

The System of Government Budgeting *in* Bangladesh

Motahar Hussain

Retired Additional Finance Secretary
Government of Bangladesh

Author of

The system of government Budgeting in Bangladesh

- বাংলাদেশ সরকারের বাজেট প্রণয়ন পদ্ধতি

Methods and Practice of Statistics in Bangladesh

The System of National Accounts in Bangladesh

Development Administration in Bangladesh

- বাংলাদেশের উন্নয়ন প্রশাসন

এবং

জীবন সায়ফে পুঞ্জীভূত সংলাপ

আধারের কতরূপ

- Published by Bangla Academy, Dhaka



A H Development Publishing House

CONTENTS

Page #

CHAPTER ONE : Introduction

1.1	Introduction	1
1.02	Need for the study of the system: Its components	1
	The Need.....	1
	The Components.....	2
1.03	Government Functionaries.....	2
	a. Executive.....	2
	b. General Administration and Service.....	2
	c. The legislature.....	3
	d. The Judiciary.....	3
	e. The Defence Services.....	3
	f. Policy, Ansar and Village Defence Party.....	3
1.04	Bangladesh Administration Structure.....	3
1.05	Allocation Business to different Ministries/Divisions.....	4
1.06	Legacy of Government Budgeting.....	5
1.07	Budget Formations.....	5
1.08	Economics of Budgeting.....	6
	a. Non economics of essential services.....	6
	b. Policies and Public Investment.....	6
1.09	Budgetary Process.....	6
	a. Non Development (Revenue), and	6
	b. Development	6
	i. Budgeting is Specialized.....	7
	ii. Budgeting is Historical.....	7
	iii. Budgeting is Fragmented.....	7
	iv. Budgeting is Pragmatic.....	7
1.10	Presentation and Plan of Work.....	8

CHAPTER TWO : General Framework of Government Budget

2.01	General Framework of Government Budget.....	9
2.02	Definition of Government Budget.....	9
2.03	The Scope.....	10
2.04	Functions of Budget.....	10
	a. Economic function.....	10
	b. Stabilization function.....	11
	c. Distribution function.....	11
	d. Growth function	11
2.05	Budgetary Dimensions.....	12

	a.	Political dimension.....	12
	b.	Managerial and/ or Administrative dimension.....	12
	c.	Economic dimension.....	12
	d.	Accounting dimension.....	12
2.06		Objectives of Budget.....	12
2.07		Principles of Budgeting.....	13
2.08		Skills and Behavioral aspect of Budget preparation.....	14
2.09		Approach In Budgeting.....	14
	a.	Aggregative and Development.....	14
	b.	Incremental, Comprehensive/Zero based.....	15
	c.	Performance Budgeting and PPBS.....	16
2.10		Budgetary Constraints.....	16
	a.	Policy.....	16
	b.	Institution.....	16
	c.	Operations.....	17
2.11		Budget the source of stimulus and restraint.....	17
2.12		Budget and external assistance.....	17
2.13		Economic analysis Framework of Budget.....	18
2.14		Budget Deficit or Surplus.....	19
	a.	Balanced budget.....	20
	b.	Unbalanced budget.....	20
	i.	Public debt concept of deficit.....	20
	ii.	Net worth concept of deficit.....	20
	iii.	Overall deficit.....	20
	iv.	The concept of domestic budget deficit.....	20
2.15		Full employment and cyclically neutral budget.....	20
2.16		Budget and decision making.....	20
2.17		Budgetary Organization.....	21
	a.	British system.....	21
	b.	French system.....	21
	c.	Other European system.....	21
	d.	U.S. system.....	22
	e.	Japanese system.....	22
	f.	Latin American system.....	22
2.18		Types Compared.....	22
2.19		Fiscal Year.....	23
2.20		Budget Calendar.....	23
2.21		Budget circulars/instruments for information.....	24
2.22		Expenditure and revenue estimates.....	24
2.23		Expenditure Control.....	24

24	Personnel Budget.....	25
25	Public Works Budgeting.....	25
26	Budgeting and Development Expenditure.....	25
27	Budget and Price Basis.....	26
28	Budget and Inflation.....	26
29	Budget, Taxation And Expenditure Adjustment.....	27
30	Budget and Fiscal Policy.....	29
31	Budget Expenditure Classification.....	29
	a. Function.....	29
	b. Economic.....	29
32	Classification of Government Receipt/Expenditure.....	30
	a. Receipts.....	30
	b. Expenditures.....	31
33	Budget Execution.....	31
34	Budget Follow Up.....	31
35	Release Funds.....	32
36	Periodic Review.....	33
37	Budget Slippage.....	33
38	Supplementary Budget.....	33
39	Cash Management.....	34
40	Inter Government Budgets.....	34
41	National Budget and Upazila Budget.....	35
42	Budget, Public Corporation and Autonomous Agencies.....	38
43	Budgeting and Accounting Classification.....	39
44	Budget and the Central Bank.....	39
45	Budget in Developed and Developing Economies.....	40
46	The Budget System.....	40
47	National Accounts and Government Accounts.....	41

