Public Finance

9.1 The budget for FY12 was formulated under the assumptions/projections contained in the Medium Term Macroeconomic Framework (MTMF). The MTMF predicted that the country's economic growth would be 7.0 percent in FY12. By 2015, the growth rate would 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 in FY11 led to the growth prospects. The expected annual average inflation rate was 7.5 percent in FY12. However, both the total revenue and total expenditure in the revised FY12 budget fell short of the initial projection. The budget deficit (excluding grants) as percentage of GDP was 5.1 percent, which exceeded the target of 5.0 percent (Table 9.1).

In the revised FY12 budget, revenue collection increased by 23.6 percent over the actual collection in FY11. The current expenditure in the revised FY12 budget was higher than the actual FY11 current expenditure by 18.5 percent. On the other hand, although the Annual Development Programme (ADP) of Taka 410.8 billion in the revised FY12 budget turned out 23.4 percent higher than the actual FY11 ADP, it fell short of the target by 10.7 percent. The actual utilisation of ADP during FY12 was 92.0 percent of the revised allocation. The fiscal deficit (excluding grants) of 5.1 percent of GDP in the revised FY12 budget was higher than the actual FY11 fiscal deficit by 0.6 percentage point (Table 9.1).

Table 9.1 Bangladesh Government revenue and expenditure

(billion Taka)

	FY11#	FY11 as % of GDP*	FY12*	FY12 as % of GDP*	FY13**	FY13 as % of GDP**
Total revenue	**929.9**	**11.8**	**1148.9**	**12.6**	**1396.7**	**13.4**
a) tax	795.5	10.1	962.9	10.5	1168.2	11.2
b) non-tax	134.4	1.7	186.0	2.1	228.5	2.2
Total expenditure	**1282.7**	**16.3**	**1612.1**	**17.6**	**1917.4**	**18.4**
a) current	774.7	9.8	918.2	10.0	995.0	9.5
b) ADP	332.8	4.2	410.8	4.5	550.0	5.3
c) others	175.2	2.3	283.1	3.1	372.4	3.6
Budget deficit	**352.8**	**4.5**	**463.2**	**5.1**	**520.7**	**5.0**

Source : Budget in Brief 2012-13, Ministry of Finance.
Actual, * Revised budget, ** Budget estimate.

FY12 Budget and Fiscal Outcome

a.Revenue Receipts

9.2 Against the target of Taka 1183.9 billion, the revised total revenue receipts in FY12 was Taka 1148.9 billion. This was lower than the actual FY11 revenue receipts by 23.6 percent. The tax revenue making up 83.8 percent of the total revenue receipts increased at a lower rate of 21.0 percent compared to the 27.3 percent growth in FY11 (Table 9.1).

The non-tax revenue displayed higher growth rate of 38.4 percent in FY12 compared to the 0.2 percent increase in the preceding year. The total revenue receipts as percentage of GDP rose to 12.6 percent in FY12 from that of 11.8 percent in FY11. The total tax revenue receipts as percentage of GDP was 10.5 percent in FY12 compared to 10.1 percent in the preceding fiscal year. Similarly, the total non-tax revenue receipts as percentage of GDP increased to 2.1 percent in FY12 from 1.7 percent in FY11. The major revenue measures in FY12 budget included:

- The tax exempted income limit for individual taxpayers was raised to Taka 180,000 from Taka 165,000. The limit for individuals over 65 years of age was increased to Taka 200,000 from Taka 180,000 and the limit for mentally challenged persons was raised to Taka 250,000 from Taka 200,000. Corporate tax rates remained unchanged.

- Tax exemption policies for government officials and employees were retracted.

- Company taxpayers were made eligible to get 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 was raised to Taka 10,000,000 to encourage individual investment.

- The existing tax holiday period was extended till 30 June 2013. The tax holiday period for physical infrastructure like roads, bridges, etc. was raised to 10 years instead of the existing 5 or 7 years. Keeping conformity with other areas, the same tax holiday facility was offered to industries to be set up from 1 January 2012 in the Export Processing Zone (EPZ). However, incumbent industries in the EPZ were to enjoy the existing benefits. The tax exemption period for the software industry was extended till 30 June 2013.

