

Recent Budget of Bangladesh

Positive and Normative Analysis

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LETTER OF TRANSMITTAL

February 26, 2024
Dr. Hasina Sheykh,
Chairman
Department of Banking of Insurance
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Dear Ma'am,

Attached herewith is the report as assigned, entitled ***Recent Budget of Bangladesh: Positive and Normative Analysis***

We are delighted to be able to prepare our term report based on the problems assigned to us by our honorable course teacher Md. Mukhlesur Rahman, course, *B-302 (Public Finance)*. This report allowed us to practically analyze the positive and normative impact of the recent budget of Bangladesh.

We are thankful to you for the continuous support and patience that you have provided us throughout our course of preparing the report despite your busy schedule. We are submitting our report to you for your kind assessment. We, once again, thank you for your kind supervision, direction, communication, and cooperation.

Sincerely yours,

Team 01

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DECLARATION

We do hereby solemnly declare that the work presented in this Term Report has been carried out by our group (***Team 01***) and has not been previously submitted to any other University/College/Organization for an academic qualification/certificate/diploma or degree.

The work we have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

We further undertake to indemnify the Department against any loss or damage arising from breach of the foregoing obligations.

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Furthermore, We would also like to acknowledge with much appreciation the crucial role of the staff of the Department of Banking and Insurance, who helped us to use all the required equipment and the necessary materials to complete the task:

“Recent Budget of Bangladesh: Positive and Normative Analysis ”.

We would hereby heartily appreciate each team member for their effort to assemble the parts and give suggestions regarding the task *“Positive and Normative Analysis of the Recent Budget of Bangladesh”*.

Finally, many thanks go to the chairperson Dr. Hasina Sheykh, Banking and Insurance Department, Faculty of Business Studies, University of Dhaka. Who has invested her valuable time and effort to provide us with an opportunity to enhance our report creation and presentation? We are obliged to appreciate the guidance given by other supervisors as well as the panels, especially in our project presentation which has improved our presentation skills thanks to their comments and pieces of advice.

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SECTION I

1.0 Introduction

Bangladesh's recent budget for FY-2023-24 is a roadmap for the country's development. Bangladesh's budget has a complicated past of several decades and has played an important part in the country's growth. Established after independence, the budget has played a key role in allocating resources to crucial sectors like education, healthcare, and agriculture. This report uses a dual approach to analyze the budget. Bangladesh's journey, from its independence to its aspirations of becoming a prosperous nation, is marked by significant progress. This journey is reflected in its budget, which has played a key role in the country's development. The current budget covers various essential areas, including public services, education, healthcare, agriculture, and debt management. To understand the budget comprehensively, we can employ two analytical approaches: positive and normative analysis. Positive analysis objectively examines the facts and trends without judgment, focusing on budget allocations, historical trends, and future projections. Normative analysis, on the other hand, involves evaluating the appropriateness of the allocated resources and policies based on ethical principles, social justice concerns, and economic theories. This report uses clear facts and figures (positive analysis) to understand the budget, while also considering its fairness and effectiveness (normative analysis).

1.1 Objectives of the Study

This report analyses Bangladesh's FY-2023-24 budget, exploring its historical significance and development impact. Combining positive analysis for objective assessment and normative analysis for ethical considerations, we'll examine resource allocation in key areas like education, healthcare, and agriculture. This aims to understand the budget's alignment with Bangladesh's development goals and aspirations, ultimately offering insights and recommendations for future budgets to foster sustainable socio-economic development.

1.2 Rationales of the Study

The rationales for studying Bangladesh's recent budget for FY-2023-24 include understanding its impact on key sectors, analyzing historical trends, employing a dual analytical approach, aligning with national aspirations, offering policy recommendations, and contributing to academic discourse on public finance and development economics.

1.3 Limitations of the Study

This report has done its best to analyze Bangladesh's recent budget, but there are a few things to keep in mind. Finding good data and having enough time to dig deep can be tricky, and there's always a chance we might have missed something. We've also made some assumptions and haven't considered everything, like the country's unique political situation. This means our findings might not apply exactly to other places, but hopefully, they're still helpful for understanding Bangladesh's budget.

1.4 Significance of the Study

This analysis of Bangladesh's FY-2023-24 budget holds significance for diverse stakeholders. It informs the government's future budgetary decisions, guides investment strategies for businesses, empowers the public to hold authorities accountable, and assists development agencies in aligning their efforts with national goals. Additionally, the research contributes to the academic understanding of public finance and serves as a valuable resource for future studies. Ultimately, this analysis goes beyond numbers, offering insights to foster Bangladesh's continued development.

SECTION II

2.0 Methodology

This report provides a comprehensive analysis of the national budget of Bangladesh for the fiscal year 2023–2024 (FY24). The methodology employed in this analysis combines both qualitative and quantitative approaches to ensure a rigorous and multifaceted evaluation of the budget.

2.1 Data Sources

The primary data sources for this report include:

Official Budget Documents: The budget speech, supplementary documents, and detailed budget allocations were released by the Ministry of Finance of the Government of Bangladesh.

Historical Data: Relevant historical economic and fiscal data from the Bangladesh Bureau of Statistics (BBS), Bangladesh Bank (central bank), and other authoritative sources.

Macroeconomic Forecasts: Projections and analysis from credible international institutions such as the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank (ADB).

Qualitative Insights: Interviews and consultations with experts from think tanks, research institutions, and relevant stakeholders in the public and private sectors.

2.2 Analytical Framework

The analysis follows a structured framework encompassing the following key aspects: **Macroeconomic Assessment:** Analysis of the assumptions made by the FY24 budget on GDP growth, inflation, currency rates, and other important macroeconomic variables. Contrasting these hypotheses with third-party projections and risk and uncertainty analyses.

Revenue Analysis: Analyzing the budget's expected revenue from both tax and non-tax sources. Evaluation of past trends, possible effects of policy changes, and revenue targets' viability.

Expenditure Analysis: Detailed scrutiny of sectoral allocations, both in terms of development and non-development expenditure. Identification of priority sectors, alignment with national development plans, and evaluation of the effectiveness of past spending patterns.

