CHAPTER 4

FISCAL POLICY AND FISCAL MANAGEMENT

[Government continues to pursue a prudent fiscal policy stance with a view to ensuring macroeconomic stability and conducive environment for sustained higher level of growth. The trend of revenue mobilisation shows that the revenue-GDP ratio is on the rise, albeit the pace of growth is slow. In FY 2014-15, the total revenue mobilisation by NBR stood at Tk.1,36,724 crore against the revised target of Tk.1,35,028 crore which is 13.16 percent higher than the outturn of the previous fiscal year. The mobilisation against income tax witnessed 12.31 percent growth compared to that of previous fiscal year reflecting progress in direct tax collection. Government expenditure as percentage of GDP has been on the increase. The utilisation of ADP stood at 91 percent in FY 2014-15. Currently, the larger portion of ADP is financed from domestic sources. Aid flow witnessed significant improvement in FY 2014-15. Though the Government expenditure has increased, budget deficit remained below 5 percent of GDP in FY 2014-15.]

The overall management of Government's revenue and expenditure is fundamentally guided by the fiscal policy. A well balanced fiscal policy plays a very important role in meeting spending priorities with available resources, creating congenial environment for achieving faster economic growth and maintaining macroeconomic stability of the country. Currently, the Government is implementing a wide range of reforms to streamline both revenue and expenditure management. These reforms have a direct bearing on creation of employment opportunities, increasing productivity and poverty reduction.

Government Revenues

Tax revenue is the principal source of Government revenue. The rest of the revenue comes from non-tax sources like fees, charges, tolls etc. The trends of revenue mobilisation and tax/revenue-GDP ratio for the period from FY 2006-07 to FY 2014-15 is presented in Table 4.1.

Table 4.1: Revenue Receipts

(In Crore Tk.)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Revenue	49472	60539	69180	79484	95188	114885	139670	156671	163371
Tax Revenue	39247	48012	55526	63956	79052	94754	116824	130178	140676
Non-tax Revenue	10225	12527	13654	15528	16135	22279	22846	26493	22695
As percent of GDP (GDP base year:2005-06)									
Total Revenue	9.00	9.63	9.81	9.97	10.39	10.89	11.65	11.66	10.79
Tax Revenue	7.14	7.64	7.88	8.02	8.63	9.12	9.74	9.69	9.29
Non-tax Revenue	1.86	1.99	1.94	1.95	1.76	1.76	1.91	1.97	1.50

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

The tax-GDP ratio is one of the recognised criteria for judging the level of development of a country. Table 4.1 shows that in FY 2006-07, revenue-GDP ratio was 9.00 percent, which rose to 11.66 percent in FY 2013-14. But in FY 2014-15 the revenue-GDP ratio came down to 10.79 percent due to political stress and strain in the third quarter of the fiscal year.

Revenue Management

Formulation of tax policy and its execution responsibilities are performed by the National Board of Revenue (NBR) under the Internal Resource Division. The major steps taken by the Government during FY 2014-15 for enhancing collection of direct and indirect taxes with a view to achieving the social and economic goal at a faster pace is shown in the Box 4.1.

Box 4.1: Measures under Direct and Indirect Tax System for FY 2014-15

Measures under Direct Tax System

- *Tax exemption limit for individual tax payer has been maintained at the previous year's level of Tk 2,20,000. The exemption limit for female taxpayers and senior citizens of 65 years and above has been enhanced to Tk 2,75,000 from Tk. 2,50,000 and for the retarded persons it has been enhanced to Tk.3,50,000 from Tk. 3,00,000.*
- *Corporate tax rate has been reduced from 37.5 percent to 35 percent for non-publicly traded company and private limited company.*
- *For ensuring equitable distribution of resources and for reducing economic disparity between the rich and poor, highest tax rate of the high income earning taxpayers having annual income of more than Tk. 44.20 lakh has been increased from 25 percent to 30 percent. In addition to this, surcharge has been imposed at an increased rate from 10 percent to 25 percent on the basis of net wealth.*
- *For streamlining the taxation of house rent income and to ensure the collection of proper amount of tax revenue from the income from house property, legal provisions have been made requiring the mandatory deposit of house rents receipts into the bank accounts.*
- *For encouraging women and vocational education, donations to girl's school or girl's college and or to vocational and technical institutions have been given tax exemption. Considering the importance of agriculture in our economy, and as part of fiscal incentive to agricultural sector, tax exemption limit for the income from agriculture has been increased from Tk.50 thousand to Tk.2 lakh.*
- *For creating large-scale employment opportunities in the less developed areas, the industrial undertakings set up and transferred to that areas have been given the benefits of tax rebate at the rate of 20 percent for 10 years.*
- *For conserving environment and ecology, tax holiday facilities has been extended to pollution free Hybrid Hoffman Kiln (HHK) brickfields.*
- *For maintaining the stability of the capital market as well as ensuring its continual expansion and strengthening, Demutualised Stock Exchanges have been granted tax exemption facilities.*
- *For ensuring welfare of pensioners' and the wage earners, income from investment on pensioner savings certificate and wage earners development bond amounting up to Tk.5 lakh has been given tax exemption.*
- *For stimulating export sector, the rate of tax deduction at source on Cash Incentive has been reduced from 5 percent to 3 percent.*
- *The rate of tax deduction at source on local LC and deemed commission has been reduced from 5 percent to 3 percent.*
- *All donations through banking channel to national level research institutions engaged in research work in*

