

NATIONAL BUDGET 2024-25

8 JUNE 2024

PRESENTED BY

SANEM
RESEARCH | KNOWLEDGE | DEVELOPMENT

Research Team

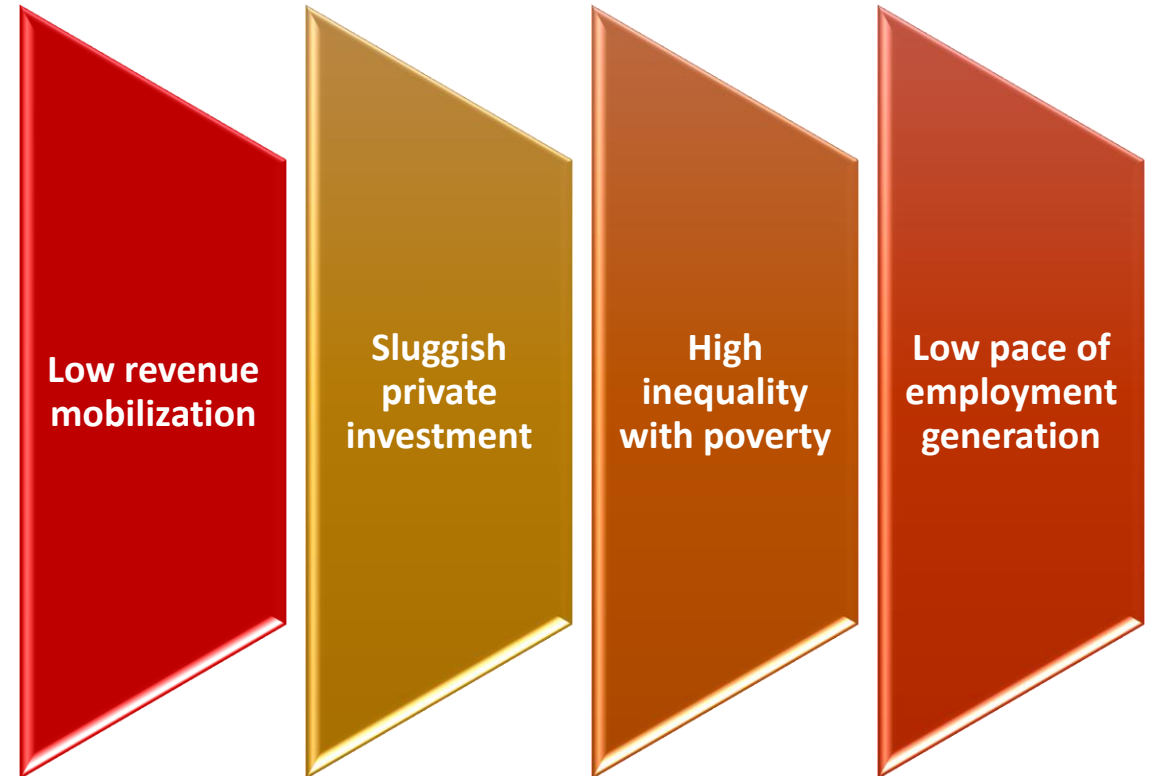
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Contextualizing Budget 2024-25

Key Challenges



Other Key Challenges



Budget At A Glance

Total Budget Allocation: **7,97,000 crore BDT** (14.2% of GDP)

Total Revenue
5,41,000 crore BDT (9.7% of GDP)

NBR Tax: **4,80,000 crore**
Non-NBR Tax: **15,000 crore**
Non-Tax: **46,000 crore**

Size of ADP
2,65,000 crore BDT

GDP Growth
6.75%

Targeted Inflation
6.5%

Total Deficit
2,56,000 crore BDT (4.6% of GDP)

Deficit Financing (in crore BDT)

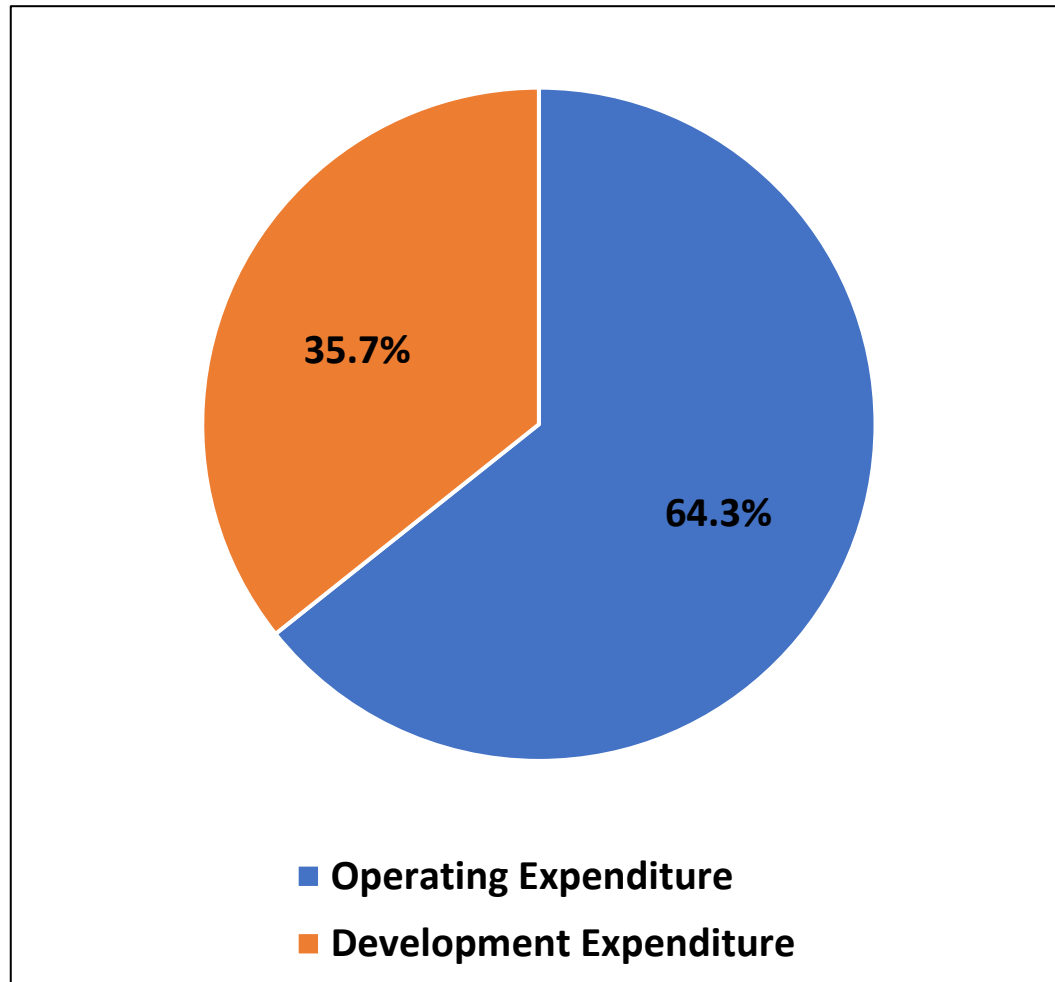
Foreign Loan: **90,700**

Domestic Loan: **1,60,900**

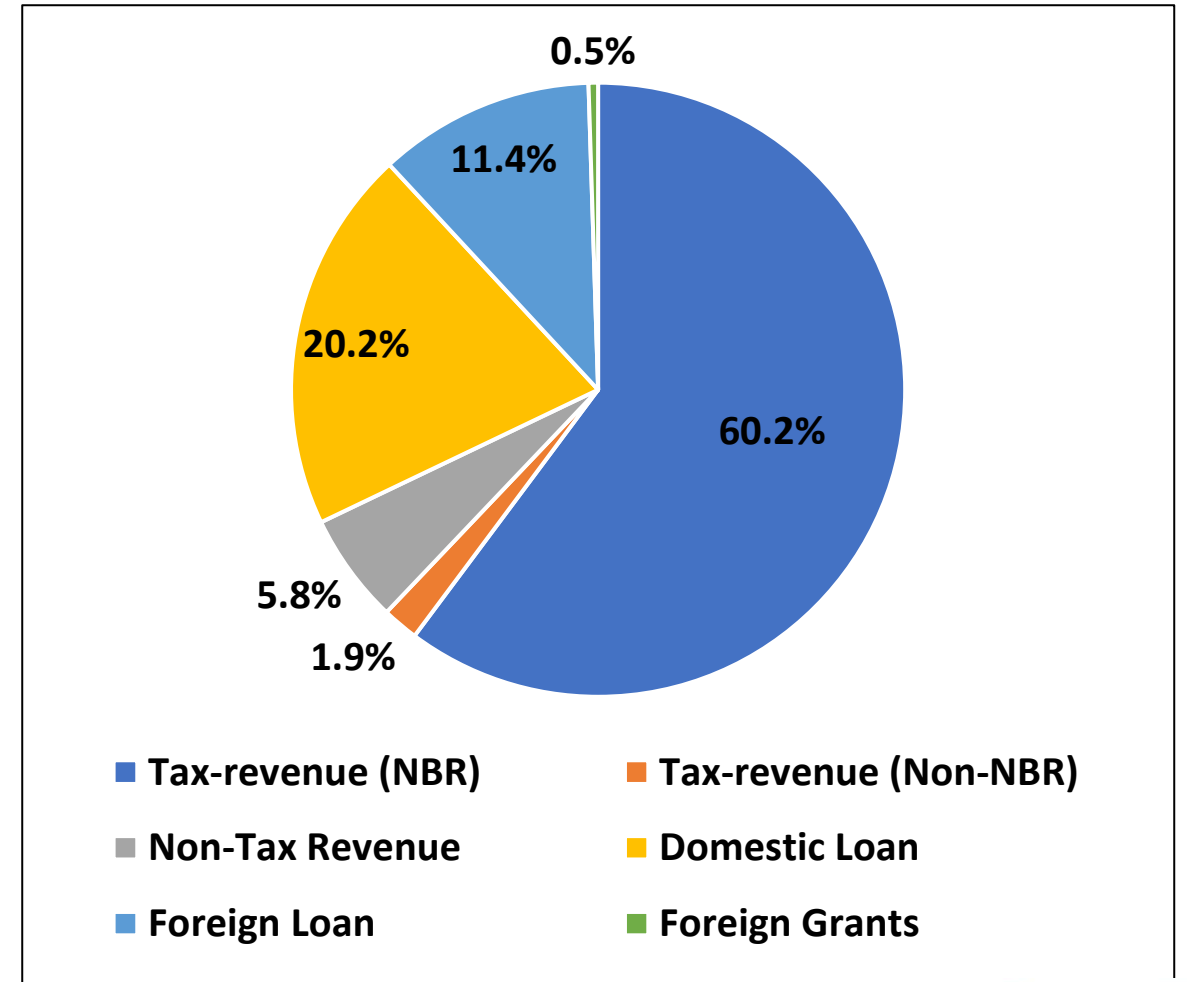
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Banking sector: **1,27,200 crore**

Budget Expenditure and Financing

Budget Expenditure (2024-25)



Budget Financing (2024-25)