Chart 9.1

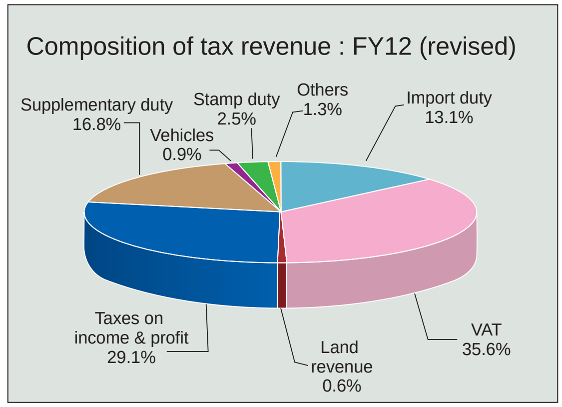
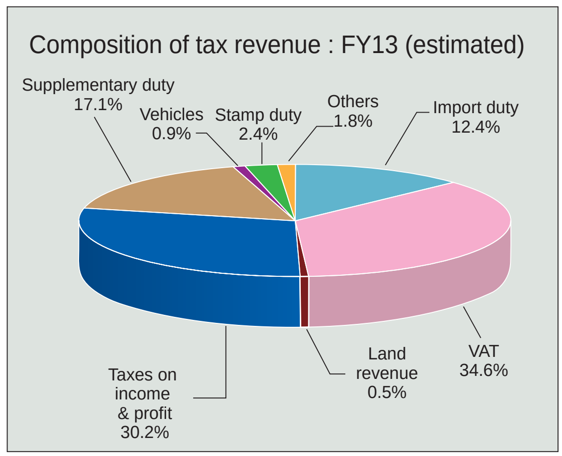


Chart 9.2



- The existing tax exemption benefits to investors in the capital market were to continue even if their income was above the threshold limit. Investments in the capital market, Bangladesh Infrastructure Finance Fund Limited (BIFFL) and Treasury Bonds were 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 was reduced from 10 percent to 5 percent.

- The tax deductible at source for brokerage commission of stock brokers listed with stock exchanges was raised from 0.05 percent to 0.10 percent.

- The zero rate of import duty on rice, pulses, wheat, sugar, edible oil, onion, fertiliser, seeds, life saving medicine, and cotton remained unchanged.
- The 5 percent regulatory duty on commodities that yielded the highest customs duty (25 percent), except commodities that enjoyed concessionary rate facilities remained unchanged.
- The current 30 percent supplementary duty on the import of Completely Built Up (CBU) motorcycles was raised to 45 percent. The five percent regulatory duty on Completely Knocked Down (CKD) motorcycle imports was withdrawn while the 30 percent supplementary duty remained the same.
- Customs duties on imported printed text books for primary and secondary levels were raised to 12 percent from 5 percent.
- The supplementary duty on the imported furniture was increased from 20 percent to 30 percent. The 5 percent regulatory duty on the import of particle boards and MDF boards was withdrawn.
- Five percent import duty and 15 percent Value Added Tax on leucocytes filters used for blood purification of thalasamia patients were withdrawn.
- A draft of the Value Added Tax legislation titled "Value Added Tax Act, 2011" was prepared.
- VAT on handmade biscuit and cake valued at Taka 100 per kilogram at the production stage was withdrawn.

Table 9.2 Composition of revenue receipts

(billion Taka)

	FY11#	FY12*	FY13**
Tax revenue	**795.5**	**962.9**	**1168.2**
Value Added Tax (VAT)	292.2	343.0	404.6
Import duty	107.6	126.4	145.3
Export duty	0.0	0.3	0.4
Supplementary duty	133.8	162.2	199.7
Taxes on income and profit	219.7	280.6	353.0
Stamp duty (non judicial)	21.2	24.0	27.9
Excise duty	5.1	4.5	9.9
Land revenue	4.3	5.5	6.1
Taxes on vehicles	6.8	9.0	11.0
Narcotics and liquor duty	0.6	0.7	0.7
Other taxes and duties	4.2	6.7	9.6
Non-tax revenue	**134.4**	**186.0**	**228.5**
Administrative fees and charges	22.9	27.8	37.7
Dividend and profit	14.3	25.2	31.4
Interest	5.7	7.0	10.7
Capital revenue	0.4	0.3	0.4
Receipts for services rendered	9.0	9.4	10.5
Non-commercial sales	2.9	3.4	3.7
Rents, leases and recoveries	1.1	1.3	1.5
Defence receipts	13.6	18.8	27.5
Tolls and levies	3.0	3.5	4.7
Fines, penalties and forfeiture	2.9	2.9	3.8
Railway	6.0	5.2	7.4
Post offices	2.2	2.2	2.4
Other non-tax revenue and receipts	50.4	79.0	86.8
Total :	**929.9**	**1148.9**	**1396.7**

Source: Budget in Brief 2012-13, Ministry of Finance.
Actual, * Revised budget, ** Budget estimate.

