

CHAPTER FOUR

FISCAL POLICY AND FISCAL MANAGEMENT

In the backdrop of the global COVID-19 pandemic, the government announced stimulus packages aimed at boosting health care, emergency humanitarian assistance and keeping the country's economy vibrant. The slow pace of revenue mobilisation and the increase in government expenditure in response to the pandemic has created challenge in fiscal sector. However, the government has been tackling this challenge efficiently. The revised revenue mobilisation target was set at Tk. 3,89,000 crore in FY 2021-22, which is 9.78 percent of the GDP. Of them, revenue receipt from NBR sources was marked at Tk. 3,30,000 crore (8.30% of GDP), tax revenue from non-NBR sources at Tk. 16,000 crore (0.40% of GDP) and non-tax revenue at Tk. 43,000 crore (1.08% of GDP). As per provisional data from iBAS, total revenue mobilisation up to February 2022 stood at Tk. 2,25,116 crore, up by 16.39 percent of the same period of previous fiscal year, achieving 57.87 percent of the target. The revised revenue mobilisation target for NBR in FY 2021-22 was set at Tk. 3,30,000 crore. As per provisional data from iBAS, total revenue mobilisation from NBR up to February 2022 stood at Tk. 1,98,871 crore, up by 28.81 percent of the same period of previous fiscal year, achieving 62.26 percent of the target. According to the revised budget, the total expenditure target for FY 2021-22 has been set at Tk. 5,93,500 crore (14.93% of GDP), which is 10.11 percent higher compared to FY 2020-21. The revised Annual Development programme (ADP) size for FY 2021-22 stood at Tk. 2,07,550 crore (excluding autonomous agencies/corporations' own funded projects), which is 5.01 percent higher than the previous fiscal year. The government is highly concerned of maintaining the budget deficit within 5 percent of GDP by increasing efficiency in revenue management. However, due to the increase in government expenditure for COVID-19 pandemic, the budget deficit target set at 5.1 percent of current fiscal year. The actual budget deficit for FY 2019-20 and FY 2020-21 stood at 4.7 percent and 4.3 percent of GDP respectively. Net inflow of foreign grants and loans has increased in FY 2019-20. The inflow of foreign grants and loans in the first eight months of FY 2021-22 (up to February 2022) amounted to US\$ 5,899 million, up by 6.63 percent from the same period of the previous fiscal year. The country's external debt outstanding at the end of February 2022 was US\$ 55,826 million or 12.23 percent of GDP.

The stagnation of global economic activity due to the ongoing Coronavirus pandemic has adversely affected the fiscal management of the country. In order to contain and mitigate the impact of the pandemic, the government has introduced various reform programmes and incentive packages. With a view to augment revenue mobilisation as well as to create a comfortable trade environment along with transparency and accountability, NBR has been implementing a wide range of reform initiatives. Meanwhile, following the automated system and by creating favourable environment, the implementation of Value Added Tax law and rules made under it has been going on. Online value added tax registration has been made

mandatory. In addition, various measures are also being taken for non-NBR tax and non-tax revenue generation.

Revenue Mobilisation Target

The revised revenue mobilisation target was set at Tk. 3,89,000 crore in FY 2020-21, which is 9.78 percent of the GDP. Of them, revenue receipt from NBR sources was marked at Tk. 3,01,000 crore (8.30% of GDP), tax revenue from non-NBR sources at Tk. 16,000 crore (0.40% of GDP) and non-tax revenue at Tk. 43,000 crore (1.08% of GDP). The revised target for revenue mobilisation from FY 2015-16 to FY 2021-22 are shown in Table 4.1.

Table 4.1 Revenue Mobilisation Target

Particular	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22*
In Crore Tk.							
Total Revenue	177400	201210	259454	316599	348069	351532	389000
Tax Revenue	155400	178075	232202	289599	313068	316000	346000
Non-tax Revenue	22000	23135	27252	27000	35002	35532	43000
As percent of GDP							
Total Revenue	10.24	10.18	11.53	12.45	12.45	11.39	9.78
Tax Revenue	8.97	9.01	10.32	11.39	11.20	10.24	8.70
Non-tax Revenue	1.27	1.17	1.21	1.06	1.25	1.15	1.08

Source: Finance Division * Provisional

Note: 1) Data are based on revised budget; 2) GDP base year: 2015-16

Revenue Mobilisation from NBR Sources

The tax revenue mobilisation target from NBR sources was set at Tk. 3,30,600 crore in FY 2020-21. However, the revised target has been set at Tk. 3,01,500 crore. Tax revenues received from NBR sources was Tk. 2,59,881.80 crore or 19.00 percent higher than the previous year achieving 86.34 percent of revised target. During the period, revenue on taxes from income and profit witnessed the growth at 17.61 percent compared to the previous fiscal year. The Value Added Tax (VAT), import duty/custom duty (CD) and supplementary duties (SD) are increased to 18.14

percent, 28.81 percent and 18.65 percent respectively compared to the previous fiscal year.

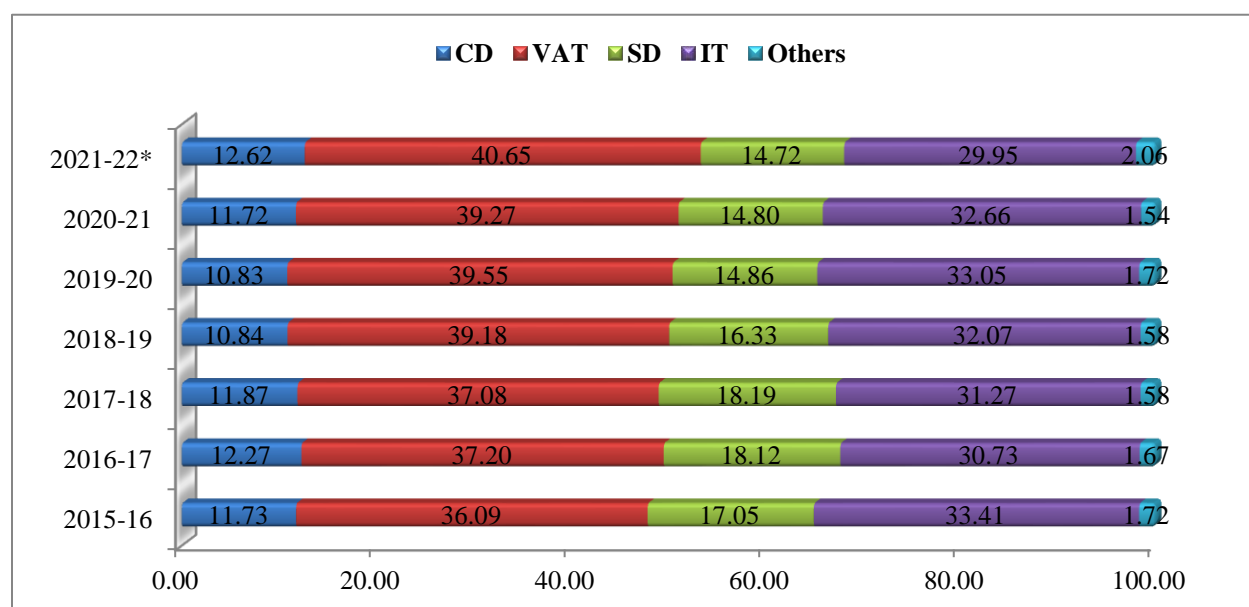
Revenue received during July-February of FY 2021-22 was provisionally estimated to Tk. 1,76,458.46 crore or 15.28 percent higher than previous fiscal year achieving 53.47 percent of revised target. Of this, import duty increased by 21.52 percent, VAT by 16.75 percent and supplementary duty by 8.88 percent. In addition, the growth in the income and profit tax has been 13.28 percent. Table 4.2 and Figure 4.1 show the sector-wise revenue mobilisation from FY 2015-16 to FY 2021-22 (up to February, 2022).