Financing Analysis: Exploration of the budget's financing strategies, including domestic borrowing, external borrowing, and the management of the fiscal deficit. Assessment of the sustainability of financing sources and potential impacts on debt levels.

2.3 Limitations

It is acknowledged that certain limitations exist within this analysis. Economic forecasting is inherently subject to uncertainty. The availability and reliability of the data may vary. Additionally, the qualitative assessment of policies and their potential impacts involves a degree of subjectivity.

This methodology aims to provide a transparent, objective, and evidence-based analysis of the national budget of Bangladesh for FY24. By utilizing a combination of data sources and analytical techniques, this report seeks to offer valuable insights for policymakers, researchers, and all stakeholders concerned with the economic development of Bangladesh.

1. Positive Aspects of National Budget FY24 (2023-2024)

Bangladesh's budget for the fiscal year 2023–24, which started on July 1st, 2023, was just approved. The total budget is Tk 7,61,785 crore (approximately USD 88 billion).

Public service (32.61%): This includes government salaries, pensions, and administrative expenses. While a large portion, it's crucial for maintaining government functions and delivering essential services.

Education and technology (14.74%): As mentioned earlier, this allocation aims to improve

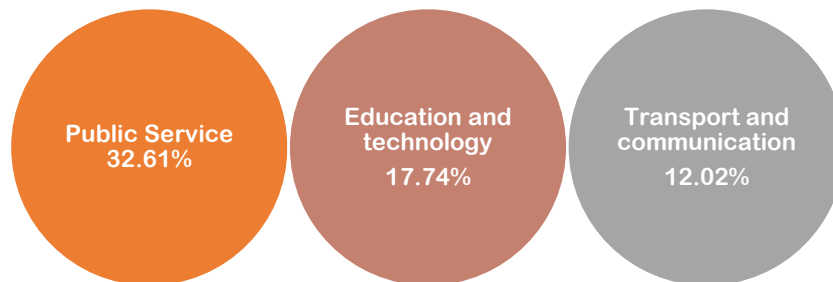


Figure 1: Allocation across major sectors

education quality, promote technological advancements, and enhance skills development, which are crucial for long-term economic growth.

Transport and communication (12.02%): This investment focuses on infrastructure development, including roads, bridges, and railways. Improved connectivity can facilitate easier movement of goods and people, potentially boosting economic activity and trade.

Agriculture: The government has declared intentions for greater investment in this area, which is essential for maintaining rural livelihoods and guaranteeing food security.

Positive aspects:

- ❖ **Increased focus on education and technology:** The budget allocated 14.74% to this sector, a significant increase compared to previous years. This investment aims to improve educational infrastructure, promote technological advancements, and enhance skills development.
- ❖ **Support for local industries:** The budget includes measures like VAT exemptions for locally manufactured home appliances and computers. This aims to foster import substitution, boost domestic production, and potentially create jobs.
- ❖ **Investments in infrastructure:** The budget prioritizes investments in transport and communication (12.02% allocation) to improve connectivity, facilitate trade, and potentially attract foreign investments.

SECTION III

3.1 Transportation & Communication

3.1.1 Transport and Communication for the Fiscal Year 2023-24: Context

In general, transportation and communication are extremely important to the country's economy. It refers to the transportation of products and people from one location to another, as well as the many methods used to accomplish this.

In the context of Bangladesh, one of the present government's development priorities is to construct a unified communication infrastructure across the country. Since taking office in 2018, the administration has carried out several big infrastructure projects. The key segments of budget allocation in transportation and communication comprise the five sectors listed below.

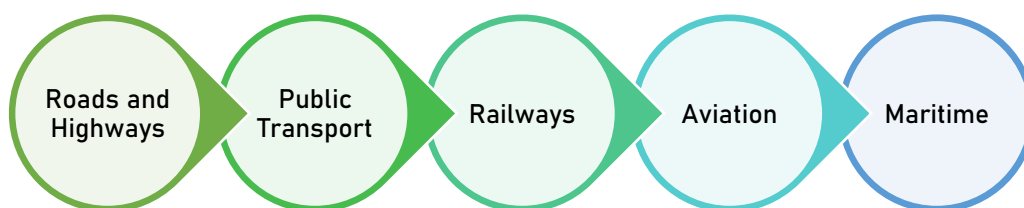


Figure 2: Five Sectors of Transportation and Communication Budget

3.1.2 Transport and Communication for the Fiscal Year 2023-24: The Budget

On the 26th of June 2023, the national assembly approved the budget for the financial year 2023-24. The budget for FY2023-24 includes BDT 85,191 crore for the transport and communication sector, which is a striking BDT 15,290 crore above the amount allotted in FY2022-23. The revised budget allocation for the Fiscal Year 2022-23 is BDT 69,901 crore.

The budget for FY2023-24 allocates 11.2% of the overall budget to the transportation and communication sector. This allocation is 21.9% more than the proposed budget allocation for FY2022-23. In the amended FY2022-23 budget, the allocation for transportation and communication was maintained at 10.6% of the overall budget. Allocation for the Road Transport

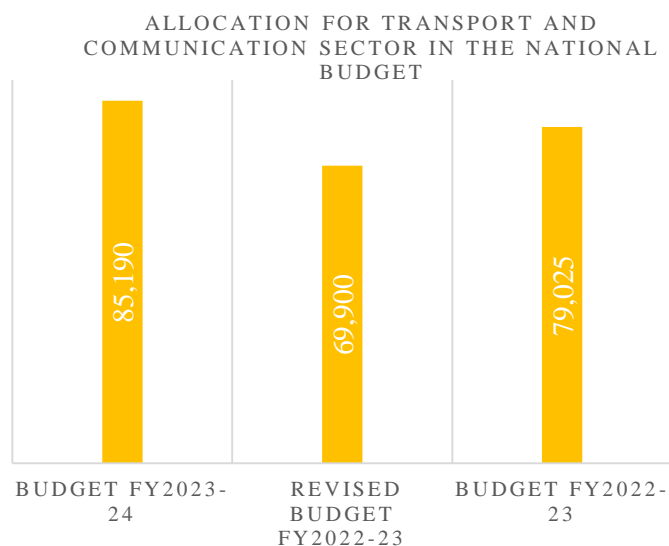


Figure 3: Allocation for Transport and Communication Sector in the National Budget

and Highways Division. It's important to note that this figure represents the total budget allocated to the transport and communication sector, which encompasses various aspects beyond just transportation infrastructure, such as telecommunications.