the field of agriculture, industry, science and technology have been given the benefits of tax exemption.

- *For encouraging the discharge of corporate social responsibility, the limit of tax debatable spending has been increased from Tk.8 crore to Tk.12 crore.*
- *For facilitating the provision of essential services to the people, the tax rate for autonomous bodies has been reduced.*
- *For ensuring the proper collection of revenue, and at the same time ensuring equity and fairness in the distribution of income, advance tax has been imposed on the income from the sale of land property situated in the commercially important areas and posh residential areas to be collected on the basis of land area (per katha) irrespective of their registration value.*

Measures under Indirect Tax System

Customs duty System

- *Four tiers/slabs of import duty structure (0%, 5%, 10% & 25%) have been kept unchanged. Moreover the highest rate of import duty has been kept 25 percent as before while keeping the import duty 2 percent for capital machinery and ICT sector.*
- *Twelve tiers of supplementary duty structure (10%, 15%, 20%, 30%, 45%, 60%, 100%, 150%, 200%, 250%, 350%, 500%) have been enacted creating two new tiers like 15% and 200%. Among these 200%, 250%, 350% and 500% are imposed to discourage the importation of cigarette, liquor, motor vehicle having more than 2000 cc engine capacity as they are luxurious in nature and injurious to public health.*
- *Existing Specific Duty on raw and refined sugar has been increased and fixed at Tk.2,000/MT and Tk.4,500/MT respectively.*
- *Specific duty on MS billet/ingot has been increased from tk.3500/MT to tk.5000/MT keeping that of meltable scrap Tk.1,500/MT unchanged. At the same way specific duty on 11.664 grams of gold bullion has been fixed at Tk.3000 keeping that of silver bullion unchanged.*
- *Regulatory Duty (RD) at a rate of 5 percent on finished and luxurious items will continue for the next one year. Besides that, RD has been imposed on some items of 10 percent import duty for the protection of the local industries.*
- *The SRO regarding capital machinery has been rationalized and updated.*
- *Rules relating to ascertainment of minimum value of new and reconditioned motor vehicles have been kept unchanged.*
- *Import duty has been reduced on more than 50 items including ceramic, steel melting, printing, baby diaper, poultry, raw materials for plastic and many other industries.*
- *Supplementary duty on more than 700 items has been reduced and rationalized to combat false declaration and smuggling.*

Value Added Tax (VAT)

01. Liberalisation of Value Added Tax (VAT) System:

- *Discretionary powers of the VAT Officials have been curtailed. Provision relating to imposition of fine penalty by the adjudicating officer in the VAT system has been reduced. The penalty threshold has been changed to maximum half of the evaded amount to minimum one fourth of the evaded amount*
- *Some services have been inserted in the Second Schedule of the Value Added Tax Act, 1991 in order to provide VAT exemption against those services .*
- *Time limit for submitting VAT Challan (invoice) has been increased to 5 days from 72 hours.*
- *Provisions have been made for such situation when the amount of export of a manufacturing entity is less than that of its domestic supply, the local producers can take drawback or can adjust through the Vat Current Account (Musuk-18); and*

- *Special VAT exemption benefits have been given against the supply of locally manufactured capital machinery or spare parts produced in Bangladesh.*

02. VAT Exemption:

- *Insulin for kidney dialysis has been exempted (Production stage)*
- *Meditation service (Service stage)*
- *All kinds of contraceptives items (Trading stage)*
- *Supplier of cow or buffalo's bones which is used for producing gelatin capsule (service stage)*
- *Crashed Leather (Both in import and production stage)*
- *Ocean going vessel (Capacity more than 5000 DWT) (Production stage)*