CHAPTER THREE : Legal Support Heritage of Government

Budgeting in Bangladesh

02	British Period.....	43
	a. Indian Act 1919.....	43
	b. The Government of India Act 1935.....	44
03	Pakistan Period.....	46
04	Bangladesh Constitutional Procedures.....	51

CHAPTER FOUR : Bangladesh Budget in Practice

02	Time Frame: Fiscal or Financial Year.....	58
03	Objectives.....	58
	a. Maintenance of essential service.....	58
	b. Food and Fertilizer stocking and distribution.....	58

	c.	Development Programme.....	58
	d.	Promotion of Savings and Investment.....	59
	e.	Macro-economic balance and equitable distribution of income...	59
4.04		Budget Structure: Annual Financial Statement.....	60
4.05		Consolidated Fund.....	61
4.06		Public Account of the Republic.....	61
4.07		Fund and Account Compared.....	61
4.08		Budget Components.....	62
	a.	Expenditure objective.....	62
	b.	Policy content.....	63
4.09		Budget Expenditure: Characteristics.....	63
	a.	Charged and other.....	63
	b.	Expenditure on Revenue Account and other expenditure.....	63
	c.	Other expenditure comprises.....	64
	d.	Development and Non-development.....	64
4.10		Annual Financial Statement.....	64
4.11		Demand for Grants and Appropriations.....	65
4.12		Demand for Grants : Placement Procedure in Parliament.....	66
4.13		Budget and the Government Borrowing: Public Debts.....	66
	a.	Short term-Floating Debt.....	67
	b.	Long term-Permanent Debt.....	67
4.14		Classification of Government Borrowing.....	67
4.15		Budget Procedure and its Functional Stages.....	68
4.16		Revised Budget.....	69
4.17		Supplementary Budget.....	70
4.18		Coverage of the Budget.....	70
4.19		Budget Monitoring and Resource Committee.....	71
4.20		Medium Term Budget Coordination and Technical Committee.....	71
4.21		Budget Management Committee (BMC).....	71
4.22		Money Bill.....	72
4.23		Procedure for preparation of bill and its submission to Parliament.....	72
4.24		Appropriation Bill.....	73
4.25		Supplementary Financial Statement.....	74
4.26		Budget Revenue Receipt Estimates.....	74
4.27		Formulation of Expenditure Estimates.....	75
	a.	The submission of estimates.....	75
	b.	The Scrutiny estimates.....	75
	c.	Finalization of Estimates.....	75
4.28		Purposes of Budget Estimates.....	76
4.29		Principles of Allocation.....	77

4.30	Approval of Budget Appropriations.....	78
	a. Approval of estimates by the cabinet and the President.....	78
	b. Demand of Grants.....	78
4.31	Parliamentary discussion and voting procedure.....	79
	a. Discussion.....	79
	b. Voting Process.....	79
4.32	Appropriation Bill-Appropriation Act.....	81
4.33	Supplementary / Excess Budget.....	81
4.34	Vote on Account.....	81
4.35	Procedure when Parliament stand dissolved.....	82
4.36	Roll-Over of the Budget Preparation Process.....	82
4.37	Development Budget.....	82
4.38	Budget and Donor Driven Disbursement Mechanism.....	85
4.39	Distinction between Revenue and Development Budgets: Allocation and Implementation.....	86
4.40	Unexpected Expenditure.....	87
4.41	Re-Appropriation of Funds.....	88
4.42	Kinds of Re-Appropriation.....	88
4.43	Surrender of Savings.....	89
4.44	Surrender of Anticipated Savings.....	89
4.45	Schedule of New Expenditure.....	90
4.46	Budget Coordination.....	90
4.47	Participating agencies involved in Budget Making.....	91
4.48	Budget and Accounting Rules: in some selected areas.....	92
4.49	Budget, Financial Control and Comptroller and Auditor General.....	93
4.50	Account Keeping.....	95
4.51	Account Objectives.....	96
4.52	Accounting Basis and Procedure.....	97
4.53	Classification of Government Account.....	97
	a. Legal Code.....	97
	b. Functional Code.....	97
	c. Economic Codes.....	97
4.54	Accounting concepts and conventions.....	98
4.55	Accounts Compilation.....	99
4.56	Central Bank: The Cashier of the Government.....	102
4.57	Approval of Taxation Measures: Finance Bill.....	104
4.58	Budget Documents.....	104

CHAPTER FIVE : Medium Term Budget Framework

5.02	What is MTBF.....	107
5.03	Differences between the existing Budgetary System and the MTBF.....	109
5.04	Objectives of the Medium Term Budgetary Framework.....	110
5.05	The MTBF and Budget Cycle.....	112
5.06	Budget Circular under MTBF.....	112
5.07	Experience with Introducing MTBF.....	112
5.08	Public Expenditure Management (PEM).....	113
5.09	Main Features of PEM Objectives.....	113
5.10	Public Expenditure Management Process.....	114

