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The Bangladesh Budget FY 2016-17 - Agricultural Highlights

Report Categories:

Agriculture in the Economy

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Report Highlights:

The Government of Bangladesh proposed national budget for FY 2016-17 (July-June) is BDT 3.41 trillion (\$43 billion USD), which is 28 percent higher than the revised budget of last year. Of that, the Ministry of Agriculture received an allocation of BDT 136.75 billion (\$1.73 billion). Stated goals for this money include: expand agricultural subsidies; improve access to low-cost credit; establish what they are calling an “agriculture processing and marketing center”; encourage more diversity of crops produced; and subsidize more farmers purchase of agricultural inputs, such as better quality seed and fertilizer. The budget allocated for the Ministry of Fisheries and Livestock is BDT 18 billion (\$0.22 billion); for Ministry of Food it is BDT 24 billion (\$0.28 billion). These both are higher than last year’s revised budget. Noteworthy detail in the budget includes the duty schedule for essential commodities and other inputs including: a) edible oils, pulses, onions, garlic, sugar; b) fertilizer, insecticide and seeds; c) pharmaceutical supplies; d) industrial raw materials such as cotton; and e) poultry and dairy.

General Information:

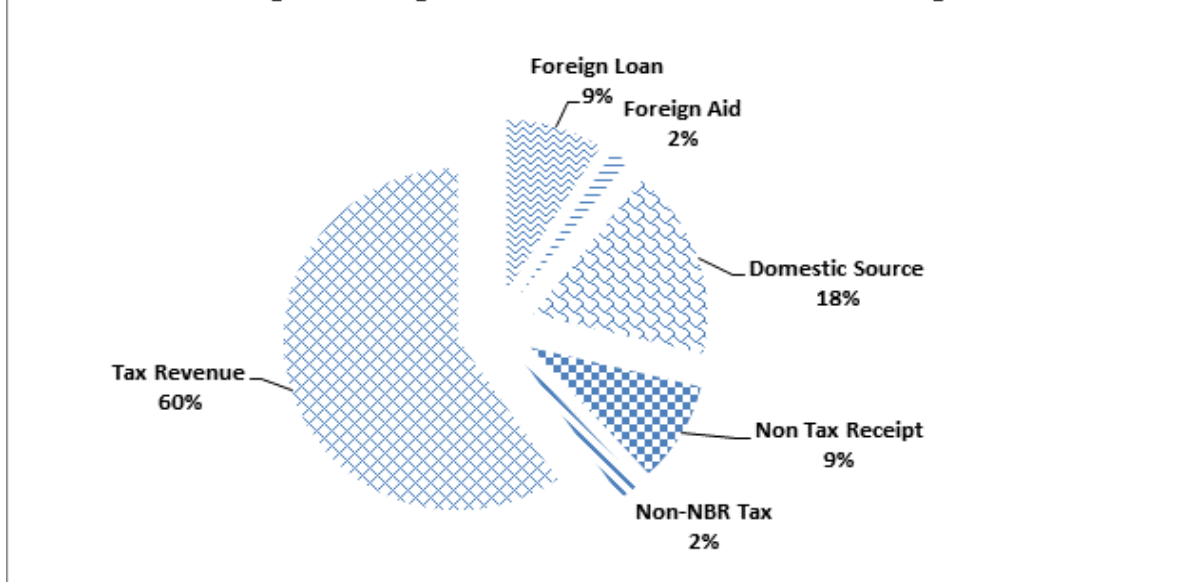
The size of the proposed national budget for FY 2016-17 (July-June) is BDT 3.41 trillion (\$43 billion), 28 percent higher than FY 2015-16 budget. Financing for this much bigger budget will be tax revenues (60%), domestic debt (18%), foreign debt (9%), non-tax fees (9%) non-National Board of Revenue (NBR) tax (2%) and foreign aid (2%). The size of the overall budget is equivalent to 17.4 percent of Gross Domestic Product (GDP). The budget deficit in particular is estimated to be 5 percent of GDP, which is within historical norms. The growth rate of Bangladesh GDP for 2010-2015 was just 1 percent per year, but in 2015-16 GDP growth surged to just over 7 percent. This growth was largely driven by foreign direct investment, increased credit availability in the private sector, political and macro-economic stability, and development of physical infrastructure in the power, energy, and transport sectors. All of these in turn drove exports higher as well. Continued political stability is expected to enable still more growth: for FY 2016-17 the GDP target growth rate is 7.2 percent and per capita income is expected to rise to \$1466.

