Public Finance

Fiscal trends- strategies for achieving higher growth, reduction in unemployment, improving social security and the strengthening of revenue generating capacity

9.1 The budget for FY11 was formulated against the backdrop of the global turnaround from the financial crisis. The budget was based on certain assumptions contained in the Medium Term Macroeconomic Framework (MTMF). In FY11, as in the previous year, fiscal policy was focused on promoting economic growth and improving poverty situation through reduction of unemployment and broadening of social safety net. In keeping with this objective, budget spending on transport, infrastructure and power sector was strengthened and comprehensive initiative including broadening the tax base and improvements in the direct tax collection were carried out during FY11. The total revenue in the revised FY11 budget exceeded the initial projection whereas the total expenditure fell short of the target. The budget deficit (excluding grants) as percentage of GDP ended up 4.4 percent, which was lower than the target of 5.0 percent (Table 9.1). The domestic borrowing of the government, which was contained to 2.3 percent of the GDP in the preceding fiscal year, rose to 3.1 percent of the GDP.

The revenue collection in the revised FY11 budget increased by 25.4 percent over the actual FY10 revenue. The current expenditure in the revised FY11 budget was higher than the actual FY10 current expenditure by 15.1 percent. On the other hand, although the Annual Development Programme (ADP) of Taka 358.8 billion in the revised FY11 budget turned out 40.4 percent higher than the actual FY10 ADP, it fell short of the target by 6.8 percent. The actual utilisation of ADP during the FY11 ended up 92 percent of the revised allocation. The fiscal deficit of 4.4 percent of GDP in the revised FY11 budget was higher than the actual FY10 fiscal deficit by 0.7 percentage point (Table 9.1).

Table 9.1 Bangladesh Government revenue and expenditure

(billion Taka)

	FY10#	FY10 as % of GDP*	FY11*	FY11 as % of GDP*	FY12**	FY12 as % of GDP**
Total revenue	**759.1**	**11.0**	**951.9**	**12.1**	**1183.9**	**13.2**
a) tax	624.9	9.1	790.5	10.0	957.9	10.7
b) non-tax	134.2	1.9	161.4	2.1	226.0	2.5
Total expenditure	**1016.1**	**14.7**	**1300.1**	**16.5**	**1635.9**	**18.2**
a) current	670.1	9.7	771.0	9.8	878.5	9.8
b) ADP	255.5	3.7	358.8	4.5	460.0	5.1
c) others	90.5	1.3	170.3	2.2	297.4	3.3
Budget deficit	**257.0**	**3.7**	**348.2**	**4.4**	**452.0**	**5.0**

Source : Budget in Brief 2011-12, Ministry of Finance
= Actual, * = Revised budget, ** = Budget estimate

The FY11 Budget and Fiscal Outcome
a. Revenue Receipts

9.2 Against the target of Taka 928.5 billion, the revised total revenue receipts in the FY11 was Taka 951.9 billion, which was higher than the actual FY10 revenue receipts by 25.4 percent. The tax revenue making up 83.0 percent of the total revenue receipts increased at a higher rate of 26.5 percent compared to 18.2 percent growth in the FY10 (Table 9.1).

The non-tax revenue displayed higher growth rate of 20.3 percent in FY11 compared to 1.7 percent decrease in the preceding fiscal year. The total revenue receipts as percentage of GDP rose to 12.1 percent in FY11 compared to 11.0 percent in FY10. The total tax revenue receipts as percentage of GDP increased to 10.0 percent in FY11 compared to 9.1 percent in the preceding fiscal year. On the other hand, the total non-tax revenue receipts as percentage of GDP increased to 2.1 percent in FY11 compared to 1.9 percent in FY10. The major revenue measures in FY11 budget included:

- The individual and corporate tax rates remained unchanged. The tax exempted income limit for individual taxpayers was unchanged at Taka 165,000.
- Tax holiday facility was provided for industries engaged in manufacturing of solar panel, energy saving bulb and contraceptives (barrier contraceptive or rubber latex).
- A provision was made for allowing infrastructure depreciation allowance on physical infrastructure like bridge, road, fly over, or any infrastructure to be built under Private Public Partnership (PPP) initiative.
- A provision for investment in bonds issued under the Bangladesh Infrastructure Finance Fund (BIFF) subject to the payment of tax at the rate of 10 percent till June 2012 was introduced.
- Tax was imposed at a concessionary rate of 5 percent on income of a company, earned from the trading of shares of listed companies in any stock exchanges.