CHAPTER SIX : Budget Implementation

6.02	Budget Execution.....	115
	a. Communication and Distribution of Budget Grants.....	116
	b. How the distribution of grants takes effect.....	116
	c. Release of Fund.....	116
	d. Fund Release Procedures from Non-Development Budget Allocation.....	117
	e. Fund Release from Development Budget.....	117
6.03	Budgetary Control and Delegation of Financial Powers.....	118
6.04	Release of Lump Grant and Development Grant to City Corporation/Municipalities/District Councils/Union Councils/ Gram Sarkars/Bill Tracts Development Board/Hill District Councils.....	118
6.05	Re-Appropriation/Re-Allocation/Additional Allocation.....	119
6.06	Approval of Resource and Expenditure Ceiling by the Budget Monitoring and Resource Committee.....	120
6.07	Revised Authority.....	120
6.08	Budget and Macro Economic Balance.....	121
6.09	Budget and Accountability.....	121
6.10	Accounting Officer: Responsibilities.....	122
6.11	Responsibilities of Head of the Department and Chief Accounts Officer..	123
6.12	Departmentalization and Management of Accounts and Audit.....	124
6.13	Budget Execution under MTBF.....	125
6.14	Payment Of Budgeted Money.....	125
6.15	Loans and Advances: Clarification by Type.....	126
	a. : Loans and advances bearing interest.....	126
	b Interest free Loans and Advances.....	126
6.16	Budgetary Control and Review Mechanism.....	127
	a. Parliamentary Committees.....	127
	b. Internal.....	130
	c. External.....	131

6.17	Budget Monitoring.....	131
6.18	Monitoring Arrangements in place.....	132

CHAPTER SEVEN : Budget, Annual Plan and Resource Mobilisation

7.01	National Plans and the Annual Plan.....	133
7.02	Budget and the Annual Plan.....	133
7.03	Contents in the Annual Plan.....	133
	a. Public Sector Development Budget.....	134
	b. Private Sector Budget.....	135
	c. Foreign Exchange Budget.....	136
	d. Food Budget.....	137
	e. Foreign Trade Budget.....	139
	f. Price Behaviour/Inflation Forecast.....	140
7.04	Resource Mobilisation.....	140
	i. Policy alternatives and choice:	140
	a. Foreign Assistance.....	141
	b. Domestic Resources and Size of ADP.....	142
	c. Domestic Savings Share between Private and Public Savings.....	142
	ii. Techniques of Resource Mobilisation:	
	a. Taxation.....	143
	b. Subsidy.....	144
	c. Profits from financial and non financial enterprises.....	144
	d. Deficit financing.....	144
	e. Remittances by Workers abroad and other receivable/payments	145

CHAPTER EIGHT : Conclusion

	Conclusion.....	147
--	-----------------	-----

CHAPTER NINE : Beyond Conclusion

9.01	The PROLOGUE.....	151
9.02	Thinking at initial stage and result obtained.....	151
9.03	Components of new ideas: Globalisation.....	151
9.04	International Commitments and non-Government Organisation (NGOS).	152
9.05	Globalisation : What it Imply.....	152
9.06	First Hand Impact of Globalisation in poor countries.....	153
9.07	Recently Accepted Strategy.....	154
9.08	The Epilogue.....	154

LIST OF APPENDICES:

One:	Summary of Budget Estimates.....	157
One:A	Consolidated Fund Receipts.....	158

One:B	Public Accounts of the Republic - Receipts.....	161
Two:	Revenue Budget Calendar.....	163
Three:	Development Budget Calendar.....	164
Four:	Summary MTBF and Budget Preparation Calendar.....	165
Five:	List of authorities responsible for watching the progress of collection and control over expenditure in each demand for grant.....	168
Six:A	Composition of the Medium Term Budget Coordination and Technical Committee.....	181
Six:B	Composition of Budget Monitoring and Resource Committee.....	182
Six:C	Composition and Terms of Reference (ToR) of Budget Management Committee (BMC).....	184
Seven:	A note on SAFE, CONTASA, DOSA, IMPREST AND RPA SAFE PROCEDURE.....	186
Eight:	Institutional Arrangement for Financial Administration.....	188
Nine:	Notes on Classification.....	189
Ten:	Funding Arrangement in Budget.....	198
Eleven:	Unlocking the Potential: PRSP - Executive Summary.....	199
	1. A March of Hope.....	199
	2. The Process of Policy Ownership.....	200
	3. Reading the Poverty Balance Sheet Correctly.....	201
	3.1 An Overview of Poverty Trends.....	202
	Trends in Income Poverty.....	202

LIST OF TABLES:

Table-1:	Poverty and Inequality in the 1990s.....	203
Table-2:	Poverty Self Assessments (percent of rural households).....	206

LIST OF CHARTS:

	Rolling characteristics of MTBF.....	108
	Phases of Budget Monitoring.....	114
	Abbreviations.....	218
	Bibliography.....	221

INDEX:	225
---------------------	-----