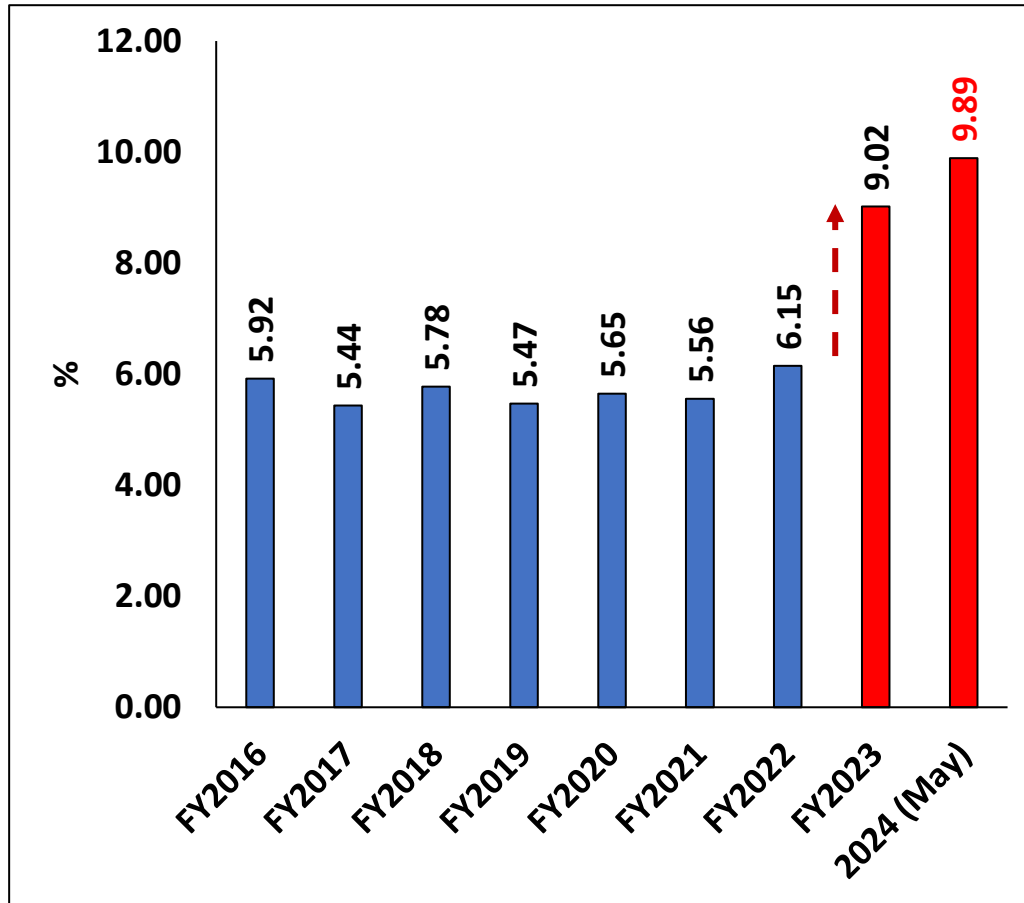
Source: Ministry of Finance

Key challenges for budget 2024-25

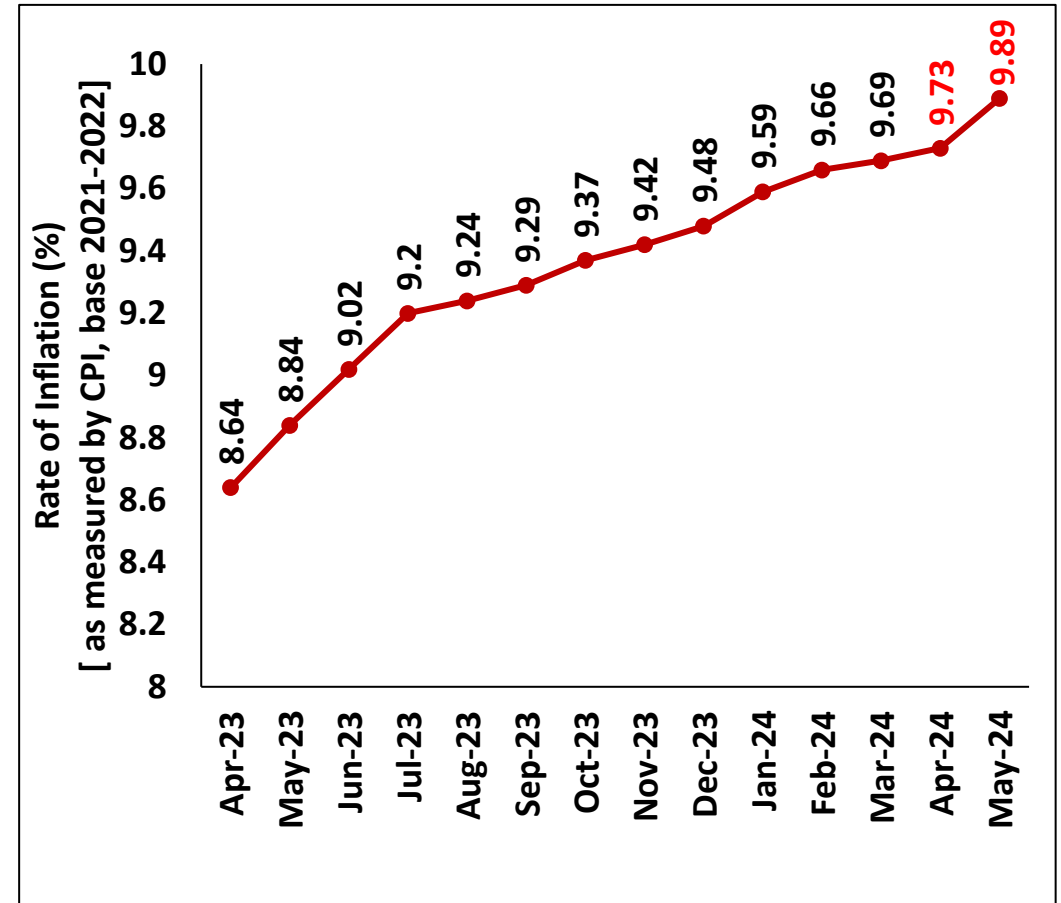
Containing Inflation

Rate of Inflation

Annual Average Inflation Rate



Recent Inflation



Source: Bangladesh Bank

Key Budgetary Initiatives

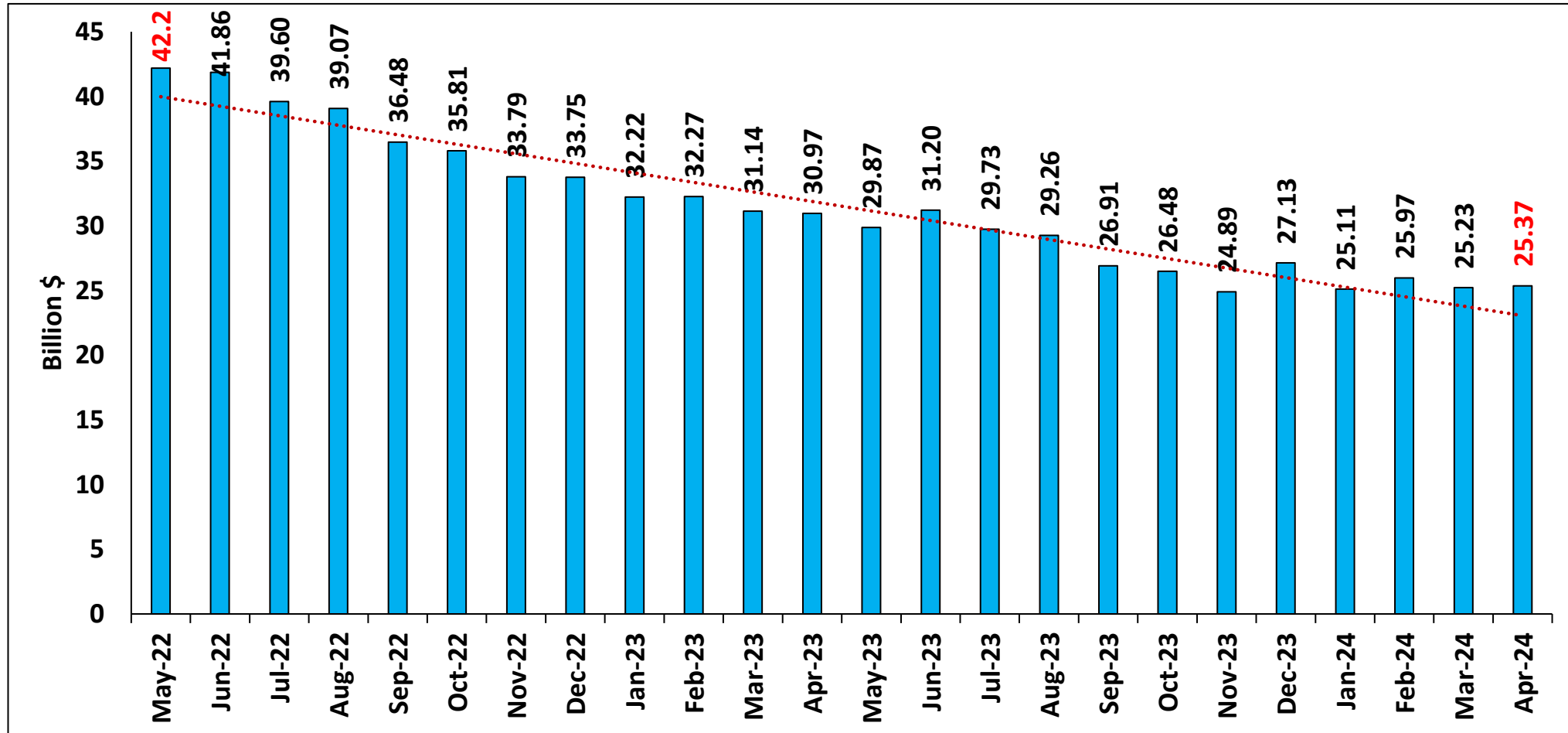
- A relatively **smaller size of budget and deficit** has been proposed.
- Austerity measures in case of spending has been proposed.
- Some degree of expansion has been made in **safety net programs**.
- Certain reduction has been made in VAT and import duties.
- There is a **reduction in source tax** (TDS) from 2% to 1% on letters of credit for importing essential food items like rice, wheat, oil, and sugar.
- Government support like **Family Card, OMS Programs, Food- friendly programs** are proposed to be strengthened to safeguard people from high inflation.

SANEM's Observations

- Budget can be made even smaller with **smaller domestic financing** to discourage borrowing from the Central bank.
- Further **downward adjustments of VAT, regulatory duties, import taxes**, etc. could give some relief to ordinary people.
- Initiatives like **rationing and fair price shops** should be given emphasis.
- Raising the **tax-free income threshold** could give some relief to the middle class.
- A conditional incentive structure to the **private sector** to safeguard the interests of existing workers through monthly ration, subsidized mid-meal, etc.

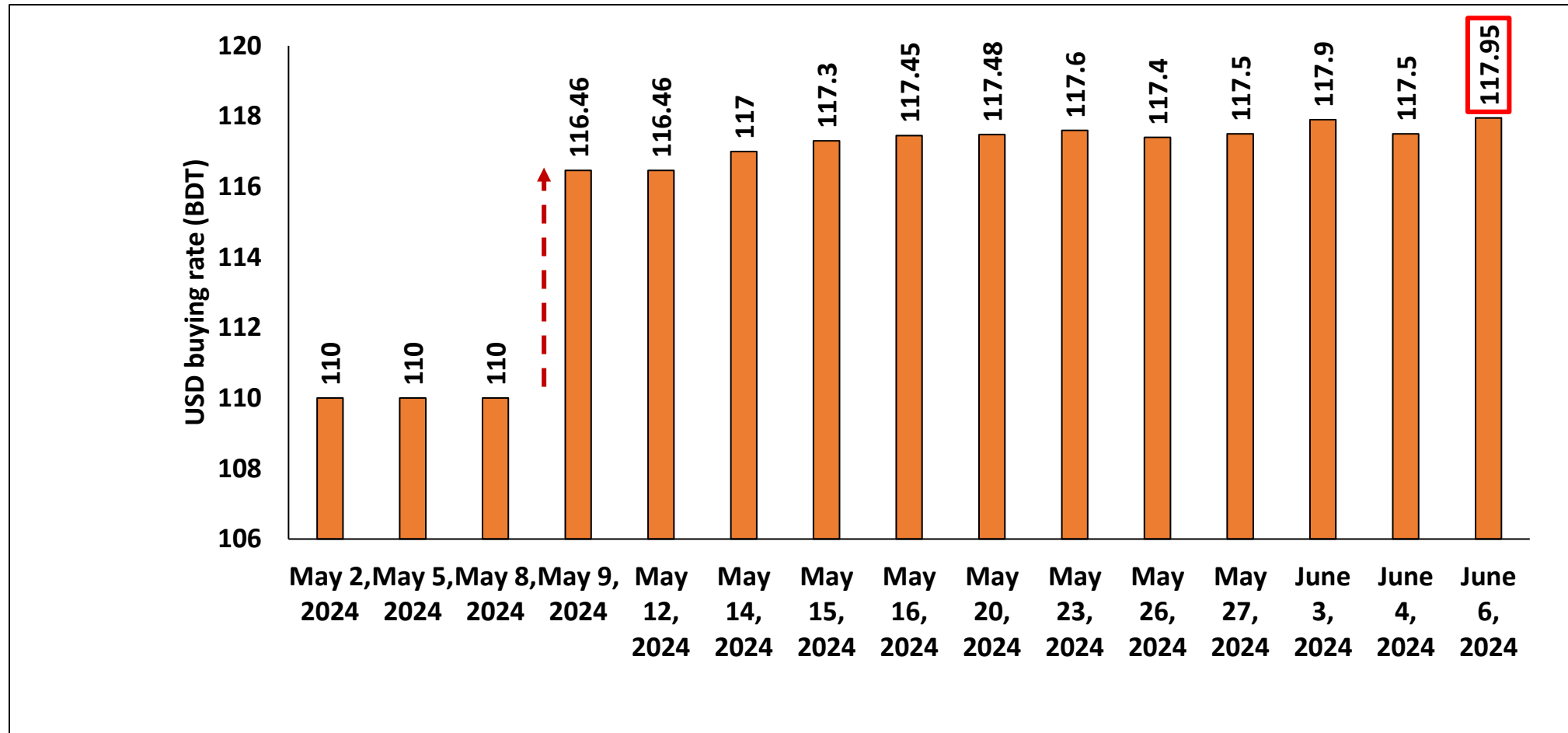
Restoring Macro Stability

Foreign Currency Reserve



Source: Bangladesh Bank

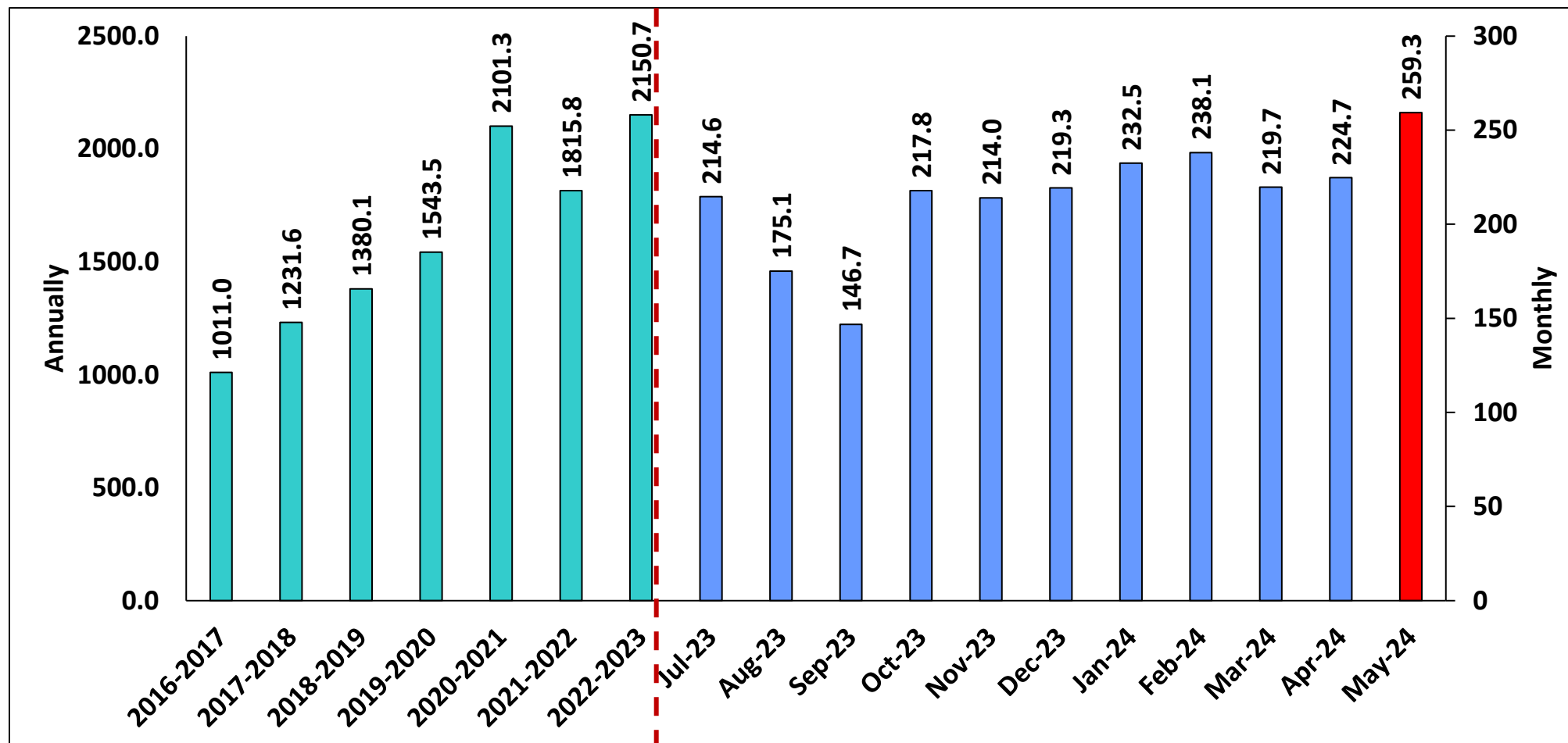
Exchange Rate



Source: Bangladesh Bank

Remittances

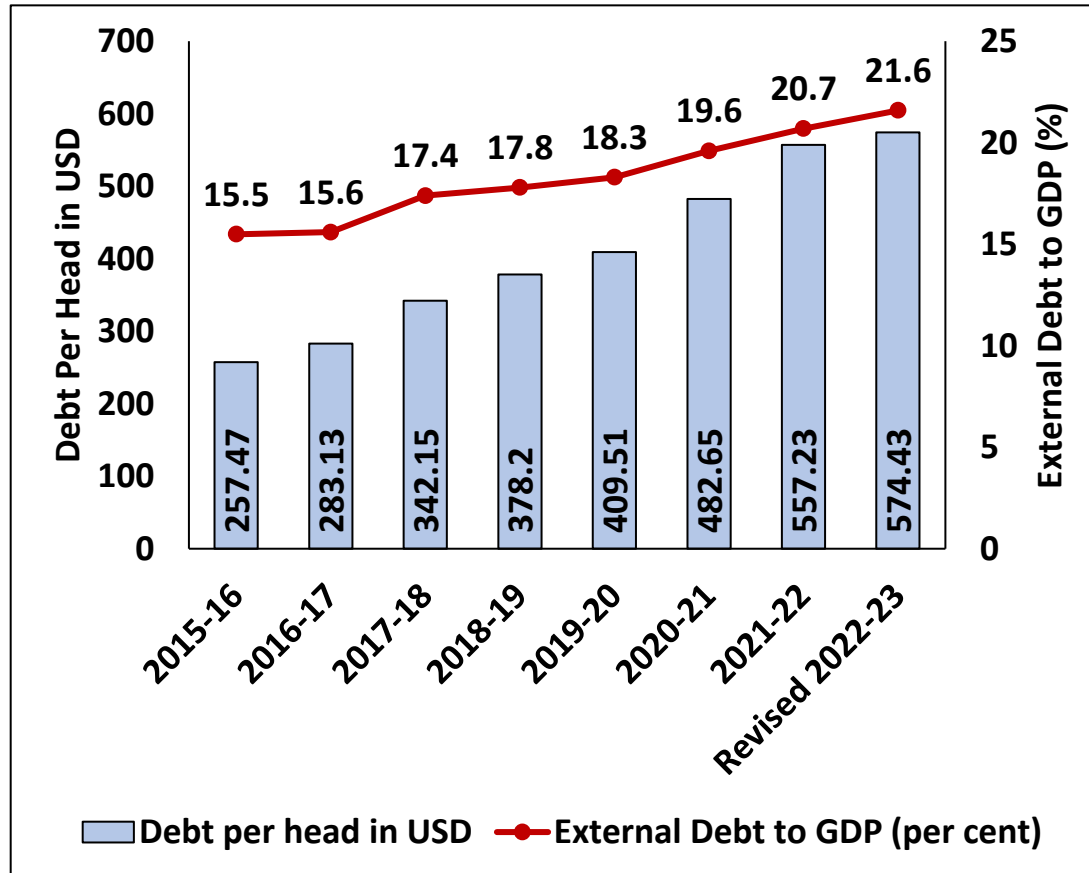
(in Billion BDT)



