

Current Socio-Economic Condition, National Budget and Perspectives of the 'Left Behind' Communities

Presentation by

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এসডিজি বাস্তবায়নে নাগরিক প্ল্যাটফর্ম, বাংলাদেশ

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Three Major Backdrop of the Upcoming Budget (FY23)

1. Bangladesh economy yet to go back to pre-pandemic level, as in the last normal year 2018-19
2. Global crisis, supply chain dislocation, rising commodity prices, Russia-Ukraine situation, etc. suggest uncertain international economy in 2023-24
3. Macroeconomic stability in Bangladesh has never been so much under pressure since 2007-08 (i.e. after the global economic and financial crisis)

**Absence of macro-economic stability affects the income poor most.
This is particularly so when price rise destabilises the macro-economic stability.**

Priority One: Ensuring Macroeconomic Stability

Weakening of Fiscal Balance Persists

Components	FY 21 (% of GDP)	FY 22 (Budget) (% of GDP)	FY 22 (Jul-Dec) (% of Target BFY 22)
Total Revenue (including grants)	9.50	11.36	40.50
Total Public Expenditure	13.19	17.47	26.16
Development expenditure	4.84	6.86	16.55
ADP	4.58	6.52	17.16
Budget Deficit (including grants)	-3.69	-6.11	-0.50

Source: Ministry of Finance, Monthly Report on Fiscal Position (Jun 19, Jun 20, Jun 21, Dec 21).

- Total Revenue-to-GDP ratio was at 9.4% in FY 21, the lowest among all South Asian nations and one of the lowest in the world.
- Bangladesh with a population of 164 million has just 7.4 million people with Tax Identification Number (TIN), only 2.3 million of whom gave returns in FY22.
- Budget deficit (including grants) as % of GDP fell from (-)4.8 in FY 20 to (-)3.7 in FY 21. Projected at 6.1% in FY 22. **Low budget deficit reflects resource constraints as well as implementation capacity challenges.**

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Deteriorating External Balance-The new element

In Million USD

Components	FY 17	FY 18	FY 19	FY 20	FY 21 ^P	FY 21 (Jul-Mar)	FY 22 (Jul-Mar)
Overall Balance	3169	-885	179	2925	6882	6990	-3097
Current Account Balance	-1331	-9780	-5102	-4723	1557	-555	-14072
Trade Balance	-9472	-18258	-15835	-17858	-11795	-15218	-24907
Foreign Reserve	33493	32916	32717	36037	46391	43441	44147
	(8.6)	(6.7)	(6.6)	(7.9)	(8.5)	(5.9)	(5.2)
FDI (Gross Inflow)	3038	2798	2628	3233	2071	2613	3494

Source: Bangladesh Economic Review, 2021. Bangladesh Bank.

Note:* Gross reserves after valuation adjusted.

- Import payments-main driver behind the deficits.
- Deficits in the trade balance, current account and overall balance are increasing.
- Foreign reserves on a declining trend since the end quarter of FY 21; reduced to less than USD 42 billion (5 May'22) equivalent to five months of import.
- **Exchange rate under pressure.** Bangladesh Bank doesn't have adequate reserve to sterilize it. It sold US\$21 million to three state-owned commercial banks on 11 May, 2022. Total \$5.02 billion has been sold from the forex reserves since August 18 of FY22 to the scheduled banks as their ongoing liquidity support.
- Difference between official and market exchange rate is increasing. Official rate as of 12 May, 2022 is 86.7, **while customers have to pay at least 7 taka more per USD. Hundi market is back.**

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Inflation Scenario: Not Capturing the Reality

Base: 2005-06=100

CPI classifications	FY 19	FY 20	FY 21	FY 21			FY 22		
				Jan'21	Feb'21	Mar'21	Jan'22	Feb'22	Mar'22
NATIONAL									
Inflation	5.48	5.65	5.56	5.02	5.32	5.47	5.86	6.17	6.22
Food Inflation	5.51	5.56	5.73	5.23	5.42	5.51	5.6	6.22	6.34
Non-food Inflation	5.43	5.85	5.29	4.69	5.17	5.39	6.26	6.1	6.04
RURAL									
Inflation	5.15	5.63	5.59	5.00	5.33	5.55	6.07	6.49	6.52
Food Inflation	5.27	5.68	5.99	5.46	5.72	5.83	5.94	6.62	6.71
Non-food Inflation	4.93	5.53	4.85	4.15	4.61	5.03	6.32	6.25	6.15
URBAN									
Inflation	6.07	5.68	5.49	5.05	5.30	5.31	5.47	5.59	5.69
Food Inflation	6.04	5.17	5.15	4.72	4.76	4.80	4.85	5.3	5.49
Non-food Inflation	6.1	6.26	5.88	5.41	5.92	5.87	6.17	5.91	5.90

Source: BBS

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Food Inflation: Impact on the Disadvantaged (between 11 May'21 to 11 May'22)

Food Item	Annual Change in Price (%)
Palm Oil	+61.29
Flour (Loose)	+57.75
Soybean oil	+55.83
Lentils (Large grains)	+46.43
Anchor Dal	+30.68
Egg (Farm)	+28.33
White Wheat (Loose)	+25.81
Chicken (Broiler)	+10.85

Food Item	Annual Change in Price (%)
Fresh Powder Milk	+10.00
Rui Fish	+9.09
Packet Salt (Iodised)	+8.33
Sugar	+6.90
Potato	+5.26
Onion (Imported)	+4.17
Rice (Coarse)	+0.00
Rice (Medium)	-4.76

Source: TCB market price list.