Table 9.2 Composition of revenue receipts

(billion Taka)

	FY10#	FY11*	FY12**
Tax revenue	**624.9**	**790.5**	**957.9**
Value Added Tax (VAT)	230.8	282.7	343.0
Import duty	88.7	108.9	126.4
Export duty	-	0.2	0.3
Supplementary duty	107.9	135.5	162.2
Taxes on income and profit	162.4	221.1	275.6
Stamp duty (non judicial)	16.4	19.6	23.0
Excise duty	3.4	2.8	4.5
Land revenue	4.0	5.3	5.7
Taxes on vehicles	6.5	9.1	9.8
Narcotics and liquor duty	0.6	0.6	0.7
Other taxes and duties	4.2	4.7	6.7
Non-tax revenue	**134.2**	**161.4**	**226.0**
Administrative fees and charges	18.5	25.6	28.9
Dividend and profit	21.3	13.8	18.5
Interest	5.0	21.7	22.8
Capital revenue	0.2	0.6	0.3
Receipts for services rendered	9.2	8.4	8.9
Non-commercial sales	2.6	3.4	3.4
Rents, leases and recoveries	1.0	1.3	1.4
Defense receipts	19.0	20.3	25.0
Tolls and levies	2.7	3.7	3.9
Fines, penalties and forfeiture	1.9	2.8	2.4
Railway	5.8	6.3	7.8
Post offices	2.4	2.4	2.8
Other non-tax revenue and receipts	44.6	51.1	99.9
Total :	**759.1**	**951.9**	**1183.9**

Source : Budget in Brief 2011-12, Ministry of Finance
= Actual, * = Revised budget, ** = Budget estimate.

- Tax was imposed at a concessionary rate of 5 percent on income of sponsor shareholders or directors of a company listed with any stock exchanges.
- Tax was imposed at the rate of 3 percent on the premium value of shares of companies being sold at a premium value.
- Tax was imposed at source from real estate developers at the time of registration of flats or buildings at the rate of Taka 2,000 or Taka 800 per square meter depending on the locations.

- Four-tier customs tariff structure remained unchanged. The duties on basic raw materials, capital machinery and parts, intermediate raw materials, and finished products were 5 percent, 3 percent, 12 percent and 25 percent respectively.
- The zero percent customs duty rate on commodities like rice, wheat, onion, pulses, edible oil, seeds, fertiliser, medicine, and cotton was kept unchanged. Import duty on milk powder was reduced from 12 percent to 5 percent.
- The 5 percent regulatory duty on all the products with the highest customs duty of 25 percent remained unchanged.
- The supplementary duty on both the Completely Built Up (CBU) and Completely Knocked Down (CKD) motorcycle was enhanced from 20 percent to 30 percent.
- The specific duties on raw sugar and refined sugar at the rate of Taka 2,000 and Taka 4,000 per metric ton respectively was imposed.
- Ten percent export duty on unmanufactured tobacco was imposed.
- The online VAT registration and return submission system were introduced.
- Manufacturers of refrigerators, freezers, motorcycles and energy saving bulbs along with its raw materials were exempted from VAT.
- The turnover limit for tax facility to Small and Medium Enterprises (SMEs) was raised to Taka 6.0 million from Taka 4.0 million per year.
- Fifteen percent VAT has been imposed on the import of CBU/diesel/petrol/CNG buses having 40 seats or more.