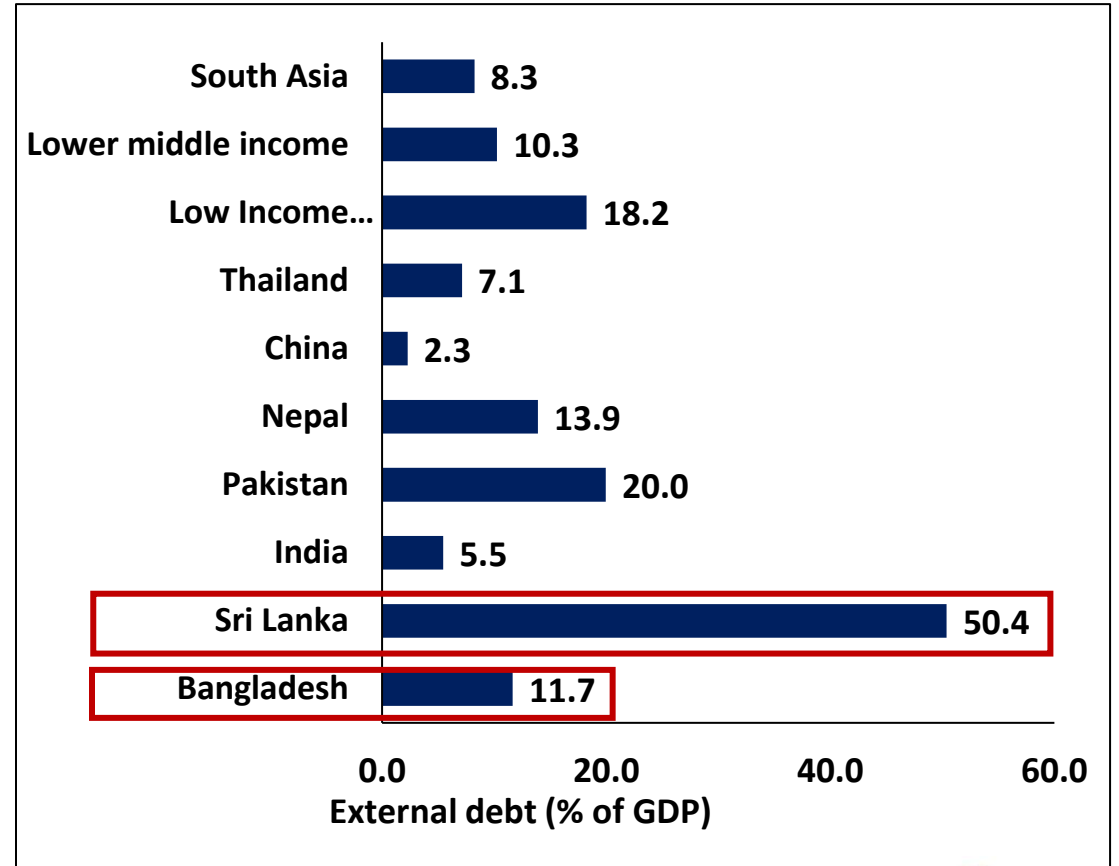
Source: Bangladesh Bank

External Debt-GDP Ratio

Trend in Bangladesh

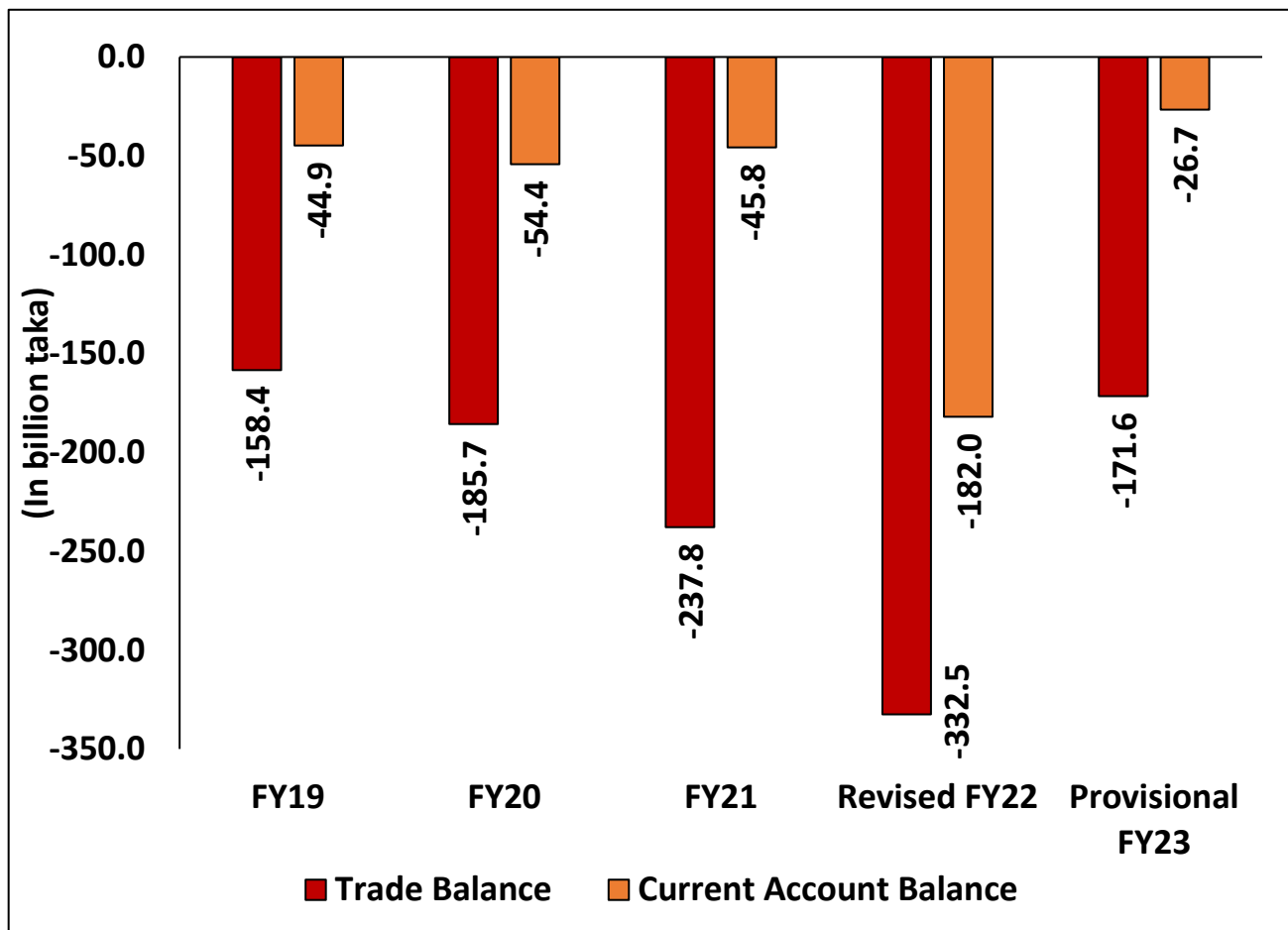


Country comparison



Source: Bangladesh Bank and WDI (World Bank)

Balance of Payment



(in million USD)	2022-23R July-Mar	2023-24RP July-Feb	2023-24P July-Mar
Trade Balance	-14633	-4706	-4745
Current Account Balance	-3298	4978	5799
Capital Account	287	196	287
Financial Account	-2928	-8465	-9258
Overall Balance	-8486	-4435	-4754

Source: Bangladesh Bank

Key Budgetary Initiatives

- Export incentives are being reduced, with spending dependent on export growth.
- Higher tax on the import of unnecessary and luxury goods.
- Setting different margin rates for opening Letters of Credit (LCs) based on the nature of goods.
- Tk 6,200 crore allocated for **remittance incentives** in the budget, the same as the current fiscal year.

SANEM's Observation

- Additional steps e.g. market based exchange rate is needed through the monetary policy.
- Carefully **re-considering export incentives** while providing targeted support to emerging and high-potential sectors and to diversify the export basket.
- Additional steps to encourage foreign investment.
- Incentives **to local farmers and industries** to reduce import dependence.
- With the increase in the dollar rate, budgetary allocations for remittance incentives should be reconsidered.
- **Non-monetary incentives** for increased remittance flow can be introduced.

Employment Generation

Budgetary Initiatives

- 'Employment Injury Insurance' scheme has been introduced on a pilot basis.
- By 2028, at least 5 industry-academia linkages and 20 higher-level technical skills development courses will be established.
- Target has been set to ensure compliance in 1550 factories in the ready-made garment sector to ensure a decent work environment.
- A target to ensure free primary healthcare services to 3.76 lakh workers and recreational services to 4.55 lakh workers.
- Goal has been set up to create at least 10 lakh smart jobs in the IT sector and attract foreign investment of US\$ 1 billion over the next five years.
- Steps have been taken to implement a project of capacity building of women Co-operative members and entrepreneurs covering 14,200 women beneficiaries.
- Steps have been taken to establish 50 more TTCs to ensure trade-based training in FY2024-25 considering the importance of overseas employment.

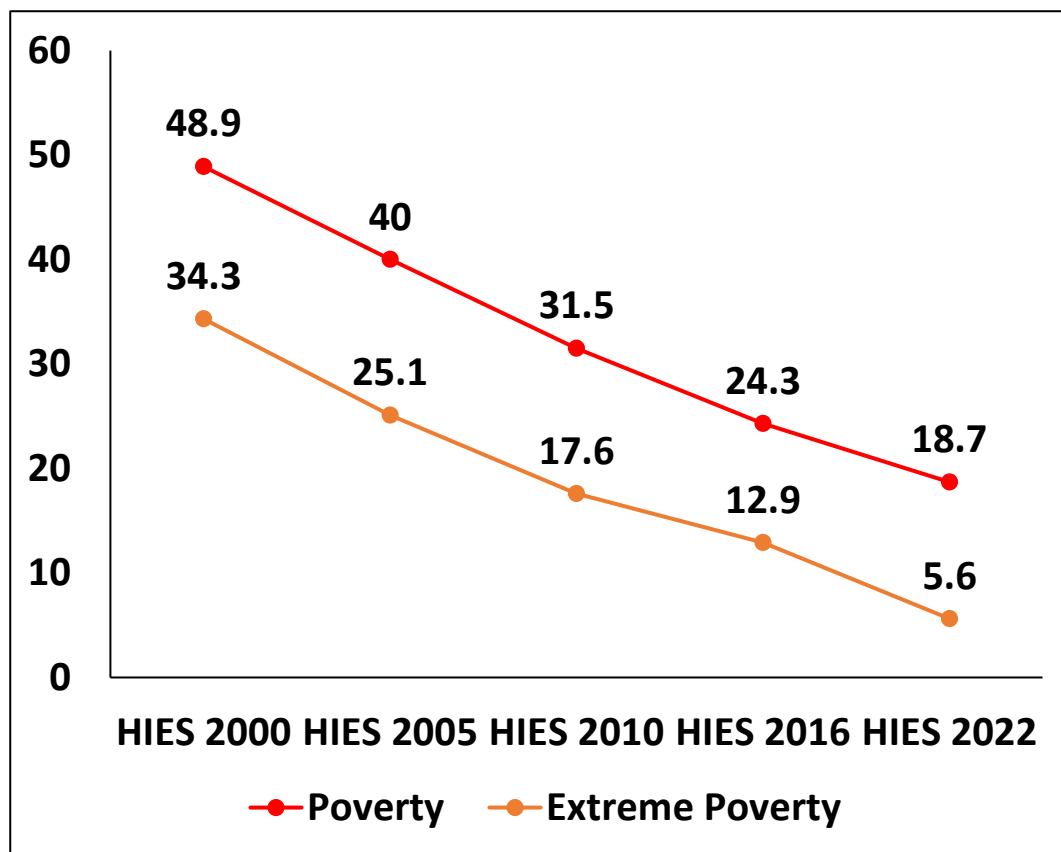
SANEM's Observations

- Detailed and specific **road map for employment creation** is necessary.
- **Incentivizing the micro, small and cottage sector** through tax rebates, subsidies of different forms etc. for small-scale job creation is crucial.
- Carefully plan the **private investment strategy** and to stimulate the labor intensive sectors through small scale tax waivers, incentives.
- To encourage **youth employment** through freelancing, other entrepreneurial activities, much greater emphasis is needed through small scale tax incentives.
- To encourage female employment specific initiatives are needed.

