Information Kit on the Budget of Bangladesh

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1. Overview of the Budget of Bangladesh

1.1 Introduction

Government Budgets contain the strategies for mobilisation, allocation and disbursement of public money by means of fiscal and monetary operations with due consideration of political, economic, and bureaucratic decision-making process. Constitutionally, Bangladesh uses the term 'Annual Financial Statement', which shows the estimated receipts and expenditures of the government for a particular financial year. In accordance with the Constitutional provisions in the country, the budget is divided into Consolidated Fund (CF) and Public Account (PA) of the Republic.

Consolidated Fund includes all receipts of the government, all loans and grants received from domestic and foreign sources and the recoveries of loans and interest thereon. All disbursements for both revenue and development heads are made from the CF. On the other hand, receipts in PA represent that part of the exchequer, which do not constitute the Consolidated Fund. These relate mostly to transactions, in which the government acts as custodian or banker in trust. These receipts include provident funds of government employees, post office savings deposits, various deposit accounts (local funds, judicial deposits, foreign aid deposits etc.),and adjusting heads like suspense and remittances.

The Consolidated Funds and the Public Accounts are not in practicality separate entities but are distinguished by differences in receipts and disbursements. The transactions in both heads represent inflows and outflows of funds from a single corpus known as the 'exchequer'. The overall balance of the budget, its surplus or deficit, is represented by the difference between total receipts and expenditures of the CF and the PA together.

1.2 Structure of Bangladesh Budget

The Government Budget in the country has two parts: Revenue and Development. The former is concerned with current revenues and expenditures i.e., maintenance of normal priority and essential services, while the latter is prepared for development activities. Formulation of the two budgets follows different procedures. Their financing pattern and the delegated authorities of incurring expenditure in different tiers in them are also different. ***Revenue budget is prepared by the Finance Division and the agency to prepare the Development budget is the Planning Commission.***

Some Characteristics of Budget in Bangladesh

- It is effective during a financial year starting from July 1 and ending on June 30, next year
- Budget is divided into Revenue Budget, Capital Budget and Development Budget;
- The government budgeting is done on a cash basis. Both receipts and expenditures are shown in cash terms;
- Foreign loans are reflected on a gross receipt basis showing total disbursement;
- Budget is prepared on incremental basis, on the basis of upward adjustment of expenditure as against performance budgeting;

Budget Document Consists of:

- Budget Speech
- Budget in Brief
- Annual Financial Statement
- Gender Budget Statement
- Consolidated Fund Receipts
- Demand for Grants and Appropriations

1.2.1 Development Budget

Development budget of the government of Bangladesh is a result of a continuous process of identifying new projects, review of project concept papers (PCPs), and vetting of the projects in ministries and in the Executive Committee of the National Economic Council (ECNEC). Usually by December, the Economic Relations Division (ERD) prepares aid memorandum, circulates it to the ministries for their comments, and based on domestic resource projections by National Board of Revenue (NBR) and the Internal Resources Division, the ERD revises the aid memorandum. The document is then sent to the Cabinet for approval. Resource position for revenue expenditure and budget is then estimated and the Programming Committee finalizes eligible projects for inclusion the Annual development Programme (ADP). In fact, ADP is the development budget, which, like the revenue budget, requires approval of the parliament.

The Annual Plan is a short-term operational plan within the framework of which the Annual Development Programmes (ADP) is drawn. Thus Annual Plan provides the necessary link between the Five-Year Plan and the objective situation obtaining in the economy of the country. The ADP is an integral part of the annual budget. It provides the linkages between the 'annual plan' prepared by the planning commission and the 'annual budget' prepared by the Ministry of Finance.

1.2.2 Receipts in Bangladesh Budget: Receipts in revenue budget consists of domestic receipts (tax and non-tax); foreign grants; capital receipts (foreign loans); domestic capital (net of current receipts and expenditures in public accounts); extra-budgetary resources (debenture of autonomous bodies, their self-financing and accumulated balance, and materials at stock); and domestic loans and advances (net).

Receipts in development budget are grouped as public and private receipts. Public receipts are the revenue surplus from revenue budget (revenue receipts minus revenue expenditures), incomes through new measures (such as new taxes), net domestic capital, and extra budgetary resources. A special form of public receipts is the foreign aid (project aid, counterpart fund from commodity aid and net food aid). Receipts under the private head for development budget are generated through direct private investment, borrowing from banking system and foreign private investment.

1.3 Budget Cycle

The budget is technically the document that includes the government's expenditure and revenue proposals, reflecting its policy priorities and fiscal targets. However, the budget document is the culmination of an on-going budget decision-making process, and of a country's system for managing and assessing its spending and tax policies. Looking at any one aspect of the overall budget system in isolation misses the important interaction between the various parts. Therefore, a discussion on the budget cycle is imperative. The Budget Cycle consists of the major events or stages in making decisions about the budget, and implementing and assessing those decisions.

The budget cycle usually has four stages:

- Budget formulation, when the budget plan is put together by the executive branch of government;
- Enactment, when the budget plan may be debated, altered, and approved by the legislative branch;
- Execution, when the policies of the budget are carried out by the government; and
- Auditing and assessment, when the actual expenditures of the budget are accounted for and assessed for effectiveness.

1.3.1 Budget Formulation: The initial formulation of the budget occurs almost exclusively within the executive branch of government, though it can include a number of actors within the branch. Typically, the Ministry of Finance or a division within it — coordinates and manages the formulation of the budget, requesting information from individual departments and proposing the trade-offs necessary to fit competing government priorities into the budget's expenditure totals. This process can take a few weeks to several months, largely depending on the extent to which departments are involved and their views are taken into account.

The quantum and character of the budget are largely determined by its projections of key parameters — such as economic growth, inflation, or demographic changes — that will influence overall revenues and expenditures. The contours of a budget also are influenced by overarching goals, such as maintaining the deficit or debt at a certain level, raising or reducing taxes, or increasing expenditures for certain priority areas.