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Comparison of Commodity Prices Between Bangladesh and India (on 14/5/22)

In BDT

Location	Unit	Dhaka	North Zone (Delhi)	West Zone (Mumbai)	East Zone (Kolkata)	Northeast Zone (Guwahati)	South Zone (Chennai)
Palm Oil(Packed)	Litre	183.00	173.84	164.56	173.63	177.76	183.47
Wheat Flour	Kg	40.50	31.54	36.50	32.84	37.24	46.67
Lentil(Masoor Dal)	Kg	117.50	108.70	103.73	103.04	115.36	115.15
Petrol*	Litre	89.00	118.06	134.97	128.93	118.34	124.15
Diesel*	Litre	80.00	108.27	117.34	111.81	102.37	113.05

Sources: TCB Daily Report 14/5/22, Department of Consumer Affairs(Price Monitoring Division) Zonewise, Average Retail Prices, Economic Times, Global Petrol Prices.

Note: Rupees have been converted to taka as per the Exchange Rate on 14/5/22

Daily necessities are largely cheaper in the neighbouring country.

*Petrol and diesel prices are subsidised in Bangladesh.

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Inflation Scenario: Not Capturing Reality

- BBS calculates CPI and inflation rate on base year 2005-06, therefore, data weightage and coverage issues remain.
- In reality inflation rate is higher as BBS data fails to capture actual price level and consumer basket.
- Food inflation has been the driver behind recent inflationary pressure, both in national and disaggregate level (rural and urban).
- Prices of Palm oil, Wheat flour and Lentil prices are higher in Bangladesh compared to most regions of India. Petrol and Diesel prices are stable in Bangladesh due to being subsidised.

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Should Interest Rate be Adjusted?

Overall Interest Rate Spread and Inflation in Mar'21 and Mar'22

	W. Avg. Deposits	Inflation Rate (Mar'22)	W. Avg. Advances	Spread
March, 2021	4.40	5.47	7.45	3.05
March, 2022	4.01	6.22	7.11	3.10

Source: Bangladesh Bank and BBS.

- Depositors are losing real value of their money. Deposit rate falls as inflation rate rises.
- There is no evidence that the controlled lending rate has led to higher investment rate in private sector or has lowered the non-performing loans.
- Given other macro correlates, Bangladesh Bank may have to relax the interest rates soon.

**Inflation Rate should be core variable!
(as against Exchange Rate and Interest Rate)**

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Important Subsidies as % of Total Revenue Budget

in crore taka

Component	RBFY21 (% of Revenue Budget)	BFY22 (% of Revenue Budget)	RBFY22 (% of Revenue Budget)
Agriculture	8425 (2.40)	9500 (2.44)	12000 (2.74)
Power	9000 (2.56)	9000 (2.31)	12000 (2.74)
Fertilizer		9500 (2.44)	12000 (2.74)
LNG, Interest Payment, TCB		5300 (1.36)	10300 (2.35)
Data from New Age:			
LNG, Oilseed, Interest Payment, TCB	6580 (1.87)	10300 (2.65)	15300 (3.49)
Cash Subsidy for Exports	6825 (1.94)	6825 (1.75)	7825 (1.79)
Remittance Subsidy	4500 (1.28)	4000 (1.03)	5000 (1.14)
Export of Jute Products	800 (0.23)	800 (0.21)	1200 (0.27)
Total	49330 (14.04)	48825 (12.55)	61725 (14.08)

**Current subsidy payments need to be reviewed
for more efficient harmonisation**

Priority One: Ensuring Macroeconomic Stability *(contd.)*

Total interest payments as percent of Total Revenue Expenditure

Components	FY20	FY21	FY21 (till December)	FY22 (till December)
Total Interest payments	13.96	15.45	19.58	21.18
Foreign interest payments	1.03	0.94	1.34	1.49
Domestic Interest payments	12.93	14.51	18.23	19.68

**Without fiscal consolidation,
public debt and consequently DSL
will increase further**

Priority Two: Promoting Investment and Protecting Employment

Investment Scenario

Components	FY16	FY17	FY18	FY19	FY20	FY21	FY22 (B)	FY22 (Provisional)	FY23 (Projection)	FY24 (Projection)
Total Investment	30.24	30.95	31.82	32.21	31.31	31.02	33.10	31.68	34.20	36.00
Private Investment	23.70	23.66	24.94	25.25	24.02	23.70	25.00	24.06	25.90	26.80
Public Investment	6.54	7.29	6.88	6.96	7.29	7.32	8.10	7.62	8.30	26.80
GDP growth		6.59	7.32	7.88	3.45	6.94	7.25	7.25	7.6	7.60
ICOR		4.70	4.35	4.09	9.08	4.47	4.57	4.37	4.50	4.50

% of GDP

- Investment (as % of GDP) **decreasing** trend between FY19 (32.21%) and FY21 (31.02%)
- Private investment (as % of GDP) **decreased** between FY18 (24.94%) and FY21 (23.70%)
- Public investment (as % of GDP) **increased** between FY18 (6.88%) and FY21 (7.32%)
- ICOR is expected to be **4.6** in FY22
 - **4.6 taka** required in investment to produce an additional product worth **1 taka**
 - The increasing trend in ICOR suggests that the productivity of investment is falling

Priority Two: Promoting Investment and Protecting Employment *(contd.)*

Investment Scenario (Contd.)