03. Reducing Tax Incidence:

- *ATV on Cargo Air Craft has been exempted*

04. Increasing Tax Incidence:

- *VAT rate on Motor garage & workshop, Dockyard, Photographer, Immigration consultant and English medium school has been increased to 7.5 percent from 4.5 percent.*
- *Tariff value for Air Conditioned Bus, Launch, and Railway service has been eliminated.*
- *VAT rate on Land Developer service and Building Developer service has been increased to 3 percent from 1.5 percent.*
- *Truncated VAT rate on non-air conditioned restaurant services has been increased to 7.5 percent from 6 percent.*
- *The truncated rate of VAT in case of the gold and silversmiths, gold and silver selling shops, and gold refiners service has been increased to 3 percent from 2 percent.*

05. Reclassification of the Supplementary Duty Rate

- *Supplementary Duty rate on Jadara and molasses items has been increased to 60 percent from 30 percent.*
- *20 percent Supplementary Duty has been imposed on local cigarette paper manufacturers.*
- *15 percent Supplementary Duty on the production stage of filament bulb produced by the local manufacturer has been eliminated.*

06 Re-fixation of Tariff Value

- *Tariff value on the local production of Rep seeds oil, Collages seeds oil and canola seeds oil has been introduced.*
- *Tariff value for ship scrap has been increased to Tk.2,000/per M.T from TK.1,500 per M.T.*
- *Tariff value for converting CR Coil to HR Coil has been increased to Tk.8,250 per M.T from Tk.7500 per M.T.*
- *Ten percent Tariff value has been increased on converting CR coil to GP Sheet, CR Coil to CI Sheet, HR Coil to GP Sheet and HR Coil to CI Sheet.*
- *20 percent Tariff value has been increased for Nails & Top Nails of chapter 73.*
- *10 percent Tariff value has been increased for Nut & bolts, screw, electric line hardware and electric pole fittings.*
- *10 percent Tariff value has been increased for all sorts of M.S products.*
- *10 percent Tariff value has been increased for all sorts of G.I products.*
- *In order to collect Tk. 100 VAT & Supplementary Duty against the SIM card replacement service, Tk. 181 Tariff value has been fixed for per SIM replacement.*

Source: NBR

Revenue Mobilisation Programmes

The NBR sources of revenue mobilisation targets set for FY 2014-15 at Tk.1,49,720 crore. In the backdrop of adverse situation during the third quarter of FY 2014-15, revenue mobelisation targets have been revised at Tk.1,35,028 crore. Against the revised targets, revenue collection stood at Tk.1,36,740 crore, which is 13.16 percent higher than that of the previous year. Analysis of revenue collection for FY 2014-15 by categories shows that income tax generates most revenues as a single category, although the bulk collection of VAT (import and local) registered highest amount. Although, import duty and VAT are predominant in the overall revenue collection traditionally, there is a clear directional shift in the last couple of years. Item-wise tax collection from FY 2010-11 to FY 2014-15 is presented in Table 4.2.

Table 4.2: Item wise Revenue Collection

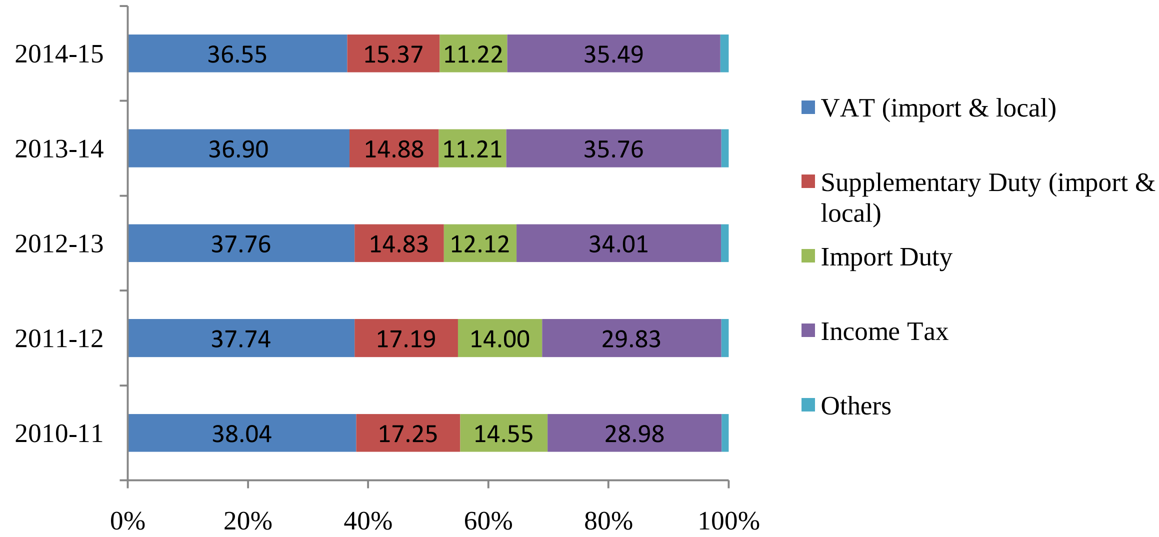
(In Crore Taka)