- VAT on mobile phone SIM card was reduced to Taka 600 from Taka 800.
- The maximum penalty for VAT evasion was fixed at one and half times of the evaded amount instead of the existing two and a half times of the evaded amount.

9.3 In the revised FY12 budget, direct taxes on income and profit increased at the rate of 27.7 percent to Taka 280.6 billion leaving its share in the total tax revenue to 29.1 percent from 27.6 percent in FY11. Receipts from other taxes and duties, taxes on vehicle, land revenue, supplementary duty, import duty, Value Added Tax (VAT), narcotics and liquor duty, and stamp duty (non judicial) rose by 59.5, 32.4, 27.9, 21.2, 17.5, 17.4, 16.7 and 13.2 percent respectively compared to that of the actual FY11 budget. On the other hand, receipts from excise duty declined by 11.8 percent. Revised receipts from export duty during FY12 was recorded at Taka 0.3 billion (Table 9.2).

9.4 Under the non-tax revenue head, receipts from dividend and profit, other non-tax revenue and receipts, and defence receipts sharply increased by 76.2, 56.7 and 38.2 percent respectively compared to that of the actual FY11 budget. Other sub-sectors showing increase included receipts from interest 22.8 percent, administrative fees and charges 21.4 percent, rents, leases and recoveries 18.2 percent, non-commercial sales 17.2 percent, tolls and levies 16.7 percent and receipts for services rendered 4.4 percent. On the contrary, receipts from capital revenue and railway fell by 25.0 and 13.3 percent respectively. Receipts from fines, penalties and forfeiture and post offices remained unchanged at Taka 2.9 and 2.2 billion respectively (Table 9.2).

b. Expenditure

9.5 The total public expenditure in the revised FY12 budget amounted to Taka 1612.1 billion. This was 1.5 percent lower than the initial projection of Taka 1635.9 billion and 25.7 percent higher than the actual FY11 expenditure of Taka 1282.7 billion. The revised current expenditure of Taka 918.2 billion in FY12 was 4.5 percent higher than the initial projection of Taka 878.5 billion.

9.6 The revised current expenditure in FY12 surpassed initial allocations for most of the accounts, namely public services, interest on domestic debt, defence, public order and safety, interest on foreign debt, agriculture sector, transport and communication, and housing (Table 9.3). The proposed non-development current expenditure in FY12 had the following revisions:

Table 9.3 Composition of revenue expenditure

(billion Taka)

	FY11#	FY12*	FY13**
Social sector	254.3	279.4	290.4
Public services	52.9	104.4	129.6
Interest on domestic debt	142.0	181.5	216.0
Defence	83.2	90.0	93.6
Public order and safety	67.1	73.8	80.2
Interest on foreign debt	14.2	16.5	17.0
Agriculture sector	96.1	107.0	98.0
Transport and communication	31.8	34.5	37.5
Local government and rural development	18.9	19.3	20.7
Housing	7.7	7.8	8.1
Others	6.5	4.0	3.9
Total :	**774.7**	**918.2**	**995.0**

Source: Budget in Brief 2012-13, Ministry of Finance.
Actual, * Revised budget, ** Budget estimate.

- An additional amount of Taka 20.0 billion was allocated for agriculture subsidy and Taka 5.5 billion was allocated for export subsidy.
- An additional amount of Taka 18.0 billion was allocated for interest payment.

