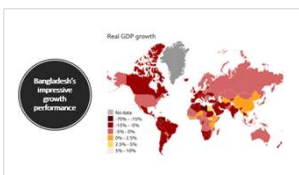


Budget 2021-22: Bangladesh towards a resilient Future protecting lives and livelihoods

Dr. Abdur Razzaque
Presentation at MCCI 19th Policy Budget Discussion (19 June 2021)

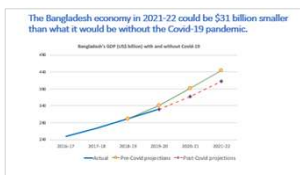
Despite facing challenging times, there have been some positive developments for Bangladesh

- FY22 Budget - a challenging exercise during the pandemic
- Growing demand for government support
- But, there have been positive developments
- Success in import savings
- Successful trade
- Low credit growth
- Low inflation
- Low unemployment
- Low poverty



But, challenges loom large and dealing with those most effectively is important.

- Slower growth prospects
- Reducing dependence on long-term investments
- Not informed policymaking & learning technology value
- Dependent on external support in critical sectors
- Implementation is a big challenge

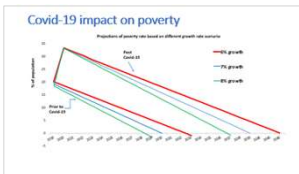


Data deficits mean informed policymaking is being compromised.

- Investment and growth data
 - No impact on private investment?
 - Low credit growth and fall in import of capital goods
- Growth and poverty
 - How to reconcile growth and poverty figures?
 - Generating poverty data

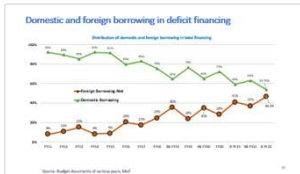
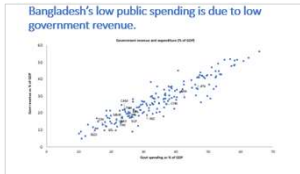
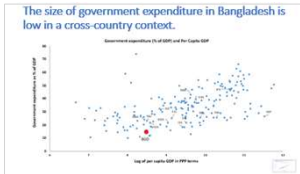
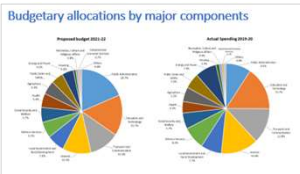
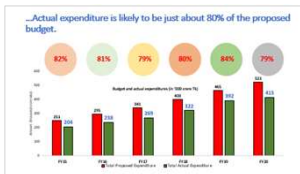
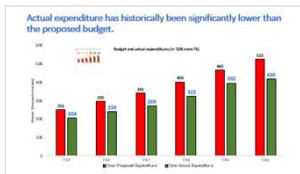
Growth and investment projections in the budget

Year	GDP (Bn Tk)	Investment (Bn Tk)	Private Investment (Bn Tk)	Public Investment (Bn Tk)
2019-20	1,10,000	15,000	10,000	5,000
2020-21	1,15,000	16,000	11,000	5,000
2021-22	1,20,000	17,000	12,000	5,000



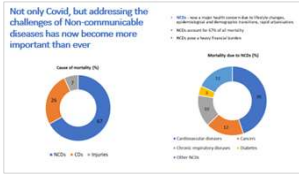
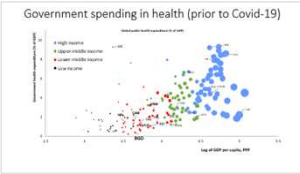
Size of the budget and Implementation

Item	2019-20	2020-21	2021-22
Total Budget	1,10,000	1,15,000	1,20,000
Public Investment	5,000	5,000	5,000
Private Investment	10,000	11,000	12,000



Health budget: Low allocation but spending it is apparently a bigger problem

- 0.35% of GDP (5.42% of total budget)
- Bangladesh health spending: one the lowest in the world
- Higher spending is long overdue due to changes in the disease profile
- 2nd Five Year Plan target is to raise health spending to 2% of GDP
- 32% of Health ADP spent during July-May of FY21 (72% utilization in FY20)



Social Protection: Not doing more in FY22 will be a missed opportunity

- 40% of which is to be spent on pension payments, interest and agricultural subsidies
- 40% of which is to be spent on pension payments, interest and agricultural subsidies
- 40% of which is to be spent on pension payments, interest and agricultural subsidies



VAT/tax exemptions

- Exemptions for employers with transgender employees and for women-owned SMEs are good initiatives.
- Other tax exemptions could make the trade policy regime more protective
- Quality and standards of the products must be ensured otherwise, the support will generate welfare consequences

Concluding observations

2021-22 অর্থ বছরের বাজেট

Bangladesh National Budget 2021-22

Budget

Concluding observations

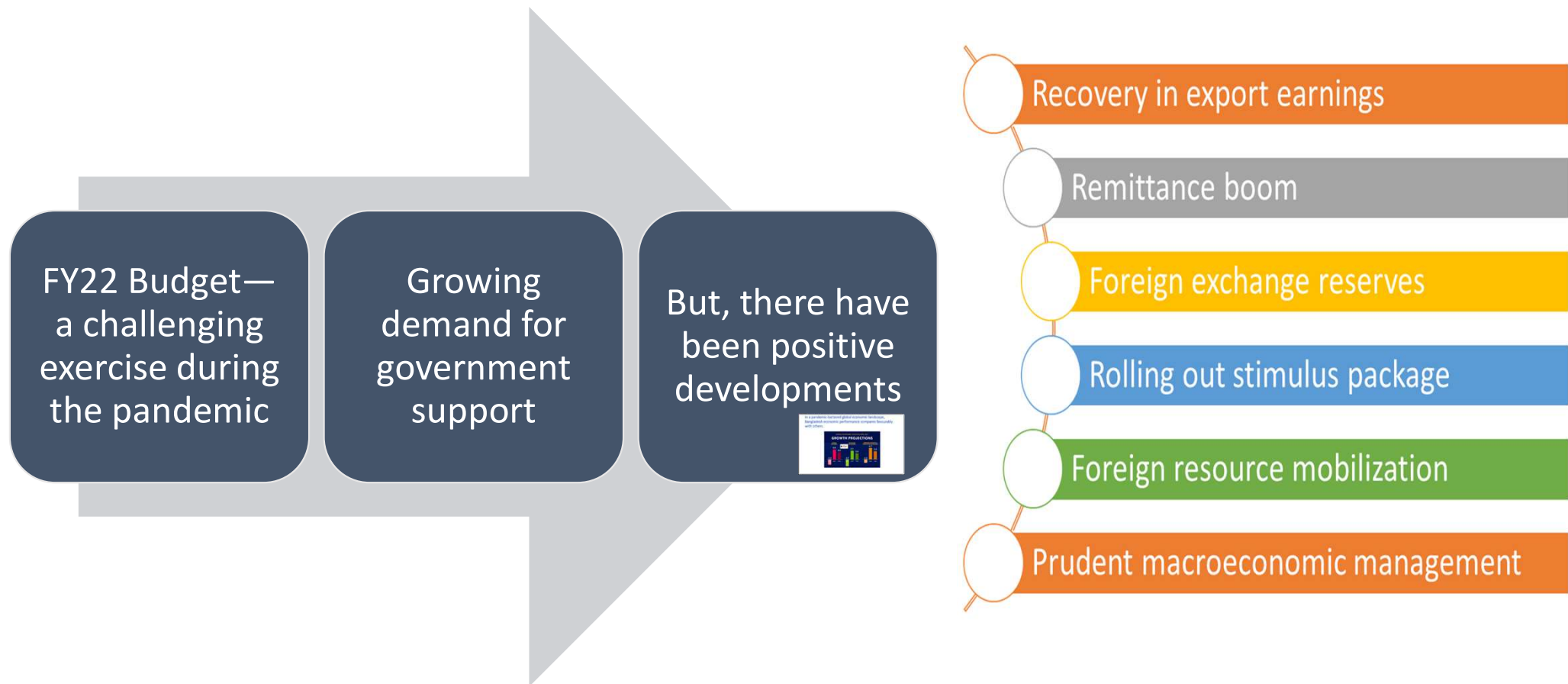
Thank you.

Budget 2021-22: Bangladesh towards a resilient Future protecting lives and livelihoods

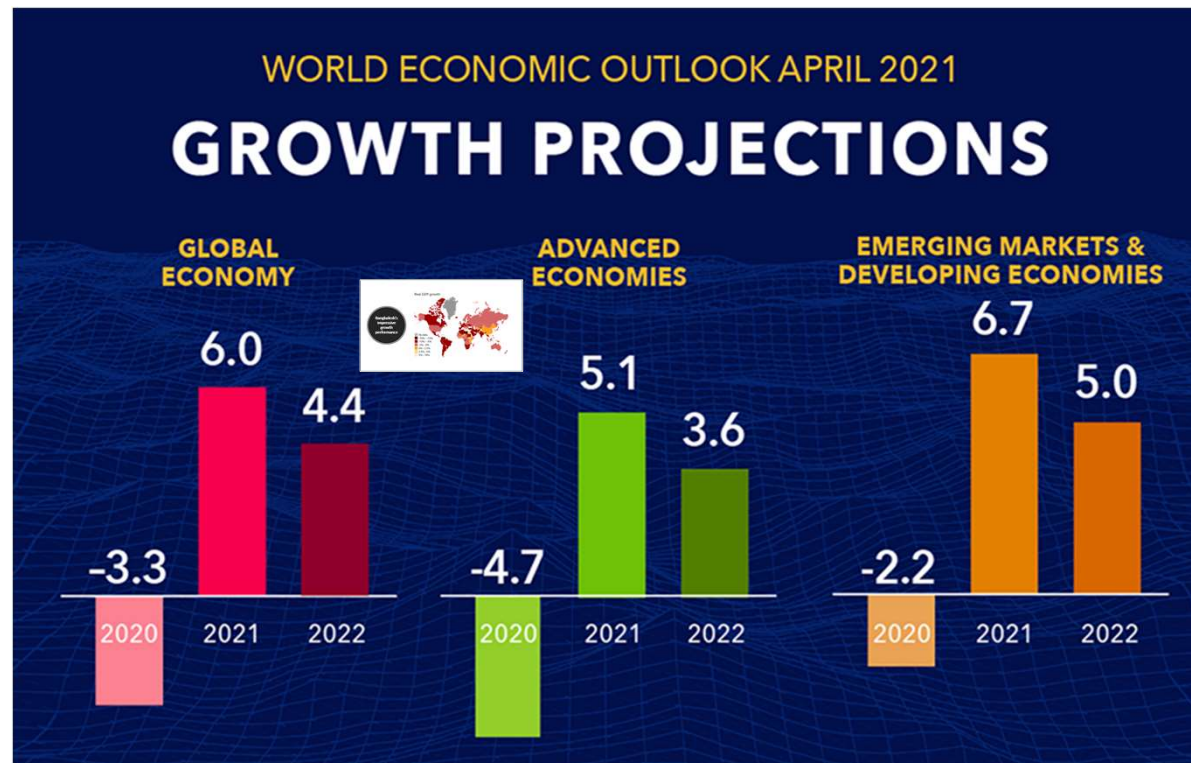
Dr. Abdur Razzaque

Presentation at MCCI-PRI Post Budget Discussion
21 June 2021

Despite facing challenging times, there have been some positive developments for Bangladesh