Table 4.2: Item-wise Revenue Mobilisation by NBR

(In Crore Tk.)

Items of Revenue Mobilisation	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22*
Import Duty	18011.80	21069.19	24319.78	24269.52	23559.50	30455.91	22260.29
VAT (at import level)	20587.14	25561.09	29049.78	31400.83	30016.64	38271.78	28403.60
Supplementary Duty (import level)	6560.33	7628.89	7873.11	7665.01	6975.15	8422.12	6111.48
Export Duty	39.74	22.70	35.88	55.24	1.03	0.60	0.67
Sub Total:	45199.01	54281.87	61278.55	63390.60	60552.32	77150.41	56776.04
Excise Duty	1582.03	1790.51	2072.59	2373.38	2279.40	2418.18	2574.56
VAT (Local)	34862.82	38287.76	46716.45	55971.19	56080.69	63786.77	43333.28
Supplementary Duty (Local)	19630.96	23481.70	29902.74	28814.53	25471.12	30047.73	19868.90
Turn Over Tax	4.85	2.45	2.19	2.53	1.10	1.45	0.46
Others (Local)	-	-	-	18.20	634.69	1253.09	596.91
Sub Total:	56080.66	63562.42	78693.97	87179.80	84467.00	97507.22	66374.11
(A) Total of Indirect Tax	101279.67	117844.29	139972.52	150570.00	145019.32	174657.63	123150.15
Income Tax	51328.92	52754.93	61144.50	69074.51	70501.49	84888.24	52854.37
Travel taxes and duties	1018.37	1057.22	1195.92	1126.68	930.96	335.93	453.94
(B) Total of Direct Tax	52347.29	53812.15	62340.42	70201.19	71432.45	85224.17	53308.31
Grand Total (A+B)	153626.96	171656.44	202312.94	220771.62	216451.77	259881.80	176458.46
Share of Direct Tax (%)	34.07	31.35	30.81	32.56	33.00	32.79	30.21
Share of Indirect Tax (%)	65.93	68.65	69.19	67.44	67.00	67.21	69.79

Source: National Board of Revenue (NBR), * Up to February, 2022

Figure 4.1: Comparative Statement of Item wise Revenue Mobilisation (%)

* July- February, 2022

The major steps taken by the government during FY 2021-22 for enhancing collection of taxes are shown in Annex 4.1.

Revenue Mobilisation from Non-NBR Sources

The tax revenue receipt from Non-NBR sources include narcotics and liquor duty, taxes on vehicles, land revenue, stamp duty (non-Judicial) and surcharge. Tax revenue receipt from non-NBR sources in FY 2020-21 was Tk. 5,916 crore, which is 0.47 percent lower the revenue earning of previous fiscal year. During FY 2021-22, the target set for revenue earnings from Non-NBR sources is Tk. 16,000 crore. Up to February, 2022 of FY2021-22, revenue collected from this source stood at Tk. 4,040 crore achieving 25.25 percent of the target.

Revenue Mobilisation from Non-Tax Sources

The major items of non-tax revenue include dividend and profit, interest, administrative fees and charges, receipts for services rendered, non-commercial sales and other non-tax revenue and receipts. In FY 2020-21, the revised target for non-tax revenue receipt was set at Tk. 35,532 crore. Against this target, revenue mobilisation

from non-tax sources stood at Tk. 58,862 crore, up by 33.88 percent over the previous fiscal year achieving 165.51 percent of the revised budget target. Non-tax revenue increased sharply as per the decision to deposit surplus money of autonomous, semi-autonomous, state-owned and public non-financial corporation to government treasury. Non-tax revenue earnings during the first 8 months of FY 2021-22 (July-February, 2022) stood at Tk. 22,064 crore, which is 36.85 percent lower than the same period of previous fiscal year achieving 51.31 percent of the target.

Public Expenditure Management

In FY 2019-20 considering the responses and initiatives to fight COVID-19 pandemic government has set priority areas of different sectors and allocation of resources. Government's development priorities continue towards providing fiscal stimulus to overcome the losses caused by COVID-19. In the FY 2021-22 revised budget, allocation has been increased or additional allocation has been made to the sectors which have been directly involved with the response to COVID-19 such as health, agriculture, social welfare, food, disaster

management, employment generation etc. Allocation to these sectors on priority basis will

be continued in the FY 2021-22. Table 4.3 shows public expenditure target.

Table 4.3 Public Expenditure

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22*
In Crore Tk.							
(a) Operating expenditure	156592	175849	210578	266926	295280	323725	369055
(b) Development expenditure	81407	88090	153688	173449	202349	207988	219521
(c) Other expenditure	217	5560	7229	2166	3948	7270	4925
Total Public Expenditure	264564	269499	371495	442541	501577	538983	593501
As percent of GDP							
(a) Operating expenditure	9.04	8.9	9.36	10.5	10.56	10.48	9.22
(b) Development expenditure	4.7	4.46	6.83	6.82	7.24	6.74	5.58
(c) Other expenditure	0.01	0.28	0.32	0.09	0.14	0.24	0.12
Total Public Expenditure	15.3	13.56	16.61	18.3	17.87	17.46	14.93

