

Chapter 4

BANGLADESH BUDGET IN PRACTICE

1. Introduction

In Chapter 3 we explained the evolution and legal/constitutional heritage of government budgeting in Bangladesh. In this chapter an attempt is made to explain the Bangladesh Budget in practice especially its structure, preparation, procedure, approval and implementation. Accordingly, section 2 deals with the structure, section 3 with the preparation, procedure and approval, and section 4 with the implementation of the Bangladesh Budget.

It should, however, be noted here that the Constitution of Bangladesh (1972) does not use the term 'Budget', rather it refers to the 'Annual Financial Statement' (Article 87), showing the estimated receipts and expenditures of the government for a particular fiscal year. However, it is the term 'Budget' that can be given, as a single name, to the 'Annual Financial Statement'.

2. Structure of the Bangladesh Budget

The GOB, as noted earlier, follows the British system of budgeting along with the system of classifications of government revenues i.e., tax and non-tax revenues (Appendix A), classifications of government expenditures i.e., functional and economic (Appendix B) and financing of a government deficit (Appendix C) as embodied in the IMF's Manual on Government Finance Statistics (GFS), 1974.

Like many other developing countries of the world, the GOB maintains separate current and capital budgets, of which more later¹.

Here, let us first draw a picture of the structure of the Bangladesh Budget at a glance, showing receipt and expenditure on each side of the current and capital budget as shown in the Table 1 below. We

Table 1
Structure of the Bangladesh Budget

Current Budget	
Revenues	Expenditures
Tax Revenue	Current Government Consumption
Non-Tax Revenue	Subsidies, Grants and Transfer Payments
	Interest Payments
	Other Current Expenditures
Revenues — Expenditures = Net Current Surplus or Deficit	
= Net Saving or Dissaving	
Capital Budget	
Receipts	Outlays
Internal Resources	Physical Investment
External Resources	Purchase of Existing Assets
	Net Lending
	Other Capital Expenditures
Receipts — Outlays = Change in Cash Balances	
= Overall Budget Surplus or Deficit	

Source : Drawn on the basis of Budget Summary Statements, Ministry of Finance, GOB.

like to note here, that this structure is a rearrangement of items from Appendix A and B.

In compliance with Article 84 of the Constitution of the Republic (1972), cited earlier, there are two constituent parts

of the 'Annual Financial Statement' or the Budget of the GOB. These are :

- a) The Consolidated Fund; and
- b) The Public Account of the Republic.

These two are, however, not separate physical entities with separate cash balances but grouped distinctly showing the difference between the nature of their receipts and disbursements, their treatment in accounts and the modes of approval of their disbursements.

Receipts side of the Consolidated Fund:

On the receipts side, the Consolidated Fund of the GOB includes²:

- i) Tax Revenue,
- ii) Non-Tax Revenue,
- iii) Grants;
- iv) Public Debt and Advances.

i) Tax Revenue includes:

- a) Taxes on Income and Profits;
- b) Taxes on Property and Capital Transfer;
- c) Taxes on Domestic Goods and Services; and
- d) Taxes on Foreign Trade and Transaction.

ii) Non-Tax Revenue includes:

- a) Interest, Dividend and Profits from Nationalised Sectors;
- b) General Administration and Services;
- c) Social and Community Services;
- d) Economic Services;
- e) Agriculture and Allied Services;
- f) Industry and Mining;
- g) Water and Energy;
- h) Transport and Communications;

- i) Other Non-Tax Revenues; and
- j) Capital Revenue.

(Details of revenue structure are explained in Chapter 5)

iii) Grants include:

- a) Foreign Aid Grants

iv) Public Debt and Advances include:

- a) Domestic Debt (Permanent);
- b) Foreign Debt (");
- c) Floating Debt; and
- d) Loans and Advances

(Detailed analysis of grants, loans and advances is taken up in Chapter 7).

Disbursement Side of the Consolidated Fund:

On the disbursement side, the Consolidated Fund of the GOB is categorised into³.

- i) Revenue Expenditure

(Current non-development expenditure); and

- ii) Capital Expenditure (development expenditure).