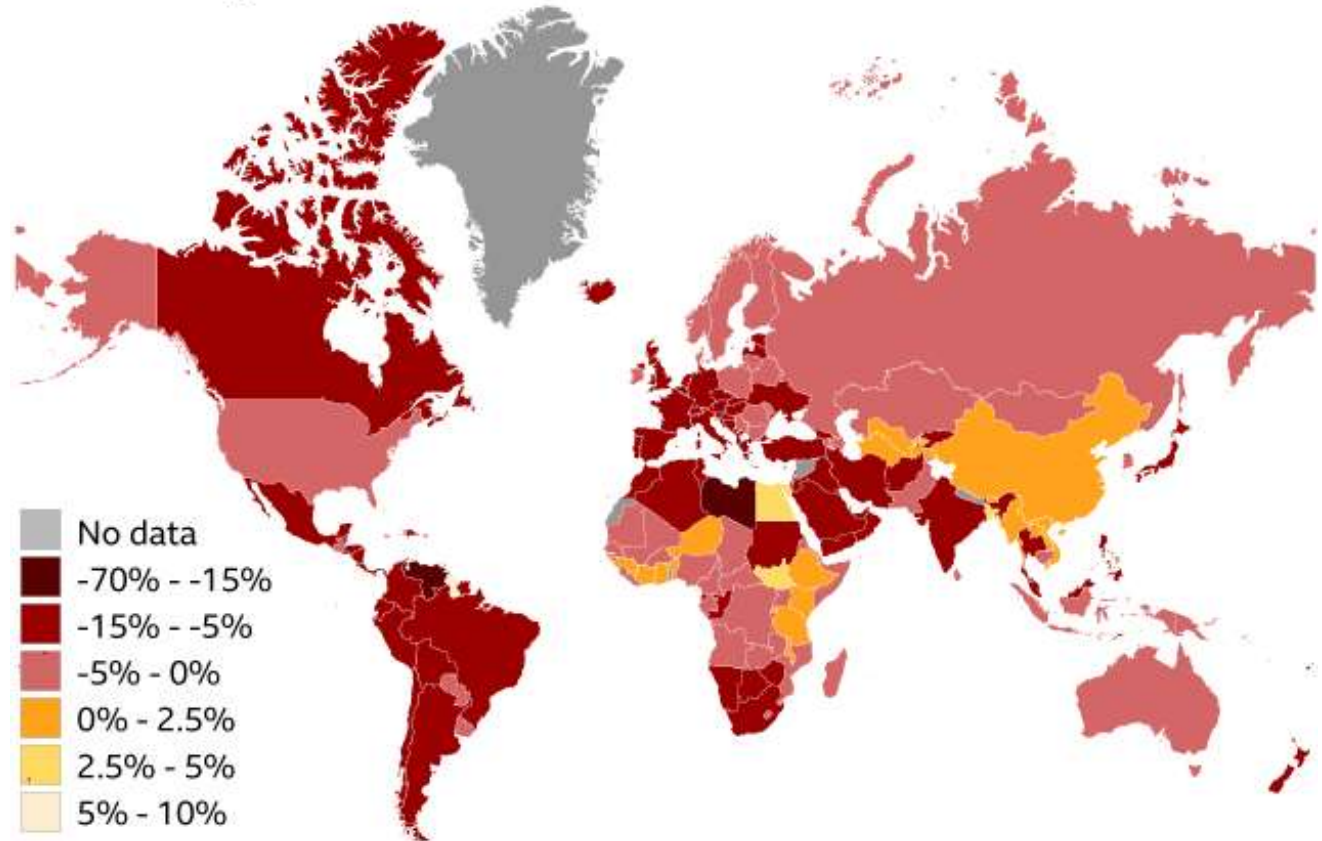


In a pandemic-battered global economic landscape, Bangladesh economic performance compares favourably with others.

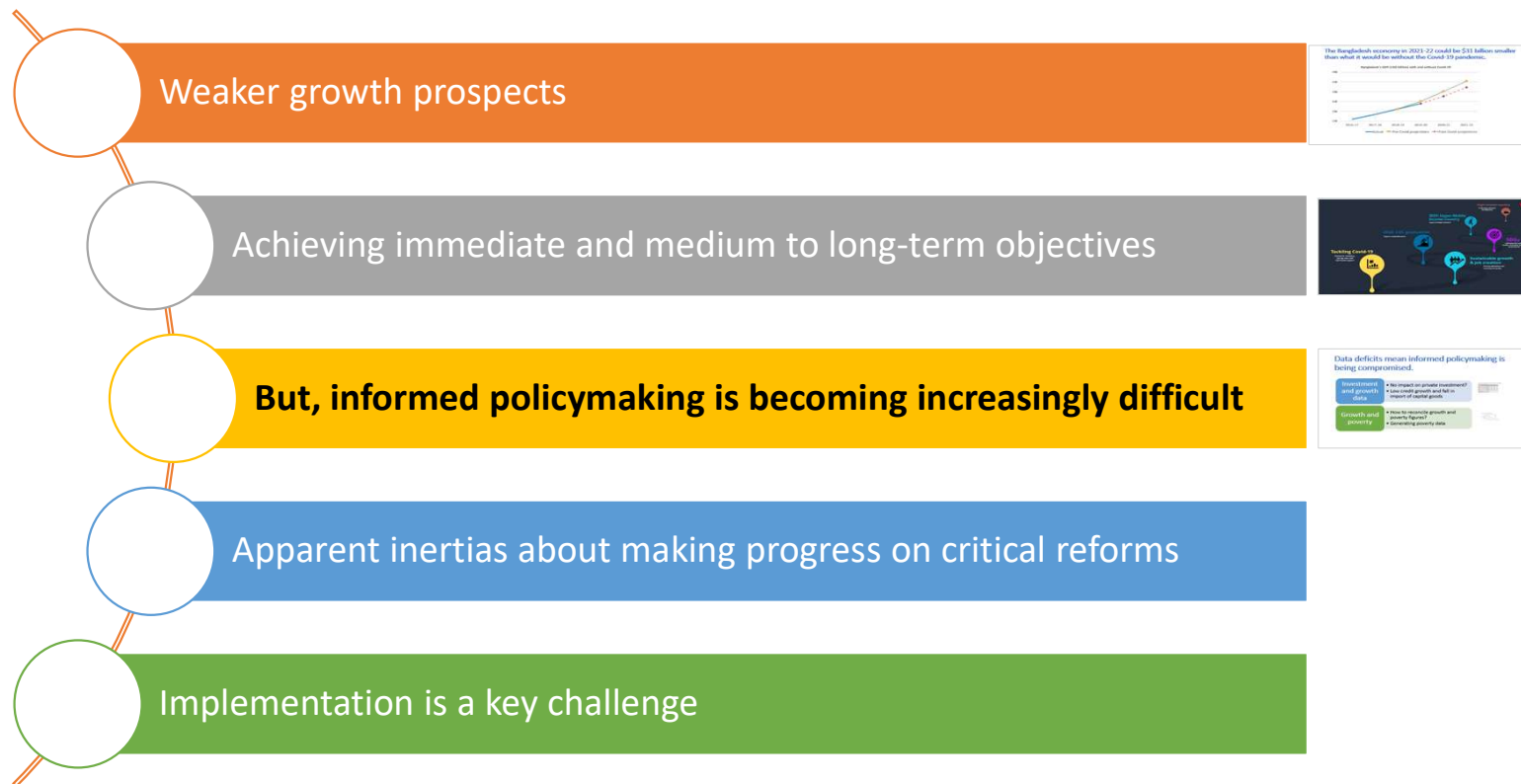


Bangladesh's
impressive
growth
performance

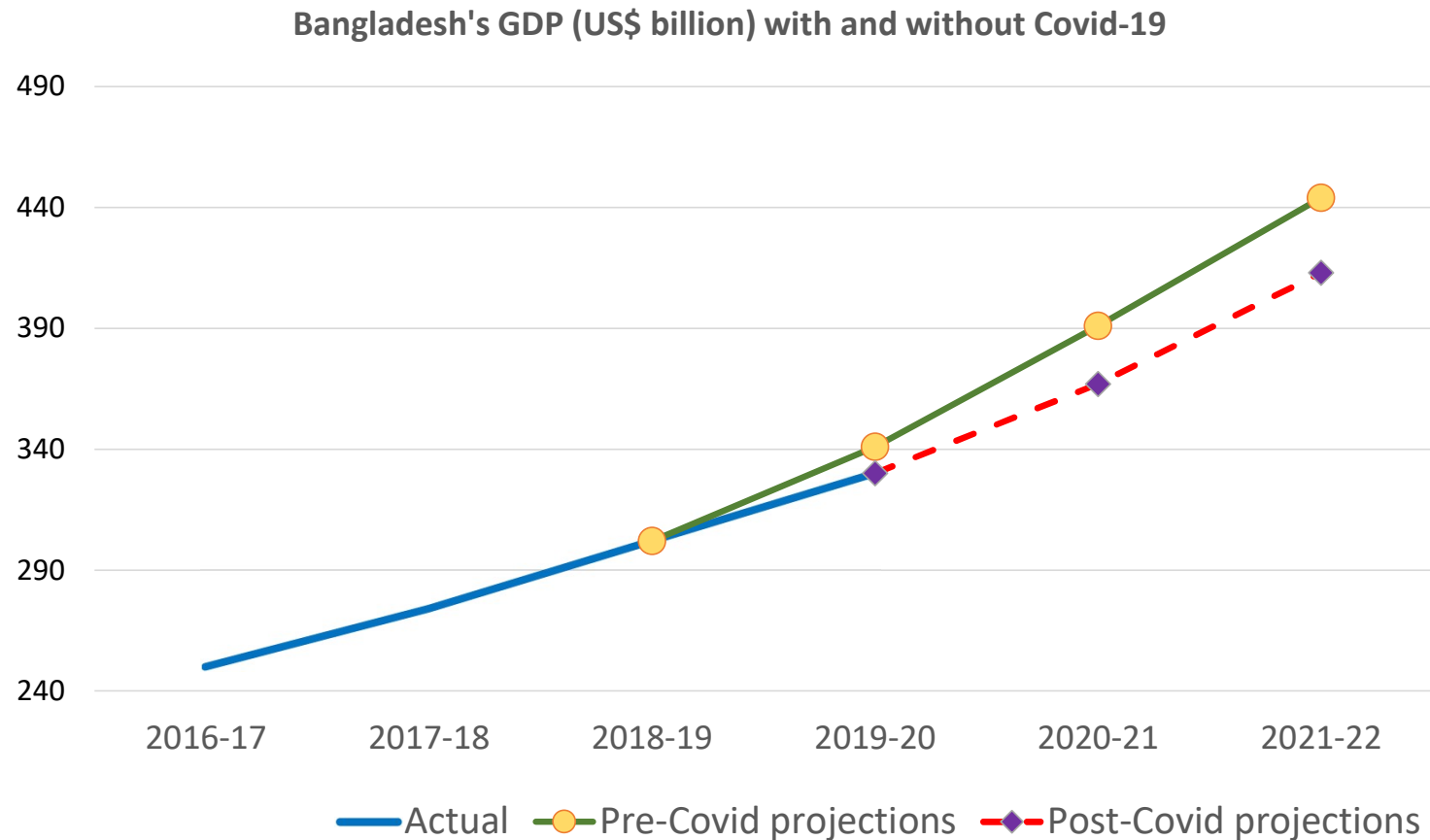
Real GDP growth



But, challenges loom large and dealing with those most effectively is important.