Source: Finance Division * provisional

Note: 1) Data are based on revised budget. GDP base year: 2015-16

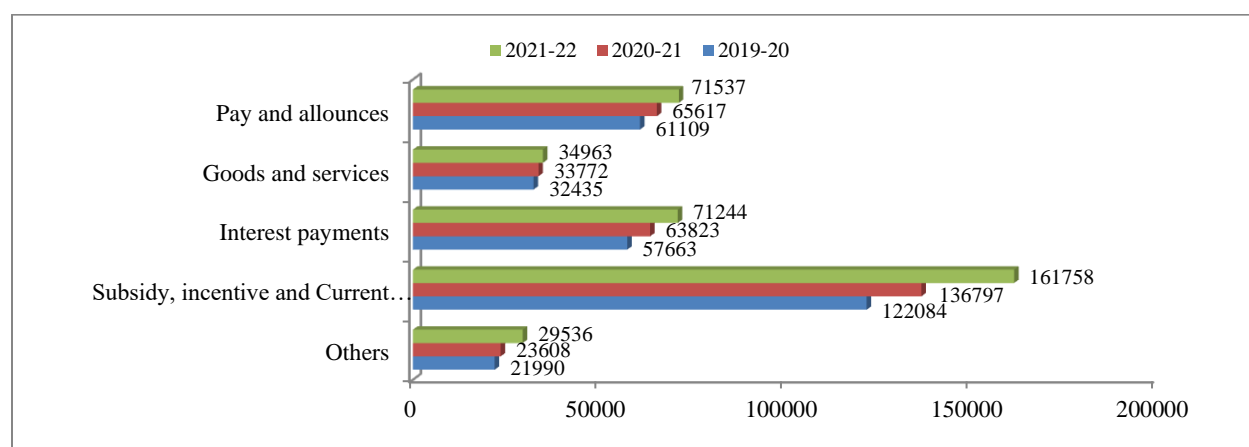
2) Development Expenditure' includes ADP, Non-ADP, FFW and Projects and Development Programme under Revenue Budget, Other Expenditure includes net outlay for food account operation, loans and advances.

Operating Expenditure

In FY 2020-21, an amount of Tk. 3,23,688 crore was allocated for operating expenditure. Of this, recurrent expenditure was Tk. 3,02,547 crore (93.47%) and capital expenditure was Tk. 21,141 crore (6.53%). Allocations in a few notable sectors included in the operating expenditure were- pay and allowances: 20.27 percent, goods and services: 10.54 percent, interest payments: 19.72 percent (including interest on foreign loans 1.64 percent) and subsidies and incentives and current transfers: 42.19 percent.

The total operating expenditure in the revised budget for FY 2021-22 is Tk. 3,69,055 crore, which is 13.76 percent higher than the revised allocation of the previous fiscal year. Allocations of some important sectors of operating expenditure were- pay and allowances: 19.43 percent, goods and services: 9.28 percent, interest payments: 19.35 percent, of which foreign interest payments: 1.70 percent and subsidies and incentives and current transfers: 43.93 percent. Figure 4.2 shows a comparative allocation of operating expenditure for the last 3 fiscal years.

Figure 4.2: Comparative Statement of Operating Expenditure (In crore Tk.)



Note: Others expenditures include block allocations, acquisition of assets and works, investment in shares and equity and foreign financial assets.

Stimulus Package for COVID-19 Pandemic

To address the crisis resulting from the outbreak of COVID-19 and overcome its potential adverse effects on the economy, Hon'ble Prime Minister Sheikh Hasina has guided the formulation of an overall programme with short, medium, and long-term targets. As per the directives of Honorable Prime Minister, activities are carried out under 21 stimulus packages of Tk. 1,20,153 crore in FY 2019-20 for additional expenditure in healthcare sector, emergency humanitarian assistance and economic recovery to address the COVID-19 pandemic. The number of the stimulus packages has further been increased to 28 in FY 2020-21 and the amount of fiscal and stimulus packages of Tk. 1,87,679 crore (6.23% of GDP) to facilitate additional expenditure in the healthcare sector, emergency humanitarian assistance, and the overall economic recovery programme. List of stimulus packages are given in Annex 4.2.

Annual Development Programme (ADP)

In FY 2021-22, the volume of ADP was Tk. 2,25,324 crore, of which Tk. 1,37,300 crore (60.93%) was from GOB, Tk. 68,610 crore (39.07%) from project aid. Including Tk. 11,469 crore from the own resources of autonomous body/corporation, the volume of ADP stood at Tk. 2,36,793 crore. A total of 1,534 projects were included (investment project: 1,324 technical assistance: 120, own resources: 90) in the ADP of FY 2021-22.

In FY 2021-22, the volume of RADP stood at Tk. 2,07,550 crore. Of them, allocation from GOB is Tk. 1,37,300 crore (66.15%) and Tk.70,250 crore (33.85%) as project aid. Including Tk. 9,625 crore of own resource, the volume of RADP stood at Tk. 2,17,175 crore. Due to COVID-19, the ADP implementation rate has been below 90 percent in recent years, however, the implementation rate has been above 90 percent in other years. The implementation status of ADP/RADP (excluding self-financed projects of autonomous bodies) during FY 2015-16 to FY 2021-22 has been shown in Table 4.4.

Table 4.4: ADP Allocation, RADP Allocation and Expenditure

(In Crore Tk)

Fiscal Year	ADP Allocation				RADP Allocation				Expenditure (as % of RADP)		
	No. of Project	Total	Taka	PA	No. of Project	Total	Taka	PA	Total	Taka	PA
2015-16	1124	97000	62500	34500	1315	91000	61840	29160	83581 (91.8%)	58357 (94.4%)	25224 (86.5%)
2016-17	1123	110700	70700	40000	1415	110700	77700	33000	100840 (91.1%)	72410 (93.2%)	28430 (86.2%)
2017-18	1192	153331	96331	57000	1551	148381	96331	52050	141492 (95.4%)	89155 (92.6%)	52337 (100.6%)
2018-19	1451	173000	113000	60000	1785	167000	116000	51000	158269 (94.8%)	111165 (95.8%)	47104 (92.4%)
2019-20	1564	202721	130921	71800	1748	192921	130921	62000	155698 (80.7%)	108172 (82.6%)	47526 (76.7%)
2020-21	1625	205145	134643	70502	1809	197643	134643	63000	164482 (83.2%)	111966 (83.2%)	52516 (83.4%)
2021-22*	1492	225324	137300	88024	1711	203364	133759	69605	80879 (39.8%)	49594 (37.1%)	31285 (44.9%)

Source: Programming Division, Planning Commission; IMED, Ministry of Planning.

Note: Excluding own funded projects. *Up to February 2022

Sector-wise Allocation of ADP

The sectoral allocations of the RADP from FY 2016-17 to FY 2020-21 are shown in Table 4.5 reveal that among the 17 sectors such as transport, electricity, physical planning, water supply and housing, education and religious affairs, rural development and institution, science and technology, health, population and family welfare, agriculture and water resources have been given priority. In FY 2020-21, the highest

allocation was given in transport sector, which is 24.90 percent of the revised ADP, followed by physical planning, water supply and housing sector (13.4%), education and religious affairs (12.43%), power (11.10%) and rural development and institution sector (9.25%). The allocation of health, population and family welfare reached 7.55 percent, up from 6.47 percent in FY 2019-20.