Poverty & Inequality Reduction

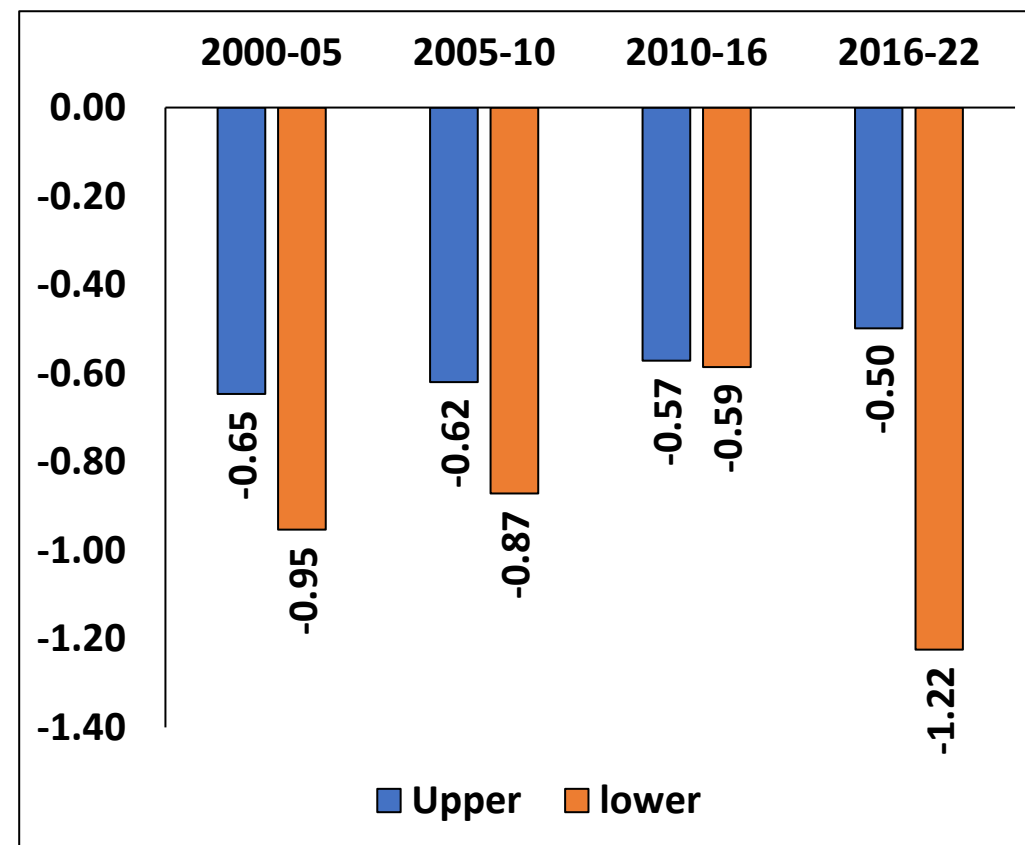
Poverty Profile

Poverty Estimates Over The Years



Source: BBS

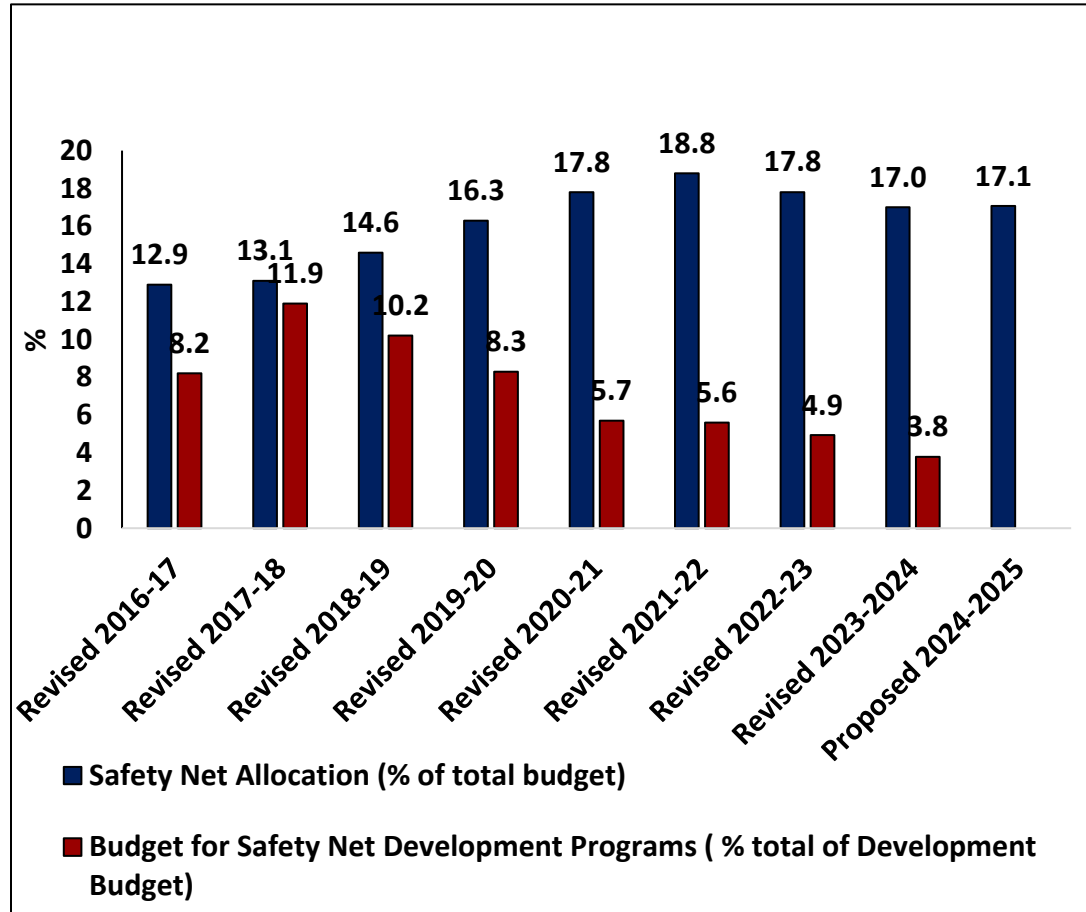
Growth Elasticity of Poverty



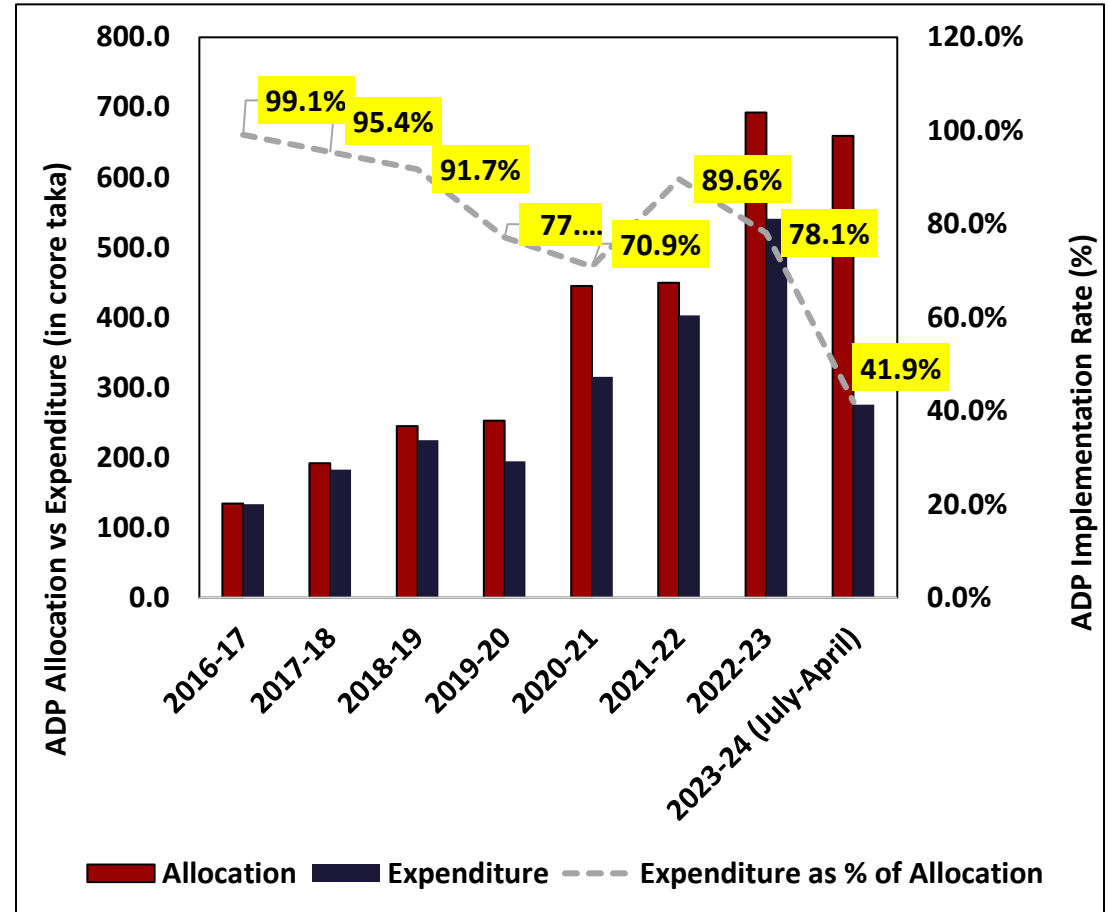
Source: Calculated from BBS and WDI data

Trend in Safety Net Budget

Budget for Social Safety Net

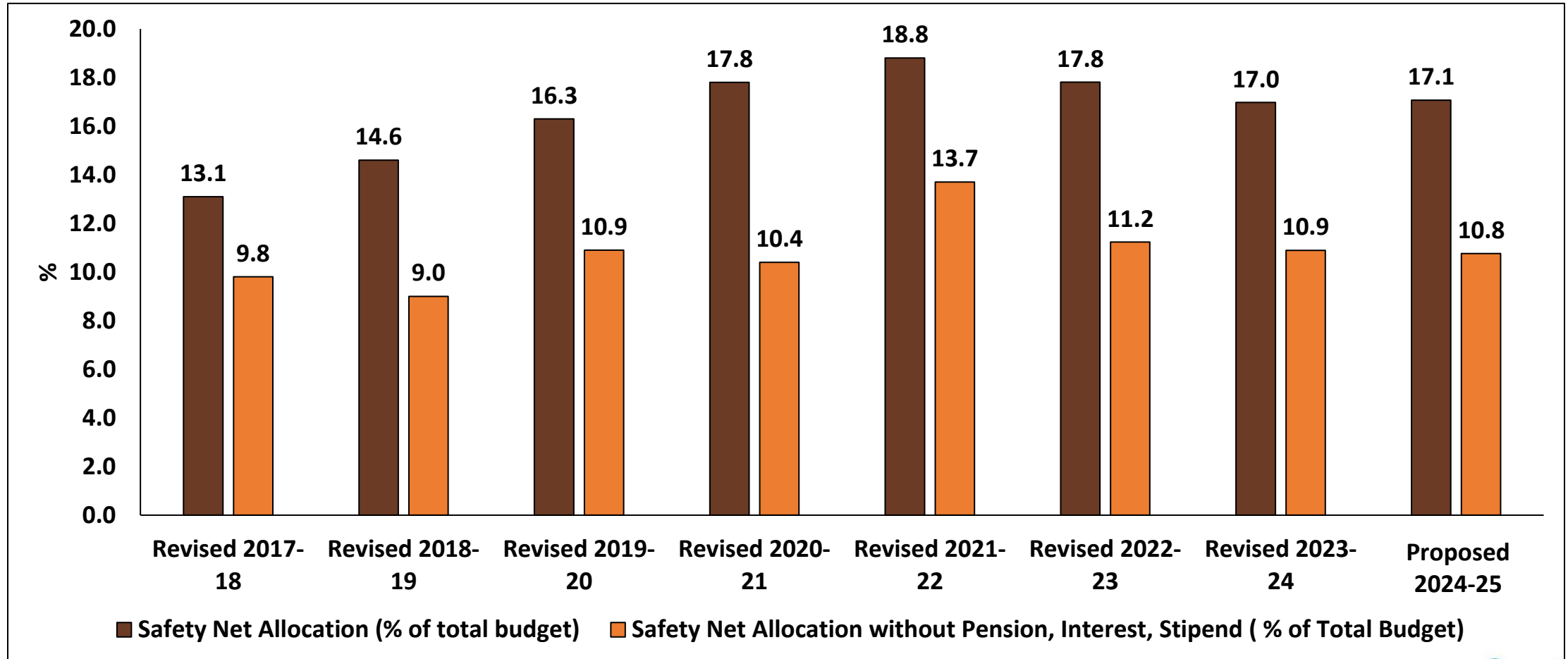


ADP Implementation Rate of MoSW



Source: Finance Division, Ministry of Finance and IMED, GoB

Pension, Interest & Stipend as part of Safety Net



Source: Finance Division, Ministry of Finance

Budgetary Initiatives

- Overall Allocation for Social Safety Net in 2024-25: 1,36,026 crore BDT (**17.1%** of total allocation)
- Equivalent to about **2.43 percent** of the GDP which is 2.55 percent currently.
- Number of Disability Allowance recipients increased to 32.34 lakh from 29 lakh and stipend for students with disabilities will be raised to **Tk. 1050** from Tk. 950 at higher secondary level.
- Beneficiaries getting elderly allowance will be increased to 60.01 lakh and **Tk 4351 crore** budget has been allocated (monthly allowance Tk. 600)
- The budget allocation for widows and abandoned women is **Tk. 1844.32 crore and** beneficiaries has been increased to 27.75 lakh (monthly benefit Tk. 550)
- Under the Mother and Child Benefit Programme, beneficiaries will increase to 16.55 lakh and total budget allocation is Tk 1622.74 crore (monthly benefit Tk 800)
- The budget allocation for Employment Generation Program for the Poorest (EGPP) is Tk. 1504.50 crore and each person will get a daily wage of Tk 200 in 2 cycles (40 days each)
- **Smart family cards** are being distributed in place of TCB's family cards.
- Storage capacity will be increased to 29 lakh metric tons.

SANEM's Observation

- It is essential to have **separate head** of safety net expenditure without pension, stipend and interest payments.
- **TCB's capacity and allocation** need to be increased by several folds with innovative programs to safeguard the people.
- Targetted **urban social safety net programs** to tackle the newly formed urban vulnerability and poverty.
- Greater emphasis is needed on **employment generation programs**.
- All programs must be made **digital** (such as G2P) to check leakage and establishment of single registry is needed.
- Quick implementation of the **NSSS** should be given greater emphasis.