9.7 The Annual Development Programme in FY12 was revised downward by about 10.9 percent from Taka 460.0 billion to Taka 410.8 billion. Consistent with the growth and poverty reduction objectives, 36.7 percent of the total outlay was spent for the infrastructure sector (power; oil, gas & natural resources; transport; and communication), and 20.0 percent for the social sector (education & religious affairs, and health, nutrition, population & family welfare) (Table 9.5).

c. Financing FY12 Budget Deficit

9.8 The deficit (excluding grants) in the revised FY12 budget stood at Taka 463.2 billion (5.1 percent of the GDP). This ratio was higher than initial projection. The domestic borrowing component of the deficit financing in FY12 was Taka 344.7 billion (3.8 percent of the GDP). Of this, Taka 291.2 billion (3.2 percent of the GDP) was bank borrowing (Chart 9.3) and Taka 53.5 billion (0.6 percent of the GDP) was non-bank borrowing, mainly National Savings Schemes. The foreign financing component of the budget deficit was Taka 74.0 billion (0.8 percent of the GDP).

FY13 Budget

9.9 The budget for FY13 has been formulated under the assumptions contained in the Medium Term Macroeconomic Framework (MTMF). The building blocks of this framework are - continuity in pursuing monetary and fiscal policy strategies and ensuring macroeconomic stability. It has been assumed that in 2013, the world economy would recover from the economic recession that re-emerged specially in Europe in 2012. Assuming private sector investment growth, the GDP growth target for FY13 has been set at 7.2 percent. It will reach 8.0 percent mark by FY15. The inflation rate is expected to fall to 7.5 percent at the end of FY13 and 5.1 percent in the medium term.

The total size of FY13 budget stands at Taka 1917.4 billion, which is 18.4 percent of the GDP and 18.9 percent higher than the revised FY12 budget. The estimated non-development and development outlays are Taka 1116.8 billion and 601.4 billion respectively. It provides Taka 12.3 billion from revenue budget for development programmes, Taka 24.7 billion for non-ADP project, and Taka 14.4 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 and general services. In the budget, about 24.2 percent of the total outlay has been allocated for social infrastructure, of which 20.5 percent has been allocated for human resources sector (education, health, science and technology and other related sectors). About 27.8 percent of the total outlay has been allocated for physical infrastructure, of which

Table 9.4 Composition of social sector revenue expenditure

(billion Taka)

	FY11#	FY12*	FY13**
Education & technology	135.5	137.6	141.6
Health	45.9	49.7	53.6
Recreation, culture and religious affairs	8.5	10.4	10.3
Labour and employment	0.5	0.7	0.7
Social security and welfare	63.9	81.0	84.2
Total :	**254.3**	**279.4**	**290.4**

Source: Budget in Brief 2012-13, Ministry of Finance.
Actual, * Revised budget, ** Budget estimate.

Table 9.5 Sectoral shares in ADP expenditure

(percent)

	FY11*	FY12*	FY13**
Agriculture	6.6	6.2	5.3
Rural development & institutions	13.0	12.3	11.4
Water resources	3.5	3.5	4.0
Industries	1.2	2.4	3.8
Power	14.3	17.6	14.4
Oil, gas & natural resources	3.1	1.8	2.9
Transport	14.9	15.2	14.8
Communication	0.8	2.1	2.5
Physical planning, water supply & housing	9.5	10.2	9.6
Education & religious affairs	14.4	11.8	13.4
Health, nutrition, population & family welfare	9.0	8.2	7.5
Others	9.7	8.7	10.4
Total :	**100.0**	**100.0**	**100.0**

Source: Annual Development Programme 2011-12 and 2012-13, Ministry of Planning.
* Revised, ** Estimate.

14.9 percent goes to wider agriculture and rural development, 7.0 percent to overall communication sector and 5.0 percent to power and energy. About 19.3 percent of the total outlay has been allocated for general service sector. An allocation of 4.9 percent of the total outlay has been made for PPP projects, financial assistance to different industries, subsidies and equity investment in state-owned commercial and financial institutions. Apart from these three major categories, 12.2 percent of the total outlay has been allocated for interest payment and the rest 11.7 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 FY13 stands at Taka 601.4 billion, which is 5.8 percent of the GDP. This developmental expenditure turns out 31.7 percent higher than that of the revised budget of the previous fiscal year.

a. Revenue Receipts

9.10 The revenue receipts in FY13 has been targeted to grow by 21.6 percent to Taka 1396.7 billion compared to that of the previous year's revised budget. The tax and non-tax revenue receipts are expected to rise by 21.3 and 22.8 percent respectively, against increases of 21.0 and 38.4 percent respectively in the revised FY12 budget. It leaves the projected total revenue-GDP ratio at 13.4 percent in FY13 compared to that of 12.6 percent in FY12 (Table 9.1). A higher 25.8 percent increase in receipts from the direct taxes on income and profits has been projected against the 18.7 percent growth projected for indirect taxes [VAT, import duty, supplementary duty, and export duty (Table 9.2)].