Chart 9.1

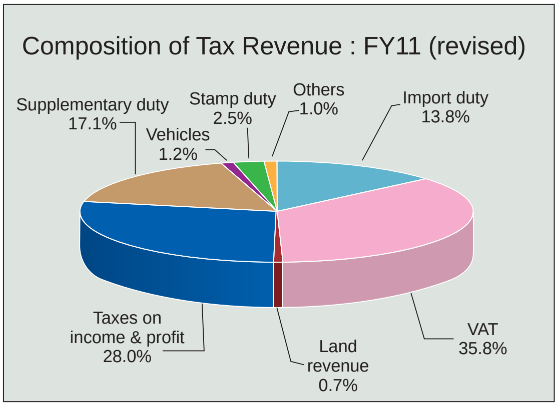
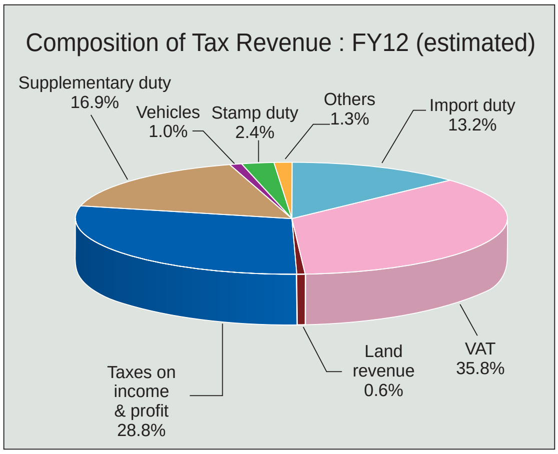


Chart 9.2



9.3 In the revised FY11 budget, direct taxes on income and profit increased at the rate of 36.1 percent to Taka 221.1 billion leaving its share in the total tax revenue to 28.0 percent from 26.0 percent in the FY10. Receipts from taxes on vehicles, land revenue, supplementary duty, import duty, Value Added Tax (VAT), stamp duty (non judicial), and other taxes and duties rose by 40.0, 32.5, 25.6, 22.8, 22.5, 19.5 and 11.9 percent respectively compared to that of the actual FY10 budget. On the other hand, receipts from excise duty declined by 17.6 percent. Receipts from narcotics and liquor duty remained unchanged at Taka 0.6 billion. For the first time, revised receipts from export duty during FY11 was recorded at Taka 0.2 billion (Table 9.2).

9.4 Under the non-tax revenue head, receipts from interest, capital revenue, and fines, penalties and forfeiture sharply increased by 334.0, 200.0 and 47.4 percent respectively compared to that of the actual FY10 budget. Other sub-sectors showing increase included receipts from administrative fees and charges 38.4 percent, tolls and levies 37.0 percent, non-commercial sales 30.8 percent, rents, leases and recoveries 30.0 percent, other non-tax revenue and receipts 14.6 percent, railway 8.6 percent, and defense 6.8 percent. On the contrary, receipts from dividend and profit, and services rendered fell by 35.2 and 8.7 percent respectively. Receipts from post offices remained unchanged at Taka 2.4 billion (Table 9.2).

b. Expenditure

9.5 The total public expenditure in the revised FY11 budget amounted to Taka 1300.1 billion, which was 1.7 percent lower than the initial projection of Taka 1321.7 billion and 28.0 percent higher than the actual FY10 expenditure of Taka 1016.1 billion. The revised current expenditure of Taka 771.0 billion in FY11 was 2.5 percent higher than the initial projection of Taka 752.3 billion. The revised ADP of Taka 358.8 billion was 6.8 percent lower than the initially targeted Taka 385.0 billion (Table 9.1). The Government took various measures to rationalise the public expenditure in FY11.

9.6 The revised current expenditure in FY11 surpassed initial allocations for a number of accounts, namely social sector, public order and safety, agriculture sector, transport and communication, local government and rural development, housing, and others (Table 9.3). The proposed non-development current expenditure in the FY11 had the following revisions:

- An additional amount of Taka 17.0 billion was allocated for agriculture subsidy.