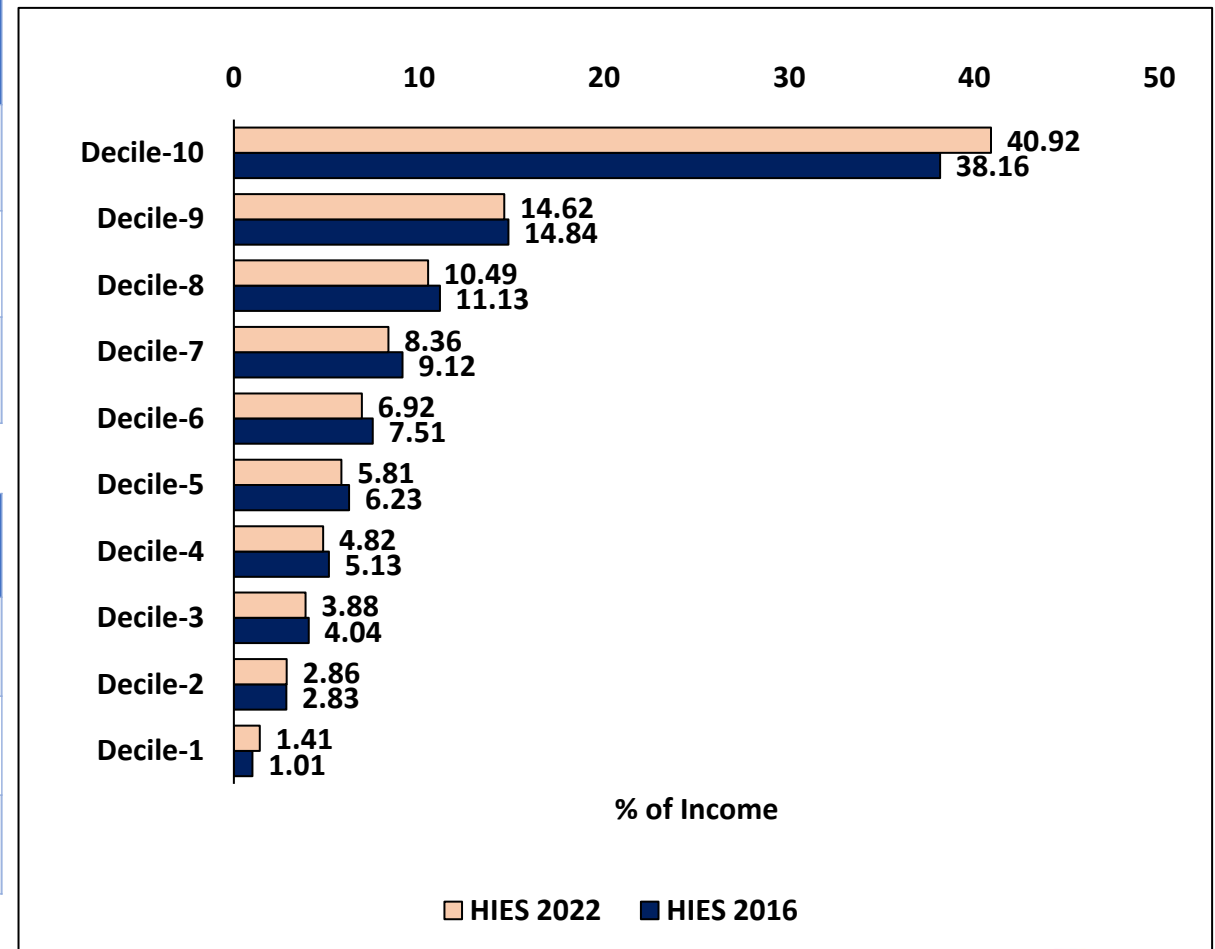
Inequality

Income Gini	Rural	Urban	Overall
HIES 2022	0.446	0.539	0.499
HIES 2016	0.454	0.498	0.482
HIES 2010	0.431	0.452	0.458

Consumption Gini	Rural	Urban	Overall
HIES 2022	0.291	0.356	0.334
HIES 2016	0.3	0.33	0.324
HIES 2010	0.275	0.338	0.321

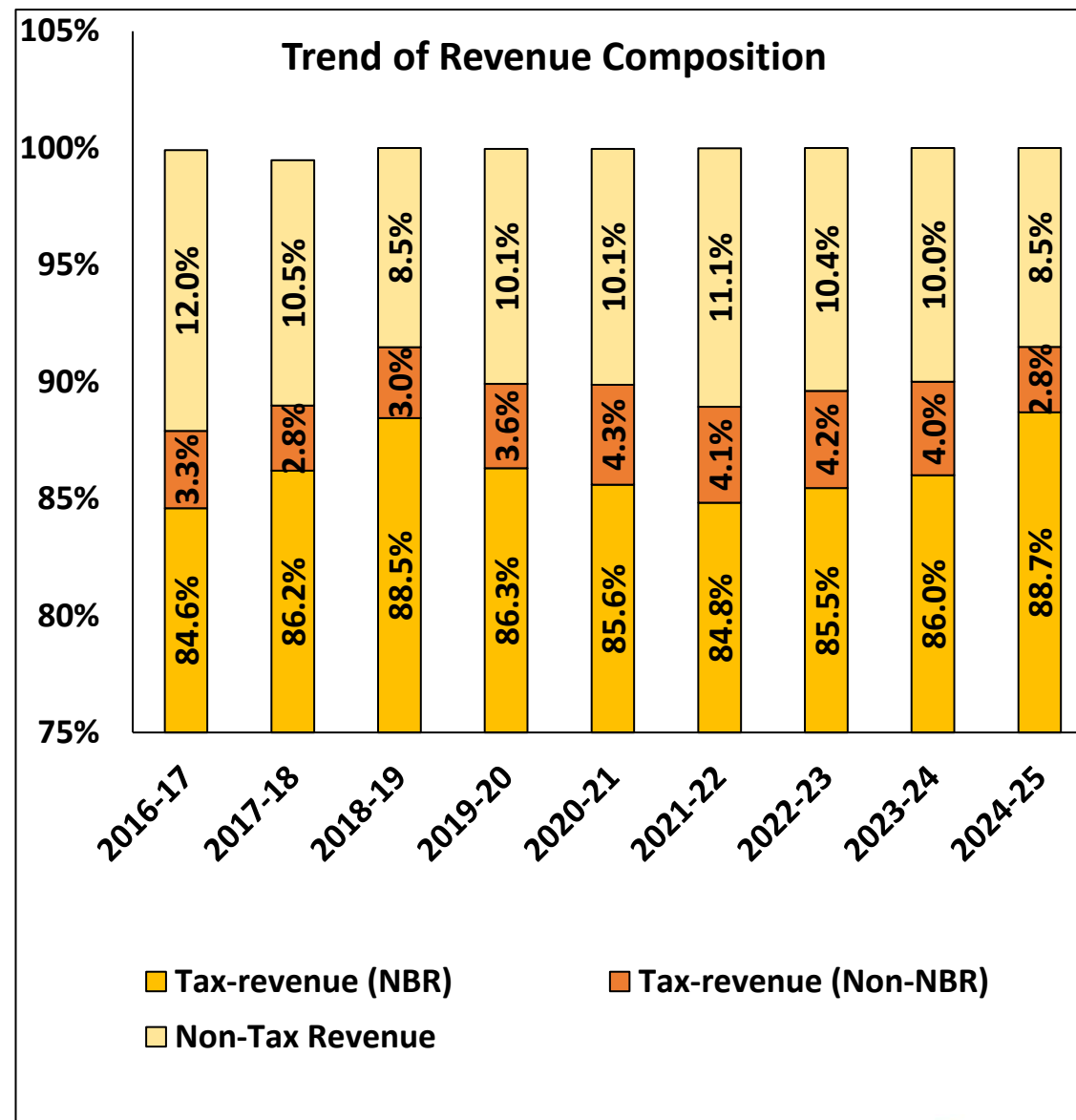
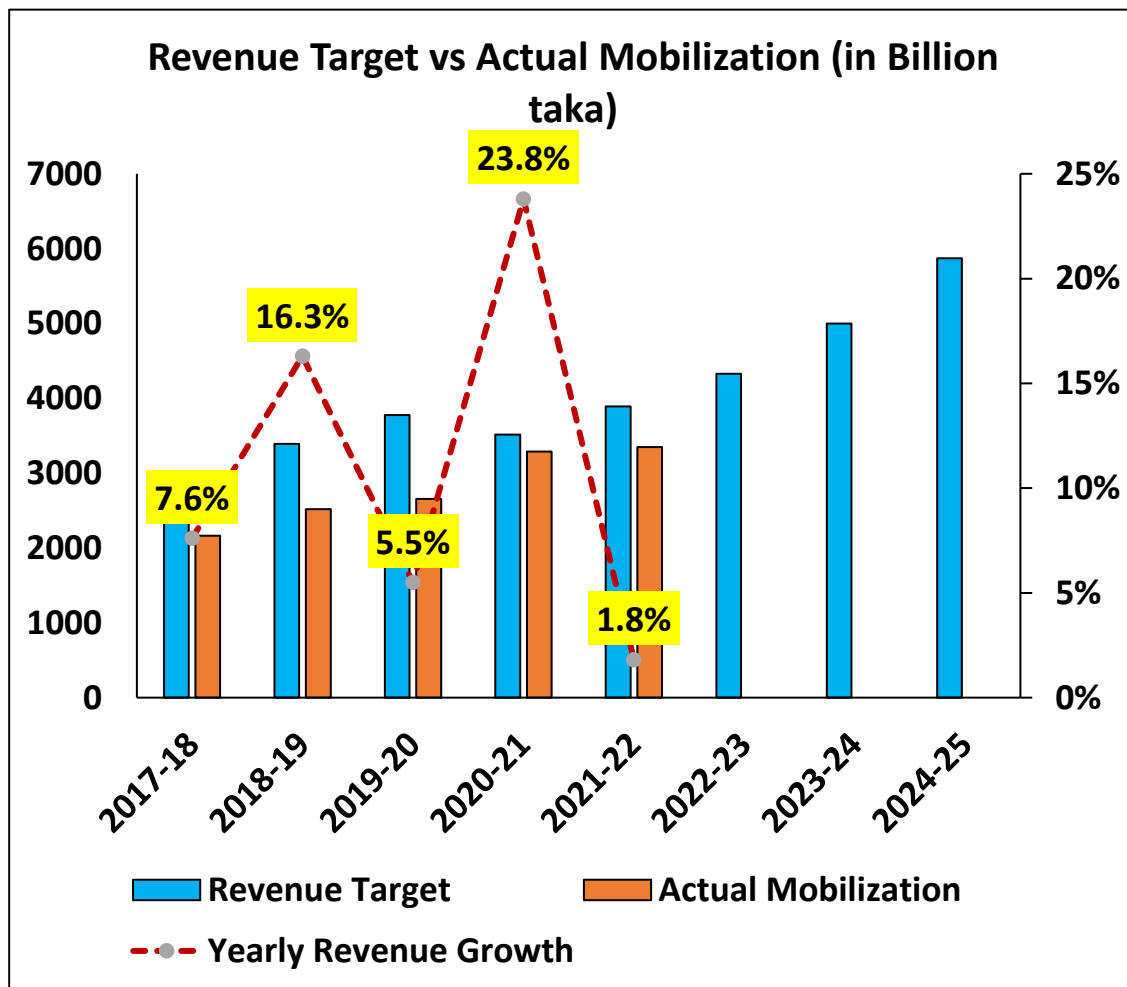
Source: BBS

Decile Distribution of Income (2016 and 2022)



Revenue Mobilization

Trend of Revenue



Key Budgetary Initiatives

- A prospective tax system has been proposed.
- Steps are being taken to increase the use of electronic fiscal devices to enhance VAT collection.
- **Minimum threshold** for income tax threshold is unchanged at 3.5 lac.
- The rate of **surcharge** payable up to the net asset value is unchanged at 4 crore with no change on higher slabs too.
- Existing **maximum tax rate increased** from 25% to 30% for individual taxpayers and firms with tax slab adjustments.
- 19 IT services will enjoy tax exemption.
- For not publicly traded companies rate reduced from 27.5% to 25%, for one person company rate reduced from 22.5% to 20%, for listed companies also reduced from 22.5% to 20% if they implement cashless operations.
- Taxpayer can pay tax at fixed rates for immovable properties and **15% tax on other assets and use black money.**

Budgetary Initiatives

- Increase (as well as decrease) of **supplementary duty and VAT** on various items.
- **Rationalization the duty** on import of industrial raw materials and recommendation to impose 1% CD instead of 0%.
- The rate of **excise duty** of 3 slabs up to Tk. 10 lakh unchanged but new slabs from Tk 10 lakh-50 lakh (Tk 3,000) and from 50 lakh- 1 crore (Tk 5,000) and from Tk 1-2 crore and from Tk 2-5 crore introduced.
- Exemption of excise duty on the accounts of the depositors or foreign lenders kept in the Offshore Banking Units.
- Exemption of tax any assets acquired by inheritance, bequest, or any irrevocable trust.
- The tax rate for cooperative societies increased from 15% to 20%.

Budgetary Initiatives

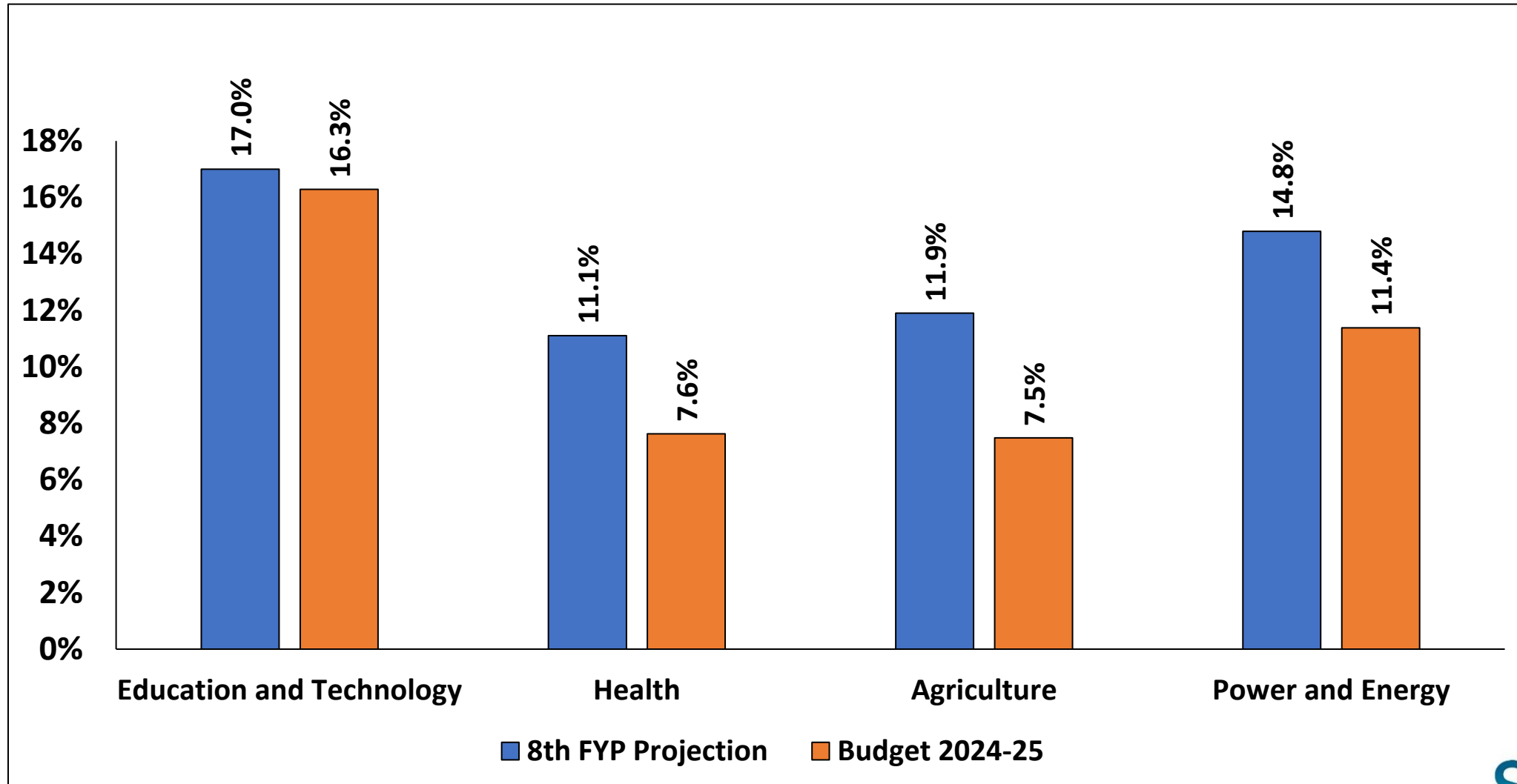
- Limiting the facility of Hi-Tech Parks only to Government Hi-Tech Parks and adopting the same measures in the case of Economic Zones.
- Industries at economic zones (BEZA) will have to import their capital machineries and some of their construction materials at a 1% CD for imports instead of 0% under SRO- 119/2022.
- **Tax capital gain** exceeding Taka 50 lakh received by a natural individual taxpayer from transfer of shares or units of a listed company or fund.
- Only CD will be exempted instead of no duties on vehicles imported by establishments within economic zones.
- 10% CD on the import of medical equipment and supplies by referral hospitals.
- Waving all other taxes except 5% CD and advance income tax for importing chiller having capacity of 50 tons or more.