Items of Revenue Collection	2010-11	2011-12	2012-13	2013-14	2014-15
Import Duty	11576.92	13153.50	13259.42	13575.86	15349.85
VAT (at import level)	12357.70	13792.62	14815.16	15291.31	17690.47
Supplementary Duty (at import level)	3996.23	4367.71	4204.46	4335.77	5252.42
Export Duty	28.71	38.95	33.47	41.98	40.63
Sub Total	**27959.56**	**31352.78**	**32312.51**	**33244.92**	**38333.37**
Excise Duty	486.18	660.36	772.53	822.39	960.38
VAT (Local)	17832.98	21984.81	26367.26	29252.11	32290.13
Supplementary Duty (Local)	9701.19	11923.97	11985.29	13647.19	15758.31
Turn Over Tax	3.63	3.49	3.68	4.72	4.71
Sub Total	**28023.98**	**34572.63**	**39128.76**	**43726.41**	**49013.53**
Total of Indirect Tax	**55983.54**	**65925.41**	**71441.27**	**76971.33**	**87346.90**
Income Tax	23007.53	28261.87	37120.65	43207.27	48525.00
Other taxes and duties	412.04	415.15	589.81	641.25	868.11
Total of Direct Tax	**23419.57**	**28677.02**	**37710.46**	**43848.52**	**49393.11**
Grand Total	**79403.11**	**94602.43**	**109151.73**	**120819.85**	**136740.01**
Share of Indirect Tax (%)	70.51	69.69	65.45	63.71	63.88
Share of Direct Tax (%)	29.49	30.31	34.55	36.29	36.12

Source: National Board of Revenue (NBR),

Table 4.2 and the Figure 4.1 reveal that income tax and VAT play a vital role in our revenue generation. As usual the position of VAT is on the top. In FY 2014-15, 36.55 percent of NBR tax came from this source. The contribution of VAT lies between 36-38 percent during last six years. The contribution of income tax stood at 35.49 percent in FY 2014-15 from 28.98 percent of FY 2010-11. Despite gradual increase in contribution of direct tax, however, around 64 percent of tax revenue is mobilised from indirect sources.

Figure 4.1: Itemwise NBR Revenue Collection FY 2010-11 to FY 2014-15



Public Expenditure

Public expenditure management is an integral part of fiscal management. Total public expenditure including non-development, development and other expenditure with respective expenditure-GDP ratios from FY 2006-07 to FY 2014-15 are presented in Table 4.3.

Table 4.3: Public Expenditure (Revised Budget)

(In Crore Taka)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Expenditure (a+b+c)	66836	93608	94140	110523	130011	161213	189326	216222	239668
(a) Non-development expenditure	44412	57425	67125	77,127	83177	100986	110627	134907	149399
(b) Development expenditure	23462	24350	25702	31816	39615	45650	57751	65145	80476
(c) Other expenditure	-1038	11833	1313	1580	7219	14577	20948	16170	9793
As percent of GDP (GDP base year: 2005-06)									
Total Expenditure	**12.16**	**14.89**	**13.35**	**13.86**	**14.20**	**15.28**	**15.79**	**16.09**	**15.83**
(a) Non-development expenditure	8.08	9.13	9.52	9.67	9.08	9.57	9.23	10.04	9.87
(b) Development expenditure	4.27	3.87	3.65	3.99	4.33	4.33	4.82	4.85	5.32
(c) Other expenditure	-0.19	1.88	0.19	0.20	0.79	1.38	1.75	1.20	0.65

Source: Budget in Brief, Finance Division, M/O Finance.
Note: 'Development Expenditure' includes ADP, Non-ADP FFW and Projects and Development Programme under Revenue Budget,
* 'Other Expenditure' includes net outlay for food account operation, Loans and advances.

From Table 4.3 it is evident that barring a few exceptions there is an increasing trend of public expenditure not only in nominal term but also as percent of GDP. In FY 2014-15, expenditure-GDP ratio was 15.83, which is slightly lower than that of previous year. Of this, development expenditure-GDP ratio is 5.32 which was 4.85 percent in previous year.