In Bangladesh, Finance Division of the Ministry of Finance is responsible for preparation of the national budget and its submission to the parliament. It is responsible for finalising the budget documents encompassing all stages from collection, examination of ministerial submission and passage through parliament to final publication of it. Budget and development wings of finance division take care of revenue and development budgets respectively while the internal resources division prepares the taxation proposals.

The Finance Division receives estimates of expenditure from all the spending agencies (Ministries and Divisions) of the government and estimates of receipts. These estimates of receipts and expenditures reflect the following figures (i) actual expenditure of the previous year, (ii) last year's budget, (iii) three months actuals for the last two years, (iv) last year's revised budget and (v) current year's budget along with original proposals. These estimates are discussed, finalized and consolidated into the budget to be presented in the Parliament.

The Finance Minister places the budget before parliament in June. It accompanies an introductory speech known as Budget Speech consisting of two parts. Part I deals with the overall financial and economic conditions prevailing in the country, government economic performance during the last one year and government economic plans and programmes and the budgetary allocation. Part II deals with taxation measures. After budget discussions, money bills, supplementary bill, and appropriation bill are placed before the parliament. If, for any reason, it is not possible to pass the appropriation bill within 30 June, a vote on account bill has to be placed before the parliament. Usually, through this bill an amount equivalent to two months expenditure is sanctioned.

1.3.2 Budget Enactment: The second stage of the budget cycle occurs when the executive's budget is discussed in the legislature and consequently enacted into law. This stage begins when the executive formally proposes the budget to the legislature. The legislature then discusses the budget, which can include public hearings and votes by legislative committees. The process ends when the budget is adopted by the legislature, either intact or with amendments. The budget also can be rejected by the legislature and, in some countries, replaced by the legislature's own proposal[1].

Proposed expenditure from the consolidated fund outside the category of charged expenditure is submitted to the parliament in the form of demand for grants for approval by vote and the expenditure so approved is known as voted expenditure. Charged expenditure, constituted by expenditure like salaries and other expenses of Constitutional bodies that are charged on the Consolidated Fund, is not subject to vote of Parliament. After the parliament approves the demand for grants, the government places before the parliament an **Appropriation Bill** seeking its approval to withdraw money from the consolidated fund to meet the expenditure already approved.

The **Vote on Account** procedure allows the parliament to debate the budget proposals and the policies of the government without interrupting normal operations. Traditionally in Bangladesh, the government the government seeks votes on account for one fourth of the proposed budget. A separate appropriation act is passed for the amount for which vote on account is being sought.

The Constitutional provides for **Supplementary Grant and Excess Grant** (Article 91) allowing the government to incur expenditure in excess of the provision. The budgetary practice in Bangladesh does not make any distinction between supplementary grant and excess grant; both are treated as excess expenditure.

In order to finance the expenditure contained in the approved budget, the government may need to impose new taxes, or raise the rates of existing taxes. This is done through the **Finance Act** (Article 81).The taxation proposals become effective on their introduction in the parliament in accordance with the Provisional Collection of Taxes Act, 1931.

1.3.3 Budget Execution — Implementation, Monitoring, and Control: The next stage of the process occurs once the budget has been enacted. Governments differ widely in how they regulate and monitor spending to ensure adherence to budgets.

[1] Rules and procedures of legislation of budgets in the Parliament is discussed in detail separately.

In some cases, the Treasury (or Finance Ministry) exercises strong central control over spending, reviewing allocations to departments and approving major expenditures. Where departments are more independent, treasuries will monitor expenditures by requiring, for instance, regular reporting by each department of its spending.

In practice, budgets are not always implemented in the exact form in which they were approved; funding levels in the budget are not adhered to and authorized funds are not spent for the intended purposes. Deviations can result from conscious policy decisions or in reaction to changing economic conditions, but concerns arise when there are dramatic differences between the allocated and actual budgets that cannot be justified as reflecting sound policy. While these cases can result from outright abuse by the executive, they may also reflect the effects of a poor budget system and technical problems that make it difficult for the executive to implement the budget in line with what was enacted into law. For instance, the budget may not be clear about the intended purposes of particular funds, while weak reporting systems can limit the availability of information that the executive needs to monitor the flow of expenditures.

With the enactment of budget in the parliament, its implementation usually rests with the executive ministries, their attached and subordinate offices. The Secretary of the concerned ministry/division in the capacity of principal accounting officer is responsible for ensuring budgetary and financial discipline within his jurisdiction. The overall responsibility however lies with the Finance division under the ministry of Finance.

In Bangladesh, Controller General of Accounting (CGA) plays a critical role in Budget monitoring and reporting in the country. The CGA office uploads budget data from the Finance Division database. It sends these data, combined with revenue and expenditure data from the district and thana offices, to the respective Chief Accounting Officers (CAOs) on a monthly basis. All secretaries get monthly management reports from their CAOs. The Finance Division receives monthly reports of expenditure from the CGA. A recently established Financial Information

Monitoring Unit analyzes these reports. Comparisons with the budget are left to the individual ministries and divisions until mid-years; when they are called on to provide their supplementary estimates. The fiscal reporting system does not adequately monitor the fiscal deficit and its financing, provide information for managing the Government's cash and debt position, monitor expenditures in relation to appropriations, or provide analysis to assist policy formulation and performance measurement.

1.3.4 Audits and Performance Evaluations: The last stage in the budget cycle includes a number of activities that aim to measure whether there is an effective use of public resources. Ideally, the executive branch should report extensively on its fiscal activities to the legislature and the public. These fiscal activities also should be subject to regular review by an established independent and professional body, such as audit institutions or an Auditor General. The audit office should have the capacity to produce accurate reports in a timely manner.

Evaluation and auditing are not only necessary for the legislature to exercise its oversight function, they are an integral part of the overall public expenditure management system; reports on performance are necessary to secure the best possible use of public resources. A strong emphasis of modern budgeting reforms is to provide public entities and agencies with information on performance in order to improve their operations.

Internal Audit

The internal audit function is at an early stage of development in government agencies in Bangladesh. Internal audit units exist only in large ministries and major autonomous bodies, and mainly perform pre-audit functions. There is no central oversight of internal audit standards, and performance audit is virtually unknown. The Secretary, as Principal Accounting Officer (PAO), needs to ensure that transparency and accountability, with the support of the Chief Accounting Officer and Internal Audit Officer, procedures are clearly laid down, that officers are trained in them, that records are properly managed, and officers are supervised and corrected where necessary.

