

How the FY25 budget can address our economic challenges



MACRO MIRROR
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Bangladesh's economy is currently grappling with various difficulties, such as high inflationary pressure, low investment, increased debt servicing liability, slow growth in the external sector, depletion of foreign exchange reserve, a weak financial sector, slow growth, unemployment, and inequality. Amid such a challenging domestic and external economic landscape, the new finance minister will present the national budget for 2024-25 fiscal year in the first week of June.

The budget will have to address some of the immediate challenges through budgetary allocations and fiscal measures. Though a budget is prepared for one fiscal year, it is the vehicle that materialises the government's economic policies and political vision. Therefore, the upcoming budget will play a significant role in addressing immediate issues such as protecting the poor, low-income and lower-middle-income families, and short- to medium-term issues such as achieving higher economic growth and reducing inequality. Unfortunately, the budget's role in addressing these issues has been limited so far. In view of the current economic difficulties, the FY2024-25 budget should consider four broad areas.

Firstly, the government should follow fiscal prudence by increasing revenue mobilisation, rationalising public expenditures, and improving the quality of expenditures. Traditionally, the budget deficit is set around five percent, which is not met in most cases, while the actual deficit remains lower than projected. In FY2023-24, budget deficit was projected at 5.2 percent. However, given high inflation, low fiscal space, and the pressure on balance of payment, budget deficit in the upcoming fiscal year should be lower. Currently, the government is heavily borrowing from the banking sector to meet its budget deficit. Even though there is not much demand for bank loans from the private sector right now, the government's interest payment against bank loans will increase. Hence, a pragmatic fiscal consolidation is needed through restrained spending and higher tax collection.



VISUAL: SYEDA MAISHA ALI

Of course, reduced government spending and increased tax could hurt people. This can be minimised through effective measures. Our tax collection is far below the optimum levels due to a narrow tax net, widespread tax evasion, and illicit financial flows out of the country. According to finance ministry data, the tax-GDP ratio was only 7.3 percent while revenue-GDP ratio was 8.16 percent in FY2023. On the other hand, the government faces resource constraints due to unproductive expenditures, subsidies, and various tax exemptions provided to several sectors.

In the current economic circumstances, prioritisation of public investment projects is needed—only projects with high returns and employment creation potential should be continued. The government has incurred

huge financial losses due to high capacity payments to independent power plants (IPPs) for several years. The economy is burdened with a subsidy as high as 1.9 percent of GDP. The current pattern of subsidies provided to various sectors is a waste of the precious resources of the country, yet subsidy management has not been in the government purview. The FY2025 budget should only allocate subsidies for the agriculture sector since this is connected to the food security of the country.

physical infrastructure is wrong. Expenditure on education, research and innovation, skills development, and health is also necessary since it is the people who propel development through their talent and hard work. Therefore, for a prosperous and an inclusive society, social sectors must receive higher allocation. To do so, there should be prioritisation and rationalisation of spending as the fiscal space of the government is narrow. In order to reduce poverty and inequality, support for the low and middle-income households must

be enhanced, both in terms of higher funds and coverage of the beneficiaries.

apprehensive to lend them. The third area of focus should be on green transition of the economy by higher and strategic allocation both for adaptation and mitigation measures. A large part of climate change-related resources has to be secured from international sources. However, the budgetary allocations should also be increased. The targets for emissions reduction in the nationally determined contribution (NDC) have to be achieved through both domestic resources and external support. Green financing mechanisms for sustainable infrastructure projects can be explored. To meet the voluntary climate goals made by the government, increased allocations for renewable energy is needed, which is quite low at present. For example, in the FY2024 budget, only 2.4 percent of the ADP allocated for the whole power and energy sector was for renewable energy.

The fourth area is institutional strengthening for budget implementation. The budget has to clearly spell out how the budgetary measures will be implemented. The lower implementation of the development expenditure reflects the government's limited utilisation capacity. The ADP target is adjusted downwards every year. Till March 2024, the ADP implementation has been only 42.3 percent, which implies that in the next three months, the implementation has to be at 57.7 percent. Over the years, the size of ADP has consistently ranged around five percent of GDP, which is inadequate for a country that needs substantial investment in development. Indeed, public investment has recently been declining, though it was on an increasing trend for a few years. In FY2023, public investment declined to 6.77 percent compared to 7.53 percent in FY2022. This low level of public investment hampers private investment and discourages foreign investment. Private investment has remained stagnant around 24 percent of GDP for several years. Foreign direct investment (FDI) has remained less than one percent of GDP for a long time. However, as has been mentioned above, in case of public investment, a cautionary approach must be followed.