Annual Development Programme (ADP)

Full implementation of Annual Development Programme (ADP) is crucial for the planned development of the national economy. The implementation status of ADP from FY 2006-07 to FY 2014-15 is presented in the Table 4.4.

Table 4.4: ADP allocation, RADP allocation and Expenditure

(In Crore Tk)

Fiscal Year	**No. of Projects**	**ADP Allocation**			**No. of Projects**	**RADP Allocation**			**Expenditure (as % of RADP)**		
		Total	Taka	PA		Total	Taka	PA	Total	Taka	PA
2014-15*	1187	80315	52615	27770	1204	75000	50100	24900	68585	46116	22469
									(91%)	(92%)	(90%)
2013-14	1046	65870	41307	24563	1254	60000	38800	21200	56747	38051	18696
									(95%)	(98%)	(88%)
2012-13	1037	55000	33500	21500	1205	57120	38620	18500	50035	33639	16396
									(96%)	(৯৯%)	(৮৯ %)
2011-12	1039	46000	27315	18685	1231	41080	26000	15000	38023	25448	12575
									(93%)	(98%)	(84%)
2010-11	916	38500	23200	15300	1185	35880	23950	11930	32855	23045	9810
									(92%)	(97%)	(82%)
2009-10	886	30500	17655	12845	1100	28500	17200	11300	25917	16405	9512
									(91%)	(95%)	(84%)
2008-09	904	25600	13600	12000	1040	23000	12800	10200	19701	11873	7828
									(86%)	(93%)	(77%)
2007-08	931	26500	16700	9800	1058	22500	13550	8950	18455	11480	6975
									(82%)	(85%)	(78%)
2006-07	863	26000	17250	8750	1098	21600	13650	7950	17917	11709	6208
									(83%)	(86%)	(78%)

Source: IMED, Ministry of Planning. *Excluding own funded projects.

The average rate of actual ADP expenditure compared to the revised allocation during the period from FY 2006-07 to FY 2008-09 lagged behind and hovered around 88 percent on the average. However, ADP implementation has started showing improvement from FY 2009-10 with implementation rate over 90 percent of revised allocation. The rate of implementation continues to rise and it reached to 95 percent in FY 2013-14. It is to be noted that the size of the revised ADP in FY 2014-15 was much (around 25%) larger compared to the previous years.

Composition of Annual Development Programme (ADP) by Major Sectors

The increasing trend of allocation to physical infrastructure and socio-economic infrastructure sectors through ADP is consistent with the policy and strategy of the Government. ADP expenditure and its composition by major sectors are presented in Table 4.5.

Table 4.5: ADP Allocation and its Composition by Major Sectors

(In Crore Taka)

FY	2010-11		2011-12		2012-13		2013-14		2014-15	
Sector	Allocation	%	Allocation	%	Allocation	%	Allocation	%	Allocation	%
1. Agriculture	2246.35	6.26	2536.23	6.17	2845.41	5.43	3511.76	5.85	4028.88	5.18
2.RD&RI	4565.26	12.72	5097.31	12.41	6824.49	13.03	6977.15	11.63	8422.01	10.82
3. Water Resources	1311.09	3.65	1439.90	3.51	1676.81	3.20	1889.38	3.15	2080.29	2.67
4.Industry	374.68	1.04	968.88	2.36	1836.40	3.51	2727.14	4.55	1791.71	2.30
5. Power	5981.88	16.67	7208.10	17.55	8803.04	16.81	8066.11	13.44	8301.45	10.67
6. Gas, Oil & Natural Resources.	1054.86	2.94	726.09	1.77	1377.58	2.63	1912.66	3.19	2162.43	2.78
7. Transport	5355.40	14.93	6381.81	15.54	8457.06	16.15	10295.13	17.16	14365.97	18.46
8.Cmmunication	276.17	0.77	877.96	2.14	905.65	1.73	786.67	1.31	1198.83	1.54
9. Physical Planning & Housing	3293.54	9.18	4230.53	10.30	5043.58	9.63	5383.35	8.97	8575.91	11.02
10. Education & Religion	5047.65	14.07	4821.32	11.74	6639.17	12.68	7994.74	13.32	9025.91	11.60
11.Sports & Culture	366.79	1.02	140.92	0.34	177.85	0.34	265.92	0.44	166.92	0.21
12. Health & Population	3162.08	8.81	3386.67	8.24	3995.54	7.63	4219.79	7.03	4989.69	6.41
13. Mass Communication	92.10	0.26	62.41	0.15	50.20	0.10	111.90	0.19	112.95	0.15
14. Social Welfare, Women Affairs & Youth Dev.	317.42	0.88	321.28	0.78	399.36	0.76	451.31	0.75	368.33	0.47
15. Public Administration	1003.81	2.80	972.57	2.37	1035.27	1.98	1371.27	2.29	1709.35	2.20
16.SICT	147.37	0.41	135.04	0.33	288.85	0.55	1559.03	2.60	4594.76	5.90
17. Labour & Employment	39.38	0.11	125.97	0.31	282.75	0.54	354.40	0.59	511.44	0.66
Block/Others	1244.17	3.47	1647.00	4.01	1727.00	3.30	2122.29	3.54	5429.22	6.98
Grand Total	35880.00	99.99	41079.99	100.02	52366.01	100.00	60000.00	100.00	77836.05	100.00