**Table 4.5: Sector-wise Allocation of RADP
(FY 2016-17 to FY 2020-21)**

(In Crore Tk.)

FY	2016-17		2017-18		2018-19		2019-20		2020-21	
Sector	Allocation	%	Allocation	%	Allocation	%	Allocation	%	Allocation	%
1. Agriculture	5741.6	5.19	5283.52	3.56	6918.24	3.92	6623.53	3.43	7734.29	3.91
2. Rural Development and Institution	10761.43	9.72	16722	11.27	15154.25	8.58	15777.91	8.18	18289.7	9.25
3. Water Resources	3342.11	3.02	4147.31	2.8	5000.87	2.83	6552.79	3.40	6708.93	3.39
4. Industry	974.12	0.88	1563.55	1.05	2176.01	1.23	3238.10	1.68	3500.09	1.77
5. Power	13447.57	12.15	22340.32	15.06	25819.17	14.62	23631.78	12.25	21945.17	11.1
6. Gas, Oil and Natural Resource.	1067.87	0.96	1346.48	0.91	5737.06	3.25	2417.07	1.25	1748.79	0.88
7. Transport	27360.23	24.72	37513.22	25.28	39531.17	22.38	47431.92	24.59	49212.86	24.9
8. Communication	1915.79	1.73	937.44	0.63	2221.01	1.26	1739.64	0.90	1537.33	0.78
9. Physical Planning, Water Supply and Housing	14391.17	13	15146.83	10.21	21956.51	12.43	26839.25	13.91	26491.96	13.4
10. Education and Religion	12845.97	11.6	14186.56	9.56	15510.84	8.78	20429.10	10.59	24571.96	12.43
11. Sports and Culture	214.19	0.28	318.61	0.21	653.66	0.37	587.93	0.30	484.5	0.25
12. Health, Population and Family Welfare	5655.33	5.11	9607.51	6.47	10902.07	6.17	10108.49	5.24	14921.9	7.55
13. Mass Communication	176	0.16	219.65	0.15	250.39	0.14	171.25	0.09	248.25	0.13
14. Social Welfare, and Youth Development	347.19	0.31	431.86	0.29	649.71	0.37	798.06	0.41	875.29	0.44
15. Public Administration	2361.15	2.12	2118.91	1.43	4974.07	2.82	5137.49	2.66	3377.52	1.71
16. Information and Communication Technology (ICT)	5472.04	4.94	12593.18	8.49	13453.63	7.62	16790.43	8.70	11575.66	5.86
17. Labour and Employment	450.77	0.41	356.25	0.24	464.30	0.26	544.27	0.28	537.72	0.27
Block/Others	4092.07	3.7	3547.8	2.39	5246.75	3.14	4101.56	2.13	3881.24	1.96
Grand Total	110700	100	148381	100	167000	100	192921.00	100.00	197643	100

Source: Programming Division, Planning Commission. Note: Data according to RADP.

In order to automate the process of formulation of Annual Development Programme, webpage system titled ADP/RADP Management System (AMS) has been introduced from FY 2020-21. With a view to implement the strategic objectives of the Five Year Plan, restructuring the sectors of ADP/RADP in line with Five Year Plan have been done. As part of this initiative the Planning Commission for the first time formulated the

ADP for FY 2021-22 by reorganising existing 17 sectors into 15 sectors.

In FY 2021-22, the highest allocation was given in transport sector, which is 26.49 percent of the revised ADP, followed by power and energy (19.81%) and housing and community facilities (11.51%). The RADP allocation of the 15 sectors during FY 2021-22 are given below:

**Table 4.6: Sector-wise Allocation of RADP
(Fiscal Year 2021-22)**

(In Crore Tk.)					
SL	Sector	ADP Allocation	Percent of Allocation (%)	RADP Allocation	Percent of Allocation (%)
1	General Government Services	3036.46	1.28	2347.21	1.08
2	Defence	988.11	0.42	998.11	0.46
3	Public Order and Safety	3204.98	1.35	3478.05	1.60
4	Industry and Economic Services	7499.15	3.17	7260.04	3.34
5	Agriculture	7665.37	3.24	7279.48	3.35
6	Power and Energy	49408.89	20.87	43009.27	19.81
7	Transport and Communication	64926.81	27.42	57528.87	26.49
8	Local Government and Rural Development	14299.89	6.04	15520.29	7.15
9	Environment, Climate Change and Water Resources	8526.23	3.60	9084.98	4.18
10	Housing and Community Facilities	25351.53	10.71	24985.34	11.51
11	Health	17311.82	7.31	13797.26	6.35
12	Religion, culture and Recreation	2218.93	0.94	2669.62	1.23
13	Education	23177.96	9.79	20824.46	9.59
14	Science and Technology	3676.87	1.55	2368.87	1.09
15	Social Safety	1646.30	0.70	1807.52	0.83
	Sub-total	232939.30	98.37	212959.37	98.07
	Development support (Total)	3853.79	1.63	4186.36	1.93
	Total	236793.09	100.00	217145.73	100.00

Source: IMED, Note: Including self-finance project

Domestic Resources for ADP

Domestic resources contribution towards financing of ADP shows an ups and downs trend during FY 2015-16 to FY 2021-22. The average contribution of domestic resources towards ADP stood at around 65 percent to 70 percent. Contribution of domestic resources increasing in ADP is an indicator of positive progress. The contribution of domestic resources to ADP was 67.96 percent in FY 2015-16. It increased in next

fiscal years but decreased to 64.92 percent in FY 2017-18. Again the percentage of domestic resources started to increase and stood at 69.46 percent in FY 2018-19 and 67.86 percent in FY 2019-20. However, in FY 2020-21 the share decreased to 59.36 percent due to receive of special support/credit for development. Table 4.7 shows the financing of revised ADP from domestic sources during last few years.

Table 4.7: Domestic Resources in Financing ADP

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2020-21
Total ADP	91000	110700	148381	167000	192921	197643	207550
Total Domestic Resource	61840	77700	96331	113900	130920	134643	133886
Domestic Resource as % of ADP	67.96	70.19	64.92	69.46	67.86	59.36	64.51

Source: Programming Division, Planning Commission. Data: According to RADP.