Comment: Even though economic growth is forecast to be robust, the Government of Bangladesh has a challenge to collect the revenues needed to fully fund its largest budget ever: current estimates are that out of Bangladesh's total population of 160 million people, only 1.2 million pay taxes. End comment.

Table-1: Bangladesh: Sector allocation of budget in US dollars (\$ billion)

Ministry	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
Ministry of Agriculture	\$1.83	\$1.55	\$1.31	\$1.41	\$1.73
Total Budget Share	8.5%	6.17%	5.06%	4.21%	4.01%
Ministry of Food	\$0.1	\$0.12	\$0.09	\$0.19	\$0.31
Total Budget Share	0.46%	0.48%	0.35%	0.57%	0.72%
Total Budget	\$21.54	\$25.14	\$25.87	\$33.49	\$43.11

Figure 1: Bangladesh: Source of Revenue and Financing



Agriculture

The budget allocation for Ministry of Agriculture for FY 2016-17 is BDT 136.75 billion (\$1.73 billion), which is 22.7 percent higher than the BDT 111.39 billion budget for FY 2015-16. Of note, however, is the shrinking percentage of allocation to agriculture from the total budget: the percentage declined to 4.01 percent from 8.5 percent in FY 2012-13.

The Ministry of Agriculture implements certain farmer's welfare programs, including heavy subsidies of agricultural inputs. These programs support agriculture by providing cheap credit, quality seed and fertilizer, and by establishing a mechanism to facilitate payments. In this new budget, however, the outlay for welfare programs linked to agricultural production has declined to BDT 18.41 billion, a steep drop from last year and a small fraction of the total expenditures on social welfare programs, which total BDT 118.34 billion.

That budget decline contrasts sharply with the expansion in budget of The Ministry of Fisheries and Livestock. They received an allocation of BDT 18 billion (\$230 million), which is an increase of 15 percent. The money will be spent to expand sustainable marine fishing resources and to increase breeding stocks of specific fish species.

Food Security

One of the largest increases for FY 2016-17 is in the budget for Ministry of Food. At BDT 24 billion this is a 63 percent budget increase from last year. Major focuses for improvement will be in food procurement systems and in increasing storage and processing capacity. Part of the budget will be used to ensure food security for both rural and urban citizens through newly-introduced cash transfers as well as through existing programs such as "Vulnerable Group Feeding" (people living below the poverty line receive food grain free of charge); and "Test Relief" (a kind of work relief welfare program:

compensation is given for labor in government-directed work projects). The Ministry of Food also has an allotment to finance the maintaining of minimum reserve stocks for rice and wheat, which currently are a combined total of 1.33 MMT.

Safety Nets and Social Security

The budget FY 2016-17 includes social welfare programs and contributory social insurance schemes which will be introduced in an ongoing National Social Security Strategy (NSSS) program. Under the NSSS program social welfare through cash grants will expand to include allowances for the elderly, widows, mothers with children, disadvantaged women, adults with disabilities, and students with disabilities. In addition, social welfare through the food security program will also continue, including a program which uses subsidies to encourage individual farmsteads to raise cattle, poultry, or fish as well as grow crops. The GOB proposed budget for FY 2016-17 has funded social welfare programs at BDT 452 billion (\$5.7 billion), which is 25 percent higher than FY 2015-16 revised budget.

Climate Change and Environment

In the FY 2016-17 budget the Ministry of Environment and Forest received an allocation of BDT 10 billion, an increase of 5 percent from last year. The climate change trust fund has received an additional BDT 1 billion, which raises the fund balance to BDT 30 billion. Finance Minister Muhith indicated that GOB will expand efforts to promote economic development in ways which are environmentally sustainable. Specific efforts will include targeting air and water pollution by creating financial incentives for industries to shift to eco-friendly production processes. Other ongoing programs include planting of new forests and protection of existing forests, planting of coastal greenbelts, development of eco-tourism, and encouraging use of alternative fuels (not wood) for firing brick kilns.

Import tariffs and Supplementary Duties

In this FY 2016-17 budget, renewed duty exemptions or concessions include those for essential commodities and other inputs: a) edible oils, pulses, onions, garlic, sugar; b) fertilizer, insecticide and seeds; c) pharmaceutical supplies; d) industrial raw materials such as cotton and e) poultry and dairy. For these a new tariff slab of 15% was added to the existing slabs of 0,1,5,10, and 25%.

