billion, which is about 6.5 percent of GDP. This developmental expenditure turns out 6.3 percent higher than that of the revised budget of the previous fiscal year. In the ADP for FY21, about 25.4 percent of this development outlay has been allocated to transport sector (roads, railway, bridges and others related to transport), 17.8 percent to the human resource sector (education, and health, nutrition, population and family welfare), 14.4 percent to overall agricultural sector (agriculture, rural development and institutions and water resources), 13.0 percent to power and energy sector, 12.6 percent to physical planning, water supply and housing sector, and 13.8 percent to other sectors (Table 10.5).

10.15 Different ministries and divisions have been categorized into three main groups based on their allocation of business. These are social infrastructure, physical infrastructure and general services. In the proposed budget for FY21, about 27.4 percent of total outlay has been allocated for social infrastructure, of which 24.7 percent is set for human resources sector (education, health, science and technology and other related sectors). About 29.4 percent of total outlay has been allocated for physical infrastructure, of which 12.3 percent goes to wider agriculture and rural development, 10.8 percent to overall communication sector and 4.7 percent to power and energy sector. About 24.7 percent of total outlay has been allocated for general service sector. An allocation of 6.5 percent of total outlay has been allocated for PPP projects, financial assistance for different industries, subsidies and equity investment in state-owned commercial and financial institutions.

Table 10.5 Composition of Revenue Expenditure

(In billion BDT)

Sectors	FY17#	FY18*	FY19@
Social sector	1105.1	1362.8	1517.5
Public services	330.0	804.0	1131.6
Interest on domestic debt	460.2	528.0	582.5
Defense	299.9	326.5	344.3
Public order and safety	270.2	274.4	286.7
Interest on foreign debt	34.5	48.7	55.5
Agriculture sector	236.0	270.2	299.8
Transport and communication	378.3	584.9	645.8
Energy and power	371.9	261.5	267.6
Local government and rural development	314.9	404.7	395.7
Housing	60.2	74.5	69.4
Others	55.7	75.6	83.7
Total	**3916.9**	**5015.8**	**5680.0**

#Actual, *Revised, @Targeted
Source : Budget in Brief, 2020-21, MoF.

Table 10.6 Composition of Social Sector Revenue Expenditure

(In billion BDT)

	FY19#	FY19*	FY21@
Education & technology	632.4	770.4	857.6
Health	186.8	236.9	292.5
Recreation, culture and religious affairs	44.5	47.4	47.9
Labour and employment	2.2	3.7	3.5
Social security and welfare	239.2	304.4	316.0
Total	**1105.1**	**1362.8**	**1517.5**

#Actual, *Revised, @Targeted
Source : Budget in Brief, 2020-21, MoF.

10.16 Apart from these three major categories, 11.2 percent of total outlay has been allocated for interest repayment and the rest 0.8 percent has been allocated for net lending and other expenditures. Like the preceding fiscal years, ADP allocation has been estimated with a view to giving priority to ensure regional parity, developing human resources and infrastructure, and securing quality of spending with achievement of results

Revenue Receipts for FY21

10.17 The revenue receipts in FY21 is targeted to grow by 8.6 percent to BDT 3780.0 billion compared to BDT 3480.7 billion of the revised budget for FY20.The tax revenue receipts are expected to increase by 10.2 percent but in the contrary the non-tax revenue collection are expected to decrease by 5.7 percent compared to that of the revised budget for FY20. Total revenue-GDP ratio is targeted to be 11.9 percent in the FY21 compared to 12.4 percent in FY20 (Table 10.1). Receipts from the direct taxes on income and profits is targeted to increase by 1.0 percent in FY21 compared to the revised budget for FY20 that still constitutes 30.1 percent of the total revenue. On the other hand, 15.8 percent growth is targeted for indirect taxes (VAT, import duty, supplementary duty, and export duty). Among non-tax revenue sources, receipts from interest have been targeted to increase by 64.2 percent in FY21 compared to the revised budget for FY20 (Table 10.2).

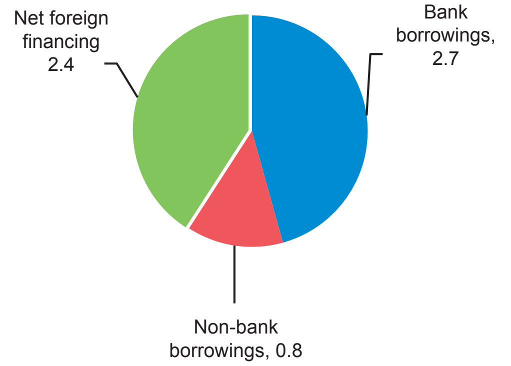
10.18 Receipts from other non-tax revenue and receipts such as capital revenue, fine, penalties and forfeiture, tolls, receipts from rent and leases and non-commercial sales are expected to rise by 171.4, 94.5, 23.7, 15.4 and 14.7 percent respectively in FY21. On the other hand, receipts from dividend and profit, service rendered and administrative fees and charges are expected to decline by 49.9, 35.5 and 25.4 percent respectively in FY21 compared to that of the revised budget for FY20.

Expenditure for FY21

10.19 The total public expenditure in FY21 is expected to increase by 13.2 percent to BDT 5680.0 billion compared to the revised budget for FY20. The operating expenditure is expected to grow by 17.9 percent, the ADP by 6.3 percent, other expenditure by 9.7 percent over the revised budget for FY20. The targeted operating expenditure for FY21 is set at BDT 3481.8 billion (Table 10.1). About 26.7 percent

Chart 10.4 Deficit Financing* (including Grants) : FY21

(Percentage of GDP)



* Targeted
Source: Budget in Brief 2020-21, MoF.

of the total expenditure has been allocated for the social sector (Table 10.5), of which the major portion of this sector (96.6 percent) will go to education and technology, social security and welfare, and health sector (Table 10.6).

Deficit Budget and its Financing in FY21

10.20 The budget deficit (excluding grants) for FY21 is estimated at BDT 1900.0 billion which is BDT 364.9 billion higher than that of the revised budget for FY20. The targeted budget deficit-GDP ratio for the FY21 is 6.0 percent which was 5.5 percent in the revised budget for FY20. The deficit is expected to be financed through borrowing from domestic banks and non-bank sources to the tune of BDT 1099.8 billion (3.5 percent of GDP) and external financing to the tune of BDT 760.0 billion (2.4 percent of GDP) in FY21 (Charts 10.4) against BDT 973.5 billion (3.5 percent of GDP) and BDT 527.1 billion (1.9 percent of GDP) in the revised budget for FY20 respectively. Of total domestic borrowing, BDT 849.8 billion is targeted to be financed from the banking system and BDT 250.0 billion from non-banking sources (Table 10.4).