3.1.3 Allocation in Annual Development Programme (ADP) for FY2023-24

In FY2023-24, the transport and communication sector received a total allocation of BDT 74,102 crore from the Annual Development Programme (ADP), accounting for 28.2% of the overall development budget. This is an increase from the revised development budget for FY2022-23, which allocated 26.1% to this sector. The Road Transport and Highways Division has earned the biggest allocation in the ADP for the fiscal year 2023-24, totaling BDT 34,062 crore. The Bangladesh Railway, Bridges Division, Ministry of Civil Aviation and Tourism, and Ministry of Shipping have also received allocations of BDT 14,960 crore, BDT 9,064 crore, BDT 6,542 crore, and BDT 9,474 crore, respectively.

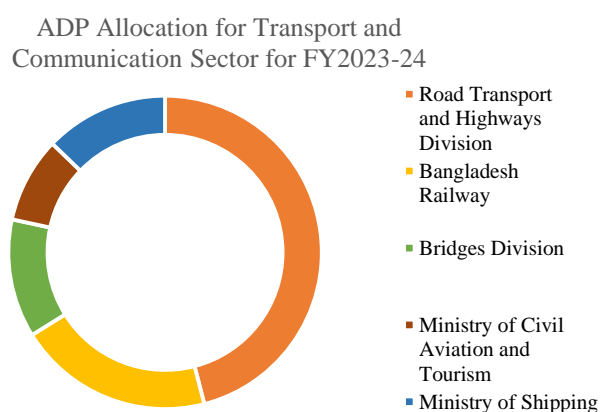


Figure 4: ADP Allocation for Transport and Communication Sector for FY2023-24

3.1.4 Transport and Communication Normative Analysis for the Fiscal Year 2023-24:

Normative analysis requires making judgments about what is good, right, or desirable, and this necessitates an understanding of the context, values, and ethical considerations involved.

- ❖ ***The Budget Allocation:*** The Bangladeshi government allocated BDT 85,190 crore to the transport and communication sector in the 2023-24 budget, representing a 21.9% increase from the previous year. This suggests a significant investment in infrastructure development and communication networks.
 - ❖ ***Prioritized Areas:*** The Road Transport and Highways Division received the highest allocation within the sector, indicating a focus on improving road connectivity. Additionally, the budget aims to establish a unified communication system throughout the country.
1. ***Potential Benefits:*** Increased investment in transport and communication infrastructure could lead to several positive outcomes, including:
 - a. **Economic growth:** Improved connectivity can facilitate the movement of goods and people, promoting trade and economic activity.
 - b. **Social development:** Better transportation options can improve access to education, healthcare, and other essential services, particularly for rural communities.
 - c. **Poverty reduction:** Increased economic opportunities and improved access to services can contribute to poverty reduction efforts.
 2. ***Potential Challenges:*** It is important to consider potential drawbacks when conducting a normative analysis, such as:
 - a. **Environmental Impact (Externalities):** Large-scale infrastructure projects can have negative environmental consequences, such as pollution and habitat loss.
 - b. **Displacement and Social Disruption:** Construction projects may lead to the displacement of communities and disruption of social fabric.
 - c. **Equity and Access:** It is crucial to ensure that the benefits of improved infrastructure are distributed equitably and that all segments of society have access to transportation and communication networks.

3.2 Tax

Governments impose taxes as mandatory charges on people or things. For most governments, they serve as the main source of income, which is utilized to pay for a range of public projects and services. There are numerous kinds of taxes, such as Income tax, Sales tax/ Value added tax, Property, import and export duties, etc.

An essential component of a country's prosperity and progress is tax revenue collection. It's important to fund public services, promote economic growth, and redistribute wealth, generating revenue to support social programs and reduce income inequality.

For the fiscal year 2023–24, the planned size of the national budget is Tk 7.60 trillion, or Tk 760,000 crore. The budget sets a target of Tk 5 trillion, or Tk 500,000 crore, as total income. The National Board of Revenue (NBR) hopes to make Tk 4.3 trillion in revenue out of this sum.

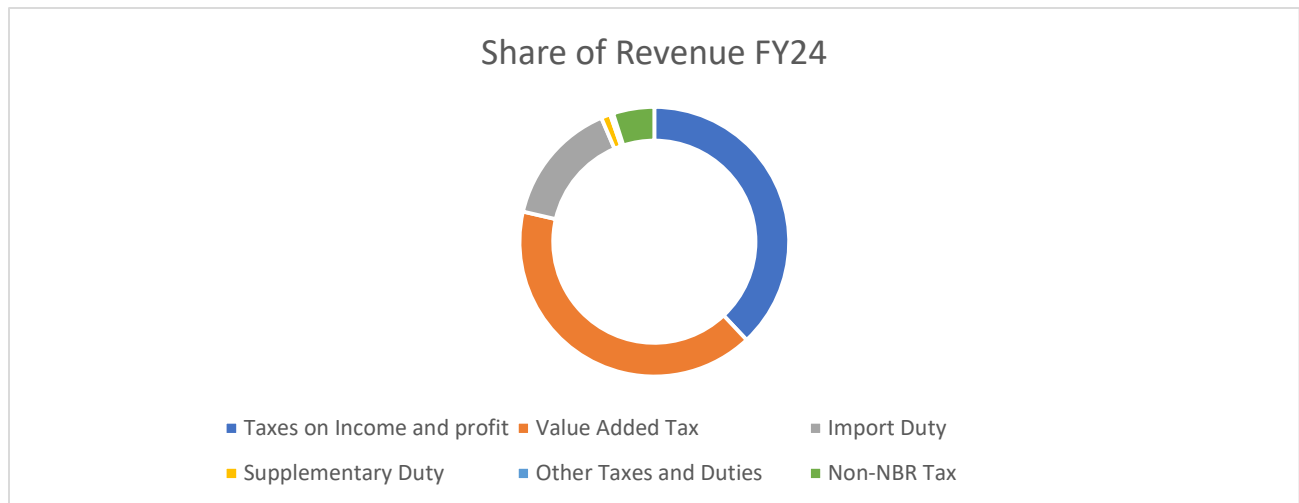


Figure 5: Share of Revenue FY24

3.2.1 Several Tax Changes in FY24:

The recent Bangladesh budget introduced several tax changes. Some of those are:

Changes in Income Tax:

- An increase in the tax-free income threshold of male taxpayers from BDT 300,000 to BDT 350,000.
- An increase in the tax-free income threshold of female taxpayers and taxpayers older than 65 from BDT 350,000 to BDT 400,000; and
- For physically challenged taxpayers: To BDT 475000 from BDT 450000 and for war-wounded gazette freedom fighters: To BDT 500000 from BDT 475000.