Budget Balance and Financing

To keep the budget deficit to a sustainable level there is a clear guideline in 'Public Money and Budget Management Act 2009'. Therefore, government is conscious to keep the budget deficit within 5 percent of GDP. But in revised

budget of FY 2019-20, due to COVID-19 pandemic budget deficit crossed 5 percent of GDP. Table 4.8 shows the data of overall budget balance and financing of last few years. In addition, Table 4.9 shows the actual budget deficit based on iBAS++ data system.

Table 4.8: Overall Budget Balance and Financing

(As % of GDP)

Budget balance/ financing	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22*
Overall budget balance (excluding foreign grants)	-5.03	-4.99	-4.98	-4.95	-5.60	-6.09	5.12
Overall budget balance (including foreign grants)	-4.74	-4.76	-4.78	-4.80	-5.48	-6.23	5.06
Net domestic financing	3.59	3.54	2.93	3.10	3.55	3.82	3.12
Net foreign financing (excluding grants)	1.15	1.22	1.85	1.71	1.92	2.27	1.98
Net foreign financing (including grants)	1.44	1.46	2.05	1.86	2.05	2.40	2.00

Source: Finance Division, * Provisional

Note: Figures are based on Revised Budget. GDP up to FY 2020-21: Base year: 2005-06, GDP FY 2021-22: Base year 2015-16.

Table 4.9: Actual Budget Deficit

(As % of GDP)

FY	2017-18	2018-19	2019-20	2020-21	2021-22*
Budget Deficit (Excluding grants)	4.0	4.7	4.7	4.0	5.1

Source: iBAS ++, Finance Division, * Target**Budget Deficit Financing (Domestic)**

In FY 2020-21, total government domestic borrowing (net) stood at Tk. 70,694.7 crore which was 2.0 percent of the GDP. During this period, the government borrowed Tk. 26,304.1 crore from banking system and government borrowing from other than banks (including

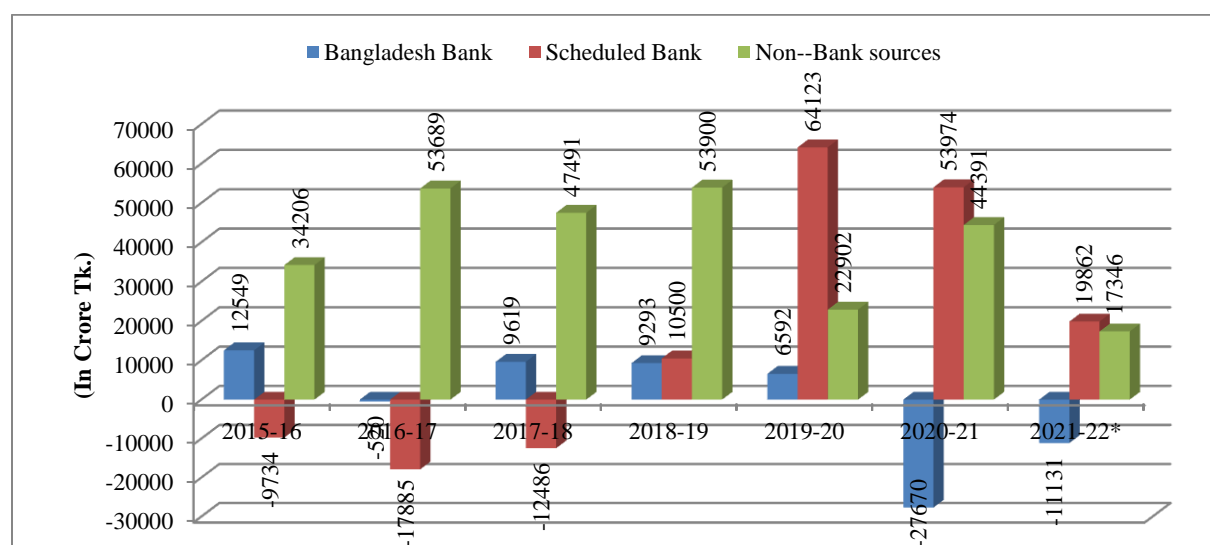
scheme of national savings certificate) was Tk. 44,390.6 crore. In FY 2021-22 (up to February, 2022) total government domestic borrowing (net) has stood at Tk. 26,077.6 crore. Sector-wise government domestic borrowing from FY 2015-16 to FY 2021-22 (up to February, 2022) is shown in Table 4.10.

Table 4.10: Government Borrowing (net) from Domestic Sources

(In crore Tk.)

Fiscal Year	Net Government borrowing from the banking system			Government borrowing from other than banks	Total government borrowing	Percent of GDP
	Bangladesh Bank	Scheduled Banks	Total borrowing from banking system			
2015-16	12548.7	-9733.9	2814.8	34206.0	37020.8	1.8
2016-17	-520.2	-17884.8	-18405.0	53689.2	35284.2	1.5
2017-18	9619.3	-12485.7	-2866.4	47490.7	44624.3	1.7
2018-19	9293.0	10499.5	19792.5	53900.2	73692.7	2.5
2019-20	6592.1	64122.8	70714.9	22902.2	93617.1	3.0
2020-21	-27669.7	53973.7	26304.1	44390.6	70694.7	2.0
2021-22*	-11130.5	19861.9	8731.5	17346.1	26077.6	-

Source: Bangladesh Bank, * Up to February, 2022

Figure 4.3: Government Borrowing (net) from Domestic Sources

Government Borrowing from External Sources

In FY 2020-21, the disbursement amount has surpassed the landmark of almost US\$ 8 billion (actual US\$ 7,957.75 million) which registered the highest disbursement in a single financial year since independence, while the committed amount is US\$ 9.44 billion. In FY 2020-21, On the other hand, total debt servicing expenditure of FY 2020-21 was US\$ 1,915 million of whom interest and principal amount were US\$ 496 million and US\$ 1,419 million respectively. As a result, net external assistance flow (after

deducting principal expenditure) in FY 2020-21 stood at US\$ 6,042 million.