SANEM's Observations

- Much greater emphasis is needed on **broadening tax base**.
- Decentralization of the tax system and tax offices and broaden the tax net at upazila level.
- Making submission of tax return certificates in as many cases as possible.
- Making the **surcharges more progressive**.
- Redesigning the **income tax brackets**, re-designing the excise duties (incorporating additional slabs) more progressive manner.
- Designing the **wealth tax** in a progressive manner.

Social Infrastructure & Agriculture

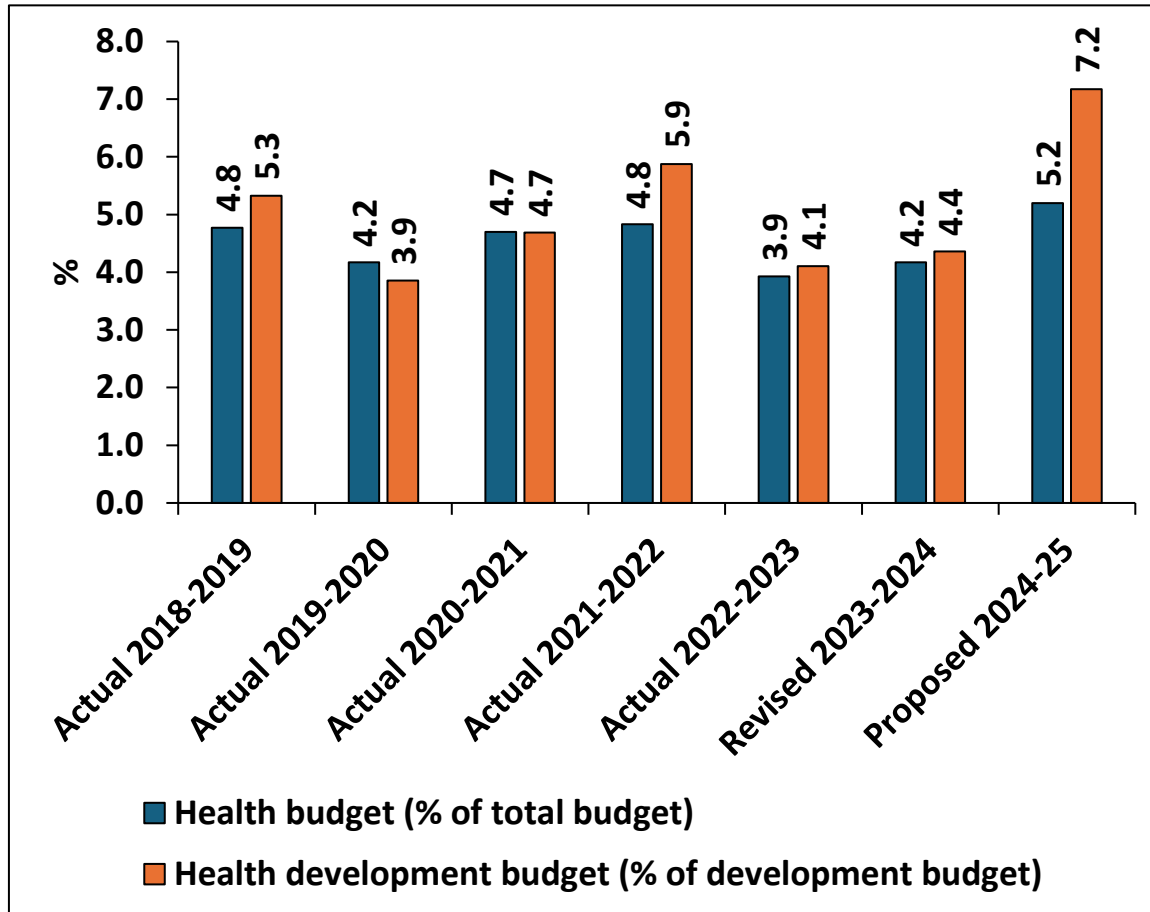
8th FYP Projection and Budget Allocation 2024-25 (as % of ADP)



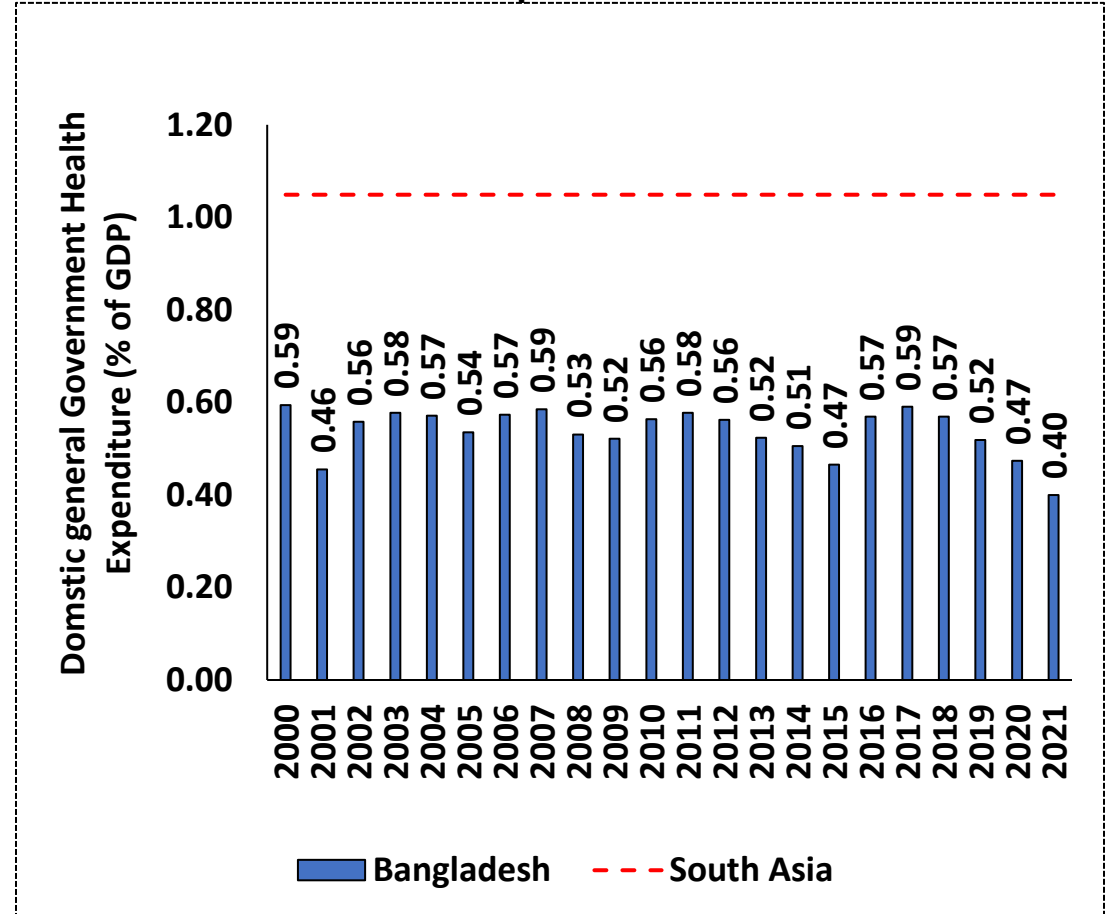
Source: Ministry of Finance and 8th Five Year Plan

Public Health Expenditure

Health and Health Sector Development Budget

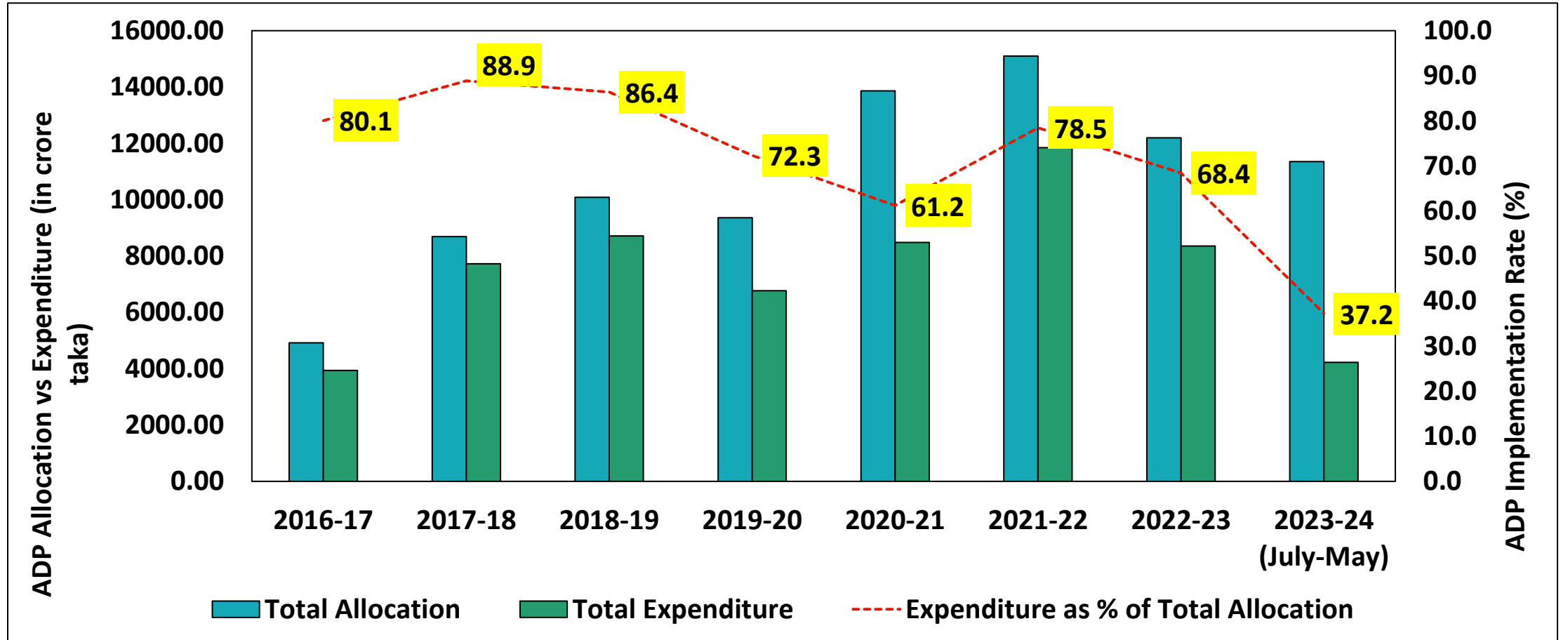


Public Health Expenditure as % of GDP



Source: Finance Division, Ministry of Finance and WDI, World Bank

Trend in Health ADP Allocation and Implementation



Key Budgetary Initiatives

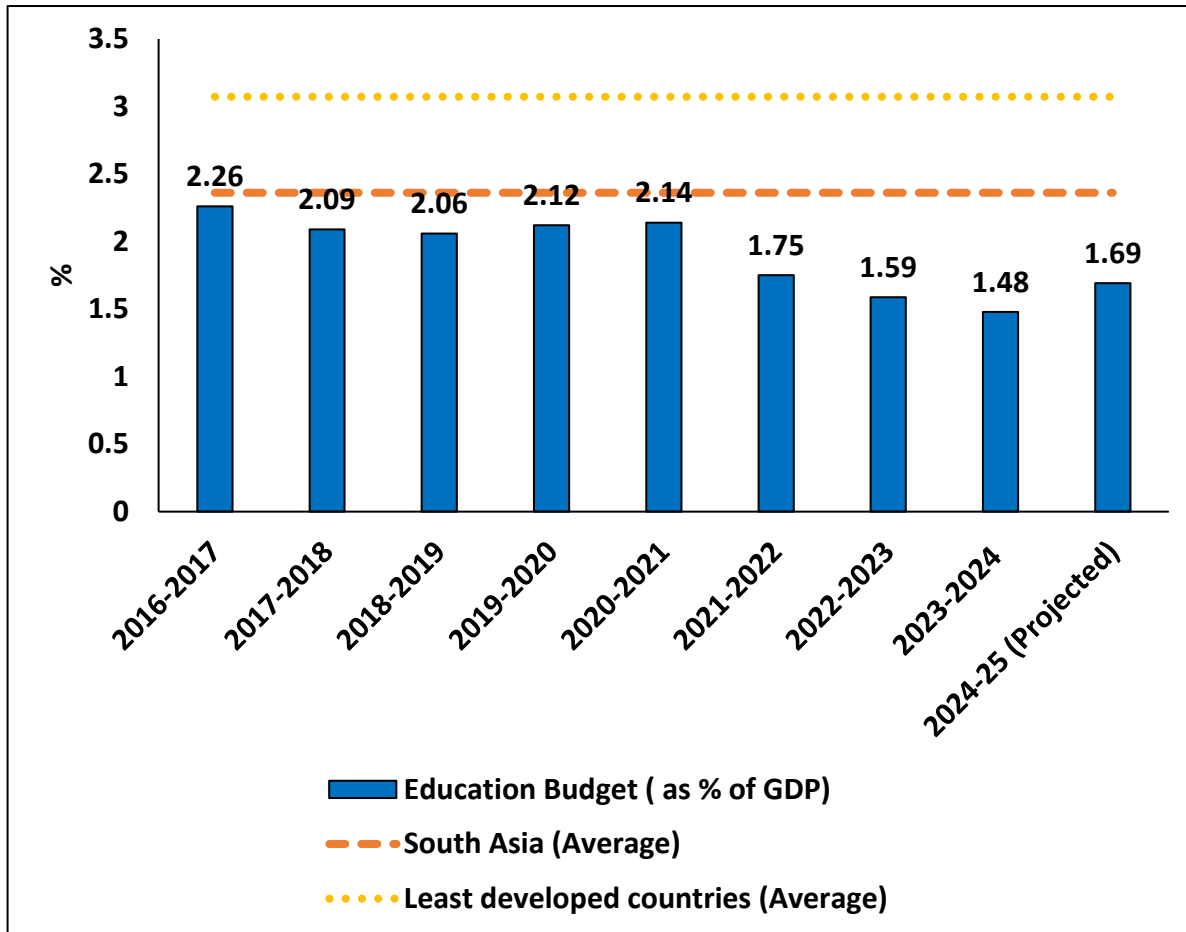
- Overall Allocation on Health in 2024-25: Tk. **41,407 crore** ↑
 - Health Services Division: Tk 30125 crore (21% increase in budget);
 - Health Education and Family Welfare Division: Tk. 11,282 crore (44% increase in budget)
 - Health Services Division ADP- Tk. 13,741 crore (**5.2% of ADP**)
- **7.6%** of the ADP (nearly Tk 206.82 billion) allocated to the health sector which is below the 11% target mentioned in the 8th Five Year Plan
- Import duty for kidney dialysis filter an circuit reduced from 10% to **1%** and new raw materials for cancer treatment has been added to notification of raw materials
- Dedicated allocation for special budgetary resources- Tk. 2000 crore
- Very less budget for human resources development- training of the healthcare personnel, recruiting more people etc.