External Audit

The Comptroller and Auditor General (C&AG) is a key player in the system of public accountability to Parliament. In theory, the C&AG have constitutional independence, and the appropriation of his audit directorates is not subject to parliamentary vote. In practice, however, the role of external audit in Bangladesh is compromised by its simultaneous responsibility for both accounting for and subsequently auditing the expenditures incurred by the Government and by its financial and administrative dependence on the executive branch. In addition, the pace of audit settlement is extremely slow, which seriously undermines the incentive for quality audit report.

C&AG's audit staff are drawn from the same cadre as accountants, and trained auditors can be transferred back into accounting posts. The C&AG is treated as part of the executive and in practice seeks approval from the Ministry of Finance and the Ministry of Establishment for financing and staffing decisions. As a result of insufficient qualified auditors, public audit covers only 16-25 percent of the C&AG's mandate each year, and major areas of public activity, such as public revenues, are not audited.

The focus of audits generally tends to be on scrutinising minute details of transactions rather than ensuring an effective overall control environment. This in turn weakens the incentives to comply with the Government's financial regulations and makes it difficult to impose management accountability for performance. There is also a problem of insufficient transparency, as audit reports, which are presented to Parliament, are generally not available to the public except through occasional media leakage.

Table 1 : Budget Calendar - Revenue

Date	Activity Revenue Budget
31st August	Printing and Distribution of Budget Forms (Estimating Officers forms and Controlling Officers Forms) for next financial year.
30th September	Preparation, printing and supply of Budget Forms to the CGA (CGA's forms)
10th October	Submission of estimate by the Estimating Officers
31st October	Receipt of estimates in Ministry of Finance and CGA's office from the CAO's with 3 months actuals.
25th November	Receipt of consolidated estimates in Ministry of Finance with 3 months actuals from the CGA's office
20th January	Completion of examination of Budget Estimate in the Ministry of Finance
22nd January	Receipt of schedule of new expenditure in Ministry of Finance
15th February	Receipt of 6 months actuals from CGA's office
15th February	Commencement of Budget meetings with Sector(Line) Ministries at Ministry of Finance
28th February	Completion of review of the estimates on the basis of 6 months actuals in the Ministry of Finance
1st March	Preparation and dispatch to the printers of 1st edition of the Budget and Schedule of New Expenditure
10th March	Receipt back of the 1st edition of the Budget from the printers and dispatch to the Ministries
28th March	Completion of Discussion of the Estimates with Sector (Line)Ministries
7th April	Presentation of the Budget estimates to the Cabinet
May	Preparation and printing of Budget Estimate, details of Receipt and Expenditure, Supplementary Estimate, Finance Minister's speech and Budget at a glance
May	Presentation of Supplementary Estimate to Parliament
1st week June	Presentation of the Budget estimate to Parliament
1st week June	Authentication of Supplementary Estimates
1st July	Authentication of Budget Estimate

Source: Bangladesh: Government that works- reforming the public sector, World Bank Report No15182 BD, 1996, pg.95.

Table 2 Budget Calendar – Development Budget

Date	Aid Memorandum	Project Planning and Approval	Resource Projections	Three Year Rolling Investment Program	Annual Development Program	Development Budget
July/ Aug		Continuous process		Proposals for Inclusion in TYRIP requested by Planning Commission		
Sept		New projects submitted by Directorates to Ministry Planning Cell				
Oct			Projections made for TYRIP Projections made for Revised ADP	Continuous flow of project through Programming Committee		
Nov	Preparation of Outline by ERD Sector(Line) Ministry submissions requested by Planning Commission	Project concept papers submitted by Ministry of Planning Cell to Sector Division Planning Commission. Sector Division submit project concept papers to ECNEC	Tax revenue projections requested by Budget Wing from Research Dept. NBR.	TYRIP completed utilizing Indicative resource details		
Dec		ECNEC approvals granted		Printing	Estimates requested for revised budget	
Jan	Sector Ministry submissions received Draft Submitted to Cabinet by GED	Sector Ministry prepares detailed project proforma			Revised estimates received from Sector Ministries	
Feb	Cabinet approval	Sector Minister approval sought			Revised ADP completed	
Mar					Sector Ministries submit estimates	Conversion of revised ADP commences
Apr					Sector Division scrutiny and Ministry meetings Programming Committee Meetings	
May			Final Resource estimate available		ADP finalized and forwarded to ECNEC for approval	ADP converted to Development Budget

Source: Bangladesh: Government that works- reforming the public sector, World Bank Report No15182 BD, 1996, pg.96.

2. Presentation and Legislation of the Budget in Parliament

2.1 Stages of the Budget debate in Parliament[2]

The ***Annual Financial Statement*** or the statement of the estimated receipts and expenditure of the Government of Bangladesh in respect of each financial year (referred to as "the budget") is presented to Parliament in accordance with the provisions of ***Article 87 of the Constitution***. The budget is presented to the House in such form as the Finance Minister considers suitable.

Budget not to be discussed on presentation**:** Except for the speech of the Finance Minister when presenting the Budget, there is no discussion on the Budget on the day on which it is presented to the Parliament.

The debate on Budget is conducted by the House in the following stages:
(i) General discussion on the Budget as a whole;
(ii) Discussion on demands for grants and appropriations in respect of charged expenditure;
(iii) Voting on demands for grants relating to other expenditure.

The budget in parliament follows a three-step process. After the presentation of the budget (first stage), the second stage begins with a general discussion on it. It provides the most important opportunity for members to express their views on the whole of the budget; they are also entitled to raise and discuss any issue they consider important. Even issues that are not related to the budget can also be routinely discussed. The Rules, however, do not allow any motion to be moved at this stage. Nor can budget be submitted to the vote of the House. The Business Advisory Committee (BAC) decides in advance the time needed for discussing the budget at different stages. Usually more time is allotted for the general discussion of

[2] The demands for grants in respect of charged expenditure shall not be submitted to the vote of the House.

the budget. Nearly all of the members of parliament have an opportunity to take part in the general discussion.