The Bangladesh economy in 2021-22 could be \$31 billion smaller than what it would be without the Covid-19 pandemic.



Tackling Covid-19

Economic recovery,
saving lives and
livelihood support



2026: LDC graduation

Export competitiveness



2031: Upper-Middle Income Country

Improved living standards



High-income country

Technology-intensive
development



Sustainable growth & job creation

Poverty alleviation and
reducing inequality



SDGs

Achieving SDG goals:
health, education, gender,
environment,



Data deficits mean informed policymaking is being compromised.

Investment and growth data

- No impact on private investment?
- Low credit growth and fall in import of capital goods

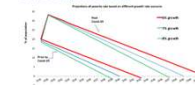
Growth and investment projections in the budget

Period	GDP	Investment	Private Investment	Public Investment	Total Investment	Change
2019-20	1.5	1.5	1.5	1.5	1.5	0.0
2020-21	1.5	1.5	1.5	1.5	1.5	0.0
2021-22	1.5	1.5	1.5	1.5	1.5	0.0
2022-23	1.5	1.5	1.5	1.5	1.5	0.0
2023-24	1.5	1.5	1.5	1.5	1.5	0.0
2024-25	1.5	1.5	1.5	1.5	1.5	0.0
2025-26	1.5	1.5	1.5	1.5	1.5	0.0
2026-27	1.5	1.5	1.5	1.5	1.5	0.0
2027-28	1.5	1.5	1.5	1.5	1.5	0.0
2028-29	1.5	1.5	1.5	1.5	1.5	0.0
2029-30	1.5	1.5	1.5	1.5	1.5	0.0
2030-31	1.5	1.5	1.5	1.5	1.5	0.0
2031-32	1.5	1.5	1.5	1.5	1.5	0.0
2032-33	1.5	1.5	1.5	1.5	1.5	0.0
2033-34	1.5	1.5	1.5	1.5	1.5	0.0
2034-35	1.5	1.5	1.5	1.5	1.5	0.0
2035-36	1.5	1.5	1.5	1.5	1.5	0.0
2036-37	1.5	1.5	1.5	1.5	1.5	0.0
2037-38	1.5	1.5	1.5	1.5	1.5	0.0
2038-39	1.5	1.5	1.5	1.5	1.5	0.0
2039-40	1.5	1.5	1.5	1.5	1.5	0.0
2040-41	1.5	1.5	1.5	1.5	1.5	0.0
2041-42	1.5	1.5	1.5	1.5	1.5	0.0
2042-43	1.5	1.5	1.5	1.5	1.5	0.0
2043-44	1.5	1.5	1.5	1.5	1.5	0.0
2044-45	1.5	1.5	1.5	1.5	1.5	0.0
2045-46	1.5	1.5	1.5	1.5	1.5	0.0
2046-47	1.5	1.5	1.5	1.5	1.5	0.0
2047-48	1.5	1.5	1.5	1.5	1.5	0.0
2048-49	1.5	1.5	1.5	1.5	1.5	0.0
2049-50	1.5	1.5	1.5	1.5	1.5	0.0
2050-51	1.5	1.5	1.5	1.5	1.5	0.0
2051-52	1.5	1.5	1.5	1.5	1.5	0.0
2052-53	1.5	1.5	1.5	1.5	1.5	0.0
2053-54	1.5	1.5	1.5	1.5	1.5	0.0
2054-55	1.5	1.5	1.5	1.5	1.5	0.0
2055-56	1.5	1.5	1.5	1.5	1.5	0.0
2056-57	1.5	1.5	1.5	1.5	1.5	0.0
2057-58	1.5	1.5	1.5	1.5	1.5	0.0
2058-59	1.5	1.5	1.5	1.5	1.5	0.0
2059-60	1.5	1.5	1.5	1.5	1.5	0.0
2060-61	1.5	1.5	1.5	1.5	1.5	0.0
2061-62	1.5	1.5	1.5	1.5	1.5	0.0
2062-63	1.5	1.5	1.5	1.5	1.5	0.0
2063-64	1.5	1.5	1.5	1.5	1.5	0.0
2064-65	1.5	1.5	1.5	1.5	1.5	0.0
2065-66	1.5	1.5	1.5	1.5	1.5	0.0
2066-67	1.5	1.5	1.5	1.5	1.5	0.0
2067-68	1.5	1.5	1.5	1.5	1.5	0.0
2068-69	1.5	1.5	1.5	1.5	1.5	0.0
2069-70	1.5	1.5	1.5	1.5	1.5	0.0
2070-71	1.5	1.5	1.5	1.5	1.5	0.0
2071-72	1.5	1.5	1.5	1.5	1.5	0.0
2072-73	1.5	1.5	1.5	1.5	1.5	0.0
2073-74	1.5	1.5	1.5	1.5	1.5	0.0
2074-75	1.5	1.5	1.5	1.5	1.5	0.0
2075-76	1.5	1.5	1.5	1.5	1.5	0.0
2076-77	1.5	1.5	1.5	1.5	1.5	0.0
2077-78	1.5	1.5	1.5	1.5	1.5	0.0
2078-79	1.5	1.5	1.5	1.5	1.5	0.0
2079-80	1.5	1.5	1.5	1.5	1.5	0.0
2080-81	1.5	1.5	1.5	1.5	1.5	0.0
2081-82	1.5	1.5	1.5	1.5	1.5	0.0
2082-83	1.5	1.5	1.5	1.5	1.5	0.0
2083-84	1.5	1.5	1.5	1.5	1.5	0.0
2084-85	1.5	1.5	1.5	1.5	1.5	0.0
2085-86	1.5	1.5	1.5	1.5	1.5	0.0
2086-87	1.5	1.5	1.5	1.5	1.5	0.0
2087-88	1.5	1.5	1.5	1.5	1.5	0.0
2088-89	1.5	1.5	1.5	1.5	1.5	0.0
2089-90	1.5	1.5	1.5	1.5	1.5	0.0
2090-91	1.5	1.5	1.5	1.5	1.5	0.0
2091-92	1.5	1.5	1.5	1.5	1.5	0.0
2092-93	1.5	1.5	1.5	1.5	1.5	0.0
2093-94	1.5	1.5	1.5	1.5	1.5	0.0
2094-95	1.5	1.5	1.5	1.5	1.5	0.0
2095-96	1.5	1.5	1.5	1.5	1.5	0.0
2096-97	1.5	1.5	1.5	1.5	1.5	0.0
2097-98	1.5	1.5	1.5	1.5	1.5	0.0
2098-99	1.5	1.5	1.5	1.5	1.5	0.0
2099-00	1.5	1.5	1.5	1.5	1.5	0.0

Growth and poverty

- How to reconcile growth and poverty figures?
- Generating poverty data

Covid-19 impact on poverty

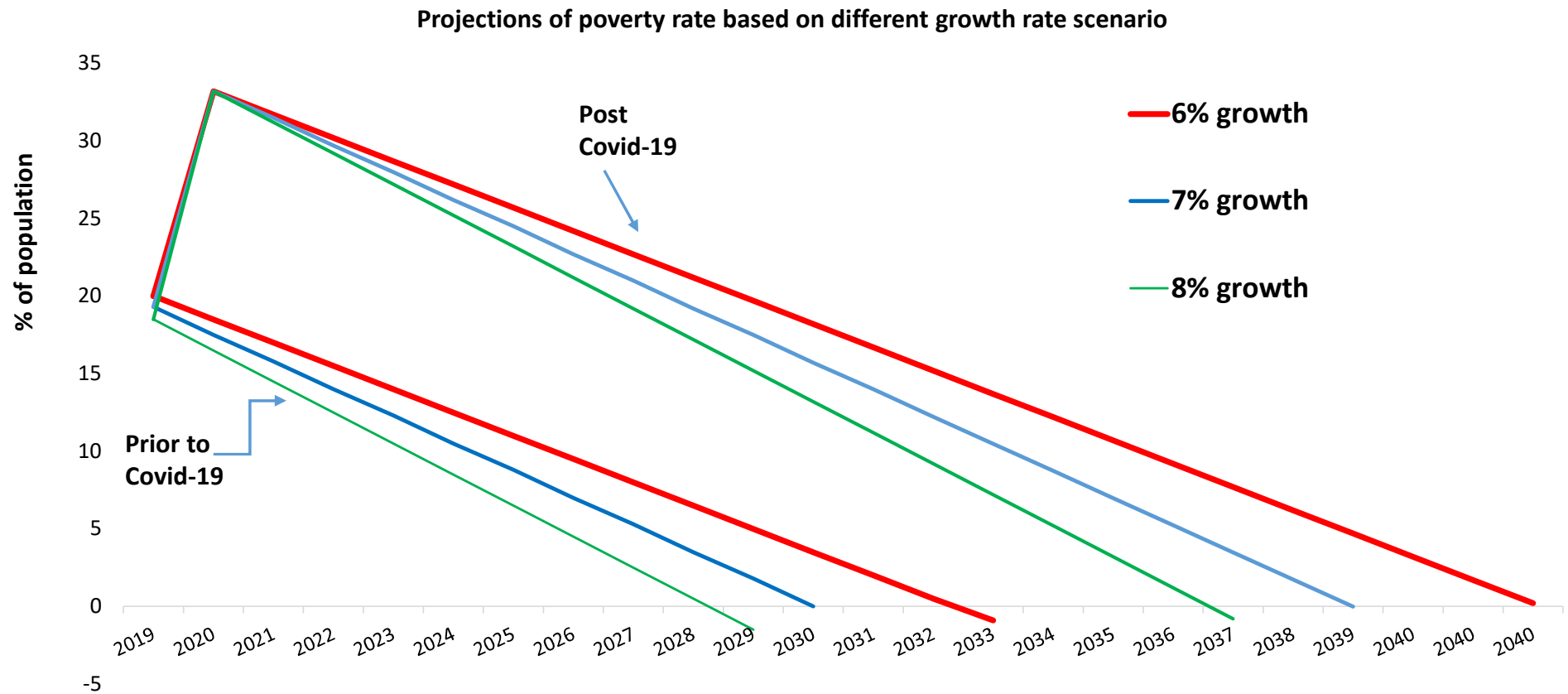


Growth and investment projections in the budget

Fiscal Year	GDP Growth (%)	Investment (As % of GDP)			Per Capita Income (US\$)	Power Generation Capacity (Megawatt)	Food Grain Production (Lakh Metric Ton)	Average Inflation
		Public	Private	Total				
2010-11	6.46	5.26	22.16	27.42	928	7,264	360.7	10.9
2011-12	6.52	5.76	22.50	28.26	955	8,716	368.8	8.7
2012-13	6.01	6.64	21.75	28.39	1,054	9,151	372.7	6.8
2013-14	6.06	6.55	22.03	28.58	1,184	10,416	381.7	7.4
2014-15	6.55	6.82	22.07	28.89	1,316	11,534	384.2	6.4
2015-16	7.11	6.66	22.99	29.65	1,465	14,429	388.2	5.9
2016-17	7.28	7.41	23.10	30.51	1,610	15,379	386.3	5.4
2017-18	7.86	7.97	23.26	31.23	1,751	18,753	406.64	5.8
2018-19	8.15	8.0	23.54	31.57	1,909	22,051	409.96	5.5
2019-20	5.2 ^P	8.1 ^P	23.6 ^P	31.8 ^R	2064 ^P	23,548	416.47	5.7
2020-21	6.2 ^R	8.2 ^R	24.2 ^R	32.3 ^R	2227 ^R	25,227	452.95*	5.4 ^R
2021-22 (Projection)	7.2%	8.1	25.0	33.1	2462	-	-	5.3

Source: Bangladesh Bureau of Statistics and Power Division, ^P=Provisional, ^R=Revised Target, *Estimated by Department of Agricultural Extension, Ministry of Agriculture.