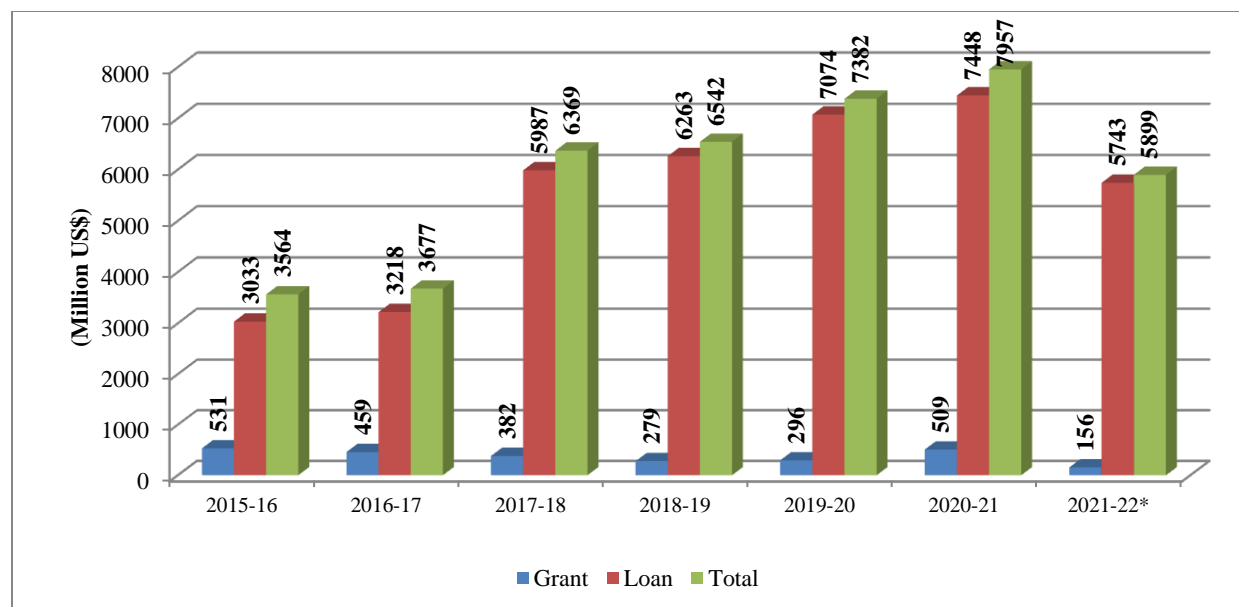
Up to February, 2022 of FY 2021-22, the committed amount was US\$ 4,845 million, while the disbursement stood at US\$ 5,899.62 million. On the other hand, up to February, 2022, total debt servicing expenditure was US\$ 1,335 million, where interest payments and principal were US\$ 349 and US\$ 986 million respectively. Table 4.11 and Figure 4.4 show the government borrowing from the external sector during FY 2015-16 to FY 2021-22 (up to February, 2022) below:

Table 4.11: Government Borrowing from External Resources

(Million US\$)

Fiscal Year	External Loan and Grant			Principal and Interest Payment			Net Foreign Aid Flow	
	Grant	Loan	Total	Interest	Principal	Total	After Principal Payment	After Principal and Interest Payment
2015-16	531	3033	3564	202	849	1051	2715	2513
2016-17	459	3218	3677	229	894	1123	2783	2554
2017-18	382	5987	6369	299	1110	1409	5259	4960
2018-19	279	6263	6542	391	1202	1593	5340	4949
2019-20	296	7074	7382	477	1257	1734	6125	5648
2020-21	509	7448	7957	496	1419	1915	6538	6042
2021-22*	156	5743	5899	349	986	1335	4913	4564

Source: ERD, * Up to February 2022

Figure 4.4: Flow of External Resources

Source: ERD, * Up to February 2022

Information regarding commitment and disbursement of external assistance, external debt service, external debt outstanding and country and sector wise external assistance are given in

Appendix 57-Appendix 61. The external debt outstanding stood at US\$ 55,636 million at the end of February 2022 which is 12.15 percent of GDP indicating comfortable position in terms of debt sustainability.

Annexure 4.1:

Significant changes regarding import-export duty-tax brought in the budget of FY 2021-22

Custom duty related issues

- In order to combat the outbreak of Coronavirus (COVID-19), special notification has been issued on the import of corona virus testing kits, special types of masks and hand sanitizers, raw materials required for masks and PPE production. In addition, duty-free facility has been introduced on the import of raw materials required for the preparation of the virus detection RT-PCR kit to combat the corona virus.
- In order to prevent the outbreak of Coronavirus, all the customs houses and customs stations have been set up with special arrangements to ensure the release of daily necessities, emergency medical supplies and other services imported during the general holidays declared by the government.
- In order to protect the pharmaceutical industry and consolidate the health sector, the existing concessions on import of raw materials required for the production of medical products have been extended.
- Necessary steps have been taken to protect the industrial sector by increasing investment in the industrial sector, maximising the productive capacity of the existing industry through proper protection and adopting the strategy of multifaceted expansion of export-oriented industries.
- Customs duty exemption has been extended for the production of automobiles, motorcycles, elevators, refrigerators, air conditioners, mobile phones, information technology related devices for the development of domestic industries.
- At the import level, development of the country is being given priority in the imposition of import duty, supplementary duty, regulatory duty and value added tax.
- The trend of government patronage has continued in the case of raw materials of some other industries including essential commodities, fertilisers, seeds, life-saving medicines and raw cotton.
- Certified tariffs and assessable value for imposing duty-tax of carrots, turnips, green chilies, tomatoes, capsicums and oranges have been rationalised to protect the agricultural products produced in the country. Necessary protection has been provided to the salt farmers.
- Existing facilities have been expanded for sustainable development of fisheries, poultry and dairy sectors.
- In addition to the general duty-free facility provided for personal protection equipment, special waiver order was issued on medicines, medical supplies and equipment imported by various charitable organisations. Notable organisations include Bangabandhu Sheikh Mujib Medical University, Ministry of Foreign Affairs, National Security Intelligence Department, NGO organisation ‘CANBE’, Arunachal Trust, Bangladesh Police, Public Health Center, Jack Ma Foundation, SSF, United Nations Office of Project Services (UNOPS), Bangladesh Postal Department, Save the Children and many other voluntary organisations have been given special duty-waiver facility.
- Necessary amendments have been made in the existing Customs Act, 1969 to increase the scope of Bangladesh customs-waters from the existing 12 nautical miles to 24 nautical miles and to include the crime of money laundering related to customs in the definition of smuggling.
- New HS codes have been created in customs tariffs to identify and control imports of CFC and HFC related products in response to environmental and climate change.

Value Added Tax (VAT) related issues

- In an automated and transparent environment, Value Added Tax laws and regulations are being implemented;
- Online VAT registration has been made compulsory and online submission and e-payment has been arranged. This will create a conducive trade environment as well as ensure transparency and accountability;
- Electronic Fiscal Device (EFD)/Sales Data Controller (SDC) is already being set up to increase revenue collection in various fields at the business level;
- VAT can be paid online through e-payment. It is to be noted that it has been made compulsory to deposit value added tax of Tk. 50 lakhs or more in a single *challan* through e-payment;
- It has been made mandatory for the organisations which have an annual turnover of more than Tk. 5 crore to preserve their VAT related documents through software.