1) General discussion of the Budget: On a day appointed by the Speaker, subsequent to the day on which the Budget is presented, the House discusses the Budget as a whole or any question of principle involved therein. However, no motion is moved at this stage nor is the Budget submitted to the vote of the House.

2) Discussion on Demands for Grants: A separate demand is made for grants proposed for each Ministry. The Finance Minister may include in one demand, grants proposed for two or more Ministries or Departments, or make a demand in respect of expenditure that cannot readily be classified under particular Ministries.

Each demand contains a statement of the total grant proposed and then a statement of the detailed estimate under each grant divided into items. No demand for grant shall be made except on the recommendation of the President.

After the general debate on the budget is over, discussion on demands for grants and appropriations in respect of charged expenditure commences. This is merely a formality. As the constitution and the Rules bar voting on the charged expenditure, this stage of the budget process in parliament does not cause any major excitement. But the proposals for voting on demands for grants for different government departments/ministries always cause controversy and heated debates.

Discussion and vote on demands for grants always generate heat and controversy. It is, however, at this stage that the members can move motions to reduce expenditure, the Rules do not allow any motion aimed at increasing expenditure. Nor can any motion be proposed for altering the destination of a grant. Members can move three types of motions to reduce expenditure; these are commonly referred to as policy cut, economy cut and token cut.

3) Voting of demands for grants: The Speaker, in consultation with the Leader of the House, allots number of days that is compatible with the public interest for discussion and voting on demands for grants. On the last of the allotted days, at the time when the meeting is to terminate or at such hour, the Speaker may fix in advance, every question necessary to dispose of all the outstanding matters in connection with the demands for grants is put forward.

2.2 Motions

Motions may be moved to reduce a demand for grant but not to increase a grant or to alter the destination of a grant. Neither any amendment to motions to reduce any demand for grant is permissible. When several motions relating to the same demand for grant are offered, they shall be discussed in the order in which the heads to which they relate appear in the Budget.

Cut motions: A motion may be moved to reduce the amount of a demand in any of the following ways: -

- "that the amount of the demand be reduced to Taka 1" representing disapproval of the policy underlying the demand. Such a motion is known as "***Disapproval of Policy Cut***". A member giving notice of such a motion indicates in precise terms the particulars of the policy which he proposes to discuss. The discussion is confined to the specific point or points mentioned in the notice and it shall be open to members to advocate an alternative policy.

- "that the amount of the demand be reduced by a specified amount" representing the economy that can be effected. Such specified amount may be either a lump sum reduction in the demand of omission or reduction of an item in the demand. The motion shall be known as "***Economy Cut***". The notice indicates precisely the particular mater on which discussion is sought to be raised and speeches shall be confined to the discussion as to how economy can be effected;

- "that the amount or the demand be reduced by Taka 100/-" in order to ventilate a specific grievance which is within the sphere of the responsibility of the Government. Such a motion shall be known as "***Token Cut***" and the discussion thereon shall be confined to the particular grievance specific in the motion.

2.3 Vote on Account

A motion for vote on account states the total sum required and the various amounts needed for each Ministry, Department or other items of expenditure which compose that sum. These are stated in a Schedule appended to the motion. Amendments may be moved for the reduction of the whole grant or for the reduction or omission of the items whereof the grant is composed.

2.4 Supplementary, Excess and Exceptional Grants and Vote of Credit

Supplementary, excess and exceptional grants and votes of credit are regulated by the same procedure as is applicable in the case of demands for grants subject to such adaptations, whether by way of modification, addition or omission, as the Speaker may deem necessary or expedient.

Scope of discussion on supplementary grants

The debate on the supplementary grants shall be confined to the items constituting the same and no discussion may be raised on the original grants nor policy underlying them except for explaining the particular items under discussion.

2.5 Appropriation Bill

Subject to the provisions of the Constitution, the procedure in regard to an Appropriation Bill is the same as for Bills generally, with modifications as the Speaker may consider necessary.

The Constitution provides that:

- Appropriation Bill shall not be referred to any Committee;
- No amendment may be proposed to any such Bill which has the effect of varying the amount of any grant made by the House or altering the purpose to which it is to be applied, or varying the amount of any expenditure charged on the Consolidated Fund.

The debate on an Appropriation Bill is restricted to matters of public importance or administrative policy implied in the grants covered by the Bill which have not already been raised while the relevant demands for grants were under consideration.

If an Appropriation Bill is in pursuance of a supplementary grant in respect of an existing service, the discussions is confined to the items constituting the same, and no discussion shall be raised on the original grant nor the policy underlying it except for explaining a particular item under discussion.

2.6 Finance Bill

Finance Bill means the Bill ordinarily introduced in each year to give effect to the financial proposals of the Government for the following financial year and includes a Bill to give effect to supplementary financial proposals for any period.

On a motion that the Finance Bill be taken into consideration, members may discuss matters relating to general administration, local grievances within the sphere of the responsibility of Government or monetary or financial policy of the Government. In other respects, the rules applicable to other kinds of Bills apply except that the Finance Bill is not referred to any committee.

3. Institutions Influencing Budget Formulation and Implementation

3.1 Ministry of Finance

The Ministry of Finance in Bangladesh is the nodal agency responsible for resource mobilization, budget formulation and management of the economy (including economic relations) in the country. The ministry has three divisions: the Finance Division, the Internal Resources Division (IRD) and the Economic Relations Division (ERD).

Internal Resources Division (IRD): Internal Resources Division (IRD) was set up at the instruction of the government through Notification no. 4/59/79 - Rules dated Dhaka the 21st April, 1979 by reorganising the Ministry of Finance. Its main responsibilities include generating of necessary domestic revenue for the Government from sources like Income Tax, Sales Tax, Excise Duties, Customs Duties, Fees etc. other than land revenue, Lotteries, Stamps Duties, National Savings etc. It is also responsible for liaisons with international organisations and matters related to treaties and agreements with other countries and world bodies related to subjects allotted to this Division.