Chart 9.3

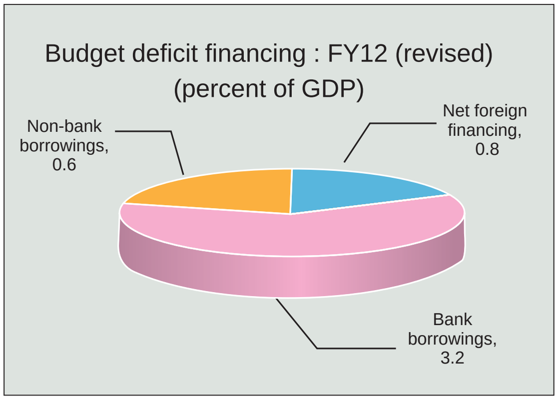
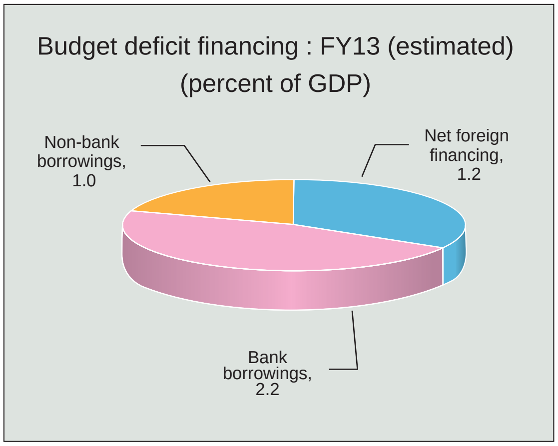


Chart 9.4



Among non-tax revenue sources, interest receipts have been projected to increase by 52.9 percent compared to the 22.8 percent increase in the preceding fiscal year. Receipts from defence, railway, administrative fees and charges, tolls and levis, capital revenue, and fines, penalties and forfeitures are expected to rise by 46.3, 42.3, 35.6, 34.3, 33.3 and 31.0 percent respectively in FY13. The targeted growth rates of receipts from dividend and profit, rents, leases and recoveries, services rendered, other non-tax revenue and receipts, post office, and non-commercial sale have been set at 24.6, 15.4, 11.7, 9.9, 9.1 and 8.8 percent respectively (Table 9.2).

Box 9.1

Salient Revenue Measures in FY13 Budget

A. Income Tax

- The tax exempted income limit for individual taxpayers has been raised to Taka 200,000 from Taka 180,000. The limit for female taxpayers and aged taxpayers (65 years of age and above) has been increased to Taka 225,000 from Taka 200,000. The limit for physically challenged individuals has been raised to Taka 275,000 from Taka 250,000.
- Minimum tax payable by an individual taxpayer has been increased to Taka 3,000 from Taka 2,000.
- Income tax rate of merchant banks has been decreased from 42.5 to 37.5 percent.
- A company transferring 20 percent of its paid up capital through Initial Public Offering (IPO) to capital market will enjoy a 10 percent tax rebate on its payable tax in the relevant year.
- Payments, other than payments for purchasing raw materials, over Taka 50,000 have to be made through the banking channels. Payments over Taka 50,000 in a single transaction will not be considered as an expense, if not transacted through the banking channels.
- Tax will be deducted at source at the rate of 15 percent instead of 10 percent at the time of paying interest in case the taxpayer does not have Taxpayer's Identification Number (TIN). However, depositors having less than Taka 100,000 in their savings accounts need not hold a TIN to escape the extra charge.
- Any loans received by a company from any other companies or individuals other than through the banking channels will not be approved.
- Individual assessees may receive loan of not more than Taka 500,000 in cash from one or more sources. Any loan or gift exceeding Taka 500,000 will be treated as taxable income of the recipient if not received through the banking channels.
- Fifty percent exemption of tax on the income derived from production of maize and sugar beet has been introduced. Considering their location, industries producing cholesterol free rice bran oil from husk of paddy will enjoy tax holiday of 5 years and 7 years.
- Uniform tax holiday facilities have been extended to all industries established both in the private and public Export Processing Zones (EPZs).
- Construction of cinema halls and cineplex will enjoy 5 years and 7 years tax holiday considering the location of establishments. The prevailing 35 percent supplementary duty has been withdrawn and 15 percent VAT has been retained for the film industry.
- Tax exemption has been offered for donations to the fund created under the Prime Minister's Education Assistance Trust Fund Act, 2011. Company assessee may donate a maximum amount of Taka 8 crore or 20 percent of its income, whichever is less. Individual assessee may donate a maximum amount of Taka 1 crore or 20 percent of his/her income, whichever is less.
- A uniform rate of tax of 0.8 percent deductible at source on all kinds of exports has been introduced in place of the existing rates of 0.6 percent and 0.7 percent.
- Tax will be deducted at source at the rate of 5 percent and 3 percent considering the location of property at the time of selling land by any land developer companies.