Source: IMED, Ministry of Planning.

Domestic Resources for ADP

The contribution of domestic resources towards financing of ADP shows an upward trend and accounted for on average over 60 percent from FY 2011-12. During FY 2005-06 to FY 2014-15, the average contribution of domestic resources towards ADP stood at around 56 percent despite an exception in FY 2007-08 where it stood around 35 percent. It is to be noted that during FY 2007-08, there was an increased flow of external resources to carry out rehabilitation work following recurrent floods and devastation of the cyclone *Sidr*. In FY 2014-15 the share of domestic resources went up to 65.22 percent for financing a larger ADP compared to that of the previous year. Table 4.6 shows the financing of revised ADP from domestic sources during the period from FY 2005-06 to FY 2014-15.

Table 4.6: Quantum of Resources (Domestic and Foreign) in Financing Revised ADP

(In Crore Taka)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Financing	21500	21600	22500	23000	28500	35,588	41080	52366	60000	75000
Domestic Financing	10800	11480	7973	10011	12000	20850	26080	33866	36399	48915
Domestic Financing as % of ADP	50.23	53.00	35.00	44.00	42.00	58.59	63.48	64.67	60.67	65.22

Source: Finance Division

Budget Balance and Financing

The trend of budget deficit in Bangladesh clearly shows that deficit remains well below 5 percent of GDP except those years when the economy had been affected by natural calamities. The trend of budget deficit and subsequent sources of deficit financing for the period FY 2005-06 to FY 2014-15 is given in Table 4.7.

Table 4.7: Overall Budget Balance*

(As Percent of GDP)

Budget Deficit/ financing	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Overall budget deficit (excluding foreign grants)	3.4	3.2	5.3	3.5	3.9	4.0	4.4	4.1	4.4	5.0
Overall budget deficit (including foreign grants)	2.8	2.8	4.6	2.8	3.4	3.6	4.0	3.6	4.0	4.7
Net domestic financing	1.7	1.8	3.2	2.0	2.2	3.3	33	2.7	3.0	3.6
Net foreign financing (excluding grants)	1.2	0.9	1.4	0.8	1.3	0.4	0.7	1.0	0.9	1.1
Net foreign financing (including grants)	1.7	1.3	2.1	1.5	1.7	0.7	1.1	1.4	1.4	1.4

Source: Finance Division, M/O Finance and BBS. (Various issues of the Budget in Brief)

* According to the iBAS, according to actual outturn, from FY 2005-06 to FY 2014-15 the overall budget deficit excluding grants stood at 2.71, 2.82, 4.96, 3.51, 3.21, 3.85, 3.42, 3.97, 3.56 and 3.81 percent of GDP respectively.

Public Debt Management

Government borrows both from domestic and external sources to meet the social welfare expenditure, unexpected expenditure in emergencies, development planning expenditure and increase investment. The analysis of Government domestic borrowing from different sources (Table-4.8) shows that in FY 2014-15 Government borrowing from banking system decreased by 220.2 percent compared to the last fiscal year. On the other hand, Government borrowing from other than banks increased by 126.0 percent in FY 2014-15 compared to FY 2013-14. The total

Government borrowing (net) stood at Tk.26018.94 crore during FY 2014-15, which is 1.7 percent of GDP. In this time period, Government repaid to banking system Tk.8661.4 crore and total borrowing from other than banks stood at Tk.34,680.3 crore. Sector-wise Government borrowing from domestic sources from FY 2008-09 to FY2014-15 are presented in Table 4.8 and in Figure 4.2.