The IRD also houses the **National Board of Revenue (NBR)**, which is the central authority for tax administration in Bangladesh. It is responsible for formulation and appraisal of tax-policies and tax-laws, negotiating tax treaties with foreign governments and participating in inter-ministerial deliberations on economic issues having a bearing on fiscal policies and tax administration. The main responsibility of NBR is to collect domestic revenue (primarily, Import Duties and Taxes, VAT and Income Tax) for the government. Other responsibilities include administration of all matters related to taxes, duties and other tax producing fees.

Finance Division: The Finance Division is responsible for compilation and formulation of the Annual Budget in Bangladesh. In this regard, it is also responsible for preparation and updating of Medium Term Macro-economic Framework

(MTMF). It is also responsible for preparation of a Medium-Term Budgetary Framework (MTBF) consisting of macroeconomic outlook of the country, expenditure priorities and allocations, medium-term revenue performance and Ministry Budget Framework (MBF) of 32 different Ministries/Divisions. Under the MBF Ministries/Divisions lay down their medium term strategy linking policies and priorities with resource allocation and resource allocation with the performance of departments and agencies. Another distinct feature of MBF is that it delineates impacts of public expenditure on poverty reduction and gender advancement.

Economic Relations Division (ERD): ERD is an important division within the finance ministry with its primary role being mobilizing external resources for socio-economic development of the country. ERD acts as the Government interface with development partners as well as for co-ordination of all external assistance inflows into the country. It assesses the needs of external assistance, devises strategy for negotiations and mobilizing foreign assistance, formalize and enables aid mobilization through signing of loans and grant agreements, determines and executes external economic policy.

3.2 Planning Commission (PC)

The Bangladesh Planning Commission was established in January 1972. It was established under a cabinet decision like any other PC in South Asia. The Bangladesh Planning Commission is the central planning organization of the country. It determines objectives, goals and strategies of medium and short-term plans within the framework of long-term perspective and formulates policy measures for the achievement of planned goals and targets.

In addition, the Planning Commission was to serve as the Secretariat for major economic policy questions and for initiating the appraisal of development projects and programmes by the National Economic Council (NEC). The NEC was created to serve as the economic mini-cabinet, consisting of the main economic ministers of the cabinet and headed by the Prime Minister.

Its main activities include the following elements of development planning:

- **Policy Planning:** determination of goals, objectives, priorities, strategies and policy measures for development plans;
- **Sectoral Planning:** identification of the role that the various sectors of the economy are required to play in the context of the Plan objectives and goals;
- **Programme Planning:** formulation of detailed resource allocation to realize the Plan objectives and goals;
- **Project Planning:** appraisal of projects embodying investment decisions for the implementation of the sectoral plans; and
- **Evaluation:** impact analysis of projects, programmes and Plans on the people's living standard.

Functions of the Bangladesh Planning Commission in more concrete terms are:

- Formulation of country's medium-term (5 years) macro plan within the framework of long-term (15-20 years) perspective,
- Formulation of the Three Year Rolling Investment Programme (TYRIP) in consistence with the Five Year Plan,
- Formulation of Poverty Reduction Strategy Paper (PRSP),
- Preparation of Annual Development Programme (ADP) within the framework of TYRIP and Five Year Plan,
- Appraisal of project proposals for the Executive Committee of National Economic Council (ECNEC) and the Minister for Planning,
- Evaluation of Plans and their impact on the economic development.

National Economic Council (NEC)

The National Economic Council (NEC) is the highest economic policy-making body of the nation. The Chairman of the NEC is the Chief Adviser and cabinet secretary, secretary to concerned ministry and division and Governor of Bangladesh Bank are other supporting officials. Planning Division provide secretarial service to the NEC.

Functions of the NEC:

- To provide overall guidance at the stage of the formulation of Five Year Plans, Annual Development Programmes and Economic Policies,
- To finalize and approve plans, programmes and policies,
- To review progress of implementation of development programme,
- To take such others decisions and actions as may be considered necessary for socioeconomic development,
- To appoint such committees as deemed fit to assist the NEC in the due discharge of its responsibilities,
- Meeting of NEC will be held every month and can be held earlier if required.

3.3 Parliamentary Committees

Parliamentary surveillance of the activities of Government is a pillar of public accountability under the Constitution. It could be said that the development of parliamentary surveillance is one of the main indicators of progress in a nascent democracy. The principal Parliament Committees for this purpose are the Public Accounts Committee (PAC), Public Estimates Committee (PEC), Public Undertakings Committee (PUC) and Standing Committees on individual ministries (SCMs).

The PEC has been active in investigating procurement transactions before commitments or expenditures were made. Generally, however, review is ex post facto. The PAC review is not only after the event, but after the C&AG has reported on it, which may be years later.

The division of functions among the Committees is not very clear. The PAC is mainly concerned with the legitimacy of public expenditures, whether money is used for the purposes intended and that the regulations were followed. This is also within the mandate of the SCMs. The mandate of PEC is to examine the efficiency and economy of expenditures. They need not limit themselves to official policies underlying the expenditures and can make recommendations on alternative policies that would be more efficient. The PUC examines the non-bank public enterprises, but these are also within the ambit of the other financial committees and the respective SCMs. There is no overall coordination in the choice of issues examined and there have been some overlapping inquiries. A Liaison Committee comprising all the Committee chairpersons and with the Speaker as Chairman was recommended at the Oversight Conference as a coordinating device. This Committee would also arbitrate on conflicts of jurisdiction.

Composition of Committees

In the present Parliament, the three financial committees and almost all the SCMs are chaired from the ruling party, and membership is usually divided 60% to the ruling party and 40% to opposition parties. (The PAC has l5 members; other Committees have 10). The former practice of having Ministers chair Committees has been discontinued. This still leaves it open to Ministers to sit as members of Committees other than the three financial committees from which they have always been excluded by the Rules. Ministers can still be members of the SCMs and this reduces the freedom of backbenchers to raise matters of public interest. Consideration should also be given to appointing members of the opposition as chairmen of committees. The most important committee for accountability is the PAC. The PAC could be chaired by an opposition MP so as to ensure the perception of independence from the party in power.