Table 9.3 Composition of revenue expenditure

(billion Taka)

	FY10#	FY11*	FY12**
Social sector	213.8	273.3	286.5
Public services	45.8	61.2	99.0
Interest on domestic debt	135.0	131.6	165.2
Defense	68.8	66.5	89.5
Public order and safety	56.1	63.1	72.5
Interest on foreign debt	13.7	14.2	14.8
Agriculture sector	82.7	95.3	85.7
Transport and communication	27.4	32.7	34.4
Local government and rural development	15.7	19.2	19.4
Housing	6.5	7.3	7.7
Others	4.6	6.6	3.8
Total :	**670.1**	**771.0**	**878.5**

Source : Budget in Brief 2011-12, Ministry of Finance
= Actual, * = Revised budget, ** = Budget estimate.

- An additional amount of approximately Taka 5.3 billion was included under supply and services in the revised budget on account of electricity, municipality tax, land development tax, telephone, travel expenses, contingent staff, petrol and lubricant, training expenses, hiring charge, seminar and conference, computer equipments, honorarium/allowance/fee against some ministries.

9.7 The Annual Development Programme in FY11 was revised downward by 6.8 percent from Taka 385.0 billion to Taka 358.8 billion. Consistent with the growth and poverty reduction objectives, 33.1 percent of the total outlay was spent for the infrastructure sector (power; oil, gas & natural resources; transport; and communication), and 23.4 percent for the social sector (education & religious affairs, and health, nutrition, population & family welfare) (Table 9.5).

c. Financing the FY11 budget deficit

9.8 The deficit (excluding grants) in the revised FY11 budget stood at Taka 348.2

billion (4.4 percent of the GDP). This ratio was lower than what was initially projected. The domestic borrowing component of the deficit financing in the FY11 was Taka 248.2 billion (3.1 percent of the GDP). Of this, Taka 183.8 billion (2.3 percent of the GDP) was bank borrowing (Chart 9.3). The other component of Taka 64.4 billion (0.8 percent of the GDP) of domestic financing of the deficit was non-bank borrowing, mainly National Savings Schemes. The foreign financing component of the budget deficit was Taka 57.8 billion (0.7 percent of the GDP). From actual decline in FY10, Government's budgetary borrowing from the domestic banking system rose sharply by 39.9 percent in FY11, characteristically exceeding rather than falling short of initial projections, despite healthy growth in revenue receipts. The main reason was the decline in external financing and nonbank borrowing through National Savings Scheme (NSS) instruments, of which net sales plummeted with downward revision of profit rates.

The FY12 budget

9.9 The budget for FY12 has been formulated basing on certain assumptions contained in the Medium Term Macroeconomic Framework (MTMF) and Sixth Five Year Plan (2011-2015) to facilitate the realisation of the dream of "Vision 2021". The MTMF predicts that the country's economic growth will be 7.0 percent in FY12. By FY15, the growth rate will rise to 8.0 percent. Rebound of the global economy, robust export position, satisfactory growth in revenue mobilisation, uninterrupted growth in the agricultural sector, growth of credit outflow to the private sector and high growth of term loans have led to the growth prospects. The expected annual average inflation rate will be 7.5 percent in the FY12.

The total size of the FY12 budget stands at Taka 1,635.9 billion, which is 18.2 percent of the GDP and 25.8 percent higher than the revised FY11 budget. The estimated non-development and development outlays are Taka 1029.0 billion and Taka 506.4 billion respectively. The budget provides Taka 13.3 billion from revenue budget for development programmes, Taka 20.4 billion for non-ADP project, 12.8 billion for non-ADP Food-for-Work and transfer. The total outlay can be classified into three broad categories such as social infrastructure, physical infrastructure

Table 9.4 Composition of social sector revenue expenditure

(billion Taka)

	FY10#	FY11*	FY12**
Education & technology	115.9	132.7	140.0
Health	36.1	47.2	51.7
Recreation, culture and religious affairs	6.0	8.9	9.5
Labour and employment	0.3	0.5	0.5
Social security and welfare	55.5	84.0	84.8
Total :	**213.8**	**273.3**	**286.5**

Source : Budget in Brief 2011-12, Ministry of Finance
= Actual, * = revised budget, ** = budget estimate.