SANEM's Observations

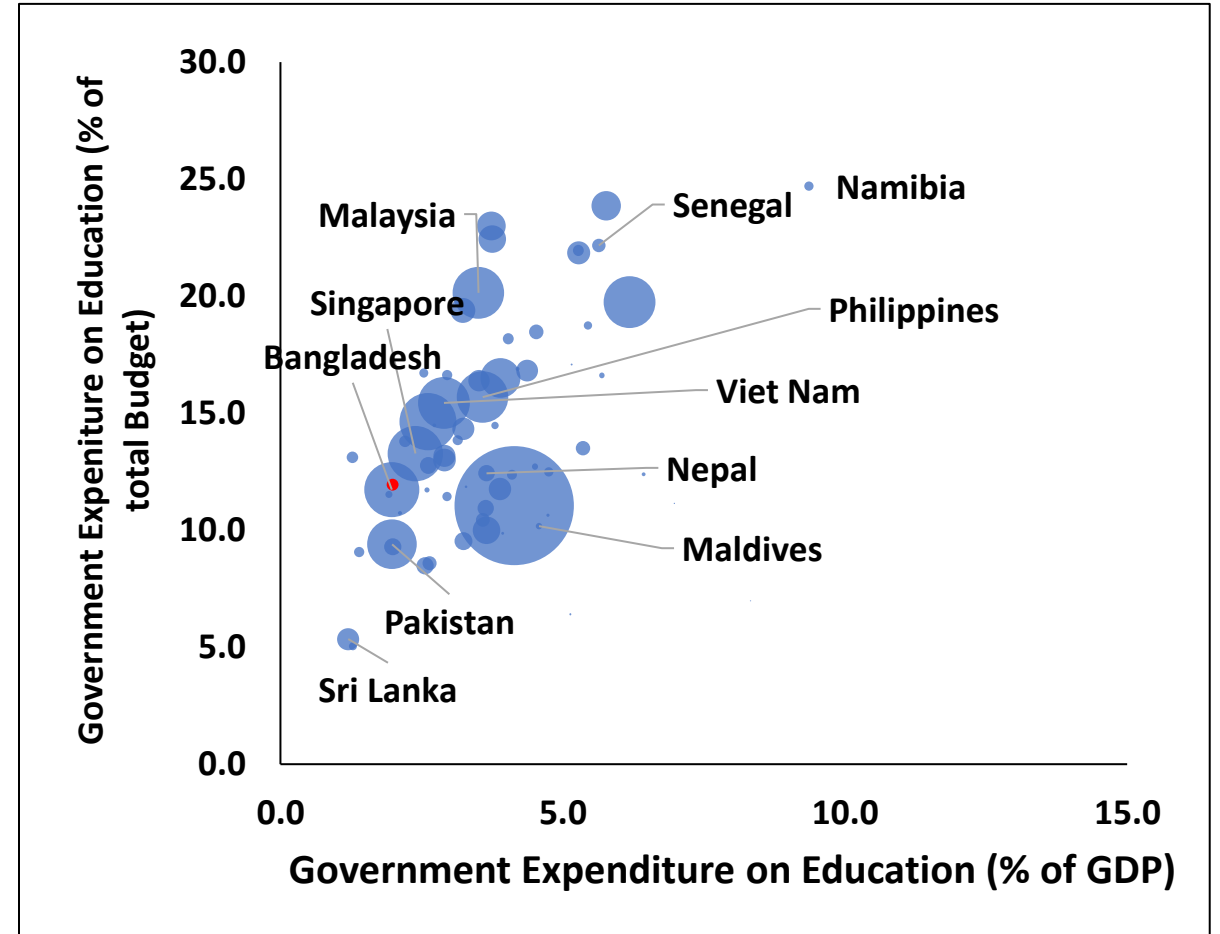
- Raising health sector budget and aim **to allocate at least 11% of the ADP to health** as per 8FYP
- **Investing in recruitment and training of physicians, nurses, and healthcare workers**
- Recruiting and fill vacant positions to ensure optimal use of facilities and equipment
- Prioritizing **investment in healthcare services** over building construction.
- Ensuring new buildings and facilities being fully operational with adequate staffing.
- Focusing on preventative care, research, and service automation to enhance healthcare outcomes

Budget for Education Sector

Education Budget (as % of GDP)



Education Expenditure in Bangladesh and comparator countries* (2022)

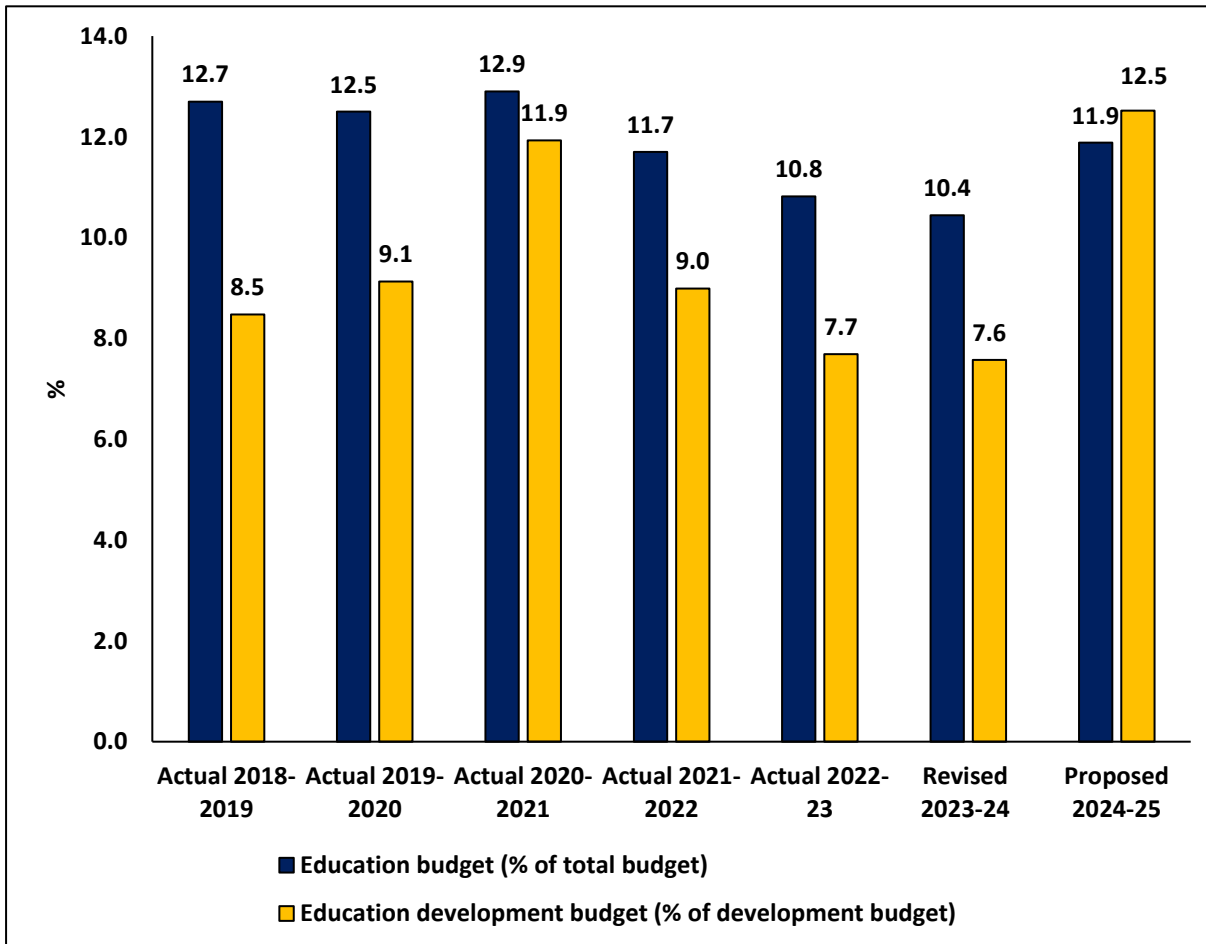


N.B. The data includes MoPME, SHED, and TMED allocation as part of education ADP allocation.

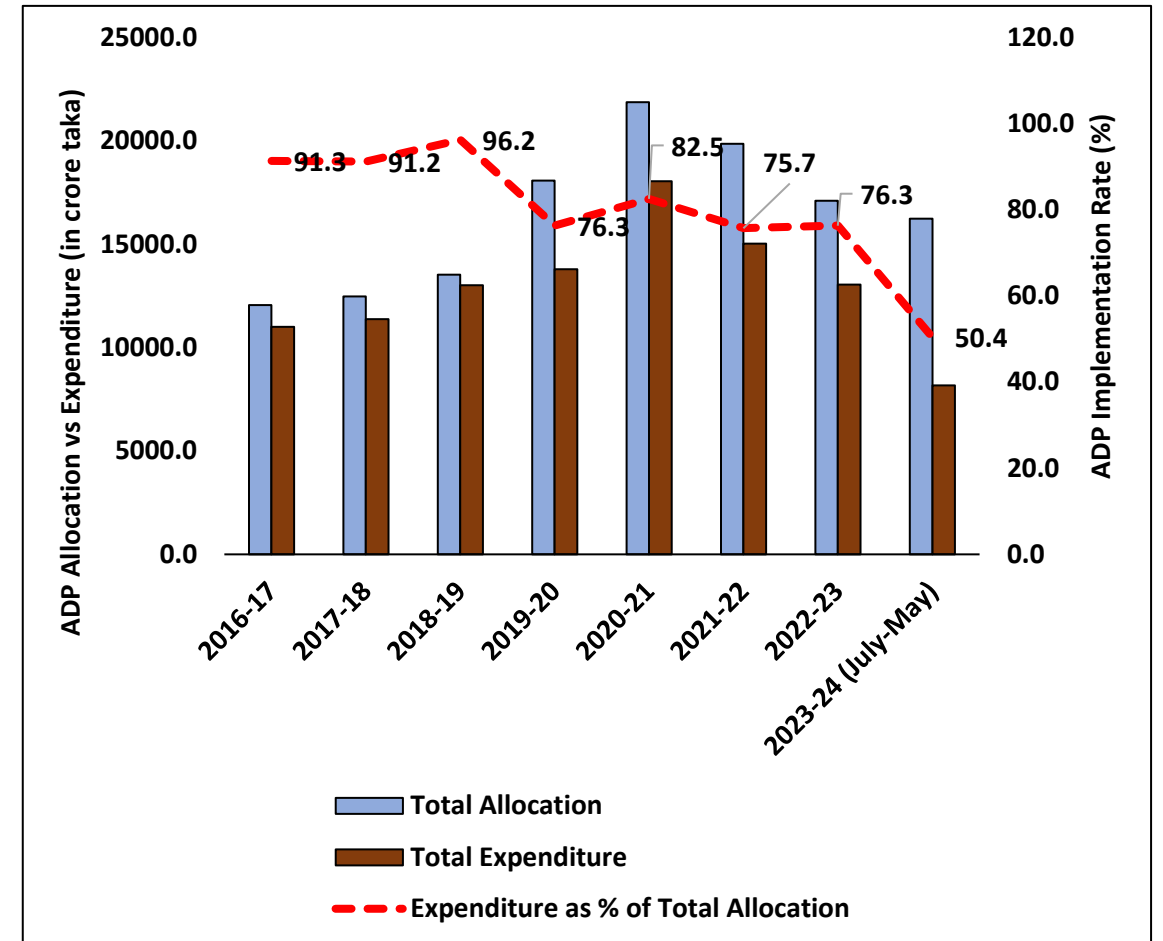
Source: Finance Division, Ministry of Finance and IMED, GoB

Budget for Education Sector

Education and Education Development Budget



ADP Implementation Rate in Education



N.B. The data includes MoPME, SHED, and TMED allocation as part of education ADP allocation.

Source: Finance Division, Ministry of Finance and IMED, GoB

Key Budgetary Initiatives

- Overall Allocation on Education Sector in 2024-25:

MoPME: Tk 38819 crore (4.87% of total budget) ↑

SHED: Tk. 44108 crore (5.53% of total budget) ↑

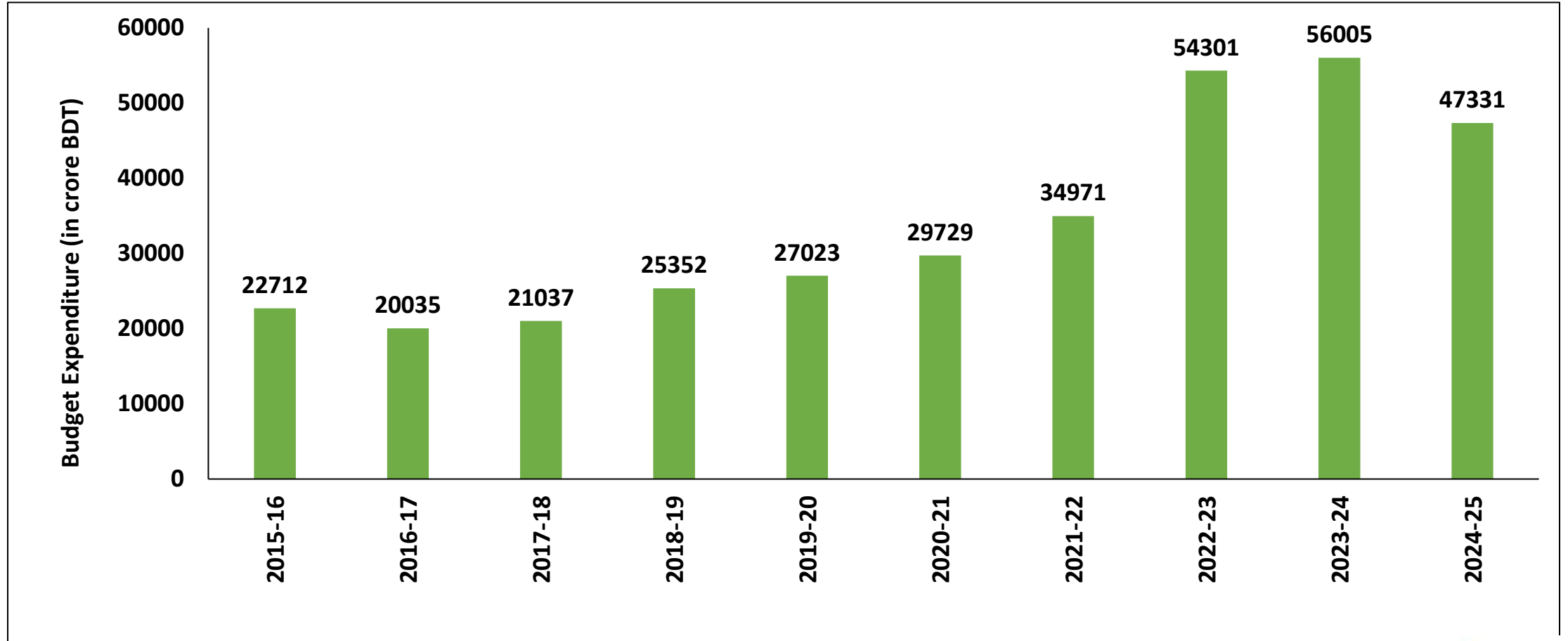
TMED: Tk. 11,873 crore (1.47% of total budget) ↑

- The ADP budget allocation of MoPME is **Tk. 16,136 crore (6% of total ADP)** and SHED is **Tk. 11,388 crore (4.29% of total ADP)** and TMED is **Tk. 3268 crore (1.23%)**
- Steps will be taken to set up digital classrooms in 3 classrooms in 650 primary schools in disadvantaged areas of the country.
- Almost no allocation to spend for the training of teachers and enhancing the capacity of students.