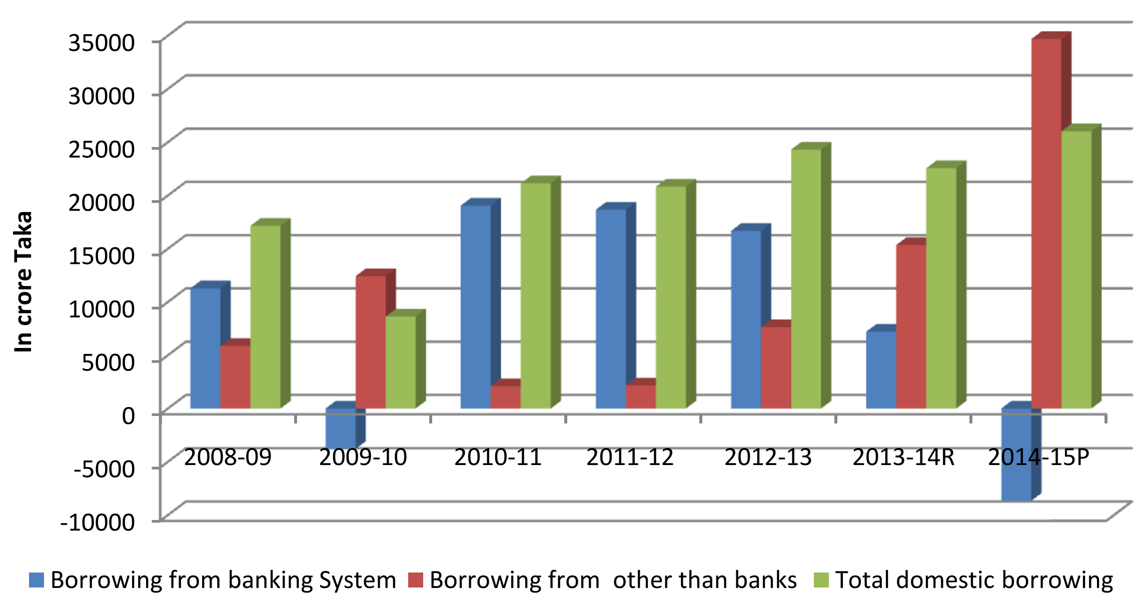
Table 4.8: Government Domestic Borrowing (net) from Different Sources

(Taka in crore)

Fiscal Year	Net Government Borrowing from the Banking System			Government Borrowing from other than Banks	Total Government Borrowing	Percent of GDP
	Borrowing from Bangladesh Bank	Borrowing from Scheduled Banks	Total Borrowing from Banking System			
2008-09	2958.2	8317.9	11276.1	5877.4	17153.5	2.4
2009-10	-6634.9	2842.0	-3792.9	12419.6	8626.7	1.1
2010-11	9729.2	9314.7	19043.8	2088.8	21132.6	2.3
2011-12	6033.2	12628.6	18661.7	2160.4	20822.1	2.0
2012-13	-6776.6	23441.4	16666.8	7634.7	24299.6	2.0
2013-14R	-17497.7	24704.8	7207.2	15344.3	22551.5	1.7
2014-15P	-1821.9	-6839.4	-8661.4	34680.3	26018.9	1.7

Sources: National Savings Directorate (NSD) and Bangladesh Bank (BB)
R-Revised, P=Provisional

Figure 4.2: Government Domestic Borrowing (Net) from Different Sources



Government Borrowing from External Sources

The external assistance shows a trend of steady decline in the flow of grants overtaken by the increasing share of loans. As a result, outflow of budgetary resources in the form of amortisation is increasing which in fact reduces the net flow of external resources to Bangladesh. In FY 2013-14 net foreign assistance (after principal and interest payment) flow reached to a record U$ 1790 million, which is the highest in recent times. Table 4.9 shows the Government borrowing from external sources and its repayment during FY 2005-06 to FY 2014-15. The foreign aid flow situation is shown in Figure 4.3.