Covid-19 impact on poverty



Size of the budget and Implementation

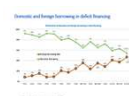
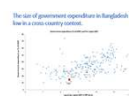
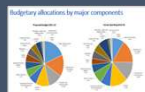
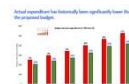
A tendency to inflate the overall size of the budget

Overoptimistic revenue targets

And, a built-in adjustment mechanism

But, is the proposed budget too big in comparison with others?

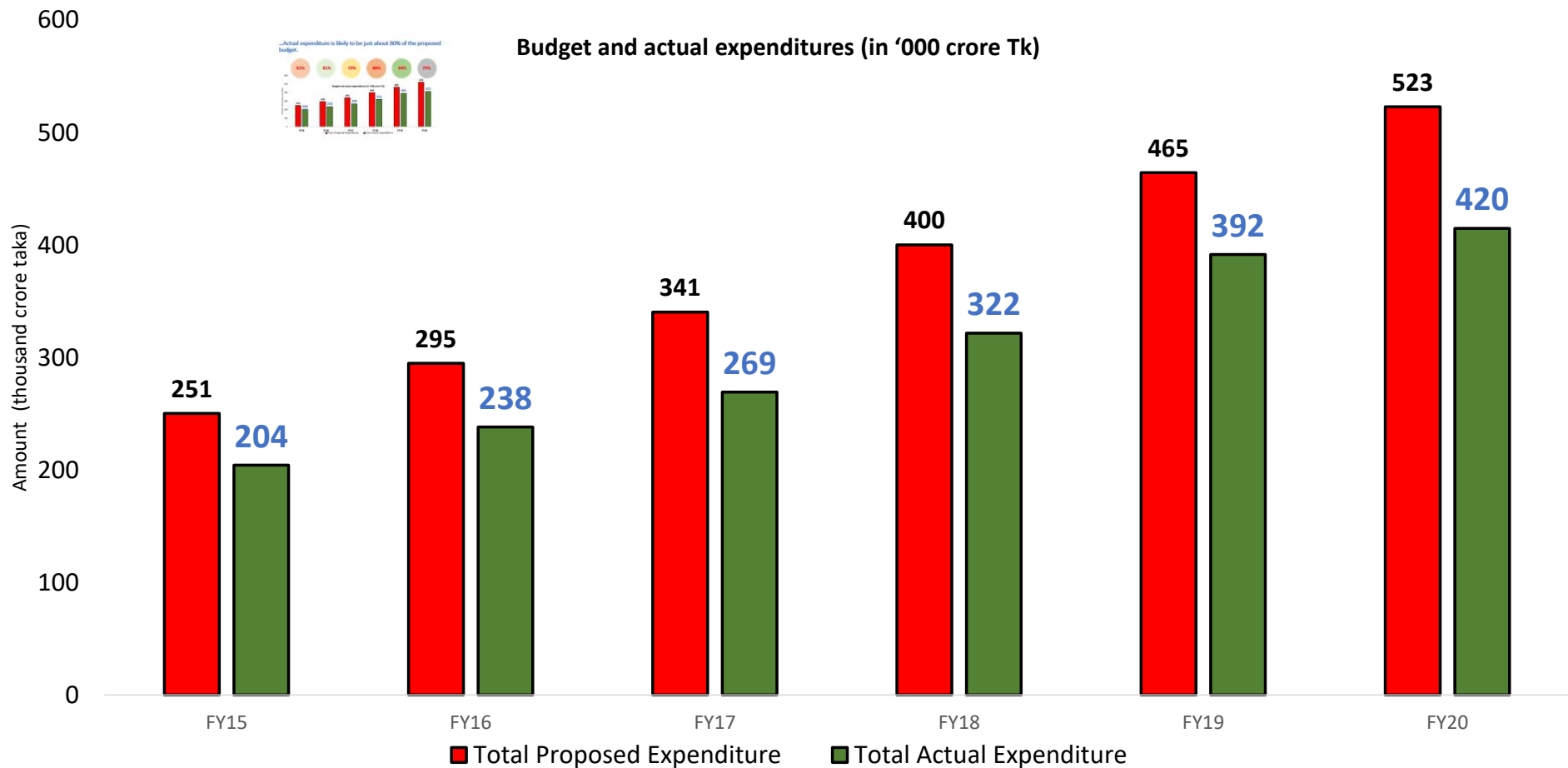
Increased foreign borrowing is timely but could indicate other problems.



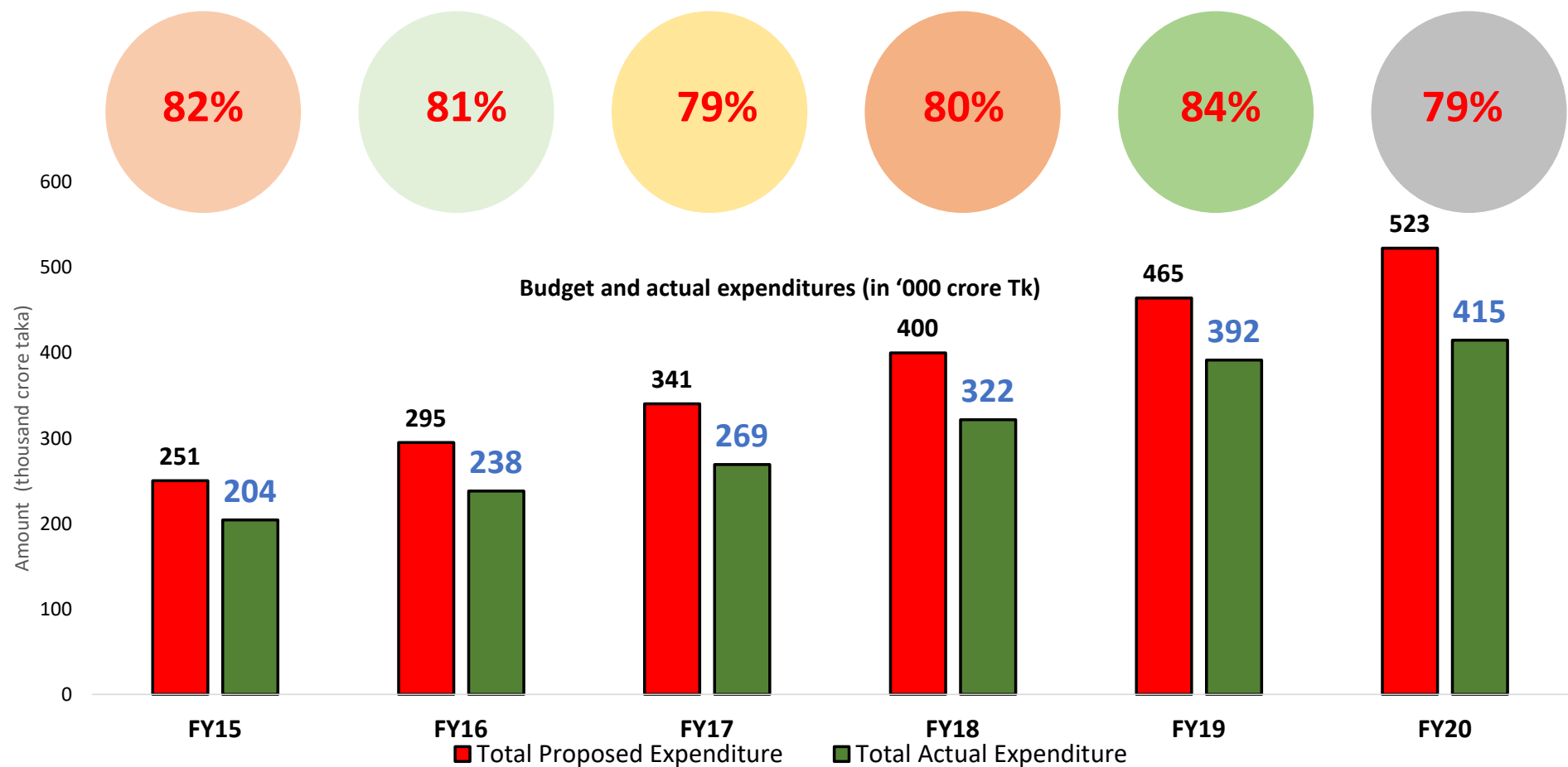
(in crore Tk.)