Table 9.5 Sectoral shares in ADP expenditure

(percent)

	FY10*	FY11*	FY12**
Agriculture	6.4	6.6	5.9
Rural development & institutions	14.0	13.0	9.6
Water resources	4.2	3.5	3.0
Industries	1.7	1.2	1.5
Power	9.3	14.3	15.6
Oil, gas & natural resources	3.6	3.1	2.4
Transport	13.6	14.9	16.9
Communication	1.2	0.8	0.7
Physical planning, water supply & housing	10.5	9.5	12.3
Education & religious affairs	15.4	14.4	13.3
Health, nutrition, population & family welfare	10.5	9.0	8.6
Others	9.6	9.7	10.2
Total :	**100.0**	**100.0**	**100.0**

Source : Annual Development Programme 2010-2011 and 2011-2012, Ministry of Planning
* = Revised, ** = Estimate.

and general services. In the budget, about 30.4 percent of the total outlay has been allocated for social infrastructure, of which 20.9 percent has been allocated for human development (education, health, science and technology and other related sectors). About 29.2 percent of the total outlay has been allocated for physical infrastructure, of which 15.2 percent goes to wider agriculture and rural development, 6.5 percent to overall communication sector and 5.1 percent to power and energy. About 17.1 percent of the total outlay has been allocated for general service sector that includes an allocation of 5.0 percent of the total outlay for PPP projects, financial assistance to different industries, subsidies and investment in state-owned commercial and financial institutions. Apart from these three major categories, 11 percent of the total outlay has been allocated for interest payment and the rest 7.8 percent has been allocated for net lending and other expenditures.

Like the preceding FY's ADP, the large size of the ADP has been designed keeping in mind the commitment to regional parity, improved infrastructure and quality of expenditure.

The total developmental expenditure for FY12 stands at Taka 506.4 billion, which is 5.6 percent of the GDP. This developmental expenditure turns out 27.8 percent higher than that of the revised budget of the previous fiscal year.

a. Revenue receipts

9.10 The revenue receipts in FY12 has been targeted to grow by 24.4 percent to Taka 1183.9 billion (13.2 percent of the GDP) compared to that of the previous year's revised budget. The tax and non-tax revenue receipts are expected to rise by 21.2 percent and 40.0 percent respectively, against increases of 26.5 percent and 20.3 percent

Chart 9.3

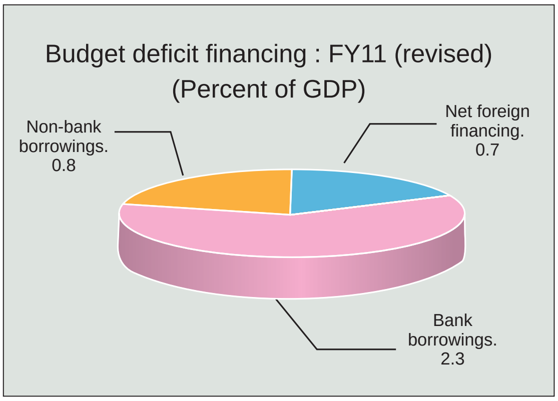
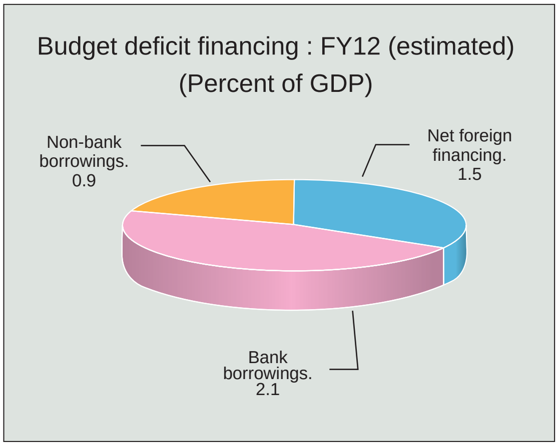


Chart 9.4



respectively in the revised FY11 budget. It leaves the projected total revenue-GDP ratio at 13.2 percent in FY12 compared to 12.1 percent in FY11 (Table 9.1). A higher 24.6 percent increase in receipts from the direct taxes on income and profits has been projected against 20.0 percent growth projected for indirect taxes (VAT, import duty, supplementary duty, and other taxes and duties) (Table 9.2).