The tariff on rice imports is increased to 25 percent from 10 percent to help draw down excess stocks. To promote local production of rapeseed meal and soy meal, the budget indicates a proposed tariff increase from 5 percent to 10 percent on those imports (but not on rapeseed or soybeans). To support development of domestic milk processing capacity, GOB reduced tariffs from 20 to 10 percent on dairy processing inputs such as stabilizer. Inputs for poultry feed also retained low tariff rates, from 0 to 10%. (See Table-3). Agricultural machinery is still exempt from import tariffs or assessed at low rates. Formerly machinery parts were assessed at higher tariff rates; now, to encourage domestic manufacturing of ag machinery, import tariffs of select parts for use in local manufacturing are reduced to 1%. (See Table 4).

The Bangladesh Budget FY 2016-17 is available at:

http://www.mof.gov.bd/en/budget/16_17/speech/BS_English_Final_1.6.16.pdf

Table-2: Bangladesh - Tariff rate Changes on Select Agro Products

Sl. No.	Description	Existing Rate	Proposed Rate
1	Rice	CD-10%, RD-10%	CD-25%
2	Rape seeds/Soya cake	CD-5%	CD-10%
3	Stabilizer for milk used for the preparation of milk products	SD-20%	SD-10%

Note: Customs Duty (CD): Levied on imports charged under the Customs Act, 1969

Supplementary Duty (SD): Levied on items listed under the Value Added Tax (VAT) Act, 1991.

Regulatory Duty: Levied at a flat rate of 3% of assessable value for those items where SRD-CD is 25%

Source: Budget Speech FY2016-17 and National Board of Revenue

Table-3: Bangladesh - Concession of duty and taxes on poultry and dairy food

Sl. No.	H.S. Code	Description of goods	Existing Rate	Proposed Rate
(1)	(2)	(3)	(4)	(5)
1	2914.23.00	Ionones and methylionones	10%	0%
2	2925.29.00	L-Arginine	5%	0%
3	3203.00.00	Coloring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations as specified in note 3 to this chapter based on coloring matter of vegetable or animal origin	5%	0%
4	3507.10.00	Rennet and concentrates thereof	10%	0%
5	3823.13.00	Tall oil fatty acids	10%	0%

Source: Budget Speech, FY 2016-17

Table-4: Bangladesh - Concession of duty and taxes on parts of agricultural machineries

Heading No.	H.S. Code	Description of goods
(1)	(2)	(3)
40.09	4009.11.00	Tubes, pipes and hoses without fittings
	4009.42.00	Tubes, pipes and hoses with fittings
40.10	4010.32.00	Endless transmission belts
73.18	7318.15.90	Others screw and bolts
	7318.16.00	Nuts
73.20	7320.20.00	Helical springs
83.01	8301.20.90	Locks of a kind used for motor vehicles
84.08	8408.90.90	Other engine
84.09	8409.99.10	Spare parts of diesel engine
84.82	8482.10.00	Ball bearings
84.87	8487.90.00	Machinery parts
87.08	8708.30.00	Brakes & servo brakes and parts thereof
	8708.40.00	Gear boxes and parts thereof
	8708.93.00	Clutches & parts thereof

Source: Budget Speech, FY 2016-17

Table-5: Bangladesh – Increased Tariff Rates

Sl. No.	H.S. Code	Description of goods	Existing Rate	Proposed Rate
1	0714.90.11	Sago Wrapped/canned up to 2.5 kg	5%	10%
2	0714.90.19	Other Sago	5%	10%
3	1006.20.00	Husked (brown) rice	10%	25%
4	1006.30.10	Fortified rice kernels	10%	25%
5	1006.30.90	Other	10%	25%
6	1006.40.00	Broken rice	10%	25%
7	1102.20.00	Maize (corn) flour	10%	25%
8	1108.11.00	Wheat starch	10%	15%
9	1108.12.00	Maize (corn) starch	10%	15%
10	1108.13.00	Potato starch	10%	15%
11	1108.20.00	Inulin	5%	10%
12	1208.10.00	Soymeal	5%	10%
13	1208.90.00	Other	0%	5%
14	2306.41.00	Of low erucic acid rape or colza	5%	10%

Source: Budget Speech, FY 2016-17