Committees have considerable investigative powers. They can send for persons, papers and records and examine witnesses under oath. They also have as much access to the C&AG as they need; though only the PAC so far has availed itself of his services. The C&AG is Parliament's major informant. Neither the media nor civil society/private sector groups are a source of information for the PAC, unlike in western parliamentary systems, where employers, trade unions, NGOs and professional associations increasingly interact with the parliamentary watchdogs.

3.4 The Comptroller and Auditor General

Crucial to any system of democratic government is a robust mechanism to ensure transparent financial accountability. In Bangladesh, the chief responsibility for financial monitoring of government lies with the office of the Comptroller and Auditor General (CAG). This office is responsible for verifying ex-post that all public expenditures including aid-financed development spending; conform to administrative, legal and legislative requirements. The CAG currently carries out regulatory and certification audits of all Government of Bangladesh agencies, SOEs, and Project Implementation Units (PIUs). These conventional audits are meant to detect deviations from rules or any losses of public moneys through negligence or fraud. To a lesser degree, these audits are also used to detect the misuse and waste of public resources. Although the CAG is appointed by the Government, the Constitution provides for its independence. CAG report is presented to President who submitted those report in the Parliament and public Account Committee take up analyze and scrutinize it in the floor of the parliament

4. Documents Related to Bangladesh Budget

4.1. Budget Document

4.1.1 Budget Speech: It is an introductory speech consisting of two parts. Part I deals with the overall financial and economic conditions prevailing in the country, government economic performance during the last one year and government economic plans and programmes and the budgetary allocation. Part II deals with taxation measures. (Source: www.mof.gov.bd)

4.1.2 Annual Financial Statement: It provides summary of Budget Estimates of receipts and expenditure of the government for a particular financial year and Revised Estimates and Budget Estimate of the previous financial year. It provides statements of receipt, developmental and non-developmental expenditure from the Consolidated Fund and receipt and payment from the Public Accounts of the Republic. (Source: www.mof.gov.bd)

Contents of Annual Financial Statement

Summary of Budget Estimates

Statement 1	Consolidated Fund - Receipts : Economic Analysis Summary
Statement 2	Consolidated Fund - Receipts : Summary by Ministry/Division
Statement 3	Public Accounts of the Republic - Receipts
Statement 4	Consolidated Fund : Non-Development Expenditure - Economic Analysis Summary
Statement 5	Consolidated Fund : Development Expenditure - Economic Analysis Summary
Statement 6	Consolidated Fund : Non-Development Expenditure (Ministry/Division Wise)
Statement 7	Consolidated Fund : Expenditure (Ministry/Division Wise)
Statement 8	Consolidated Fund : Development Expenditure - Ministry/Division Wise
Statement 9	Public Accounts of the Republic - Payment
Statement 10	Demand for Grants for 2009-10
Statement 11	Demand for Grant and Appropriation for 2009-10

4.1.3 Budget in Brief: The document provides an overview of all aspects of revenue and capital resources and development and non-development expenditure of the government.

Contents of Budget in Brief

Budget at a Glance

Graph – I: Non-Development and Development Budget : 2009-10 (Resources Coming From)

Statement – I: Broad Details of Revenue Receipts

Statement – II: Non-Development and Development Expenditure

Graph – II: Non-Development & Development Budget : 2009-10 Use of Resources (Including Subsidies and Pension)

Statement – IIA: Non-Development and Development Budget : Use of Resources

Graph – IIA: Non-Development & Development Budget : 2009-10 Use of Resources (Subsidies, Pension and Interest excluded from Sectors and shown separately)

Statement – III: Broad Details of Non-Development Expenditure

Graph – III: Non-Development Budget : 2009-10 Detail of Non-Development Expenditure

Statement – IV: Economic Analysis of No-Development Expenditure

Graph – IV: Non-Development Budget : 2009-10 Economic Analysis of Non-Development Expenditure

Statement – V: Foreign Assistance

Statement – VIA: Loans & Advances and Other Non-Development Expenditure

Statement – VIB: Domestic Borrowing

Statement – VII: Public Accounts of the Republic

Statement – VIII: Summary of Food Account

Statement – IX: Resources for Annual Development Programme

Statement - X : Development Expenditure by Ministry / Division

Graph – V: Development Budget : 2009-10 Details of Development Expenditure

(Source: www.mof.gov.bd)

4.1.4 Gender Budget Statement: It provides gender disaggregated budget and beneficiary data for four ministries viz. Education, Health and Family Welfare, Social Welfare and Food and Disaster Management. (Source: www.mof.gov.bd)

4.1.5 Consolidated Fund Receipts: The document provides details of receipts in the Consolidated Fund of Bangladesh for all Ministries and Divisions. In addition it also provides a summary and an economic analysis of the receipts. (Source: www.mof.gov.bd)

4.1.6 Demands for Grants and Appropriations: It shows the details of development and non-development expenditure across all the ministries and divisions of the government. It also gives a segregation of charged expenditure and other expenditure for all the ministries in addition providing the aggregate revised estimates of these ministries for the previous three years. (Source: www.mof.gov.bd)

4.2. Medium Term Budget Framework (MTBF): The MTBF consists of two parts with the Part I consisting of "Macroeconomic Outlook", "Fiscal Strategy" for the fiscal year, "Expenditure Priorities and Allocations" and elucidation on "Medium term Revenue Performance, Outlook and Strategy". Part II of MTBF consists of "Ministry Budget Framework (MBF)" for 32 ministries/divisions. Under the MBF Ministries/Divisions lay down their medium term strategy linking policies and priorities with resource allocation and resource allocation with the performance of departments and agencies. (Source: www.mof.gov.bd)

4.3. Bangladesh Economic Review: It is published by the Finance Division, Ministry of Finance as one of the background documents of the national budget of Bangladesh. The Bangladesh Economic Review mostly focuses on trends of macroeconomic indicators, development policy, strategy and sectoral progress of Bangladesh economy. (Source: www.mof.gov.bd)

Contents of Bangladesh Economic Review

4.4. Annual Development Programme (ADP): The ADP details the financial allocations of sectoral development project to be undertaken by the government in a financial year and their financing pattern in terms of, amount of resources available locally and amount of project aid. In addition, it also shows the amount of allocation to be transferred to local bodies and other government bodies to carry out developmental activities. (Source: www.plancomm.gov.bd)