(Chapter 6 and 7 deal with revenue expenditure and capital expenditure in details respectively).

According to the procedure laid down in the preparation of the Bangladesh Budget all income and expenditures are grouped under budget heads called 'Major Heads'. These are again divided into Sub-Heads, Minor Heads and Detailed Heads⁴.

Again, the entire receipts and expenditure including loans and advances are arranged with unique 'code' numbers and 'descriptive' numbers for the convenience of identification by source of income and direction of expenditure⁵. The code list of major heads

which is now followed in Bangladesh, however, was revised in 1983⁶, with effect from 1st July, following the analytical framework of 'Government Transactions' as evolved in the International Monetary Fund's (IMF) Draft Manual on Government Finance Statistics within the framework of U.N's 'System of National Accounts' classification⁷.

In Bangladesh all transactions of the government are grouped into six sections, with defined activity/function having specific code numbers (two digits for receipts and three digits for expenditure). Details are given below⁸.

	<u>Activity/Function</u>	<u>Range of Code Numbers</u>
A. <u>Receipts:</u>		
Section I	Revenue and Grants	1 to 73
	Tax Revenue	1 to 19
	Non-tax Revenue	20 to 66
	Capital Revenue	67 to 70
	Grants	71 to 73
Section II	Capital Receipts	74 to 99
	Public Debt and Advances	74 to 79
	Public Account (Receipts)	80 to 99
B. <u>Expenditure :</u>		
Section III	Revenue Expenditure	100 to 179
Section IV	Capital Expenditure	180 to 190
	Public Debt and Advances (Repayment)	191 to 199
Section V	Development Expenditure	200 to 299
Section VI	Public Account (Expenditure)	300 to 320

Public Account;

The Public Account is that part of the exchequer of the Republic which contains receipts other than those of the Consolidated Fund. The Public Account mainly relates to the transactions such as, Government Employees' Provident Fund (State Provident Fund), Post Office Savings Bank Deposits, proceeds of Savings Schemes and various other deposit accounts (viz. judicial deposit, foreign aid deposit, local funds, etc.). It also includes depreciation funds of government commercial departments, various adjusting heads of accounts (suspense and remittance), etc. Its expenditure comprises those disbursements which are set off against its receipts⁹. In respect of all these transactions the GOB acts as the banker or custodian of these funds.

It should be noted here that some of the items of the Public Account represent real cash flows from and into the exchequer, while other items represent only book-keeping transactions. But as a part of the total Annual Financial Statement, the Public Account of the Republic is so construct that the difference between its total receipts and total expenditure always represents a net accretion to or depletion of cash resources in the economy. This is also known as the net domestic capital receipts (plus or minus) and is included in the Consolidated Fund receipts for government spending¹⁰. Interestingly enough, both receipts and expenditure of the Public Account bear the same name but the identification code numbers are different.¹¹

3. Preparation of the Bangladesh Budget

(a) Principles of Preparation

In Bangladesh the budget is prepared for a twelve-month period which begins on July 1, and ends on June 30 of two successive calendar years. The time frame is called a fiscal or financial year. (For example, 1984-85 budget period = 1st July, '84 to 30th June, '85).

The overall budget preparation needs to have a defined time horizon known as budget calendar. The budget calendar of the Government of the People's Republic of Bangladesh is shown in Appendix D. Budgetary measures are adopted on the basis of certain fundamental objectives of economic and financial policies of a country. These objectives are, however, subject to change and influenced by many internal and external factors which are invariably taken into account in formulating the budgetary policies of the government. The distinct policy objectives for budgetary operations and policies in general are:

- i) allocative objective i.e., allocation of resources between the public and private sectors as well as within these sectors for promoting income, employment and output of the nation;
- ii) distribution function, i.e., distribution of income and wealth in conformity with the society's preference pattern; and
- iii) stabilization function i.e., maximising employment consistent with reasonable price stability and a satisfactory rate of growth¹².

In Bangladesh the budgetary preparation involves every year¹³:

- i) formulation of proposals and decisions of running the finances of the government,
- ii) an authorisation for raising the revenue and to incur expenditure,
- iii) a forecast of the results expected in order to formulate future budgetary policy;
- iv) some criteria to determine the relative impact of items under the revenue or the expenditure for attaining the pre-determined objectives during a year.