Among non-tax revenue sources, other non-tax revenue and receipts has been projected to increase by 95.5 percent compared to 14.6 percent increase in the preceding fiscal year. Receipts from dividend and profit, railway, and

Box 9.1

Salient Revenue Measures in FY12 Budget

A. Income Tax

- The tax exempted income limit for individual taxpayers has been raised to Taka 180,000 from Taka 165,000. The limit for individuals above 65 years of age has been increased to Taka 200,000 from Taka 180,000 and the limit for mentally challenged persons has been raised to Taka 250,000 from Taka 200,000. Corporate tax rates remain unchanged.
- Tax exemption policies for government officials and employees have been retracted.
- Company taxpayers are eligible to get a 10 percent tax rebate for Corporate Social Responsibility (CSR) initiatives up to Taka 80,000,000 subject to a limit of 20 percent of their income. The limit for investment for tax rebate has been raised to Taka 10,000,000 to encourage individual investment.
- The existing tax holiday period has been extended till 30 June 2013. The tax holiday period for physical infrastructure like roads, bridges, etc. has been raised to 10 years instead of the existing 5 or 7 years. Keeping conformity with other areas, the same tax holiday facility has been offered to industries to be set up from 1 January 2012 in the Export Processing Zone (EPZ). However, incumbent industries in the EPZ are to enjoy the existing benefits. The tax exemption period for the software industry has been extended till 30 June 2013.
- The existing tax exemption benefits to investors in the capital market are to continue even if their income is above the threshold limit. Investments in the capital market, Bangladesh Infrastructure Finance Fund Limited (BIFFL) and Treasury Bonds are to be accepted without any questions subject to payment of tax at the rate of 10 percent.
- The tax deduction rate for different savings instruments has been reduced to 5 percent from the existing 10 percent.
- The tax deductible at source for brokerage commissions of stock brokers listed with stock exchanges has been raised from 0.05 percent to 0.10 percent.

B. Import Duty

- The zero rate of import duty on rice, pulses, wheat, sugar, edible oil, onion, fertilizer, seeds, life saving medicine and cotton remains unchanged.
- The five percent regulatory duty on commodities that yield the highest customs duties (25 percent) except commodities that enjoy concessionary rate facilities remains unchanged.
- The current 30 percent supplementary duty on the import of motorcycles (Completely Built Up or in CBU condition) has been raised to 45.0 percent. The five percent regulatory duty on Completely Knocked Down (CKD) motorcycle imports has been withdrawn while the 30 percent supplementary duty remains the same.
- Customs duties on imported printed text books for primary and secondary levels have been raised to 12.0 percent from 5.0 percent.
- The supplementary duty on imported furniture has been increased from 20.0 percent to 30.0 percent. The five percent regulatory duty on the import of particle boards and MDF boards has been withdrawn.
- Five percent import duty and 15.0 percent Value Added Tax on leucocytes filters used for blood purification of thalasamia patients has been withdrawn.

C. Value Added Tax (VAT)

- A draft of the Value Added Tax legislation titled "Value Added Tax Act, 2011" has been prepared.
- VAT on handmade biscuits and cakes valued at Taka 100 per kilogram at the production stage has been withdrawn.
- VAT on mobile phone SIM card has been reduced to Taka 600 from Taka 800.
- The maximum penalty for VAT evasion has been fixed at one and half times of the evaded amount of revenue instead of the existing two and a half times of the evaded amount.

defense are expected to rise by 34.1, 23.8 and 23.2 percent respectively in the FY12. The targeted growth rates of receipts from post offices, administrative fees and charges, rents, leases and recoveries, services rendered, tolls and levies and interest have been set at 16.7, 12.9, 7.7, 6, 5.4 and 5.1 percent respectively. Receipts from capital revenue, and fines, penalties and forfeiture have been projected to fall by 50.0 and 14.3 percent respectively. Receipts from non-commercial sales is expected to remain unchanged (Table 9.2).

b. Expenditure

9.11 The total public expenditure in FY12 is expected to increase by 25.8 percent to Taka 1,635.9 billion over the revised figure of the FY11. The current expenditure is expected to grow by 13.9 percent, the ADP by 28.2 percent and the other expenditure by 74.6 percent over the revised FY11 budget. The ratio of total expenditure to GDP is predicted to increase to 18.2 percent in the FY12 from 16.5 percent in the revised FY11 budget (Table 9.1).