Industry	Actual	Actual	Actual	Actual	Actual	% of GDP
	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22 (Provisional)
Manufacturing	7.09	10.45	12.33	1.68	11.59	12.31
Large Industry	4.63	11.08	12.79	0.41	10.61	12.87
Small, Medium and Micro Industry	4.63	11.1	10.61	2.69	2.69	11.71
Cottage Industry	9.29	7.45	14.17	3.67	10.27	11.75

- Sectoral growth rate of GDP for both SMEs and cottage industries have been lower than large industries

Priority Two: Promoting Investment and Protecting Employment *(Contd.)*

% of GDP

Components	FY16	FY17	FY18	FY19	FY20	FY21	FY22 (Provisional)
National Savings	32.11	30.71	30.61	31.14	31.42	30.79	25.45
Domestic Savings	27.27	27.07	26.45	26.88	27.08	25.34	21.56

- National savings **fell** between FY16 (**32.1%**) to FY21 (**30.8%**)
- Domestic savings also **fell** between FY16 (**27.3%**) to FY21 (**25.3%**)
- People are unable to save as consumption expenditures rise

Priority Two: Promoting Investment and Protecting Employment *(Contd.)*

Employment of Youth, and Informal Employment

Age group	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total Youth	29.9	31.7	30.5	30.5	44.8	34.5	30.1	35.0	31.6

NB: 2016-17 BBS labour force survey

Youth Employment

- Youth participation in labour force (Age: 15-29) is **2.01 crore** in FY22 (**31.6%**)

Informal Sector Employment

- BBS labour force survey FY17 suggests that informal sector employment is about **81.4%** of total labour force, i.e. **5.17 crore**
- A reasonable estimate signals that informal sector employment will be **85.9%** of total labour force in FY22, i.e. **5.46 crore**

Priority Two: Promoting Investment and Protecting Employment *(Contd.)*

Employment in SMEs

	Micro industries	Small industries	Medium industries	Large industries
Total	5.42%	14.73%	20.76%	59.10%
Male	84.45%	83.30%	64.71%	52.06%
Female	15.55%	16.70%	35.29%	47.93%

Source: BBS (2020)

Priority Two: Promoting Investment and Protecting Employment *(Contd.)*

Health and Education in ADP

Total ADP Implementation

% of Total ADP allocated

	FY22	FY21	FY20	FY19	FY18	FY17	FY16
Total ADP (Exclusive of self-financing)	41.22	41.57		45.88	43.60	44.83	41.12
Total ADP (Inclusive of self-financing)	41.78	40.88	42.17	46.11	43.84	43.67	43.18

NB: From July to March of fiscal years

Priority Two: Promoting Investment and Protecting Employment *(Contd.)*

Health and Education ADP

% of total ADP allocated

Components	2022 (Till March)			2021 (Till March)		
	Allocation	Implementation	No. of Projects	Allocation	Implementation	No. of Projects
Education	20.33	7.54	133	18.61	7.44	140
Health	6.90	1.83	67	5.86	1.61	68
Social Welfare	1.62	0.65	88	1.47	0.62	88
Total of selected ADPs	28.86	34.71	288	25.93	37.25	296
Total of all ADPs	100	41.22	1828	100	41.57	1954

- Total ADP implemented at the end of FY21 was 82.1%
- In FY22 the implementation of Education, Health and Social Welfare (34.7%) is **lower** than the average implementation (41.2%)

Priority Two: Promoting Investment and Protecting Employment *(Contd.)*

Easing the tax burden on the disadvantaged

- Tax free income limit should be 3.5 lakh instead of 3 lakh
- Women and other disadvantaged groups may be given further leeway

Priority Three: Enhanced and effective allocation for LNOBs & PNOBs

Selected recommendations from grassroots survey conducted on 17 April 2022:

1. Employment targeting and employment tracking required
2. More food support and fiscal assistance
3. Increase allocations to address pandemic fallouts
(eg child marriage, child labour, school dropouts)
4. Certain portion of local government budgets should be explicitly allocated for children
5. Support to non-MPO school teachers
6. Introduce Education Credit Card for students with a yearly limit of Tk 1 lakh
7. Additional and specific allocation for education of Adibashis and Dalits
8. LGBTQ+ communities need better access to bank loans

Priority Three: Enhanced and effective allocation for LNOBs & PNOBs *(contd.)*

Selected recommendations from grassroots survey conducted on 17 April 2022

(contd.):

9. More human capacity for agricultural extension services
10. More effective pricing and processes for paddy and rice procurement
11. Prices fixed by the government for fertilizer and hybrid seeds need to be enforced
12. Informal sector workers to be brought in under policy purview and interventions
13. Strengthen social-media based female entrepreneurs those emerged during COVID
14. Introduction of health cards for the workers
15. All social safety net allowances need to be made at least Tk1000 per month
16. Integrated database for the LNOBs and PNOBs to be created for effective delivery of public support

Priority Three: Enhanced and effective allocation for LNOBs & PNOBs *(contd.)*

Summary of Post-Covid Fiscal Stimulus Packages

Fiscal year-wise total beneficiaries along with amount allocated and realised of stimulus packages