4.5. Monthly Fiscal Report: Monthly Fiscal Reports provide details of the revenue targets achieved, revenue expenditure incurred on all sectors, development expenditure incurred across sectors and overall balance of the budget till the reporting month. (Source: www.mof.gov.bd)

4.6. ADP Utilization Report: The ADP utilization report provides monthly progress of the allocation and expenditure in the development budget. It also tracks the development expenditure of the ministries with highest ADP allocation. (Source: www.mof.gov.bd)

4.7. Budget Implementation Status: The document provides a glimpse of the implementation status of the budget till the month of December of the financial year. It reports status of revenue generation at the end of third quarter of the year with an economic analysis of the progress made. It also details the progress of revenue and development budget for the financial year till the month of December (end of third quarter). (Source: www.mof.gov.bd)

4.8. Poverty & Budgets: The document shows allocation on poverty alleviation from the National Budget across all Ministries/Divisions of the government. (Source: www.mof.gov.bd)

4.9. ADP Implementation Status: It provides the details of the financial progress of the projects undertaken as part of the ADP. The document provides information across sector, Ministries/Divisions and also fund utilization pattern for the projects as per their sources of financing. (Source: www.imed.gov.bd)

5. Explanatory Note on Budget Terminology

Accounting Systems: Accounting systems record financial transactions. The two major accounting systems are cash accounting and accrual accounting. Cash accounting systems recognize transactions and events when cash is received or paid; they do not recognize non-cash events. Accrual accounting systems, on the other hand, record payments and receipts when parties enter into a commitment, not when cash changes hands. For instance, an accrual accounting system would record the purchase of naval helicopters when the government signs a contract to buy the helicopters, not when the helicopters are actually delivered and paid for (which would be the case in a cash accounting system). An accrual accounting system views the commitment, rather than the exchange of cash for goods or services, as the event that has economic significance. Most governments rely on cash accounting systems.

Appropriation: Appropriation refers to the legal authority granted to the executive by the legislature to spend public funds. Appropriation legislation varies in terms of its detail some provide funds for an entire department, while others provide funds for specific programs. Appropriations typically provide spending authority for a single fiscal year. However, permanent appropriations or standing appropriations provide spending authority over a series of years. Supplemental appropriations are sometimes granted subsequent to the annual appropriation law if the amounts provided in that appropriation prove to be insufficient to meet the intended purpose.

Budget: A budget is a comprehensive statement of government finances, including spending, revenues, deficit or surplus, and debt. The budget is usually the government's main economic policy document, indicating how the government plans to use public resources to meet policy goals. As a statement of fiscal policy, the budget shows the nature and extent of the government's impact on the economy. The budget is prepared by the executive and then generally is submitted to the legislature to be reviewed, amended, and adopted as law. The budget preparation process begins many months before the start of the fiscal year covered by the budget, so that it can be enacted into law before the fiscal year begins.

Capital Expenditure: A government's assets could be financial (e.g. investments, loans/ advances given, equities) or physical (factories, bridges, school buildings, hospital buildings). Almost all financial assets provide future monetary benefits, while some of the physical assets may also provide monetary benefits in future. On the other hand, a government's liabilities are by nature financial and they are amounts owed to other parties (e.g. borrowings and advances received by the government). Capital Expenditure incurred by any government is usually meant for increasing the government's assets or reducing its liabilities.

Debt: Government debt is the outstanding amount that the government owes to private lenders at any given point in time. Governments borrow when they run deficits, but reduce outstanding debt when they run surpluses. Thus debt essentially represents the total of all annual deficits, minus any annual surpluses, over the years. Governments can borrow by taking out a loan directly from a financial institution, such as a bank. Governments can also issue bonds that are purchased by domestic and foreign businesses and individuals. Purchasers of government bonds are essentially lending money to the government with an agreement that the amounts will be repaid on a certain date and that interest will be paid periodically. The interest payments, also known as debt service costs, are a line-item in government budgets. Particularly in developing countries, debt service costs can consume a large share of total spending, reflecting the significant debt accumulated by these countries as well as the high interest rates they must pay to borrow.

Earmark: When funds have been earmarked, it means that they have been dedicated to a specific program or purpose. In some cases, a particular stream of revenue is earmarked for a specific purpose. For instance, revenues resulting from taxes on fuel are frequently dedicated to transportation-related expenses, such as road construction or mass-transit subsidies.

Expenditure: This refers to government spending (or outlays). Expenditures are made to fulfil a government obligation, generally by issuing a check or disbursing cash. Expenditures may pay for obligations incurred in previous fiscal years or in the current year. Expenditures are sometimes distinguished between capital and current. Capital expenditures are investments in physical assets, such as a roads and buildings that can be used for a number of years. Current expenditures reflect spending on wages, benefit payments, and other goods or services that are consumed immediately. Actual expenditure may differ from the amounts established by the budget. Significant and persistent differences between actual expenditure and budgeted amounts are a sign of weakness in a country's budget and expenditure management systems.

Extra-budgetary: The term generally refers to government transactions that are not included in the annual budget presentation. A wide variety of extrabudgetary arrangements are used, including funds set up under separate legislation that are financed by revenue earmarked specifically for that purpose. In other cases, state-sponsored businesses such as utilities or airlines have independence in certain respects, but the government may ultimately be responsible for bailing out these businesses when they run into financial trouble. Extra-budgetary activities may not be subject to the same level of scrutiny or accounting standards as programs in the annual budget (though they should be).

Finance Accounts: Finance Accounts, sometimes called Annual Accounts of the government, is compiled by controller general of accounts (CGA). It incorporates comprehensive accounts of receipts and expenditures of the government. It classifies transactions under respective heads pertaining to all approved heads of government accounts and is kept in two parts. Part one comprises the accounts of total receipts and expenditures, the resultant revenue surpluses or deficits, the capital expenditures, including transactions related to temporary and permanent debts, deposit transactions, and money adjustments. Part two exhibits accounts of debts, deposit transactions, and money remittances. The accounts commence with a certificate of the C&AG that represents and authenticates CGA's reports and accounts.