Fiscal Year	2021-22	2020-2021 (R)	2020-2021
Total Expenditure	6,03,681	5,38,983	5,68,000
Total Expenditure (% of GDP)	17.5	17.90	17.90
Budget Deficit (% of GDP)	-6.2	-6.1	-6
GDP Growth Target	7.2%	6.1%	8.2%
Income			
Revenue Income	389,000	3,51,532	3,78,000
NBR-tax revenue	3,30,000	3,01,000	3,30,000
Non-tax revenue	43,000	35,532	33,000
Financing			
Domestic Borrowing (Bank)	76,452	79,749	84,980
Domestic Borrowing (Non-Bank)	37,001	35,303	25,003
Foreign Borrowing (net)	97,738	68,414	76,004
Expenditure			
Non-Development Expenditure	3,61,500	323,688	3,48,180
Development Expenditure	2,37,078	2,08,025	2,15,043
ADP	2,25,324	1,97,643	2,05,145

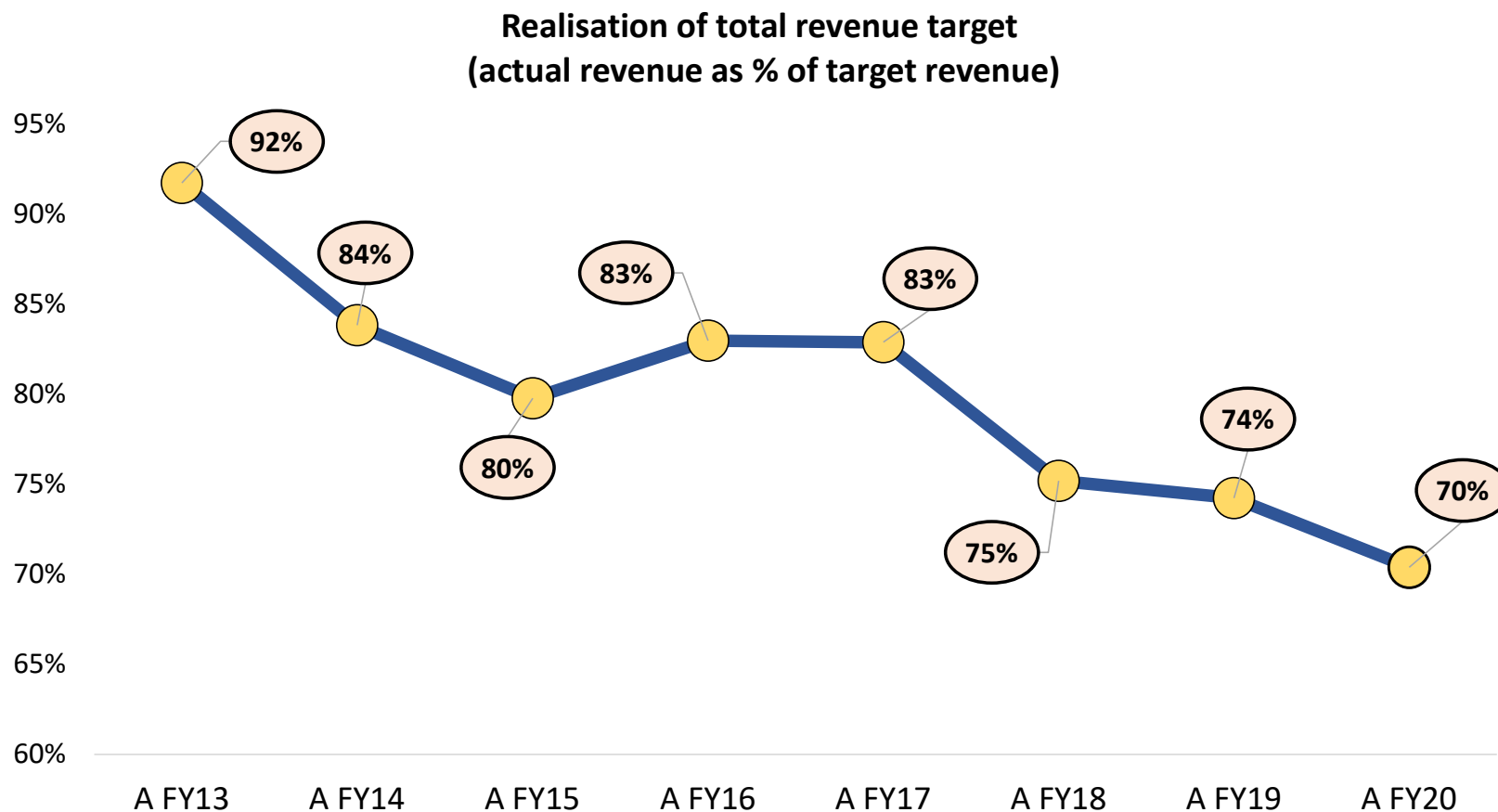
Actual expenditure has historically been significantly lower than the proposed budget.



...Actual expenditure is likely to be just about 80% of the proposed budget.



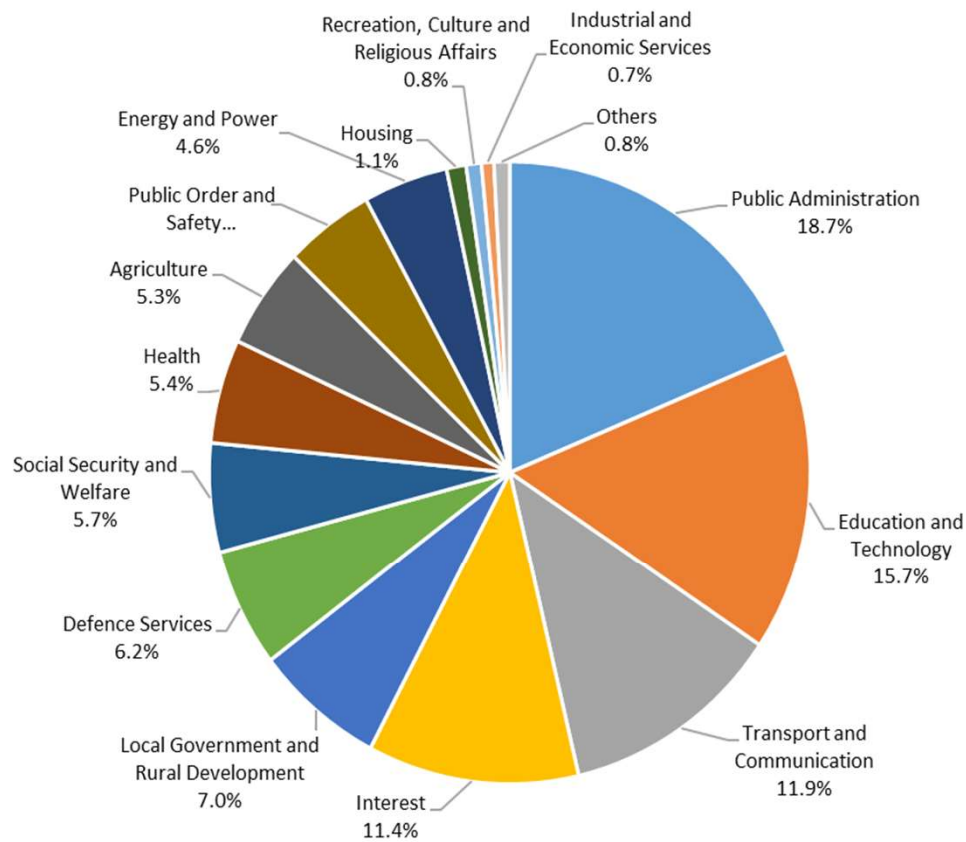
How much of the total revenue target get eventually materialized?



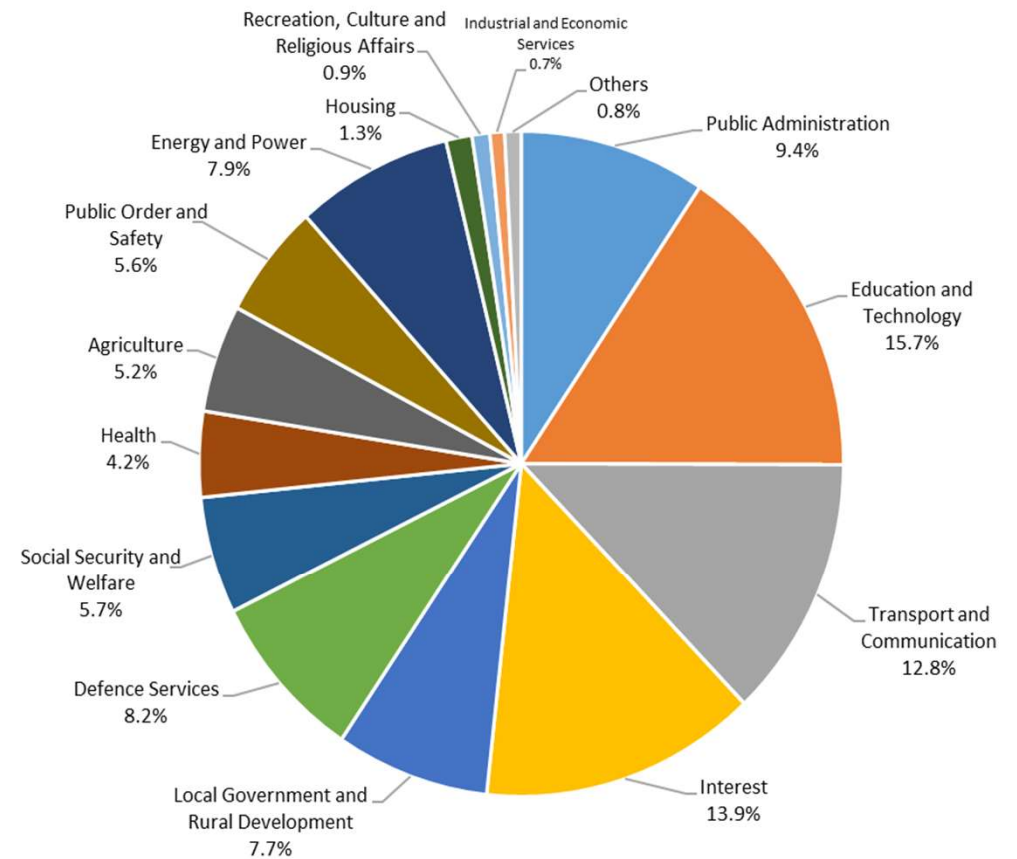
Source: Budget documents of various years, MoF