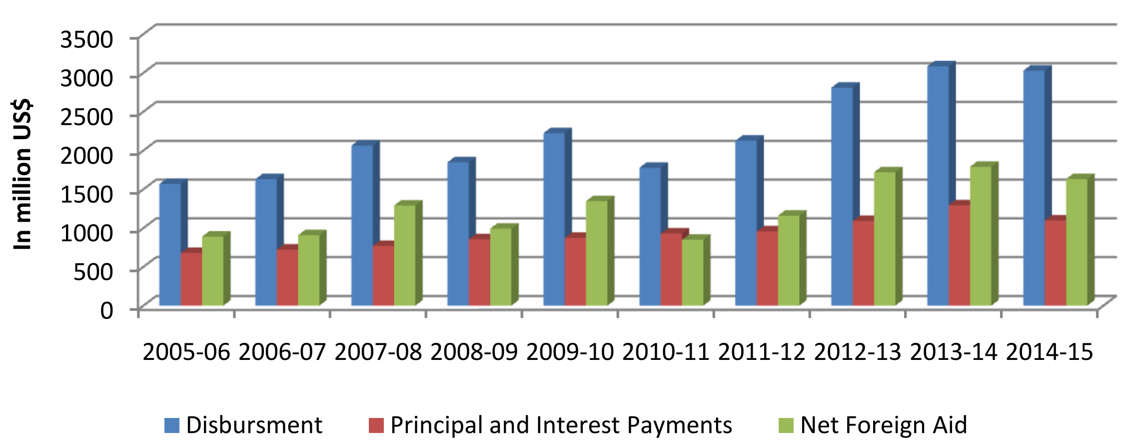
Table 4.9: Government Borrowing from Foreign Sources

(In million US$)

Fiscal Year	Disbursement of Loans and Grants			Principal and Interest Payment			Net Foreign Aid Flow	
	Grant	Loans	Sub-Total	Interest	Principal	Sub-Total	After Principal Payment	After Principal & Interest Payment
1	2	3	4=(2+3)	5	6	7=(5+6)	8=(4-6)	9=(4-7)
2005-06	501	1067	1568	176	502	678	1066	890
2006-07	590	1040	1630	182	540	722	1090	908
2007-08	658	1403	2061	184	586	770	1475	1291
2008-09	658	1189	1847	200	655	855	1192	992
2009-10	634	1588	2222	190	685	875	1537	1347
2010-11	745	1032	1777	200	729	929	1048	848
2011-12	588	1538	2126	197	770	957	1357	1160
2012-13	726	2084	2811	195	895	1091	1915	1719
2013-14	681	2404	3084	206	1089	1294	1996	1790
2014-15*	557	2472	3029	188	910	1097	2120	1632

Source: Economic Relations Division (ERD). * provisional

Figure 4.3: Foreign Aid Disbursement and Payments, Net Flows



Currently, the debt obligation of the Government is at a tolerable level. Financing through grant and loan from external sources is gradually narrowing due to shift in the policies of development partners. This prompted the Government to adopt measures to mobilise resources from domestic sources alongside those from external sources.

Table 4.10: Budget at a Glance

(In Crore Taka)

Description	Revised 2014-15	Budget 2014-15	Account 2013-14
Revenue and Foreign Grants			
Revenues	**163371**	**182954**	**140375**
Tax Revenue	140676	155292	116031
NBR-Tax Revenue	135028	149720	111423
Non-NBR Tax Revenue	5648	5572	4609
Non-Tax Revenue	22695	27662	24343
Foreign Grants	5674	6206	6357
Total:	**169045**	**189160**	**146732**
Expenditure			
Non-Development Expenditure	**149399**	**154241**	**121008**
Non-Development Revenue Expenditure	127371	128231	110567
of which			
Domestic Interest	28187	29305	26601
Foreign Interest	1678	1738	1604
Non-Development Capital Expenditure	22028	26010	10441
Net Outlay for Food Account Operation	157	309	331
Loans & Advances (Net)	9636	9611	7718
Development Expenditure	**80476**	**86345**	**59151**
Development Programmes financed from Non-Development Budget	786	1068	714
Non-ADP Projects	3317	3469	2078
Annual Development Program	75000	80315	55333
Non-ADP FFW and Transfer	1373	1493	1026
Total Expenditure:	**239668**	**250506**	**188208**
Overall Deficit (including Grants) :	70623	61346	41476
(In Percent of GDP) :	4.6	4.5	3.5
Overall Deficit (Excluding Grants) :	76297	67552	47833
(In Percent of GDP) :	**5.0**	**5.0**	**4.1**
Financing			
Foreign Borrowing-Net	**15909**	**18069**	**3349**
Foreign Borrowing	23872	26519	11939
Amortization	-7963	-8450	-8590
Domestic Borrowing	**54714**	**43277**	**38136**
Borrowing from Banking System (Net)	**31714**	**31221**	**18168**
Long-Term Debt (Net)	22061	19824	16405
Short-Term Debt (Net)	9653	11397	1763
Non-Bank Borrowing (Net)	**23000**	**12056**	**19968**
National Saving Schemes (Net)	21000	9056	11774
Others	2000	3000	8194
Total - Financing	**70623**	**61346**	**41485**
Memorandum Item: GDP (Base year 2005-06)	**1513600**	**1339500**	**1343674**

Source: Finance Division.