- Individuals below taxable income who are required to submit income tax returns to take 38 services from the government will be required to pay a minimum tax of Tk. 2000.

3.2.2 Changes in Corporate Tax:

The definition of "company" has undergone major revisions as a result of the new Income Tax Act. Educational establishments, non-governmental organizations, private foundations, cooperative societies, chambers and associations, societies, micro-credit establishments, government institutions, municipal authorities, and autonomous bodies are all included in the new definition.

In the recent budget of Bangladesh for the fiscal year 2023-24, the corporate tax rate reduction was as follows:

Corporate Tax Reduction		
Listed Companies 22.5% to 20%= 2.5%	Non-Listed Companies 30 to 27.5%=2.5%	OPCs 25% to 22.5%=2.5%

Figure 6: Corporate Tax Reduction

3.2.3 Other Concerning Measures:

- The minimum net wealth exemption limit has been increased to Tk. 4 crore from Tk. 3 crore, which leaves several rich people out of the surcharge net.

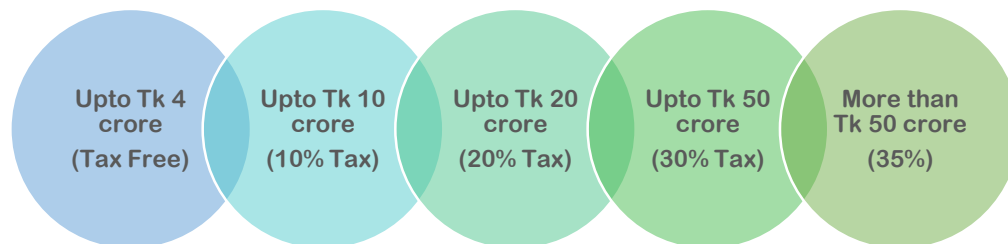


Figure 7: Net Wealth amount and Proposed Tax rate

- The local producing stage of LPG cylinders now charges 7.5% VAT on iron or steel, instead of the previous 5% VAT.
- The owners of multiple vehicles will have to pay a surcharge for each vehicle after the first one, at rates depending on engine capacity (in addition to the previous tax adjustable AIT)- This is a timely decision; The surcharge which will be collected will be used to cut carbon emissions.
- In FY24, travelers will face an increase in travel taxes by air, road, and water.
- Various tax rates at source have been doubled for flats and land registration in areas under and outside the jurisdiction of Rajuk and CDA Avenue of Chittagong.

- Local mobile phone producers and assemblers now pay a higher VAT rate. Certain household items (such as napkins and tissue paper) now have a 7.5% VAT rate instead of 5%
- A 15% value-added tax (VAT) is levied on ballpoint pens.

3.2.4 Normative Analysis:

Positive Aspects:

- ❖ The budget tries to meet the demand for income generation by imposing taxes on capital gains and wealth, which may encourage a more equitable tax structure.
- ❖ Providing tax breaks to important industries like textiles and RMG may boost the economy and create jobs.
- ❖ Tax reduction for families with dependents who are disabled is consistent with social justice ideals.
- ❖ Environmental surcharge has been added to different types of vehicles which will be used to cut carbon emissions.
- ❖ Discontinuation of untaxed money provision. CPD strongly argued against this provision as it discourages honest taxpayers.

Points for consideration:

- ❖ Evaluation and monitoring are required to determine how well the capital gains and wealth taxes on government securities work to meet revenue and equality goals.
- ❖ Individuals below taxable income now must pay 2000 TK tax to take 38 services from the government which is a burden for the low-income TIN holders and contradicts the concept of a tax-free threshold.
- ❖ The rise in the wealth surcharge threshold leaves several rich people out of the surcharge net which affects the equality and distribution of justice.
- ❖ Adding tax to daily necessities affects consumers' purchasing power as the price of those products also increases. For example: adding a tax on ballpoint pens increases the cost of education for a person.
- ❖ Duty tax exemptions on imported materials for hotel industries withdrawn which will raise revenue but likely to result in higher hotel tariffs.
- ❖ Imposition of 7.5% VAT compared to the prior 5% VAT at the local manufacturing stage on iron or steel (LPG Cylinder) which will be passed on to consumers.

In general, the tax measures included in the latest budget have merits and drawbacks. A comprehensive evaluation considering their long-term impact on various stakeholders and the broader economy is crucial

3.3 Agriculture

The FY2023-24 agriculture budget holds significant promise for the continued development of Bangladesh's agricultural sector. The focus on diverse initiatives, paired with continued investment, signals a strong commitment to positive change within this crucial sector. The budget, approved on June 26, 2023, allocates BDT 43,700 crore (5.7% of the total budget) specifically to agriculture. This includes subsidies for essential inputs like fertilizers, seeds, and irrigation (totaling BDT 17,533 crore) as well as BDT 16,336 crore for new and ongoing agricultural projects. These projects prioritize boosting production, diversifying crops, supporting farmers, conserving resources, promoting research, addressing climate change, implementing smart technology, ensuring food access, and modernizing the fisheries and livestock sectors. Recognizing agriculture's cornerstone role in the Bangladeshi economy, employing millions and driving GDP growth, this FY2023-24 budget aims to propel development within this crucial sector. This report will delve deeper into the key aspects of the budget allocation, examining the breakdown of resources and the specific areas targeted for investment.