Budgetary allocations by major components

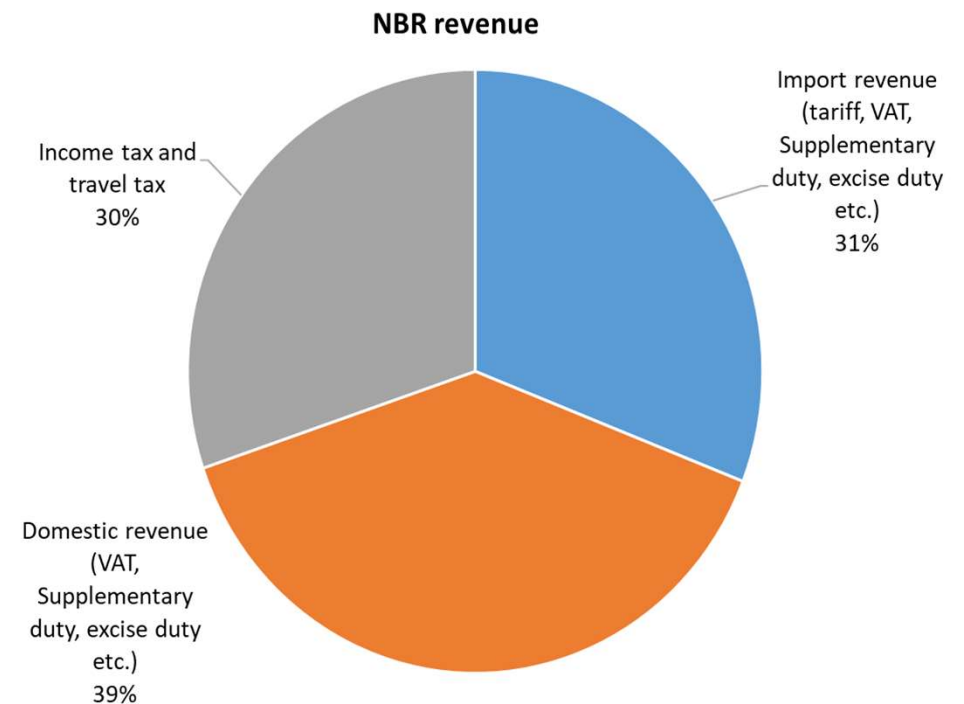
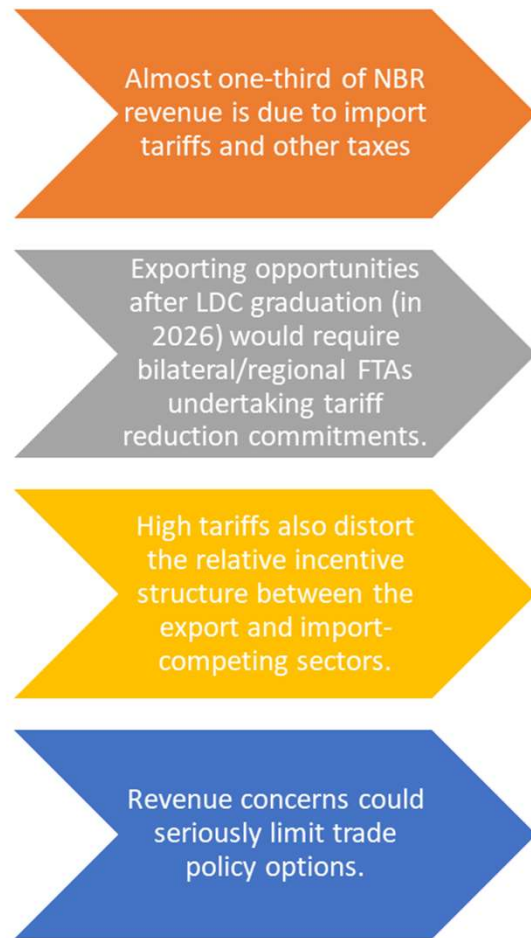
Proposed budget 2021-22



Actual Spending 2019-20

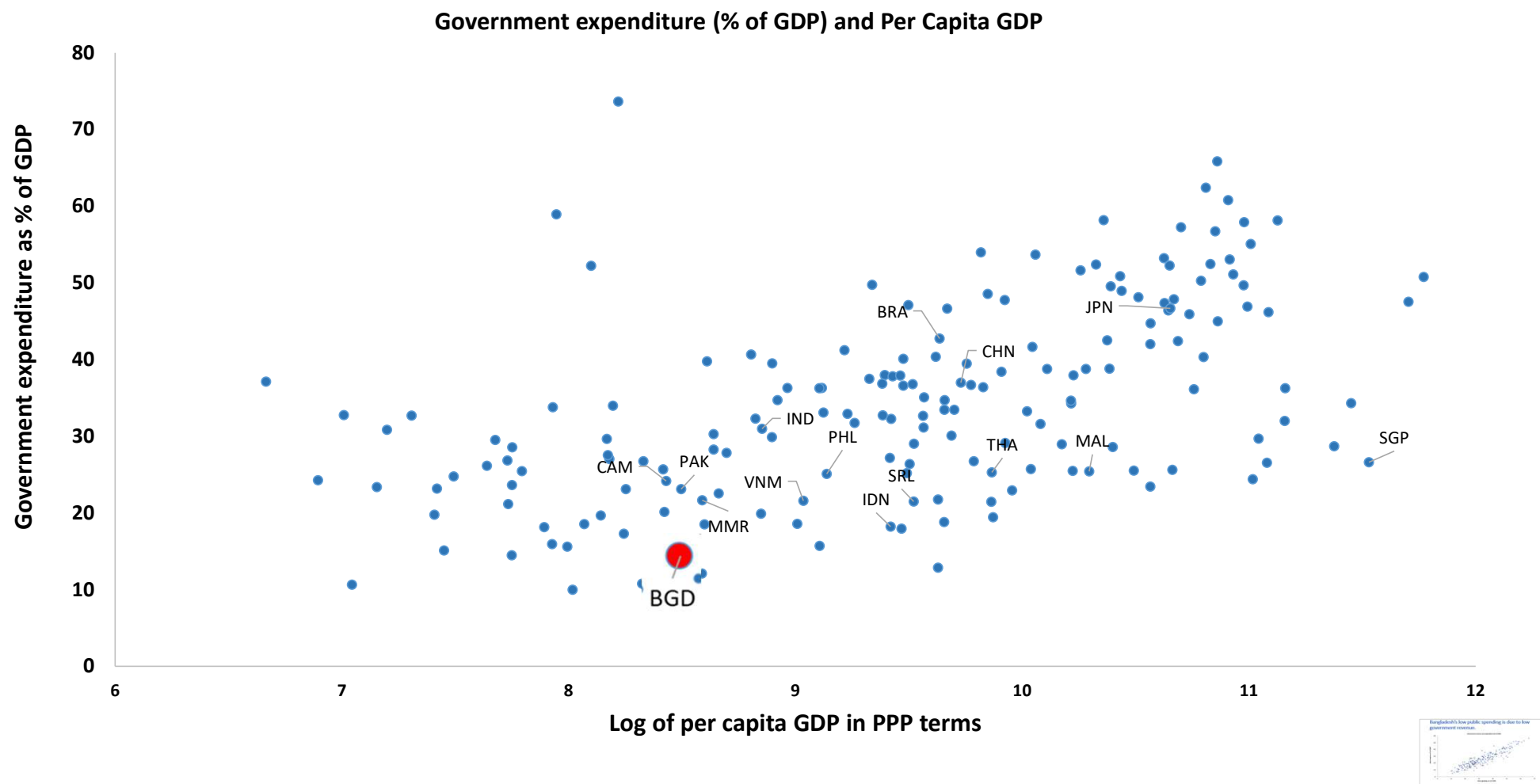


High dependence in import revenue means trade policy options would be limited to explore new export market access after LDC graduation.