In Bangladesh following the theoretical policy guide-lines, the 'Annual Budget' is prepared on the consideration of¹⁴:

- i) Expenditure Objectives; and
- ii) Policy Content.

i) Expenditure Objectives:

According to the expenditure objectives the GOB prepares two types of budget —

- a) Revenue Budget or Current Budget (Non-Development Budget); and
- b) Capital Budget or Development Budget.

The Revenue budget contains the revenue receipts from various tax and non-tax sources of receipts as noted in the earlier section, for meeting the current expenditures. Current expenditures are meant for normal running of the various government departments and services like the following¹⁵ :

i) General Services:

- a) General Administration
- b) Law and Order
- c) Defence
- d) Other General Services.

ii) Fiscal Services;

iii) Foreign Affairs;

iv) Social and Community Services;

v) Economic Services;

vi) Subsidies, Grants-in-Aid, Contributions;

vii) Interest Payments and Transfer Payments;

viii) Other Unexpected, Unallocable Expenditures.

In general, the expenditure which does not create any asset is treated as revenue expenditure. In addition, all grants to institutions and other organisations are also treated as current expenditure. The 'Revenue Surplus' or (deficit) in any particular fiscal year is the difference (positive or negative) between revenue receipts and revenue expenditure.

In the capital budget or development budget of the GOB, the receipts by which the development activities are financed include¹⁶—

i) Total Internal Resources Comprising —

- a) Revenue surplus from the revenue budget on the basis of existing taxes and duties.
- b) New tax measures,
- c) Net domestic capital receipts,
- d) Extra budgetary resources,
- e) Net outcome of the food budget,
- f) Recoveries of loans granted to autonomous bodies, and
- g) Sale of government property, treasury bills, etc.

ii) Total Foreign Assistance Comprising —

- a) Project aid,
- b) Non-project aid (counterpart funds of commodity aid) and
- c) Others.

Capital payments which mainly include development expenditure are designed for the purpose of creating capital assets, which add to the existing economic potential and generate investment activity in the economy. The main feature of expenditure in this budgetary account is that these must involve development of infrastructure or acquisition of permanent assets of public utility like irrigation, industrial projects, etc., purchases of land and intangible assets, capital transfer, etc.

The capital transactions are often termed as 'Collective Investment' whereas the current expenditures are termed as 'Collective Consumption'. The former not only change the form but also increases the volume of the gross assets of the government while the latter reduces the gross assets of the government. In identifying the capital expenditure, however, the criteria like life expectancy, revenue producing, depreciation, amortization and capital formation are also considered¹⁷.

ii) Policy Content:

According to the policy content, budgetary preparation in Bangladesh involves:

- a) Proposals for mobilization of resources both internal and external,
- b) Proposals of revenue expenditure for carrying out basic functions of the government,

- c) Proposals of expenditure for development work i.e., ADP,
- d) Credit and liquidity programme, i.e., money budget; and
- e) Authorisation for implementation of budgetary policies¹⁸.

(b) Preparation of the Revenue Budget

Budget preparation is a two-way process of reaching decisions on the size and composition of expenditures and revenues.

The process of budget formulation in Bangladesh is initiated by the Ministry of Finance of the GOB, by issuing budget circulars and directives indicating the principles to be followed in projecting the expenditure and for estimating government income¹⁹. Circulars and directives are issued to the officers in charge of the administrative units where expenditure and collection of receipts will take place. It should be noted here that both estimates of revenues and expenditures should take account of forecasts of economic, demographic, and other conditions of the economy. In a primary-producing country like Bangladesh, economic forecasts are, however, subject to wide ranges of error, but forecasts of some kind cannot be avoided in making budget estimates and budget circulars and directives are made accordingly as far as practicable.

In Bangladesh the circulars and directives are made according to the constitutional provisions and their statutory rules, orders and instructions like²⁰ —

- a) General Financial Rules (GFR),
- b) Bangladesh Financial Rules (BFR),

- c) Treasury Rules (TR), and
- d) Financial Delegation Orders (FDO).