B. Import Duty

- The zero rate of import duty on food, fertilizer, seeds, cotton and medicine remains unchanged.
- The 5 percent regulatory duty on commodities having the highest customs duty (25 percent) remains unchanged.
- One more slab of 150 percent supplementary duty has been added to the existing slabs.
- Import and other duties have been substantially reduced from some items of public transport, information technology, medicine, ceramics and ship building industry. Import duty and VAT on edible sunflower oil have been reduced. In addition, supplementary duty on nutritional supplement for pregnant women and lactating mothers has been substantially reduced.

Salient Revenue Measures in FY13 Budget (Contd.)

- Zero percent duty has been introduced instead of the existing 1 percent in case of importing equipments to install Effluent Treatment Plants (ETP) for the export oriented industries.

C. Value Added Tax (VAT)

- Full exemption of turnover tax has been offered to Small and Medium Enterprises (SMEs) having maximum annual turnover of Taka 700,000.
- A 2 percent turnover tax has been offered to SMEs having annual turnover of over Taka 700,000 to Taka 2,400,000.
- The 3 percent turnover tax remains unchanged for SMEs having annual turnover of over Taka 2,400,000 to Taka 6,000,000.
- Producers and traders of products like lozenge, biscuit, chanachur, shoes and sandals, coconut oil, laundry soap, jam, jelly, PVC pipe, beauty parlour having maximum turnover of Taka 6,000,000 will enjoy the same turnover tax facility as mentioned above instead of paying the existing 15 percent VAT.

b. Expenditure

9.11 The total public expenditure in FY13 is expected to increase by 18.9 percent to Taka 1917.4 billion over the revised figure of FY12. The current expenditure is expected to grow by 8.4 percent, the ADP by 33.9 percent and the other expenditure by 31.5 percent over the revised FY12 budget. The ratio of total expenditure to GDP is predicted to increase to 18.4 percent in FY13 from 17.6 percent in the revised FY12 budget (Table 9.1).

9.12 The projected current expenditure for FY13 budget stands at Taka 995.0 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 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 144.6 billion (development and non-development) has been allocated for the agriculture sector, which is 0.8 percent higher than that of the revised budget of the preceding fiscal year. Taka 60.0 billion has been allotted as subsidy for this sector.

Human resources development is an integral part of the overall development efforts. Taka 393.9 billion (development and non-development) has been allocated for the human resources development sector. This is 20.5 percent of the total development and non-development budget.

A total of Taka 8.9 billion has been allocated for 2.5 million beneficiaries under the Old Age Allowance programme. A sum of Taka 3.6 billion has been apportioned for 1,50,000 beneficiaries under the insolvent freedom fighters allowance programme.

The number of beneficiaries for maternity allowance has been raised to 1,01,200 and Taka 4.3 million has been allocated for this purpose.

A total of Taka 3.3 billion has been allocated for 920,000 widows and divorced/abandoned women receiving allowance at the rate of Taka 300 per month. The number of VGF cards has been increased to 34,200,000 from 31,100,000.

Taka 6.5 billion has been allocated for the two projects titled "One House, One Farm" and "Ashrayan". Taka 12.0 billion has been allocated for implementation of the self-employment generation scheme for the hardcore poor. A total of Taka 1.0 billion has been allocated for the women entrepreneurs.