Source: Bangladesh Bank & Ministry of Finance, Government of Bangladesh

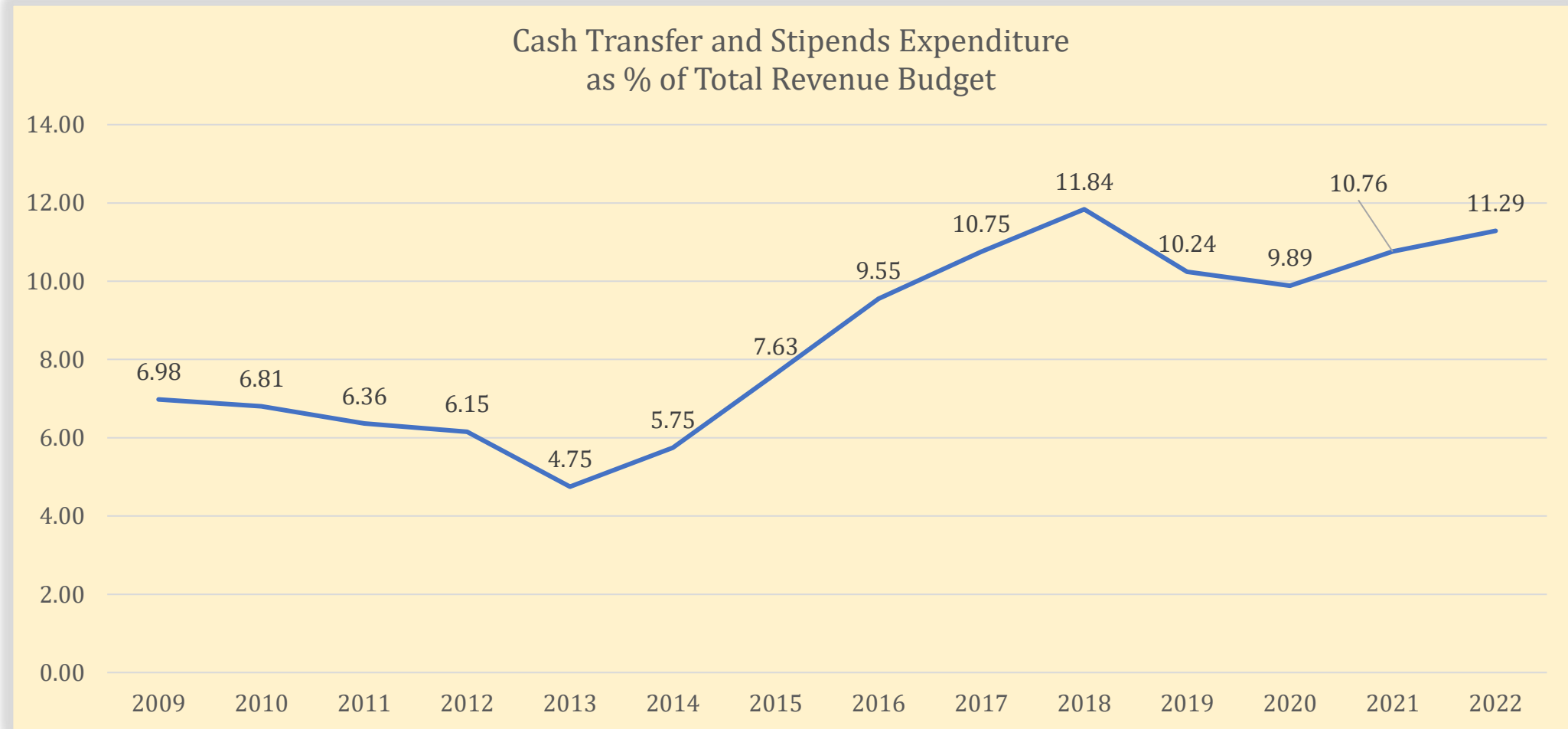
- NB: 1. Reporting month for FY22 varies from programme to programme
 2. There were 23 stimulus packages for FY21 and 29 for FY22. Stimulus package 24 to 29 were novel for FY22.
 3. Figures in the parenthesis are as percentage of GDP

Components	FY 2019-20	FY 2020-21			FY 2021-22 ¹		
	Allocation (% of GDP)	No. of beneficiaries (% of Total)	Allocation (% of GDP)	Realisation (% of GDP)	No. of beneficiaries (% of Total)	Allocation (% of GDP)	Realisation (% of GDP)
Food Assistance	2751 (0.07)	19900000 (34.24)	3270 (0.08)	4268 (0.10)		3520 (0.08)	2445 (0.06)
Financial Assistance	29133 (0.77)	37776211 (65)	33171 (0.81)	16301.52 (0.40)	18323874 (97.69)	35159 (0.80)	24672.94 (0.56)
Credit Support	78750 (2.07)	439000 (0.76)	97000 (2.36)	60240 (1.47)	432548 (2.31)	154000 (3.50)	88414.84 (2.01)
Total	110634 (2.91)	58115211 (100)	133441 (3.25)	80809.52 (1.97)	18756422 (100)	192679 (4.38)	115531.78 (2.63)