Total Allocation	BDT 54,299 crore	BDT 43,700 crore
% of Total Budget	8.20%	5.70%
Subsidies	BDT 9,500 crore	BDT 17,533 crore
Project Investment	BDT 44,799 crore	BDT 16,336 crore

Table 1: Table 1: Comparison with FY2022-23

Investment Breakdown:

- ❖ Total Budget: BDT 43.7 billion (US\$5.1 billion).
- ❖ Percentage of Total Budget: 5.7%.

Bangladesh's FY 2023-24 agriculture budget goes to two main areas:

1. Subsidies (BDT 17.533 billion): Makes fertilizers, seeds, and irrigation cheaper for farmers.
2. Projects (BDT 16.336 billion): Funds various initiatives like production boost, crop diversification, farmer support, resource conservation, research & development, climate resilience, food security, and fisheries & livestock modernization.

3.3.1 Bangladesh Agriculture Budget FY2023-24: Normative Analysis

<i>Feature</i>	<i>Positive Sides</i>	<i>Negative Sides (Potential)</i>
Investment	- Continued commitment with BDT 43,700 crore allocation	- Slight decrease compared to FY2022-23
Subsidies	- BDT 17,533 crore for fertilizer, seeds, and irrigation	- Efficient allocation and use crucial
Project Focus	- Addresses diverse needs: production, diversification, farmer support, resource conservation, research, climate resilience, smart agriculture, food security, and modernization	- Implementation challenges like delays, corruption, or lack of expertise
Production & Diversification	- Increased output and reduced reliance on traditional crops	- Sustainability concerns for some projects
Farmer Support	- Training, extension services, and financing access	- Ensuring equitable access for all farmers, especially marginalized groups
Resource Conservation	- Promotes long-term environmental health	- Careful assessment needed for long-term sustainability
Research & Development	- Investments in climate-resilient solutions and innovative technologies	- Market fluctuations can impact project success and farmer income
Climate Resilience	- Safeguards food security by addressing climate change impacts	- Unpredictable weather events and rising sea levels can challenge project goals

Table 2: Bangladesh Agriculture Budget FY2023-24: Normative Analysis

Bangladesh's FY2023-24 agriculture budget, while slightly smaller than the previous year, continues to prioritize the sector's development with a BDT 43.7 billion (US\$5.1 billion) allocation. The focus is on subsidies for essential inputs (fertilizer, seeds, irrigation) and diverse projects aimed at boosting production, diversifying crops, supporting farmers, conserving resources, promoting research, addressing climate change, implementing smart technology, ensuring food security, and modernizing fisheries and livestock. Though the budget offers potential benefits, concerns remain regarding project implementation, sustainability, and the impact of unpredictable weather events. Overall, the outlook for Bangladesh's agricultural sector is promising, but the budget's success depends on careful execution.

3.4 Education

The Bangladeshi education system, shaped by its colonial past and evolving national aspirations, presents a diverse and complex landscape. It boasts three distinct levels: primary, secondary, and higher education. While aiming for universal participation, it faces challenges in bridging the gap between ideals and realities, particularly in rural areas. Despite these challenges, the system offers a free and compulsory foundation for all citizens until the end of eighth grade. This commitment to education has seen significant improvements in literacy rates in recent decades. The system also offers various streams within each level, catering to students with diverse interests and aspirations, from general academic pursuits to vocational training. This intricate structure provides a glimpse into Bangladeshi society's dedication to knowledge acquisition and its ongoing efforts to empower its citizens through education.

3.4.1 Educational Budget (FY24)

The Bangladeshi educational budget for the 2023–24 session (FY24) shows some positive developments compared to the previous years. This year's allocation is higher than the previous years.

Increased Allocation: Compared to the previous year, the education sector received an 8.3% increase in the initial budget allocation.

Higher Share of the National Budget: This allocation constitutes 11.6% of the total national budget, compared to 10.7% and 1.83% in the revised FY23 and FY22 budgets.

Significant Jump from Revised Years: The allocation represents a 25.1% increase compared to the revised budget for FY23 and FY22, which saw a reduction from the initial allocation.

The initial allocation in FY23 was higher than the final revised budget, which raised concerns about potential reductions in the current year as well. Although there has been a notable rise, the overall percentage of the national budget allocated to education (11.6%) is still less than the goal established by the 8th Five-Year Plan of the nation (3.5% of GDP by 2025).

Here's a breakdown of the allocation:

Ministry of Primary and Mass Education: Receives the largest share, focusing on primary and pre-primary education.

Secondary and Higher Education Division: Supports secondary and higher secondary schools, colleges, and universities.

Technical and Madrasah Education Division: Funds technical and vocational education institutions and Madrasah education.

The graph shows the initial allocation of funding for education in Bangladesh over three fiscal years: FY22, FY23, and FY24.

Here's a breakdown of the information in the graph:

Fiscal Years: The x-axis represents the fiscal years, with FY22 on the left and FY24 on the right.

Budget Allocation (BDT Billion): The y-axis represents the budget allocation in billions of Bangladeshi takas (BDT).

Allocation: Each fiscal year has a corresponding data point on the line, showing the initial allocation for that year. To display the trend across time, line segments are used to link the data points.

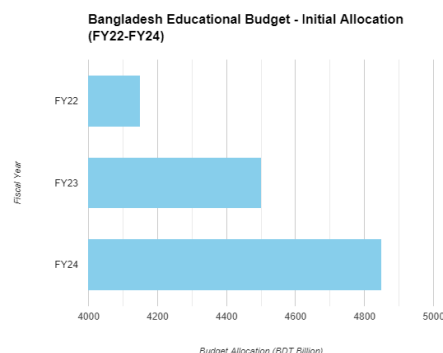


Figure 8: Education Budget Allocation

From the graph, we can see a clear comparison of the budgets for FY22, FY23, and FY24. We can also measure that-

The initial allocation of the education budget has increased steadily over the three fiscal years.

The allocation for FY22 was 4,000 BDT billion, FY23 was 4,200 BDT billion, and FY24 is 4,600 BDT billion.

This represents an increase of 15% from FY22 to FY24.

It's crucial to remember that this graph just displays the budget's initial allocation. Every year's final amended budget can be different. Overall, the increased allocation is a step in the right direction, but there's still room for improvement to meet the educational needs of the growing population and achieve the targets set by the national plan.