Development of indigenous industries and in other fields

- VAT exemption facility for locally manufactured refrigerators, freezers, air conditioners and compressors has been maintained for the development of domestic heavy technology industry and competitive export trade;
- The development of the automobiles industry has continued to provide VAT exemption for domestically produced cars;
- VAT exemption has been given for locally produced washing machines, microwave ovens, electric ovens, blenders, juicers, mixers, grinders, electric kettles, irons, rice cookers, multi cookers and pressure cookers for the development of indigenous industries;
- VAT exemption facility has been maintained for import of raw materials of Active Pharmaceutical Ingredients (API) manufacturing companies;
- VAT exemption facility for import of raw materials for production of polystyrene staple fiber has been maintained;
- VAT exemption has been provided at various stages for the supply of agricultural machinery, namely: Power Reaper, Power Tiller, Operated Cedar, Combined Harvester, Low-lift Pump, Rotary Tiller, etc.;
- VAT exemption has been maintained at the service level on rent of business showrooms run by women entrepreneurs;
- VAT exemption has been granted at the import stage for the import of certain raw materials for the production of sanitary napkins and diapers for the purpose of health protection;
- VAT exemption has been provided for locally manufactured sanitary napkins to protect the health of women.

Development and dissemination of information technology

- VAT exemption has been granted at various stages in the supply of computers, laptop, server, key-board and PCB etc.;
- VAT exemption has been continued for local production and assembly of mobile phones.

Activities undertaken in the health sector

- VAT exemption has been granted on import, production and trade of COVID-19 Test Kits for detection and prevention of global pandemic coronavirus. Apart from this, VAT exemption has also been provided for the production and trading of Surgical Mask (including Face Mask). VAT exemption has been also given for storage, marketing, transportation, distribution and immunization of COVID-19 vaccine. Besides, VAT exemption on meditation services has been maintained in the interest of keeping the mental health and morale of the people intact during this global calamity.

Taxes on tobacco related products

- Cigarette**

Earlier Price (for 10 sticks) in Tk. (2020-21)	Earlier Total Tax Incidence (2020-21)	Present Price (for 10 sticks) in Tk. (2021-22)	Present Total Tax Incidence (2021-22)
39 and above	57%	39 and above	57%
63 and above	65%	63 and above	65%
97 and above	65%	102 and above	65%
128 and above	65%	135 and above	65%

- Bidi**

Description of Goods	Sticks (Per Pack)	Earlier Price (2020-21)	Present Price (2021-22)	Earlier Supplementary Duty Rate (2020-21)	Present Supplementary Duty Rate (2021-22)
handmade Bidi without help of machine (without filter)	8 Sticks	Tk. 6.00	Tk. 6.00	30	30
	12 Sticks	Tk. 9.00	Tk. 9.00	30	30
	25 Sticks	Tk. 18.00	Tk. 18.00	30	30
handmade Bidi without help of machine (with filter)	10 Sticks	Tk. 10.00	Tk. 10.00	40	40
	20 Sticks	Tk. 19.00	Tk. 19.00	40	40

Significant changes in the tax regime during FY 2021-22

- Rationalisation of tax rates for company taxpayers, artificial juridical person, private universities, medical colleges and engineering colleges and individual taxpayers**
 - The turnover tax rate of business for individual taxpayers has been reduced from 0.5 percent to 0.25 percent; One Person Company (OPC) tax rate has been made 25 percent.
 - The tax rate on publicly traded companies has been reduced from 25 percent to 22.5 percent. The tax rate for non-publicly traded companies has been reduced from 32.5 percent to 30 percent.
 - The tax rate of artificial juridical person and other taxable entities other than companies and association of persons has been made 30 percent.
 - Tax rates for private universities, medical colleges and engineering colleges have been made 15 percent.
- Increase of tax-free threshold limit and employment-based tax rebates for third-gender taxpayers**
 - The tax free limit for third-gender taxpayers has been increased from Tk. 3 lakh to Tk. 3 lakh 50 thousand.
 - Provision has been made to provide tax rebate for a taxpaying organization in case it employs more than 100 employees of the third-gender or 10 percent of its total manpower is third-gender employees.
- Rationalisation of surcharge on assets**
 - Existing 7 slabs have been reduced to 5.
 - Provision of payment of surcharge on assets in case of no income has been canceled.
 - Minimum surcharge has been abolished.

- **Rationalisation of tax on fisheries income**
 - Existing 3slabs have been increased to 4 slabs.
 - 15% tax has been levied on the remaining income of Tk. 30 lakh instead of 10 percent on the remaining income after Tk. 20 lakh.
- **Rationalisation of advance and general source tax at import stage**
 - Advance tax at import stage has been made for raw material of cement industry from 3 percent to 2 percent, for ocean shipping from 2 percent to 1 percent, for cash registers, all kinds of fruits, propeller from zero to 5 percent, for coconut fiber from 5 percent to 3 percent and for all kinds of wines and perfumes from 5 percent to 20 percent.
 - In case of sale or lease of any product, property or right through public auction, provision has been made to levy source tax at the rate of 10 percent instead of 5 percent from the auction buyer.
 - Under the law the expatriate employment and immigration law, 2013, provision has been made to collect tax of Tk. 50,000 at source at the time of issuance or renewal of license.
 - Provision has been made to deduct tax at source while paying the bill for receiving power supply from all types of power generating companies instead of only from rental power generating companies.
 - At the supply level, the source tax for cement, iron and iron products has been reduced from 3 percent to 2 percent.
 - The rate of withholding tax has been reduced to 8.5 percent from 10 percent on money received by a resident contractor under any agreement with a non-resident.
 - For vessels older than 10 years, the advance tax per passenger has been reduced from Tk. 125 to Tk. 100.
- **Tax-net expansion**
 - Receive TIN for purchasing savings certificates valued above Tk. 2 lakhs, for opening postal savings deposit valued above Tk. 2 lakhs, and for getting approval of house design and registration of co-operative societies has been made obligatory.
 - The e-commerce platform has been identified as a source tax deducting authority.
- **Digital Transformation and Expansion of Tax Free Sector**
 - In addition to the existing 22 sectors in digital transformation, new sectors called Cloud service, System Integration, e-learning platform, e-book publications, Mobile application development service, and IT Freelancing have been declared tax free.
 - Provision has been made to pay tax of any amount up to Tk. 5 lakhs through automated challan or A-challan.
- **Tax incentives for organisations based on ‘Made in Bangladesh’**
 - Automobile (three-wheeler and four-wheeler) manufacturers with an investment of at least Tk 100 crore have been given 20 years tax break to take Bangladesh ahead in mega industries.
 - Home and kitchen appliances manufacturing company has been given ten years tax exemption.
 - Fruit processing, vegetable processing, production of dairy and dairy products, baby food producing entrepreneurs and entrepreneurs producing agricultural machinery have been given tax exemption for a period of ten years.
 - All types of light engineering products which will be used only in industries have been given tax exemption for a period of ten years.