Fiscal Deficit: Fiscal Deficit of a government is the gap between its "Total Expenditure (including Loans net of Repayments)" and its "Total Receipts (excluding new Debt to be taken)". Thus, Fiscal Deficit indicates the borrowing to be made by the government in a particular year for which the Budget is meant. If Total Receipts (excluding new Debt) exceed Total Expenditure of the government, then there would be a Surplus for the government, and hence, no need for borrowing.

Fiscal Policy: Fiscal policy refers to government actions with respect to aggregate levels of revenue and spending, and the resulting surpluses or deficits. Fiscal policy is the primary means by which the government influences the economy. An "easy" fiscal policy is intended to stimulate short-term economic growth by increasing government spending or reducing revenues. A "tight" fiscal policy restrains short-term demand by reducing spending or increasing taxes and is often intended to restrain inflation. The government sets and implements fiscal policy through the budget.

Fiscal Year: The fiscal year is the government's 12-month accounting period; it frequently does not coincide with the calendar year. The fiscal year is named after the calendar year in which it ends. Function (as in functional classification) — International standards (such as the IMF's Government Finance Statistics) exist for classifying government expenditures and revenue according to the broad purposes for which transactions are undertaken. A functional classification organizes government expenditure according to its various activities and policy objectives — such as health, education, and transportation.

GDP (Gross Domestic Product): This is the total value of final goods and services produced in a country during a calendar year. Economic growth is measured by the change in GDP from year to year.

Grants: Grants are funds that the national government disburses directly to lower levels of government, corporations, non-profit organizations, and individuals. Some grants are given for specific purposes, requiring the recipients to meet certain conditions or requirements. In other cases, the grants may be used for whatever purpose the recipient deems important. For instance, a national government may make general-purpose grants to state and local governments to support their operations or may provide grants targeted at specific programs, such as the construction of a road or the purchase of school textbooks.

Incremental Budgeting: Incremental budgeting typically refers to a budget formulation process that focuses only on one year and how the budget for each program differs from the levels adopted in the previous year. Incremental budgeting is often criticized as having a narrow focus, concentrating on funding changes to existing programs rather than having the flexibility to address the implementation of new policy priorities, or eliminating low priority programs.

Multi-year Budgeting: This term generally refers to budgets that take into account more than one year. In some cases, this means governments enact into law budgets that specify spending and revenue amounts for more than a single year. For instance, many U.S. states enact budgets that specify spending and revenue amounts for two years, and are known as biennial budgets. In other multi-year budgets, only spending and revenue amounts for one year are adopted, but the budget includes estimates for subsequent years that reflect the multi-year impact of its policies and plans; these estimates are not binding on future budgets. In some countries that enact a one-year budget, however, the forward estimates associated with the enacted budget do serve as the starting point for preparing the budget in the next year. This approach is typical in countries that employ a Medium-term Expenditure Framework (MTEF).

Outputs/Outcomes: The performance of government programs is assessed by examining whether they have delivered the desired outputs and outcomes. Outputs are defined as the goods or services provided by government agencies. Some examples include: teaching hours delivered, immunizations provided, or welfare benefits paid. Outcomes are a broader concept and include the impact of the program on social, economic, or other indicators, such as whether an increase in hours taught improved student test scores, whether more immunizations reduced sickness, or whether higher welfare benefits increased social equity. Outputs tend to be easier to measure than outcomes. Further, factors beyond the control of a government program can affect outcomes, making it difficult to assess the impact of the program. For instance, even at a time when welfare benefits are increased, the number of people in poverty could increase as a result of a slowdown in the economy.

Performance Budgeting: As a general concept, performance budgeting refers to a budget process that integrates information about the impact of government spending. In its simplest form, performance budgeting places more emphasis on the outputs and outcomes associated with government expenditure and takes this information into account when setting future funding levels. Performance budgeting is often associated with giving managers of government programs more flexibility to achieve specific policy goals within a set budget. Efficiency of expenditure therefore is an important goal. Developing countries (as well as many developed countries), however, often lack the data and other information necessary to fully assess performance objectives; gathering such information is a difficult task.

Revenues: Revenues or taxes are funds that the government, as a result of its sovereign powers, collects from the public. Typical revenues include individual and corporate income taxes, payroll taxes, value-added taxes, sales taxes, levies, and excise taxes. In contrast, user fees are paid voluntarily by the public in return for a government-provided service or good. Because the purchaser receives a direct benefit (the good or service) in return for paying the fee, the payment is not considered a tax. A tax that increases as a percentage of income as one's income increases is known as a progressive tax; while a regressive tax is one where a taxpayer pays a smaller percentage of income in tax as income increases.

Revenue Deficit: The gap between "Total Revenue Expenditure" of the government and its "Total Revenue Receipts" is called the Revenue Deficit. If Revenue Receipts are higher than total Revenue Expenditure, then the government would have a Revenue Surplus.

Revenue Expenditure: Revenue Expenditure incurred by the government generally does not have anything to do with creation of assets or reduction of liabilities of the government. Most kinds of Revenue Expenditures are recurring or current expenditures, since the government incurs those expenditures periodically from every Budget.

- Some examples of Revenue Expenditure:
- Government pays the Interest charges due on a loan from International Monetary Fund (no effect on the size of the original liability of Government)
- Government expenditure on Food Subsidy (no effect on assets/ liabilities)
- Government spending on Salary of its employees
- Government spending on procurement of medicines for its hospitals
- Government spending on operation and maintenance of its assets

Tax Expenditures: These are concessions or exemptions from a "normal" tax structure that reduce government revenue collections. These tax breaks are typically granted in order to achieve some government policy objective, though they also can result from targeted political pressure. Because the policy objective could also have been achieved through a subsidy or other expenditures, the tax concession is essentially regarded as equivalent to budget expenditure — hence the term tax expenditure. Estimating tax expenditures, however, can be somewhat more complex than estimating budget expenditures, in part because it requires a precise definition and estimation of revenues under the "normal" tax structure and subsequently the revenues lost as a result of the tax break

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