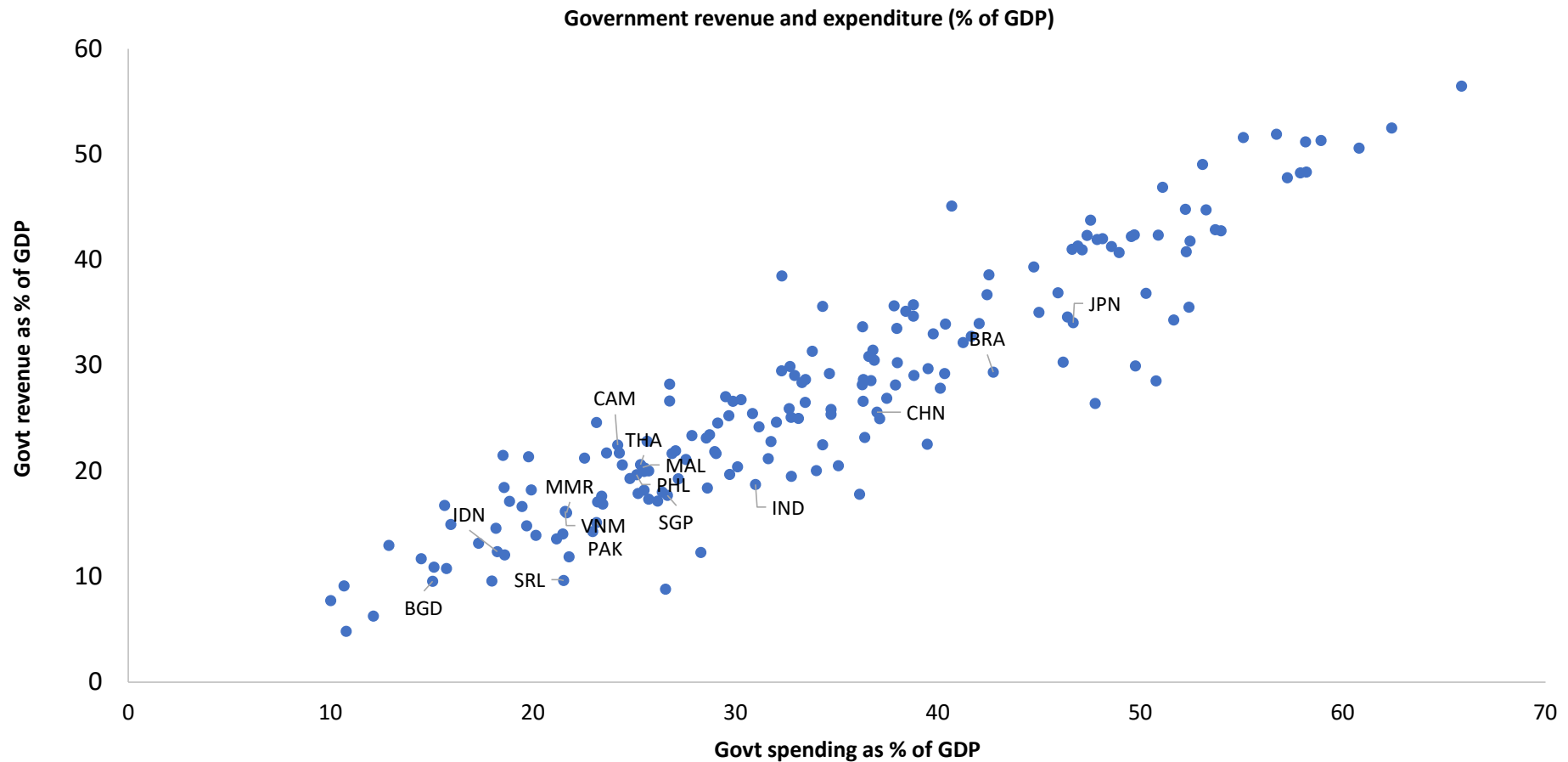


Note: information based on July-April, 2021

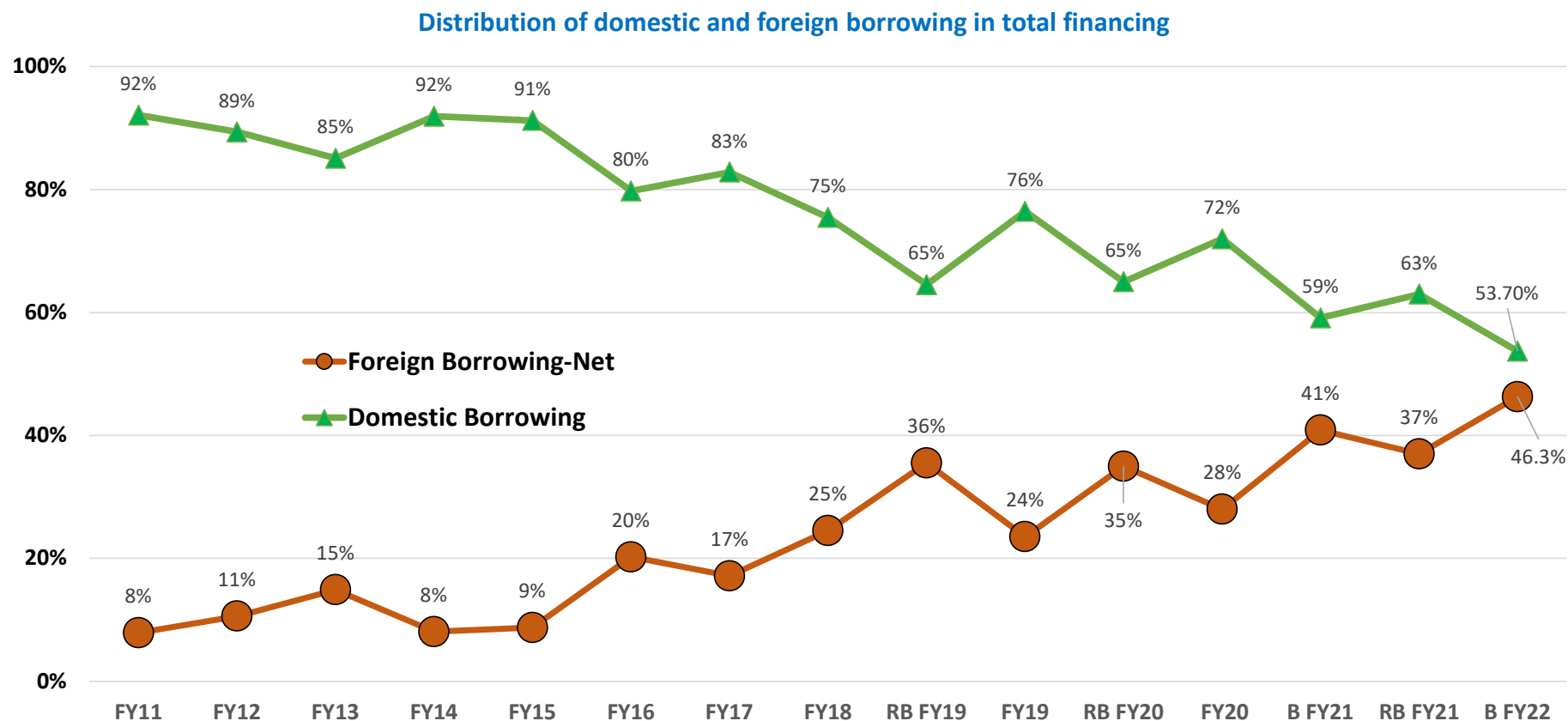
The size of government expenditure in Bangladesh is low in a cross-country context.



Bangladesh's low public spending is due to low government revenue.


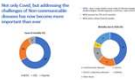


Domestic and foreign borrowing in deficit financing

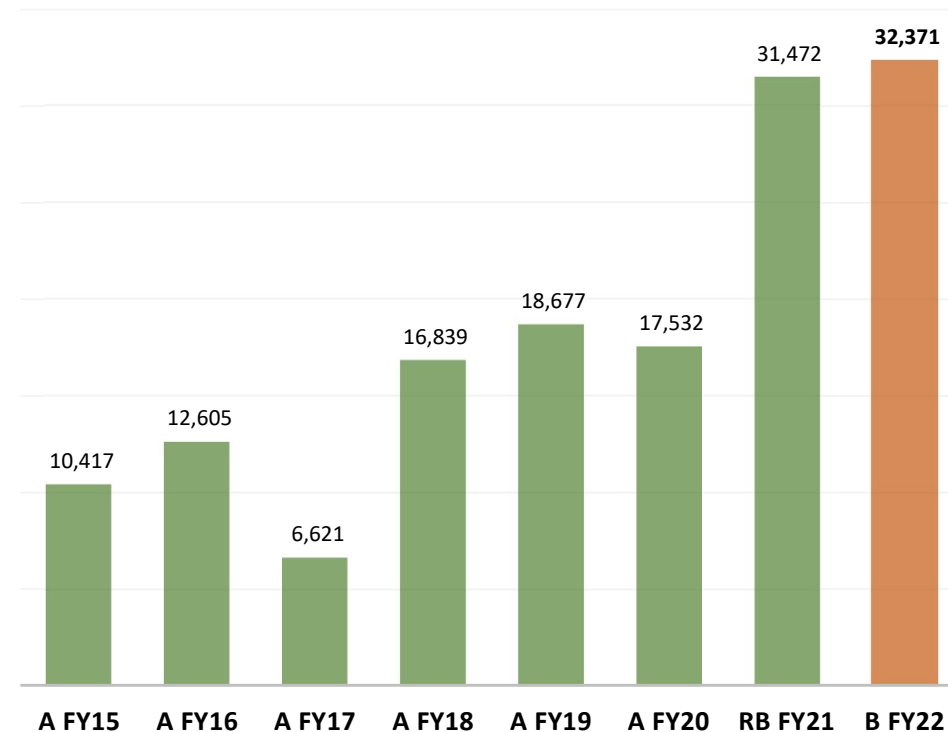


Source: Budget documents of various years, MoF

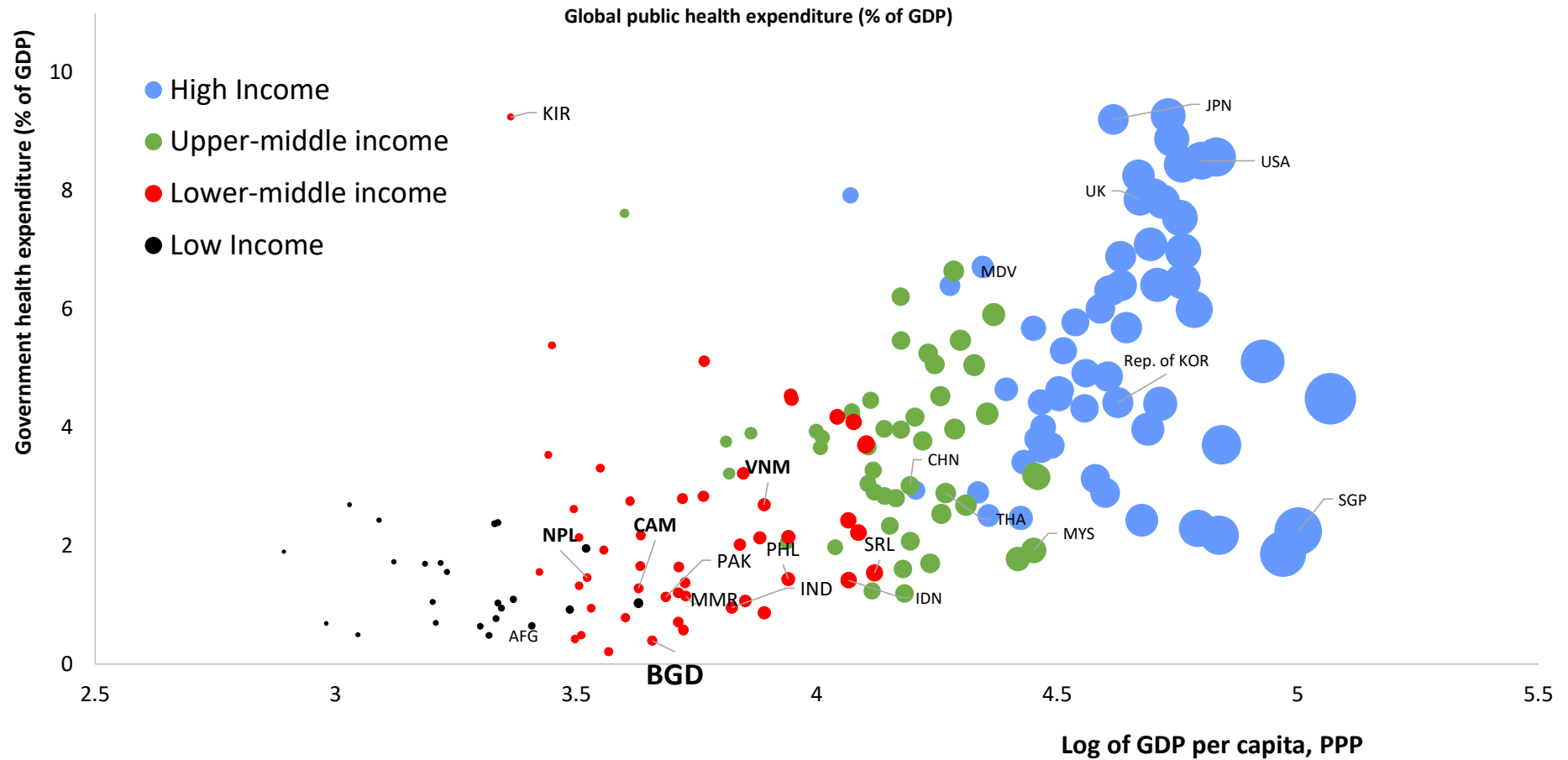
Health budget: Low allocation but spending it is apparently a bigger problem

- 0.95% of GDP (5.42% of total budget)
- Bangladesh health spending: one the lowest in the world 
- Higher spending is long overdue due to changes in the disease profile 
- 8th Five Year Plan target is to raise health spending to 2% of GDP
- 32% of Health ADP spent during July-May of FY21 (72% utilization in FY20)

Health Sector Allocation (In crore Taka)

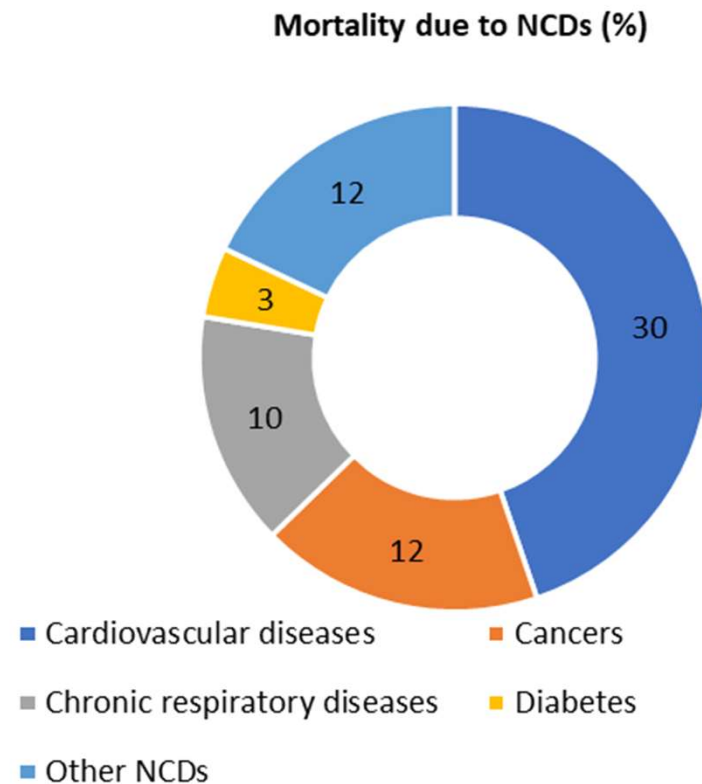
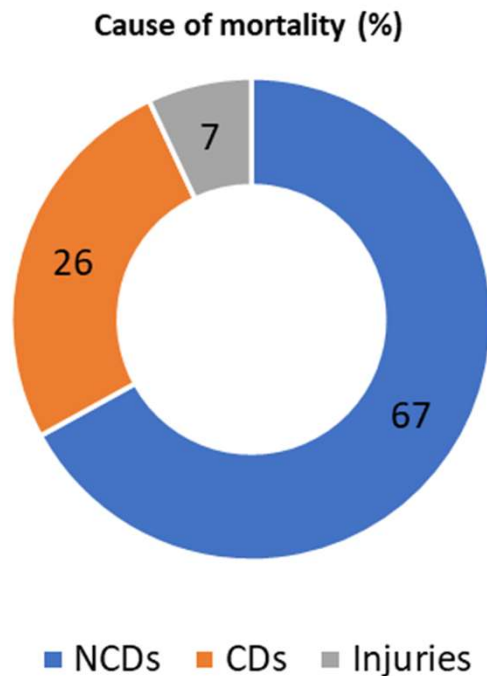


Government spending in health (prior to Covid-19)



Not only Covid, but addressing the challenges of Non-communicable diseases has now become more important than ever

- **NCDs** - now a major health concern due to lifestyle changes, epidemiological and demographic transitions, rapid urbanisation.
- NCDs account for 67% of all mortality
- NCDs pose a heavy financial burden



Social Protection: Not doing more in FY22 will be a missed opportunity

As proportion to GDP, allocation remains almost the same.