**Allocation as % of GDP increased, but not the disbursement
 Food assistance and financial assistance remain marginal**

Priority Three: Enhanced and effective allocation for LNOBs & PNOBs

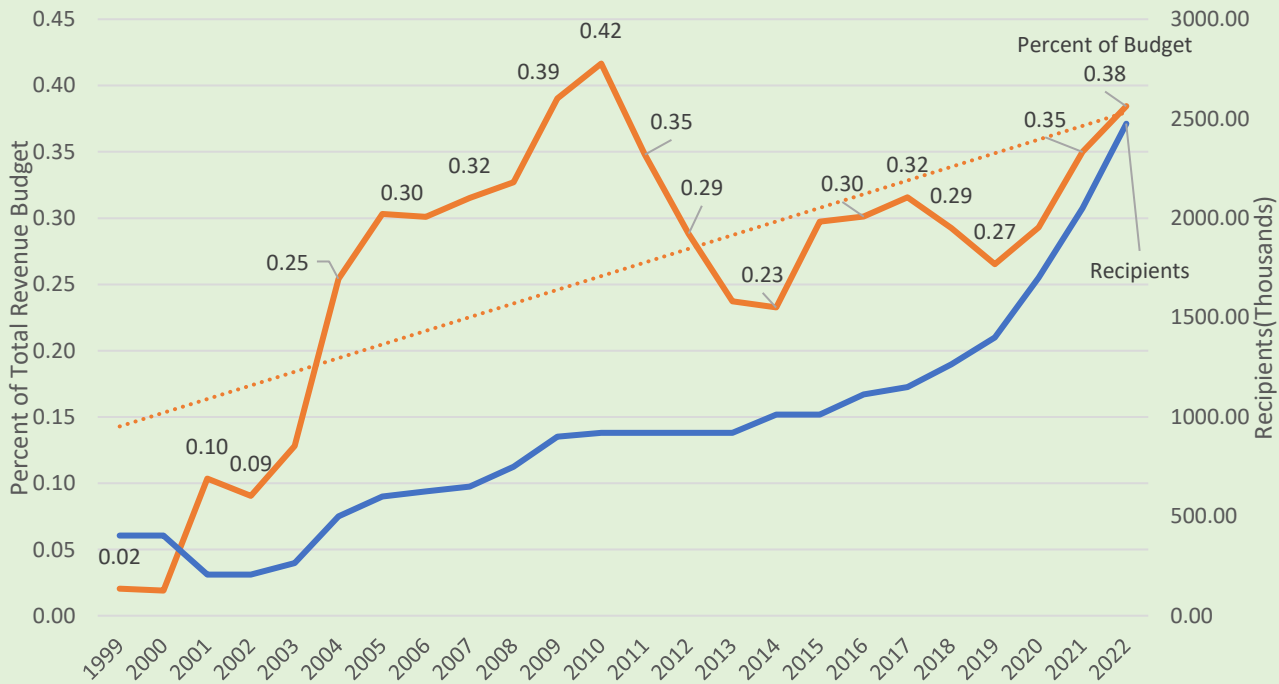
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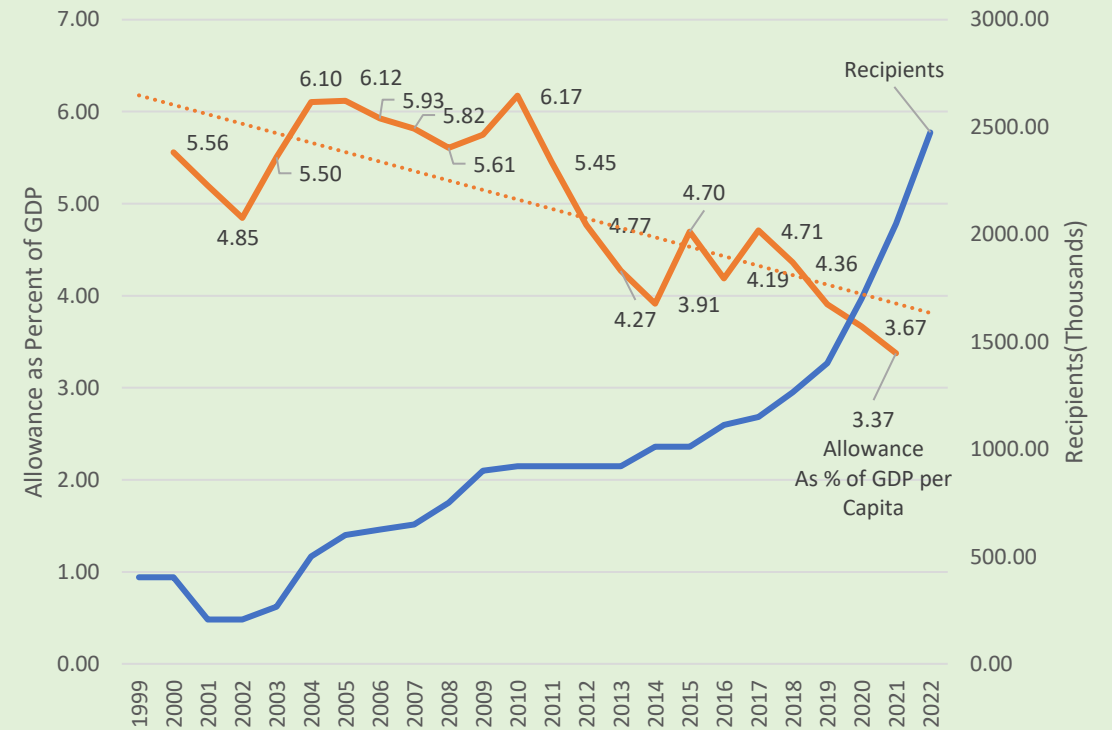
*This includes programmes listed under Cash Transfer Allowances(ଭାତା) and Stipends

Priority Three: Enhanced and effective allocation for LNOBs & PNOBs *(contd.)*

Widowed, Deserted, and Distressed Women's Allowance As Percent of Total Revenue Budget