9.13 The Annual Development Programme (ADP) for FY13 has been projected at Taka

Box 9.2

Salient Expenditure Measures in FY13 Budget

A. Development Expenditure and Non-Development Expenditure

- The total size of the budget stands at Taka 1,917.4 billion.
- The estimated non-development and development outlays are Taka 1,116.8 billion and Taka 601.4 billion respectively.
- Taka 12.3 billion has been allocated from revenue budget for development programme.
- Taka 24.7 billion has been allocated for non-ADP project.
- Taka 14.4 billion has been allocated for non-ADP Food-for-Work and transfer.
- Taka 393.9 billion or 20.5 percent of the total budget has been earmarked for human resources development.
- Taka 144.6 billion (development and non-development) has been allocated for the agriculture sector, which is 0.8 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 60.0 billion has been allocated as subsidy for the agriculture sector.
- Taka 93.3 billion (development and non-development) has been allocated for the health and family welfare sector, which is 14.5 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 95.4 billion (development and non-development) has been allocated for the fuel and energy sector, which is 19.9 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 221.5 billion (development and non-development) has been allocated for the education and technology sector, which is 18.1 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 109.8 billion (development and non-development) has been allocated for the social security and welfare sector, which is 6.3 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 142.2 billion (development and non-development) has been allocated for the local government and rural development sector, which is 18.4 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 133.2 billion (development and non-development) has been allocated for the transport and communication sector, which is 27.3 percent higher than that of the revised budget of the preceding fiscal year.
- Taka 233.0 billion (non-development) has been allocated for the interest payment sector, which is 17.7 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 550.0 billion, which is 33.9 percent higher than that of the revised budget of the preceding fiscal year.

550.0 billion, exceeding the revised ADP of Taka 410.8 billion in FY12 by 33.9 percent. About 34.6 percent of the total ADP has been allocated for infrastructure sector. On the other hand, social sector would receive 20.9 percent of the total ADP (Table 9.5).

c. Deficit in FY13 Budget and Its Financing

9.14 The FY13 budget deficit (excluding grants), estimated at Taka 520.7 billion, is higher than that of the revised FY12 budget by Taka 57.5 billion. The projected budget deficit-GDP ratio for FY13, 5.0 percent, is lower than the 5.1 percent of FY12. The deficit is expected to be financed with domestic bank and non-bank borrowing to the extent of Taka 334.8 billion (3.2 percent of the GDP), against Taka 344.7 billion (3.8 percent of the GDP) in the revised FY12 budget, and with external financing to the tune of Taka 125.4 billion (1.2 percent of the GDP) in FY13, against Taka 74.0 billion (0.8 percent of the GDP) in FY12 (Charts 9.3 and 9.4). Of the domestic borrowing of Taka 334.8 billion, borrowing from the banking system is projected to be Taka 230.0 billion.

9.15 FY13 budget is the fourth budget of the present Grand Alliance Government. The budget was proposed on 7 June 2012 and passed by the National Parliament on 27 June 2012.

Preparation of FY13 budget was a challenging task in the midst of uncertainties of the global economy. During the preparation of the budget, a number of pre-budget discussion sessions with the members of the parliamentary standing committees of different ministries, the social elites, renowned economists, professionals, trade bodies, NGO leaders, media people and secretaries of all the ministries and divisions were held. The Finance Minister had meetings with peasants and people from different walks of life on budget matters in Mymensingh and Sylhet.

The budget assumes 7.2 percent GDP growth in FY13. This growth prospect largely depends upon expectations that a satisfactory growth in trade and agriculture sectors will continue as the global economy turns around by 2013, there will be a consistent credit flow to the development sectors and above all, deficit in power, energy and infrastructure will decrease gradually.

The inflation rate is expected to settle at 7.5 percent at the end of FY13. It assumes that the prices of fuel will be automatically adjusted in harmony with international prices along with planned adjustment of power tariff. Initially, non-food inflation may remain high due to the higher fuel prices and the lagged effect of food inflation. However, monetary tightening initiatives along with fiscal consolidation will continue. Because of the outlook of declining trend in food prices in the international market and satisfactory domestic agricultural production, the food prices will be within the acceptable level.

The National Board of Revenue (NBR) is playing an instrumental role in the revenue mobilisation efforts of the government. Exploring new domestic sources is the main emphasis of these efforts. An extensive revenue mobilisation programme for FY13 has been undertaken. This will contribute to the augmentation of government revenues along with reduction of income inequality, expansion of agriculture, industry and commerce, construction of physical infrastructure, conservation of environment, growth of employment and investment and establishing good governance.