In addition to these, there are defined authorities (known as 'Estimating Authority') responsible for estimating income by areas of activity and watching the progress of collection. Again, there are assigned authorities (known as 'Controlling Authority') responsible for control over expenditure in each demand for grant. The list of authorities are also published by the Ministry of Finance of the GOB²¹.

According to the prescribed rules, the original estimates are framed in greater details by the Agencies and Departments (Administrative Units) keeping in view the trends of past actuals, current trends and future expectations and commitments. The estimating officers of the respective administrative units send their estimates to their 'Controlling Authority (Administrative Ministries or Divisions)'. The latter examine and pass them on to the 'Controller General of Accounts' (CGA) and the Ministry of Finance with their recommendations. The revised estimates for the current year and the budget estimates for the coming year are accordingly made. Meanwhile the CGA forwards the estimates received by him after some re-processing and adding to them the figures of actuals for the previous year²². A set of budget documents showing overall budgetary information of the Bangladesh Budget is placed in Appendix E.

The estimates as recorded by the controlling officers are further scrutinised, checked and balanced in details by the Ministry

of Finance in accordance with the specified forms meant for the estimates in question. On completion of the scrutiny of budget estimates, the Ministry of Finance indicates in a brief note, the basis of judgement about the estimates to be adopted, along with a statement of the supporting reasons, and send it to the 'Controlling Authority' concerned. At a later stage, a series of discussions are held between the representatives of the Finance Division and the Controlling Officers of concerned Ministries and Divisions. And finally, at these discussions, the latest figures of actuals and the estimates are finalised and accepted for inclusion in the 'National Budget',²³.

(c) Preparation of the Development Budget

In Bangladesh 'Development Budget' or Annual Development Programme (ADP) as it is commonly known, is an integral part of the Annual Budget which relates mostly to investment within the framework of the Five-Year Plan. It is the link between the Annual Plan as prepared by the Planning Commission of Bangladesh and the Annual Budget prepared by the Ministry of Finance of Bangladesh. Annual Plan is a disaggregated outlook within the Five-Year Plan framework. Following the Annual Plan the Annual Development Plan (ADP) or Annual Development Budget is drawn²⁴.

The process of preparation of the Annual Development Budget (ADB) thus, involves a close and continuous collaboration between the Planning Commission and the Ministry of Finance. The ADP is, however, primarily formulated by the Planning Commission in consultation with the different Ministries/Divisions and Agencies in

terms of sectoral priorities and programmes to fit into the overall outlay as decided by the Ministry of Finance/Planning Commission.

When the total outlay of the ADP along with sectoral allocations are decided, this is made known by the Planning Commission to the different Ministries/Divisions and Agencies who prepare their respective development projects/schemes in the prescribed proforma given by the Planning Commission known as 'Project Proforma' (PP) for inclusion in the ADP²⁵. Project schemes are classified into three categories as shown below on the basis of their processing, costing and approval.

- Category 'A' : All Projects/Schemes costing upto
Tk. 20 million
- " 'B' : All Projects/Schemes costing over
Tk. 20 million and upto Tk. 50 million
- " 'C' : All Projects/Schemes costing more than
Tk. 50 million.

This categorisation of projects/schemes with cost limitations, however, is flexible and changes over time with the changing needs of the economy. In general, the National Economic Council (NEC) is the highest authority for approval of projects/schemes of any cost range. Besides and below it, there are:

- a) the Executive Committee of the NEC;
- b) the Project Evaluation Committee (PEC) for every sector in the Planning Commission; and
- c) the Departmental Project Evaluation Committee (DPEC) for every Ministry/Division.

The authority component to approve the projects/schemes are as under:

- Category 'A' : Minister-in-charge of the concerned Ministry on the recommendation of DPEC;
- Category 'B' : Minister-in-charge of Planning on the recommendation of the Planning Commission's PEC; and
- Category 'C' : Executive Committee of the NEC on the recommendation of the PEC of the Planning Commission and the Minister-in-charge of the Ministry of Planning.