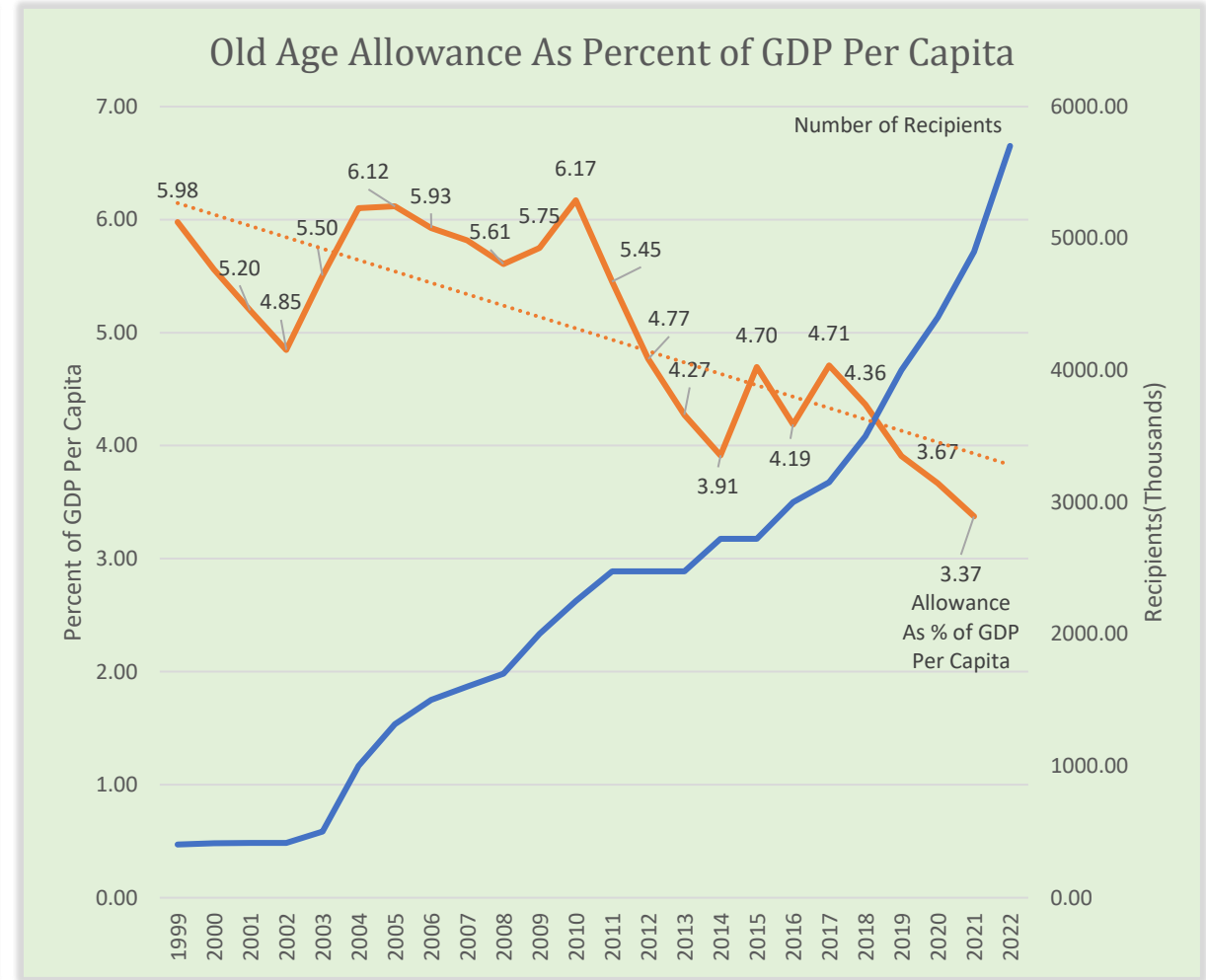
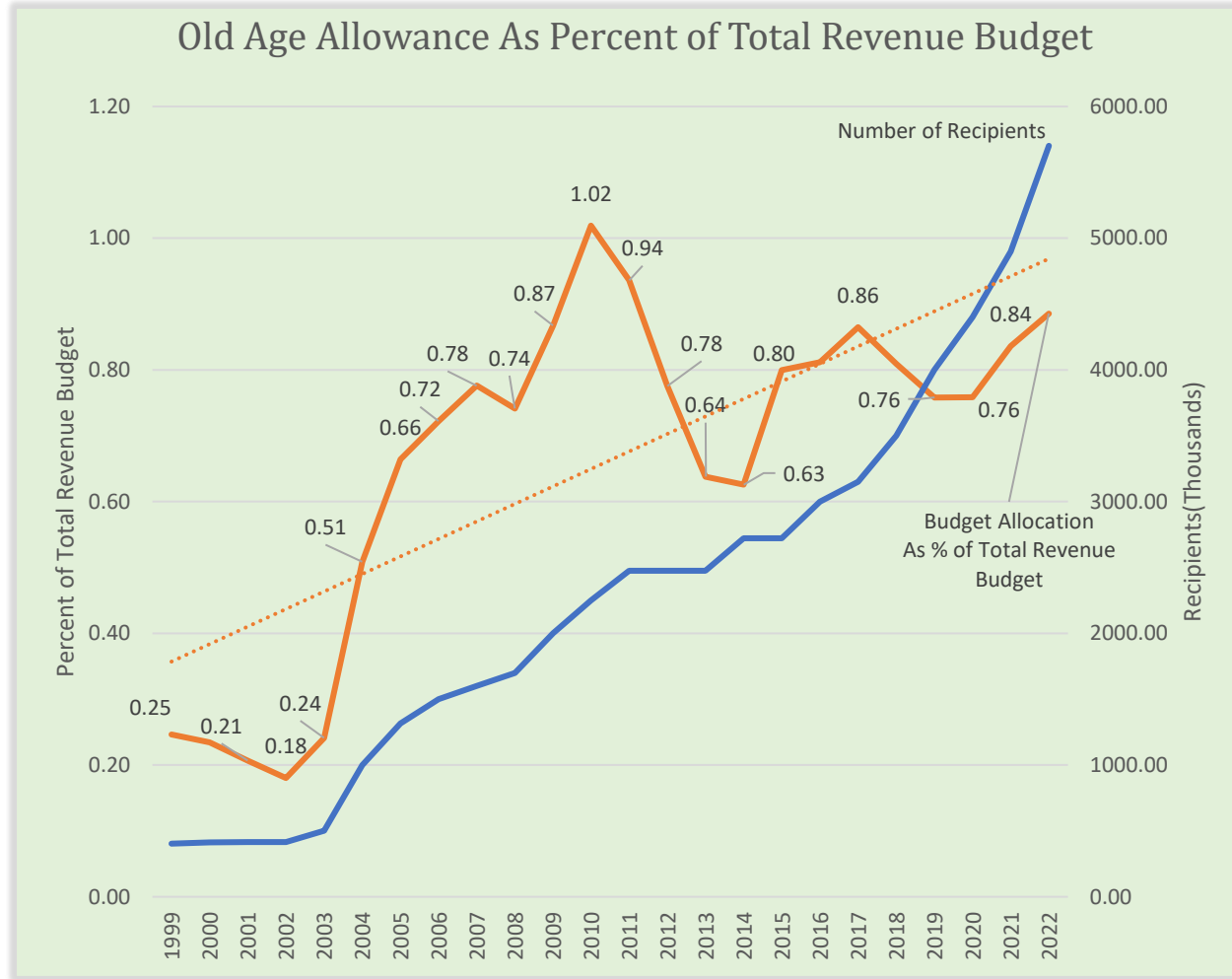