Primary & Mass Education: This slice accounts for 51.5% of the total budget, the largest share. It is likely used to fund primary and pre-primary education programs.

Secondary & higher education: This slice represents 35.1% of the budget. It is likely used to fund secondary and higher secondary schools, colleges, and universities.

Technical & Madrasah Education: This slice accounts for the remaining 13.4% of the budget. It is likely used to fund technical and vocational education institutions as well as madrasah education (which combines religious and secular education).

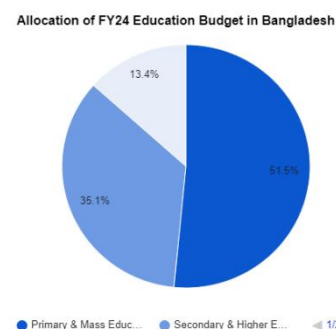


Figure 9: Allocation of Budget in Education in FY 24

Every budget has some positive and negative impact on the national economy of a country. We are now discussing the positive and negative sides of the educational budget for FY24.

3.4.2 Normative Analysis

Positive Sides of This Budget

Increased Allocation: Compared to FY23, the educational budget received an 8.3% increase in its initial allocation. This signifies a commitment to education by the government.

Higher Share of National Budget: The education sector now accounts for 11.6% of the total national budget, compared to 10.7% in FY23. This represents a step towards achieving the targets set in the national plans.

Focus on Primary Education: The largest share of the budget (51.5%) goes toward primary and mass education, aiming to improve access and quality in the crucial early stages of education.

Negative Sides of This Budget

Still Below Target: Despite the increase, the allocation remains below the target set by the country's 8th Five-Year Plan (3.5% of GDP by 2025).

Uncertainty about utilization: The revised budget in FY23 and FY22 saw a reduction from the initial allocation, raising concerns about the potential underutilization of the allocated funds in FY24 as well.

Limited Attention to Higher Education: While the budget for primary and secondary education has increased, the allocation for higher education (35.1%) remains stagnant, potentially impacting its development and quality.

Challenges in Implementation: Concerns remain regarding efficient implementation and addressing issues like teacher training and infrastructure development.

While the FY24 educational budget represents a modest increase compared to the previous years, it remains a contentious issue. While the allocation demonstrates a government commitment to prioritizing education, concerns remain. The budget still falls short of international benchmarks and domestic aspirations, falling below expert recommendations and the government's own long-term development plan. Addressing these concerns through increased investments and improved utilization of resources is crucial to ensuring a robust and equitable education system for the future of Bangladesh.

3.5 Health

A country's health budget for the fiscal year (FY) is a financial allocation for healthcare-related spending and projects. It explains how funding are allocated to various sectors of the healthcare system, including as hospitals, clinics, public health programs, research, and illness prevention. The budget may also include funding for personnel and infrastructure development, medicines and medical supplies, preventive health programs, mental health services, research and development, emergency preparedness, public and primary healthcare, monitoring and evaluation, and collaboration with international organizations. Understanding the health budget reveals a government's goals, commitments, and strategies for meeting the health needs of its citizens. It is the result of policy decisions and can be influenced by factors such as population health demands, economic situations, and global health concerns. Providing enough access to high-quality healthcare is essential for attaining sustainable development and improving individuals' lives. Bangladesh, like many developing nations, struggles to fund its healthcare system.

This section discusses the Bangladesh health budget for 2023-2024 from a normative perspective, comparing it with accepted principles of public health ethics and worldwide best practices.

3.5.1 Allocation of Health Budget FY (2023-2024)

The health sector has been granted a total of BDT 38,052 crore for FY (2023-2024), which represents approximately 5% of the national budget. This allocation includes BDT 29,431 crore for the Health Service Division of the Health Ministry, with BDT 17,221 crore for operating costs and BDT 12,210 crore for development costs. The Medical Education and Family Welfare Division of the ministry has been granted BDT 8,621 crore, an increase over the previous fiscal year.

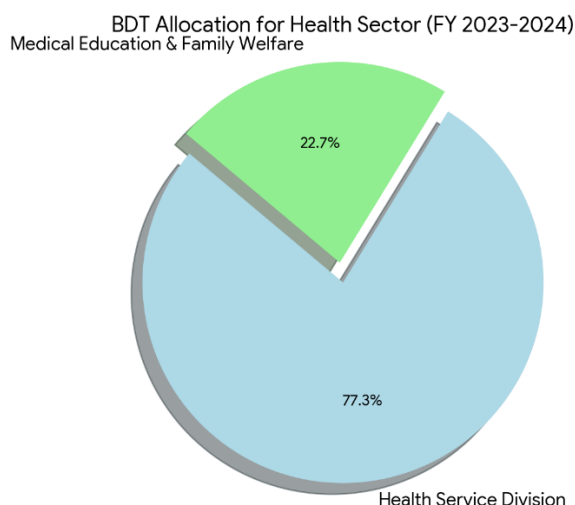


Figure 10: Allocation in healthcare from the total budget

This allocation focuses on improving healthcare services, developing hospital infrastructure, and updating medical and nursing education to increase the quality of healthcare workers. The allocation for health as a proportion of the total budget has risen marginally from 4.5% in FY23 to 4.99% in FY24. However, the allocation to health as a percentage of GDP has only increased from 0.67% in FY23 to 0.76% in FY24. Furthermore, the proportion of development budget allocation to overall health budget allocation has reduced from 51% in FY23 to 41% in FY24.

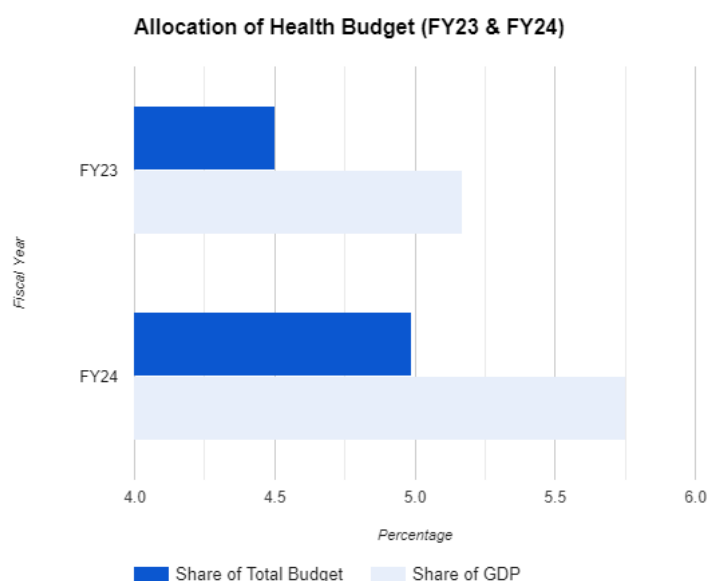


Figure 11: Allocation of Health Budget FY23 & 24

Though the budget allocation for health in Bangladesh has marginally grown, some downturns will be covered shortly.