- **National Skills Development and Incentives in Employment**
 - Tax exemption has been given for a period of ten years to an organisation engaged in imparting professional training on various technical subjects to create skilled human resources suitable for industrialization.
- **Incentives for Entrepreneurship in IT Hardware Sector**
 - Computer hardware manufacturers have been given tax exemption for a period of ten years as an incentive for self-sufficiency in the IT sector by overcoming import dependence of Bangladesh.
- **Ensuring affordable and decentralized medical care**
 - In order to make quality medical care accessible to every person in Bangladesh, tax exemption has been given for ten years on condition of construction of general hospital with at least 250 beds or specialized hospital with 200 beds established outside Dhaka, Narayanganj, Gazipur and Chittagong districts.
- **Collection of Microcredit and Incentives for Women Entrepreneurs**
 - If the annual turnover of any organisation in the SME sector owned by a woman entrepreneur is up to Tk. 60 lakhs, the income of that organization has been exempted from tax.
 - In order to ensure easy access to micro-credit, income from micro-credit of organizations registered with NGO Affairs Bureau as well as Micro Credit Regulatory Authority has been exempted from tax.
- **Assistance in raising long term capital and creating bond market**
 - Exemption from tax applicable in case of transfer of property to trust or SPV and re-transfer of property from trust or SPV to the parent institution for market creation and easy circulation of Sukuk bonds for raising long term capital.
- **Formalisation of the economy**
 - The payment on salaries and allowances in excess of Tk. 20,000 and purchase of raw materials in excess of Tk. 5,00,000 through bank transfer as well as mobile financial services been made obligatory.
 - Provision has been made to deduct additional 50 percent of tax from existing sources if any supply and contracting bill is not received through banking or mobile financial services.

Annexure 4.2
Stimulus Package to address COVID-19 and Economic Recovery

Serial No	Name of the Package	Amount (Crore Taka)
1	Special Fund for Salary support to export oriented manufacturing industry workers	5,000
2	Working Capital loans for the affected industries and service sector	73,000
3	Working Capital loans for the SMEs including the cottage industries	40,000
4	Expansion of facility provided through Export Development Fund (EDF) by Bangladesh Bank (US\$ 2.0 billion)	17,000
5	Pre-Shipment Credit Refinance Scheme	5,000
6	Special Honorarium for doctors, nurses, medical workers	138
7	Health Insurance and life insurance	750
8	Free Food Distribution	2,500
9	OMS of rice at 10 taka/kg	770
10	Cash Transfer for the targeted poor people (Tk. 2,500 per person for 3.5 million + 4.86 lakh fisheries and livestock farmers)	1,326
11	Expansion of Cash Allowance Programs to 112 Upazillas	815
12	Construction of home for homeless people	2,130
13	Support for farm mechanization	3220
14	Subsidy for agriculture	9,500
15	Agriculture Refinance Scheme	8,000
16	Refinance scheme for professional farmer and small traders	3,000
17	Employment creation through four State owned financial institutions (PKSF-500, Probashi-500, Karmasangsthan-1,200, Palli Sanchay-500. Ansar VDP-500)	3,200
18	Subsidy for commercial bank's suspended interest of April-May, 2020	2,000
19	Credit Risk Sharing Scheme for SME Sector	2,000
20	Safety net program for Export Oriented Industry's distressed workers	1,500
21	Revitalizing the rural economy and job creation in rural area (Joyeeta F: 50; NGO F: 50; SDF: 300; SME F: 300; RPE F:300; BSCIC: 100; SFD F: 100; BRDB: 300)	1,500
22	Expansion of Cash Allowance Programs to another 150 Upazillas	1,200
23	2nd Tranche Cash transfer to 3.5 million poor people of taka 2500 per person + 1,00,000 Boro farmers affected by cyclone	930
24	Cash Transfer to the targeted poor people (Tk. 2,500 per person). Total beneficiary: 17,24,470 persons	450
25	Special OMS at the city area (Rice: 20,000 MT and Flour: 14,000 MT)	150
26	Fund for Deputy Commissioners to provide food support to the vulnerable people reached through 333 phone number	100
27	Employment creation through three State owned financial institutions - 2nd phase (PKSF-500, Karmasangsthan Bank-500 and Palli Sanchay Bank-500 crore)	1,500
28	Working Capital credit facility at 4% interest to pay wages for the employees of hotel/motel/theme parks	1,000
	Total (In Crore Taka)	187,679
	Total (In Million USD)	22,080
	As % of GDP	6.23

Source: Finance Division

Annexure 4.3
Budget at a Glance (with Actual)

(In crore Tk.)

Description	Revised 2021-22	Budget 2021-22	Actual 2020-21
Revenue and Foreign Grants			
Revenues	389000	389000	328665
Tax Revenue	346000	346000	269803
NBR-Tax Revenue	330000	330000	263886
Non-NBR Tax Revenue	16000	16000	5917
Non-Tax Revenue	43000	43000	58862
Foreign Grants	3192	3490	2348
Total:	392192	392490	331013
Expenditure			
Operating Expenditure	366627	361500	285830
Recurrent Expenditure	340572	328840	265893
of which			
Domestic Interest	65000	62000	66319
Foreign Interest	6244	6589	4287
Capital Expenditure	26056	32660	19937
Net Outlay for Food Account Operation	136	517	4246
Loans and Advances (Net)	4789	4506	593
Development Expenditure	221948	237078	169491
Scheme	3040	3176	2721
Non-ADP Special Project	6336	5190	4108
Annual Development Programme (ADP)	209977	225324	260495
Non-ADP FFW and Transfer	2595	2588	2166
Total Expenditure:	593500	603681	460160
Overall Deficit (including Grants)	-201308	-211191	-129147
(In percent of GDP)	-5.1	-6.1	-4.2
Overall Deficit (Excluding Grants)	-204500	214681	-131495
(In percent of GDP)	5.1	-6.2	4.3
Financing			
Foreign Borrowing-Net	77020	97738	45708
Foreign Borrowing	91812	112188	57726
Foreign Debt Repayment	-14792	-14450	-12018
Domestic Borrowing	124288	113453	82506
Borrowing from Banking System (Net)	87287	76452	32673
Long-Term Debt (Net)	62435	51600	50692
Short-Term Debt (Net)	24852	24852	18019
Non-Bank Borrowing (Net)	37001	37001	49913
National Saving Schemes (Net)	32000	32000	43040
Others (Net)	5001	5001	6873
Total Financing:	201308	211191	128294
Memorandum Item: GDP	3976462	3456040	3087300

Source: iBAS ++, Finance Division

* Provisional, ** Estimated Nominal GDP