Widowed, Deserted, and Distressed Women's Allowance As Percent of GDP per Capita



We are providing more allowances in number, but less in value.

Priority Three: Enhanced and effective allocation for LNOBs & PNOBs *(contd.)*

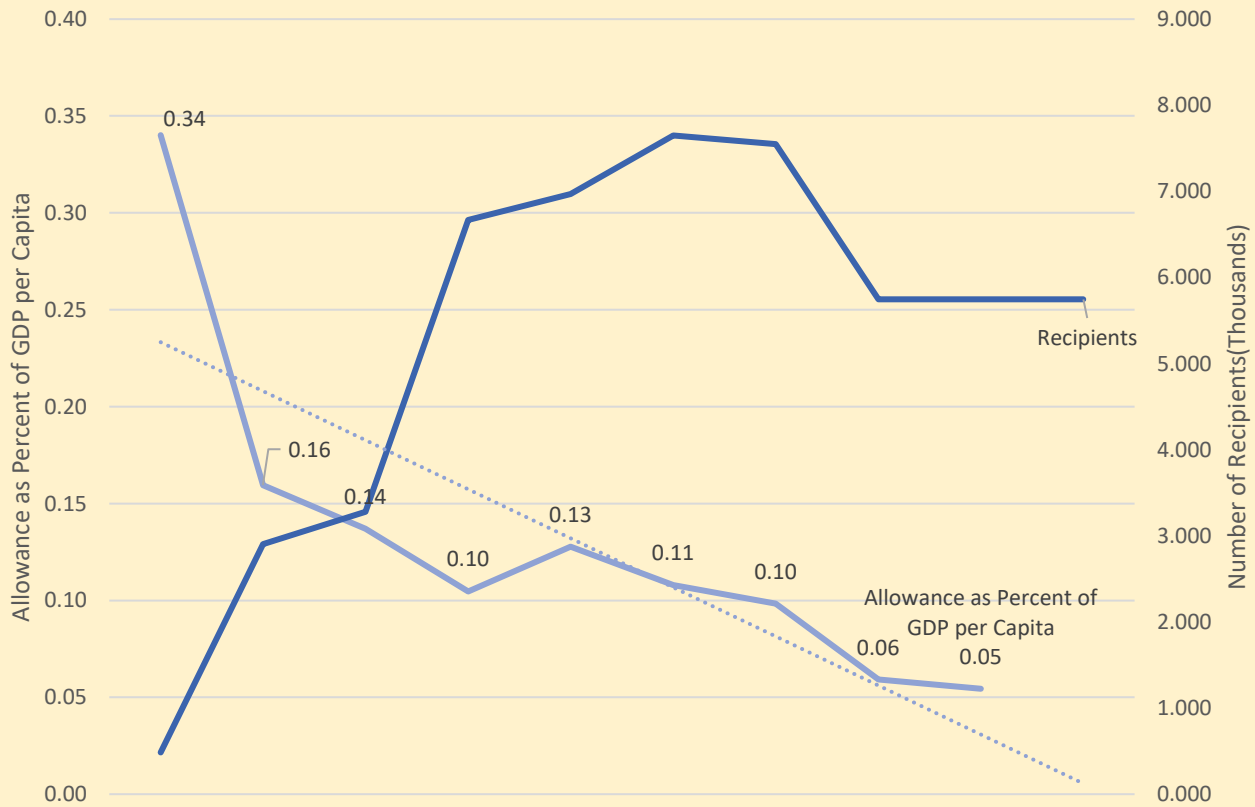


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Priority Three: Enhanced and effective allocation for LNOBs & PNOBs