On the whole, the budget for FY2025 should adopt a balanced approach to address economic slowdown and inflationary pressure through judicious fiscal consolidation and support to the vulnerable people. Of course, implementation of the budget will have to be ensured through strengthening the governance of the institutions entrusted with the responsibility of spending public money.

FIRE IN THE SUNDARBANS

We can stop it from happening again



Sharif Jamil
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SHARIF JAMIL

People in Bangladesh, and even the rest of the world, view the Sundarbans with a certain reverence. But, unfortunately, policymakers and those who are responsible for taking care of the mangrove forest do not view it the same way.

For Bangladesh, the Sundarbans is its protector. It protects our land from various natural disasters. Particularly, cyclones coming from the southwest are impeded by the Sundarbans. However, although the forest protects us, we do nothing to protect it. Whether it is through deforestation, or polluting the waters around it, or building industrial plants around it—we have continued to take on



PHOTO: COLLECTED

be communicated to the local people. Without transparency and decisive action, this would become yet another administrative exercise in our country that serves no purpose other than lining the pockets of a select few. Thus, the first thing that must be done is to identify the problem, and the second thing should

sprouting from the forest floor. So, some fishermen start fires to clear off these vines and leaves so they can catch the fish easily.

It is also important to note that we did not get to know immediately about the fire in question. In this era of information technology and instant communication, this is an anomaly. It is also not like

fails us. In truth, we lack the mindset and the determination to protect the Sundarbans. We are unable to properly use the technology available to us. There is no proper monitoring in place.

As the Sundarbans is a World Heritage Site, upon UNESCO's repeated requests, the Bangladesh government eventually undertook its Strategic Environmental Assessment (SEA) in 2020. But following on from this assessment, the goal of which was to see if the Sundarbans was being harmed in any way, what remedies have been taken? In the end, these goals were not achieved. To make sure that the Sundarbans is not brought into consideration, they called it the SEA for the southwest region. They did

not cover Barguna in it, nor did they cover Patuakhali. Here, the intention was to find out loopholes. Thus, we could not get the benefits from this assessment that we could have gotten. This is only helping those who are making investments in industry around the area and harming the Sundarbans and our country.

In order to show a strong commitment to protecting the Sundarbans, the government must identify exactly why this fire started and take preventative measures so similar incidents does not occur again. We must take actions against those who are responsible for it. Then, if there is a fire again, we should analyse it again to see what steps should be taken.

For Bangladesh, the Sundarbans is its protector. It protects our land from various natural disasters. Particularly, cyclones coming from the southwest are impeded by the Sundarbans. However, although the forest protects us, we do nothing to protect it.

activities that severely harm this natural body.

Now, speaking of the fire that we learnt of on Saturday, this is not something that has happened for the first time. This sort of incidents have been common during this time of the year for quite some time. So this fire should not be viewed as an accident that could not have been prevented. Firstly, as this is something that keeps happening every year, we need to figure out the underlying reasons that cause it. And the process through which this investigation is to be conducted should be made transparent and inclusive. Furthermore, it should

be making sure that those who were responsible for it are held accountable before the public.

As activists who have been working in and around the Sundarbans for years know quite well, fires can start naturally. It could also be because of intruders who enter the forest. It could be from the cigarettes they smoke. It could be done intentionally by poachers who want to attack wild animals. In fact, there may even be particular reasons for starting fires. There is a fish called Kain Magur (Black celtail catfish) that is prevalent in the Sundarbans area, which is difficult for fishermen to catch due to the vines and leaves

Bangladesh is behind in terms of technology. We are advancing on par with the world. We have a science and technology ministry. We regularly allocate budget for technological advancement in various areas. We are trying to become Smart Bangladesh and have become so in many aspects. The important point to note is that we do have the capability to protect the 6,500 square kilometres of this mangrove forest, and we do keep watch. If a university student flies a drone even 70 kilometres deep into the forest, then he is caught using technology. Yet, when there has been a fire, technology suddenly

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Invitation for e-Tender Date: 06/05/2024

This is an online Tender, where only e-Tender will be accepted in the National e-GP Portal and no hard copies will be accepted. Further information and guidelines are available in the National e-GP Portal and from e-GP help desk (helpdesk@procure.gov.bd)

Sl. No.	Tender ID & Reference No	Name of Tender	Last Selling Date and Time	Opening and Closing Date & Time
01	800336, 33.01.7300.349.07.002.23-38	Procurement of Duck Starter Pellet Feed, Duck Grower Pellet Feed, Duck Breeder Pellet Feed & Dry Rise Husk under Regional Duck Breeding Farm including Hatchery, Nilphamari	20-May-2024 12:00	20-May-2024 14:30

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