9.12 The projected current expenditure for FY12 budget stands at Taka 878.5 billion (Table 9.1 & 9.3). Almost one third of the total current expenditure has been allocated for the social sector, in which the major shares go to the education and technology, health, social security and welfare programmes promoting human resources development and widening social safety net (Table 9.4).

A total of Taka 125.2 billion (development and non-development) has been allocated for the agriculture sector, which is 4.2 percent lower than that of the revised budget of the preceding fiscal year. Taka 45.0 billion has been apportioned as subsidy for this sector.

Human resources development is an integral part of the overall development efforts. Taka 341.5 billion (development and non-development) has been allocated for the human resources development sector. This is 20.9 percent of the total development and non-development budget.

Taka 10 billion has been allocated for a new fund titled 'Prime Minister's Education Assistance Foundation' with public-private financing, where the Government provides a portion of the said money. The rest of the financing comes from the private enterprises under corporate social responsibility framework.

The beneficiary coverage of Old Age Allowance has been enhanced to 2.5 million and Taka 8.9 billion has been allocated for this purpose. Taka 3.3 billion has been provided for the "Widow, Divorced, and Distressed Women Allowances Scheme" targeting about 0.92 million.

About Taka 1 billion has been allocated for 286,000 beneficiaries under the Allowances for the Insolvent Disabled Programme for FY12.

About Taka 0.4 billion has been allocated for the Maternity Allowances for "Poor Working Mother's Schemes" with a target to serve 92,000 poor mothers of low income group in the rural areas. Taka 0.3 billion has been given to the Maternity Allowances for "Poor Working Mother's Schemes" in the urban areas with number of beneficiaries raised to 77,600.

A total of Taka 70 million has been allocated for the eradication of begging profession programme. Taka 10.0 billion has been allocated to the employment generation for the Hardcore Poor programme. The programme is expected to create temporary employment opportunities for 1.5 million people in the rural areas.

A total of Taka 42.3 billion has been allocated for various projects designed for poverty reduction. These include Taka 1.3 billion for

Box 9.2

Salient Expenditure Measures in FY12 Budget

A. Development Expenditure and Non-Development Expenditure

- The total size of the budget stands at Taka 1,635.9 billion.
- The estimated non-development and development outlays are Taka 1,029.0 billion and Taka 506.4 billion respectively.
- Taka 13.3 billion has been allocated from revenue budget for development programme.
- Taka 20.4 billion has been allocated for non-ADP project.
- Taka 12.8 billion has been allocated for non-ADP Food-for-Work and transfer.
- Taka 341.5 billion or 20.9 percent of the total budget has been earmarked for human resources development.
- Taka 125.2 billion (development and non-development) has been allocated for the agriculture sector, which is 4.2 percent lower than that of the revised budget of the preceding fiscal year.
- Taka 45.0 billion has been allocated as subsidy for the agriculture sector.
- Taka 88.7 billion (development and non-development) has been allocated for the health and family welfare sector, which is 16.4 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 83.1 billion (development and non-development) has been allocated for the fuel and energy sector, which is 14.5 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 203.2 billion (development and non-development) has been allocated for the education and technology sector, which is 9.4 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 110.5 billion (development and non-development) has been allocated for the social security and welfare sector, which is 6.0 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 122.7 billion (development and non-development) has been allocated for the local government and rural development sector, which is 17.0 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 112.8 billion (development and non-development) has been allocated for the transport and communication sector, which is 30.2 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 180.0 billion (non-development) has been allocated for the interest payment sector, which is 23.5 percent higher than that of the revised budget of the preceding fiscal year.

B. Annual Development Programme (ADP)

- The ADP has been projected at Taka 460.0 billion, which is 28.2 percent higher than that of the revised budget of the preceding fiscal year.