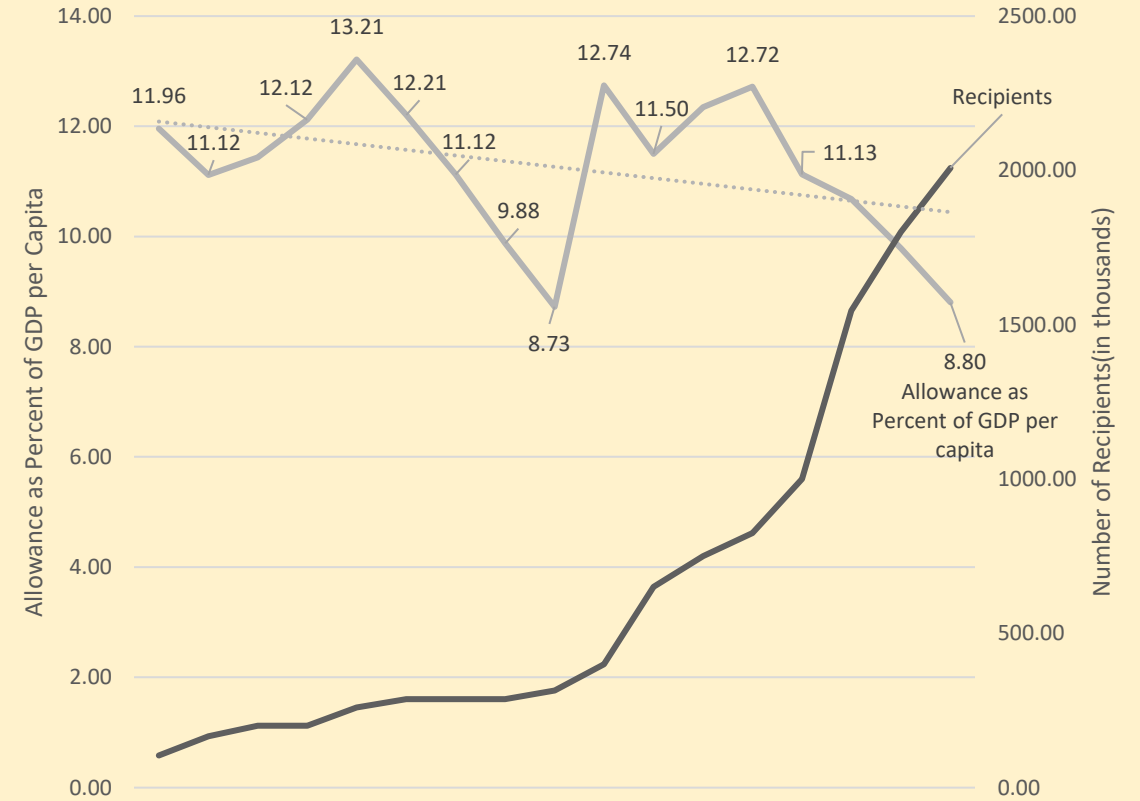
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Cash Transfer Program for Improving the Livelihood of Transgender Community as % of GDP per Capita



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Allowance Program for Persons with Disabilities as Percentage of GDP per Capita



Priority Three: Enhanced and effective allocation for LNOBs & PNOBs *(contd.)*

Funds Required Provide Each Cash Transfer At Tk 1000/month				
Cash Transfer Program	Budget Allocation in FY21/22 (cr)	Recipients In FY21/22 (lac)	Monthly Allowance (Taka)	Total Fund Required in Crore (% of Total Revenue Budget FY22/23)
Old Age Allowance	3444.54	57.01	503.50	3396.66 (0.77)
Allowance for Widow, Deserted and Destitute Women	1495.40	24.75	503.50	1474.60 (0.34)
Allowance for Transgender, Bede, and Disadvantaged Communities	46.31	0.86	448.74	56.89 (0.01)
Allowance for Financially Insolvent Disabled	1820.00	20.08	755.31	589.60 (0.13)
Allowance for Poor Lactating Mothers	764.39	7.70	827.26	159.61 (0.04)
Assistance for Working Lactating Mothers	276.65	2.75	838.33	53.35 (0.01)
Stipend for Physically Challenged Students	95.64	1.00	797.00	24.36 (0.01)
Stipend for Improving the Livelihood of Transgender, Bede, and Disadvantaged Communities	26.35	0.27	813.27	6.05 (0.00)
Improving the Living Standards of Tea Workers	25.00	0.50	416.67	35.00 (0.01)
<i>Youth Unemployment Allowance*</i>	-	6.69	1000	803.32 (0.18)
Total	7994.28	114.92		6599.44 (1.51)

Source: MoF, Social Protection Programs: Fiscal Year 2021/22

FY 22/23 Budget Estimate taken from The Business Standard Report 06/04/22, "FY23 budget: Need for expansion, but govt opts for contraction"

*Youth Unemployment Allowance calculated by taking 10% of estimated unemployed youths(approx. 67lakh) in FY21/22

Concluding Remarks

- Pro-active policy management will be critical for adjusting to the fast-changing policy environment
- Transparent and frequent monitoring of the economy will be necessary to ensure accountability
- Voice of the disadvantaged communities including low and middle income people have to be organised and amplified

Thank You!

<http://bdplatform4sdgs.net/>