3.5.2 Normative Analysis

Positive Aspects of the FY2023-2024 Health Budget

The government's budget allocation for health increased by 27.9% compared to FY 2022-2023, demonstrating a commitment to healthcare. This increase has the potential to help a variety of healthcare projects, including the upcoming launch of the Fifth Health, Population, and Nutrition Sector Programme (5th HPNSP), which might address specific healthcare needs and improve service delivery. The expansion of healthcare services under the 5th HPNSP may benefit a greater population segment, particularly those living in rural or underserved locations.

Negative Aspects of the FY2023-2024 Health Budget

Despite an increase in national budget allocation to health, 5% remains below the global average and the World Health Organization's 6% minimum. This decrease in development spending raises concerns about limited infrastructure development and hired capacity-building initiatives for healthcare professionals. ***Out-of-Pocket Expenditure on Health Budget*** in 2020, Bangladesh had the seventh highest out-of-pocket health spending per capita of the 44 LDCs. Individuals bear a major percentage of healthcare costs. Over the last two decades, Bangladesh's out-of-pocket expenditure as a percentage of current health expenditure has risen, whilst surrounding countries have decreased. The inadequate budget allocation for healthcare in Bangladesh, as well as the substantial out-of-pocket expenses experienced by individuals, are cause for concern. Changes to policy in the tobacco sector may be intended to generate more revenue for the government, which could subsequently be put into healthcare.

The plan aims to raise the health sector's portion of the total budget to 6% of GDP, emphasize strategic resource allocation, and invest in infrastructure development, capacity building, and preventative healthcare programs. It investigates sustainable finance options such as public-private partnerships, social health insurance programs, and user fees depending on financial capacity. It also improves budget transparency and accountability by including stakeholders and tracking expenditures. This will increase access to healthcare while reducing reliance on out-of-pocket expenses.

3.6 Subsidies

A subsidy in a government budget refers to financial aid or support provided by the government to specific individuals, industries, or sectors in the form of grants, tax breaks, or other forms of assistance. The primary purpose of subsidies is often to promote economic activities, achieve social objectives, or address market failures. Subsidies mainly are as follows:

Direct Subsidies

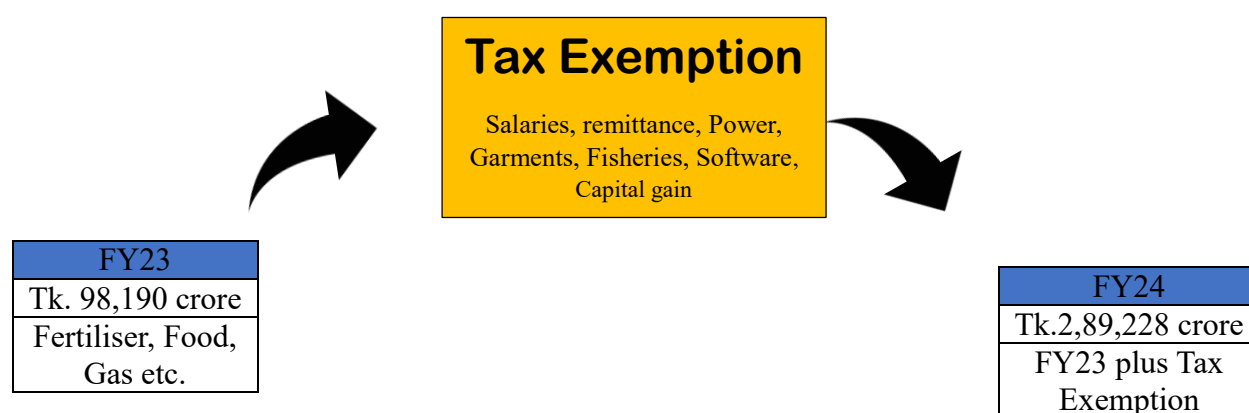
This type of subsidy mainly includes cash payments or grants given directly to individuals, businesses, or organizations in the form of allowance or anything else. These subsidies are designed to support and promote various activities, industries, or social objectives

Indirect Subsidies

Providing support through tax breaks, reduced interest rates, or other financial incentives to grow the economic volume.

The latest Bangladesh budget was published in 2023 for the 2023-2024 FY. In the budget 2023-2024 FY, the government has announced a Tk 289228 crore subsidy which is a 194% jump from the previous year. The reason behind this vast subsidy is the inclusion of Tax **Exemptions** provided to various individuals and institutions as subsidies. Calling it Direct Tax Exemption, computing the taxable income.

The government subsidy was Tk 98,190 crore in the outgoing year's revised budget. In previous budgets, the government's subsidy calculation mostly included subsidies mostly on fertilizers, food, and gas.



Direct Tax Expenditure creates overall employment along with economic stimulation, social balance and industrial support, the minister of finance thinks. Moreover, he mentioned the total amount of projected Direct Tax Expenditure for the current financial year would be Tk 1,78,241 crore.