- 40% of which is to be spent on pension payments, interest and agricultural subsidies

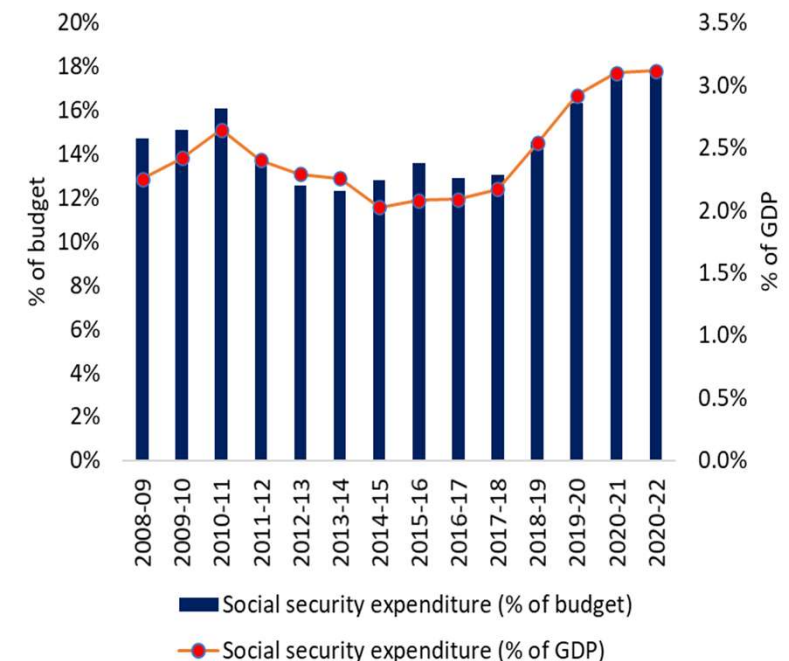
Savings Certificate interests of TK 6,909 crore from social protection budget!

- More than double the allocation for old-age allowance
- Almost five times the budget for allowances for the widow, deserted and destitute women
- Additional 1.15 crore people could benefit from the resources kept for saving certificate

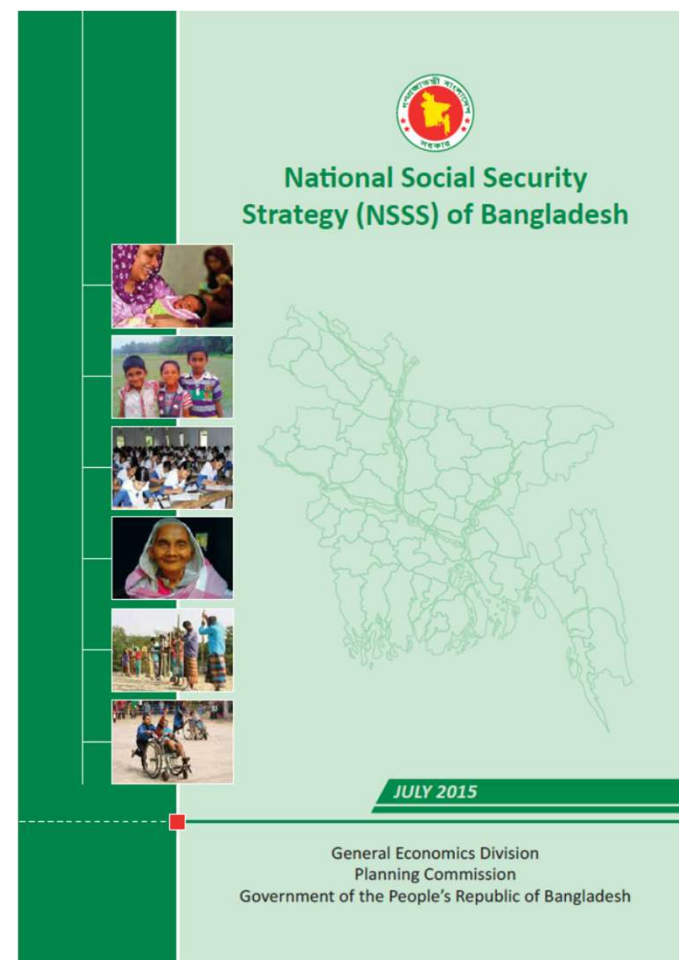
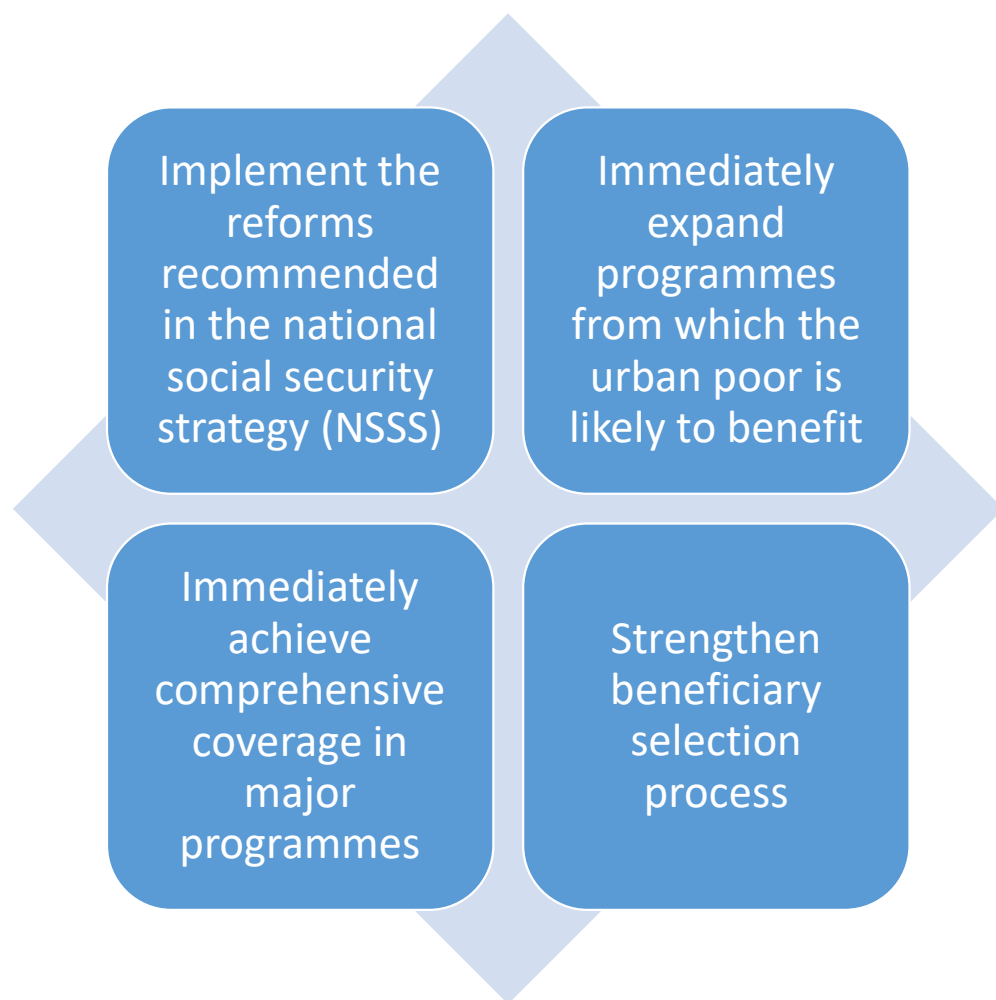
Funds to combat the outbreak of the corona pandemic (Tk 7,300 crore) and to deal with economic and natural shocks (Tk 5,000 crore) are welcome initiatives.

- But selection of eligible beneficiaries has always been a problem
- No clear roadmap on how these funds will be used.

Social security expenditure of Bangladesh



Social protection



VAT/Tax exemptions

- Exemptions for employers with transgender employees and for women-owned SMEs are good initiatives.
- Other tax exemptions could make the trade policy regime more protective
- Quality and standards of the products must be ensured otherwise, the support will generate welfare consequences

VAT/Tax exemption to promote "Made in Bangladesh" brand

To be implemented with caution: Value Addition, Efficiency, Employment Generation!

- VAT exemption facilities be extended to:
 - Manufacturers of LPG cylinders for another year
 - Manufacturers of refrigerators, freezers and its compressors for one more year
 - Manufacturers of air conditioners and its compressors for three more years
 - Manufacturers of motor cars and motor vehicles for five more years
 - VAT exemption at local production stage in the manufacturing of blender, juicer, mixer, grinder, electric kettle, rice cooker, multi-cooker, pressure cooker
 - VAT exemption at production level in manufacturing of washing machine, microwave oven and electric oven
 - Exemption of Advance Tax (AT) on certain raw materials of iron products, scrap vessel and ethylene glycol, terephthalic acid, ethylene/propylene which are used for manufacturing of PVC and PET resin
 - VAT exemption on manufacturing of puffed rice
 - VAT exemption of fresh fruit at the trading stage

Concluding observations



- Bangladesh has shown great resilience in the face of the Covid-19 global pandemic
- The macroeconomic management has been good
- However, a very cautious approach to macroeconomic management has to be traded off with options for more proactive fiscal interventions
- Revenue concerns have also limited the scope of proactive interventions



Concluding observations

- Dependence on imports for revenue seriously compromises trade policy options
- Without significant measures (including reforms) for domestic resource mobilization and increasing implementation capacities, the national budgeting exercise will unlikely to change.
- Spending capacities in the health sector must be strengthened along with the quality of spending.
- The propose allocation for social protection must be substantially beefed up.
- Increased reliance on foreign borrowing would make us rethink about the prospect of aid availability after LDC graduation



Thank you.