Rural Employment and Road Maintenance programme, Taka 0.4 billion for Protection of Government Assets Project, Taka 1.2 billion for the projects namely, Creating Employment for the Hardcore Poor of Monga areas and Economic Empowerment of the Poor. Taka 138.0 billion has been allocated for agricultural credit disbursement for FY12.

9.13 The Annual Development Programme (ADP) for FY12 has been projected at Taka 460.0 billion, exceeding the revised ADP of

Taka 358.8 billion in the FY11 by 28.2 percent. About 35.6 percent of the total ADP has been allocated for infrastructure sector. On the other hand, social sector would receive 21.9 percent of the total ADP (Table 9.5).

c. Deficit in FY12 budget and its financing

9.14 The FY12 budget deficit (excluding grants), estimated at Taka 452.0 billion, is higher by Taka 103.8 billion than that of the revised FY11 budget. The budget deficit-GDP ratio for the FY12, 5.0 percent, turns out higher than 4.4 percent of FY11. The deficit is expected to be financed with domestic bank and non-bank borrowing to the extent of Taka 272.1 billion (3.0 percent of the GDP), against Taka 248.2 billion (3.2 percent of the GDP) in the revised FY11 budget, and with external financing to the tune of Taka 130.6 billion (1.5 percent of the GDP) in the FY12, against Taka 57.8 billion (0.7 percent of the GDP) in FY11 (Charts 9.3 and 9.4). In the domestic borrowing of Taka 272.1 billion, borrowing from the banking system is projected to be Taka 189.6 billion.

9.15 The FY12 budget is the third budget of the present Grand Alliance Government. The budget was proposed on 9 June 2011 and passed by the National Parliament on 29 June 2011.

During the preparation of the budget, a number of pre-budget discussion sessions with the members of the parliamentary standing committees and chairpersons of ministerial standing committees, renowned economists, members of the society, professionals, journalists, civil society members, development experts and secretaries of different ministries were held. Keeping in mind the importance of agriculture and farmers in Government's development vision, the Finance Minister himself exchanged ideas with the peasants in Jessore and listened to their views about problems and prospects of agriculture. Views obtained from the concerned stakeholders reflected in the budget preparation.

The budget assumes 7.0 percent GDP growth in FY12. Achieving this level of growth hinges on the development of agriculture sector as well as infrastructural development of power and energy and communication sectors. The Government has undertaken efforts to sustain the growth in the agriculture sector by increasing productivity through crop intensity and crop diversification. Combined development in the power and energy sector, and the implementation of various big projects undertaken by the Government and private sector would pave the way for huge investment leading to the achievement of growth at the desired level. Consistent with the growing industrial sector, a high growth is also imminent in financial, trade and other service sectors.

During the last few years, the National Board of Revenue (NBR) has shown an impressive record in revenue collection. The total revenue earnings in FY11 turned out Taka 790.9 billion. Extensive reform programme is underway in the NBR. NBR Modernisation Plan for 2011-2016 has been undertaken. The Government needs to strengthen its revenue collection initiative much higher than its present performance. For a sustainable improvement in fiscal position further revenue raising measures would be necessary.

The total public expenditure in FY12 budget has been projected to be higher than the revised expenditure of FY11. It eventually leaves the budget deficit in FY12 at a higher level of 5.0 percent of the GDP compared to the preceding year's deficit. With the decline in foreign financing, the Government has resorted to domestic bank borrowing to meet its expenditure needs. However, to ensure growth momentum as well as mid and long-term goals of the Government, increased expenditure in various sectors becomes necessary. Social and physical infrastructure including human resources development, poverty reduction, social safety net programme, agriculture and rural development, power and energy, roads etc. warrant enhanced budget outlays. Rationalisation of government expenditure and revenue mobilisation efforts together might be helpful in easing pressure on fiscal management.

The ADP implementation is also instrumental in striving for growth. It has been a major challenge for the Government. A number of steps have been taken to raise the ADP utilisation rate. A task force has been formed to closely oversee the ADP implementation status of ten large ministries/ division.