3.6.1 Normative Analysis on Subsidy of Budget FY 2023-2024

Economists and policy analysts said the government's proposed initiative is not logical as it would violate the budgetary discipline. As per the National Board of Revenue (NBR), the Tax

exemption is estimated to reach around Tk. 1.78 lakh crore and the direct government subsidy might stand around Tk. 1.10 lakh crore. The total subsidy amount to Tk. 2.90 lakh crore approximately. Most of the subsidy is going to subsidize tax exemption for individuals and corporations. There is a pie chart is depicted below containing the subsidy allocations between tax exemption and other government direct subsidies:

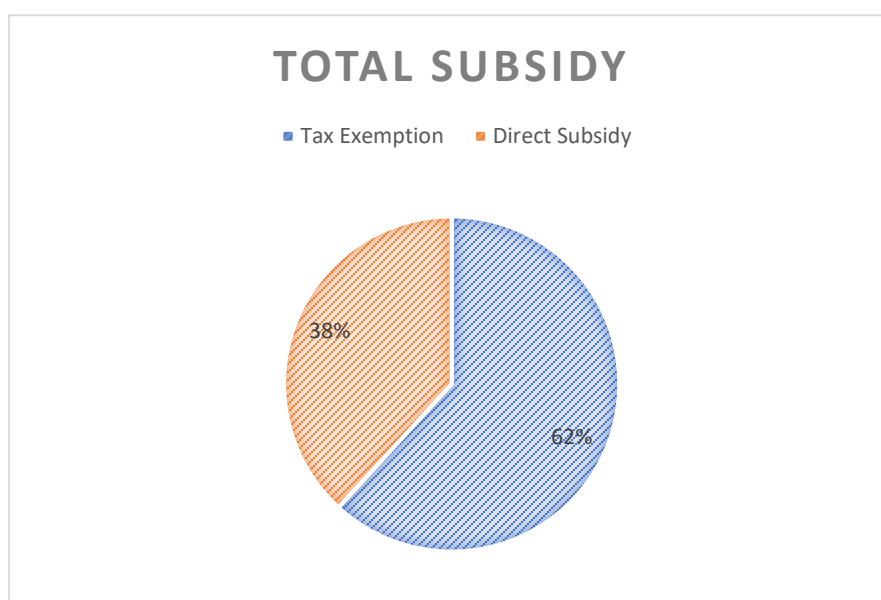


Figure 12: Allocation of total subsidy

In the pie chart, we can find that the tax exemption is around two times higher than the overall direct government subsidy in FY 24. It is undoubtedly much higher. The merits and demerits of such high subsidy are discussed below according to the experts and my opinions.

In its easiest form the subsidy is given for the betterment of individuals and institutions. Firstly, the huge subsidy in tax exemption would undoubtedly increase the business investment as it increases the income for the investors. Secondly, the tax subsidy in wages and salaries increases the useable salary of the workers. Moreover, remittance contributors will be motivated to send their salaries to their family as a result the deficit economy of Bangladesh can be able to reduce the gap. If the tax is exempted from capital gain, the investors will be motivated to invest more to build up capital. The other sectors which are subsidized by tax exemption will come forward to hit the volume high in particular industry.

In contrast to the merits, there are some demerits and criticisms found. Primarily subsidies are direct fiscal incentives, while tax exemptions are cost-reduction incentives:

No extra production benefits

The benefits found for direct subsidy in agriculture are the farmer gets financial support like fertilizers, machinery, training sessions, and many more. Consequently, they boost their confidence to produce more. But when the subsidy is given in terms of tax exemption, there are no extra production benefits rather the investors get more profit from the taxable incomes and capital gains.

Inflation

When the tax is exempted from the salaries and wages of the workers, they get more money to consume from. It results in high commodity prices and then inflation.

Inequal treatment between taxable income and non-taxable income

People who have no taxable income would not be benefited from the tax exemption subsidy. To be clear, debt, bond, and debenture are interest-earning investments which are fixed and have a tax shield since the interest paid is deductible before the tax calculation. So, the investors who will invest in debt instruments won't be benefitted from the exemption. On the other hand, since the income from shares is taxable. There is no tax shield. As the tax is reduced by subsidy, the shareholders will benefit at a large scale. The result is making more investments in equity capital by potential investors. Consequently, the company may suffer a higher cost of capital.

By analyzing all the aspects, it is confirmed that the government should not allocate that much subsidy in tax exemption. Bangladesh should have subsidies in some other developing sectors that have great potential for GDP growth as well as people's welfare which has greater production benefits.

SECTION IV

4.0 Conclusion

This report examines Bangladesh's FY2023-24 budget across a variety of sectors, including transportation and communication, taxation, agriculture, education, health, and subsidies. Each part examined the budget allocation, and relevant adjustments, and performed a normative analysis to determine the probable impact and efficacy. It discusses both positive and negative aspects of the budget. Positive implications include greater funding for education and health, which can help achieve long-term development goals. Furthermore, the transparency in budget reporting is admirable. However, concerns remain about the efficiency of tax adjustments and the sustainability of subsidy programs. The Bangladeshi government allocated BDT 85,190 crore to the transport and communication sector in the FY2023-24 budget, with the Road Transport and Highways Division receiving the highest allocation. The new Income Tax Act raised the tax-free income threshold for various taxpayers, including physically challenged and war-wounded individuals. The agriculture budget aimed for development with a BDT 43.7 billion allocation, but faced challenges in project implementation and sustainability. The educational budget showed positive developments but was still below the standard. Health allocation slightly increased, potentially aiding healthcare projects like the Fifth Health, Population, and Nutrition Sector Programme. Tax exemptions increased by 194%, potentially increasing business investment and worker-useable salaries. However, disadvantages include inflation, no extra production benefit, and unequal treatment between taxable and non-taxable income. Overall, this report provides valuable insights into the strengths and weaknesses of the 2023-2024 budget, offering a foundation for further discussion and potential policy adjustments to ensure efficient and equitable resource allocation across various critical sectors.

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https://mof.gov.bd/site/view/budget_mof/%E0%A7%A8%E0%A7%A6%E0%A7%A8%E0%A7%A7-Budget-in-Brief

Centre for Policy Dialogue (CPD):

This independent think tank publishes various reports and analyses on the Bangladesh budget, including a pre-budget analysis and a post-budget analysis. <https://cpd.org.bd/wp-content/uploads/2022/06/CPD-Budget-Analysis-FY2023-9-June-2022.pdf>

The Financial Express:

This newspaper publishes news articles and opinion pieces on the Bangladesh budget. <https://thefinancialexpress.com.bd/editorial/challenges-facing-bangladesh-economy>

The Daily Star

<https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.thedailystar.net%2Fspecial-events%2Fbudget-2022-23%2Fnews%2Fbudget-breakdown>