SANEM's Observations

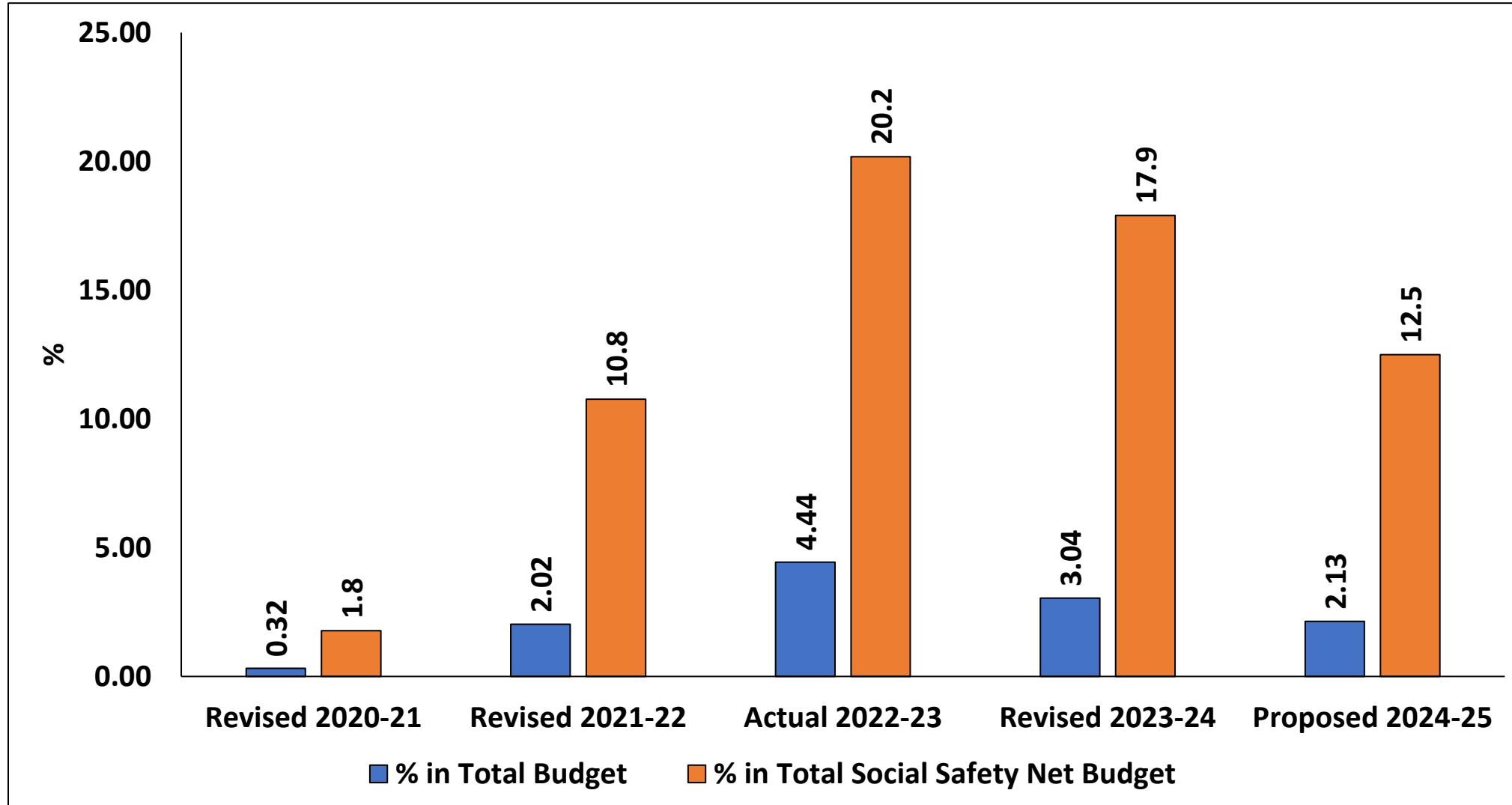
- Increasing investment in education at least to the level specified by the 8 FYP.
- Allocating sufficient budget for training of teachers and quality of education is essential.
- It is important to re-classify education and technology in the budget head.
- Allocating more budget for training of teachers to create skilled human resource
- Bangladesh is still suffering for the learning deficit and needs projects to recover learning deficits caused by the 18-month school closure during the Covid-19 pandemic.

Budget Allocation of Ministry of Agriculture



Source: Finance Division, Ministry of Finance

Subsidy on Agriculture



Source: Finance Division, Ministry of Finance

Key Budgetary Initiative

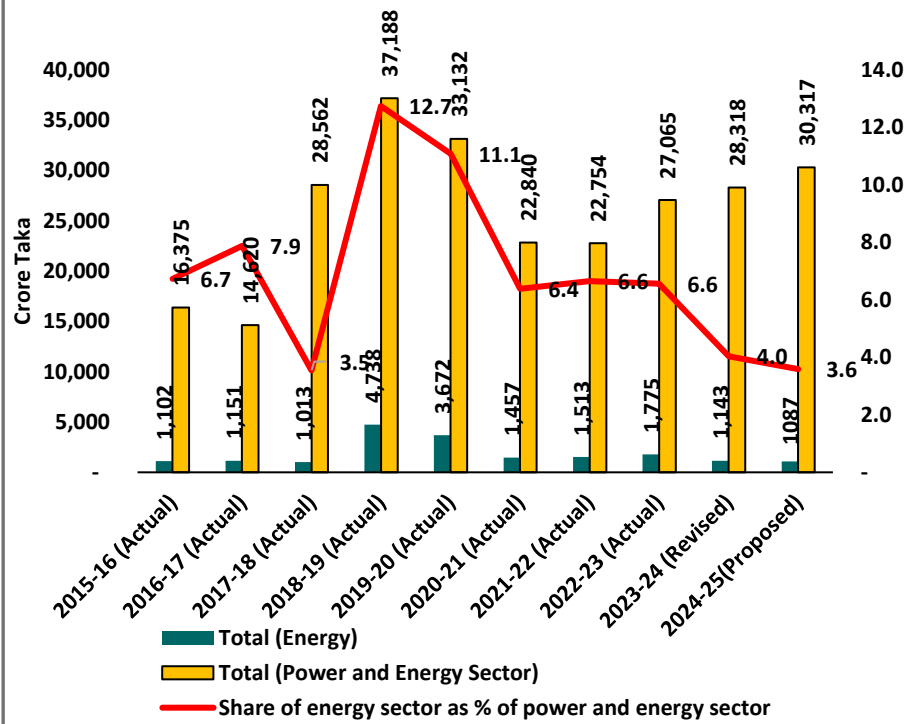
- Overall Allocation for Agriculture (MoA and others) in 2024-25: **47,331 crore BDT** (29,783 in 2023-24)
- Budget allocation for Ministry of Agriculture:
 - Sectoral Budget Allocation:** Tk. 27,214 crore (3.41% of total budget)
 - ADP Allocation:** Tk. 6,380 crore (2.4% of ADP)
- The budget allocated for agricultural subsidies is **Tk 17,000 crore** (less than last FY)
- Agricultural subsidy accounts for 62.4% of the budget allocation of MoA
- Allocation for Ministry of Fisheries and Livestock: Tk 38,259 crore

SANEM's Observations

- Providing carefully planned agricultural subsidies to ensure food security.
- More budget allocation for crop farmers and making their access to finance easier
- Allocating a major part of budget on **agricultural Innovation**
- Greater emphasis on the production of heavily import driven crops.
- Budget for providing training to farmers for climate change adaptiveness.
- More training on disaster preparedness should be provided

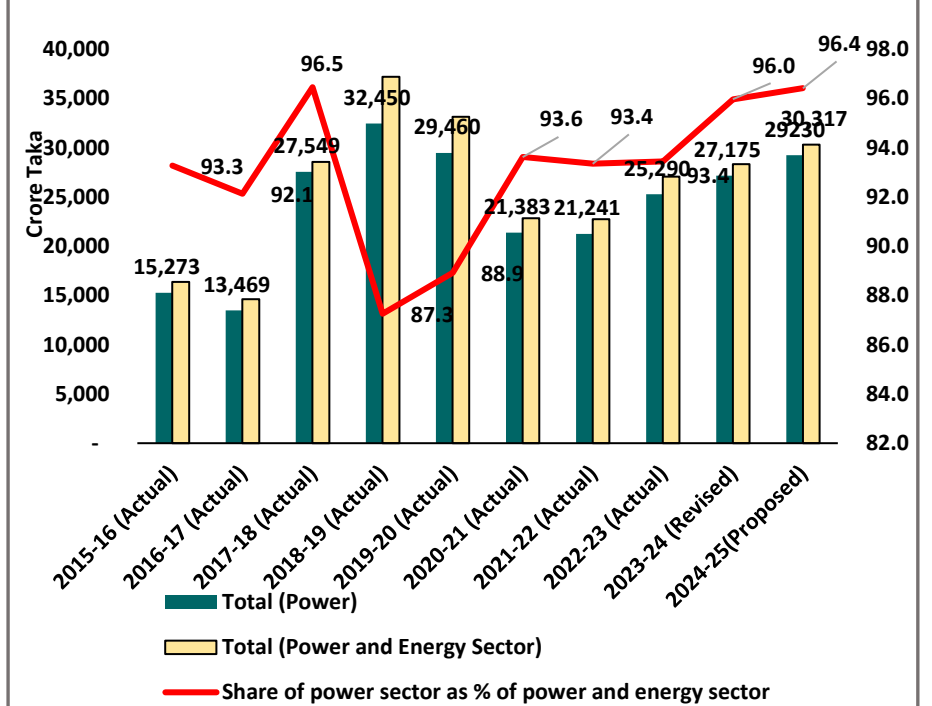
Power and Energy

Energy & Mineral Resource Division



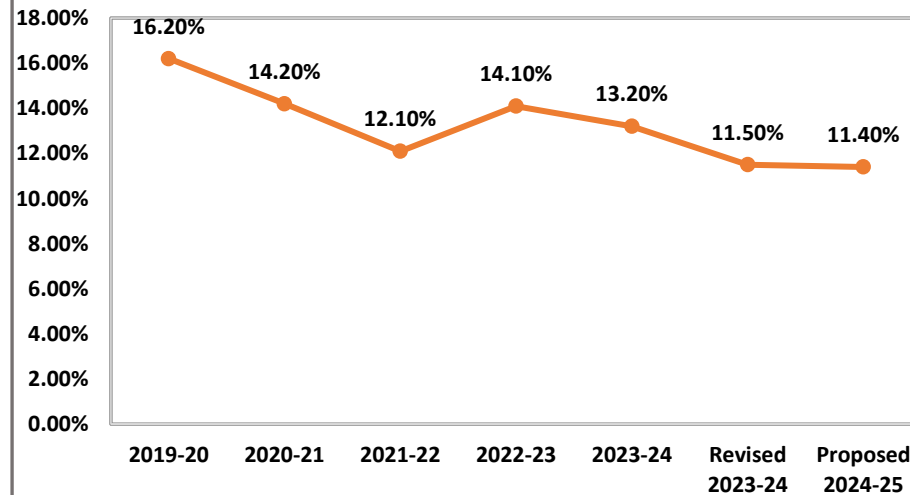
Share of Divisions as a percentage of Total Budget for MOPEMR

Power Division



ADP allocation for Power and Energy as a percentage of Total ADP allocation.

Power and Energy (% of Total ADP)



Key Budgetary Initiatives

- The direct tax expenditure (tax exemption) for the power and energy sector is 7,611 crore Taka, representing a decrease from the previous year (11,942.147 crore BDT).
- A special allocation of Tk 100 crore to boost the development and utilization of renewable energy.
- Establishment of the Bangladesh Offshore Model Production Sharing Contract (PSC) - 2023, initiating the 'Bangladesh Offshore Bidding Round-2024' for oil and gas exploration in 9 shallow and 15 deep sea blocks.

SANEM's Observation

- Since the budget share for the energy sector within the total power and energy sector budget has been decreasing since FY 2018-19, suggesting reduced energy security, it is recommended to increase this allocation.
- ADP data reveals a continuous decline in the budget allocation for the Power and Energy Sector, necessitating a reassessment.
- Changing the proportion of ADP and subsidy for Power Division and EMRD having specific focus on renewable energy could contribute to the energy security of the country.

Financial and Banking Sector

- Budget allocation for Financial Institutes Division: 3418 crore BDT
- Exemption of excise duty on the accounts of **depositors or foreign lenders in the offshore banking units**
- Financial Projection Model (FPM) has been implemented to identify potential risks and vulnerabilities in the financial system. Interbank Transaction Matrix to assess the trends, risk and contagious effects of interbank transactions has implemented.
- Proposed tax rate for publicly traded bank, insurance and financial institution is **37.5%** and for non-publicly traded bank, insurance and financial institution is **40%**

SANEM's Observation

- Bangladesh recently experienced a record high non-performing loans, amounting to Tk 182,000 crore. However, no clear direction in budget to tackle the high NPL.
- **Clear and detailed policy directions to tackle NPL is required.**
- The government's plan to borrow Tk 137,000 crore from domestic banks during a time of liquidity crisis may lead to serious **crowding-out effect**.
- Borrowing from the Central bank needs to be discouraged

Budget Implementation

ADP Implementation of Key Ministries/Divisions (Jul 23-Apr 24)

Ministry/Division	ADP Allocation (In Crore- BDT)	ADP Expenditure (Jul 23- Apr24) (In Crore- BDT)	ADP Implementation Progress (%)
Local Government Division	42956.71	23762.26	55.32%
Health Services Division	9360.68	3494.14	37.33%
Ministry of Science & Technology	11415.51	6865.15	60.14%
Ministry of Primary and Mass Education	8121.1	4306.90	53.03%
Directorate of Secondary & Higher Education	5501.95	2709.96	49.25%
Ministry of Housing and Public Works	6081.8	2770.52	45.55%
Ministry of Industries	2823.12	1305.19	46.23%
Ministry of Agriculture	4528.3	2663.27	58.81%
Medical Education and Family Welfare Division	1991.3	732.91	39.82%
Ministry of Disaster Management and Relief	2617.91	1524.60	58.24%
Ministry of Technical and Madrasah Education	2599.83	1159.39	44.60%
Ministry of Women and Children Affairs	914.18	369.58	40.43%
Ministry of Social Welfare	659.08	275.44	41.79%
Ministry of Food	913.14	591.02	64.72%
Ministry of Expatriates' Welfare	342.41	155.58	45.44%
Ministry of Labour & Employment	213.26	124.06	58.17%
Energy and Mineral Resources Division	3841.99	3194.17	83.14%
Power Division	30063.66	20529.72	68.29%
ICT Division	1967.19	1318.12	67.01%
Planning Division	69.04	29.26	42.38%

Source: IMED, GoB

SANEM's Observation

- A strict bi-annual **monitoring and evaluation** of each of the projects under each ministry is essential.
- Steps like quick tendering, e-tendering etc. are needed to fasten the process.
- Project managers should be selected for the entire project length.

Key Recommendations

- Identifying the **priority** is the key.
- Much room is there to **prioritize expenditure heads** and development projects.
- **Crucial to re-consider the operating expenses** and curtail unnecessary expenses.
- Implement reform initiatives and introduce transparent **monitoring and evaluation in spending**.
- More **progressivity** is needed in the tax structure and greater reform is required.
- Strengthening institutional capacity and bringing transparency in spending.
- Increase **spending on human capital**.
- Policy guidelines are needed for **institutional reform in financial sector**.

Thank you!