The Planning Commission of Bangladesh sets general rules/principles following which the schemes/projects are included in the ADP. Accordingly, after the development programmes of various Ministries/Divisions and Agencies are finalised and decided upon, the Planning Commission compiles the ADP and submits the same to the NEC/Cabinet for approval. After the NEC has approved the ADP, the Planning Commission sends them to the Ministry of Finance for reflection in appropriate form in the budget. The Finance Ministry accepts the account of development programme as prepared by the Planning Commission and puts it in the accounting framework of its annual budget in the name of 'Demand for Grants and Appropriations' (Development)²⁶.

4. Approval Procedure

According to the constitutional prerequisite, the procedure of approval of the 'Annual Financial Statement' in Bangladesh can be viewed from three distinct points:

- i) When the Parliament is in Session,
- ii) When the Parliament is not in Session, and

iii) When the Parliament stands dissolved.

(i) When the Parliament is in Session

It is important to note here that a budget presented to the Parliament is preceded by a discussion and approval of the Cabinet although the Finance Minister is responsible for its preparation and presentation. Proposed expenditure from the Consolidated Fund is submitted to the vote of the Parliament in the form of 'Demand for Grants', commonly referred to as 'Voted' expenditure, governed by the provision of Article 89(ii) of the Constitution of the Republic cited earlier.

In accordance with Article 87 of the Constitution of Bangladesh, cited earlier, discussions on budget take place in three stages, namely²⁷:

- (a) a general discussion on the budget as a whole;
- (b) discussion on the demand for grants and appropriations in respect of charged expenditure; and
- (c) discussion and voting, if required, on the demand for grants and appropriations relating to other expenditure.

(a) At the first stage, members of the Parliament can discuss the budget as a whole or a part thereof or can raise any question of principle involved therein. At this stage, the Finance Minister replies to the various questions, but neither a motion is allowed to be moved nor it is allowed to the vote of the House [Article 89(i)].

(b) After the general discussion, discussions on 'Demand for Grants Relating to Charged Expenditure' start, but in accordance with Article 89(i) they are neither submitted to the vote in the Parliament nor any motion can be moved for its reduction.

(c) Finally, according to the provisions of Article 89(i) of the Constitution, proposed expenditure from the Consolidated Fund outside the category of charged expenditure is submitted to the 'vote' of the Parliament in the form of 'Demand for Grants'.

This is commonly referred to as 'Other Expenditure' as distinct from 'Charged Expenditure'²⁸. Ordinarily, each Ministry proposes demand for grants separately but in cases where Ministry-wise classification can not be made readily, the Finance Minister can include in one demand for grants containing:

- a) a statement of total grants proposed; and
- b) a statement of detailed estimate under each grant divided into items.

At this stage motions are allowed to be moved on such grants to reduce a demand for grants but not to increase a grant or to alter the destination or purpose of the grants²⁹.

A member of the Parliament, under such motion, for reduction of a demand, can raise questions on a specific policy and suggest an alternative, known as 'Disapproval of Policy Cut', can suggest a reduction of a specified demand by a specific amount called 'Economy Cut', and can throw specific grievance within the spheres of responsibility of the government called 'Token Cut'³⁰.

It is important to note that the expenditure of the 'Public Accounts' of the Republic does not require a similar treatment of

approval as is required for the 'Consolidated Fund', because its expenditures are set off against its receipts³¹.

After the Parliament has discussed the 'Charged Expenditure' and voted on the 'Demand for Grants', the two are embodied in an 'Appropriation Bill' introduced in the Parliament under the provision of Article 90 of the Constitution, cited earlier³². When the Bill is passed in the Parliament it then becomes an 'Appropriation Act' which forms the basis for all withdrawal from the Consolidated Fund. Thereafter, the Bill is sent to the Head of the State for his formal signature following which the budget becomes operational³³.

The same Parliamentary procedure is also applicable to the 'Supplementary Budget' as well as to the 'Excess Budget'. The 'Supplementary Budget' takes into account additional needs which may have arisen during the year and the 'Excess Budget' embodies additional expenditure that may subsequently be found to have taken place after the close of the year in excess of the demand granted by the Parliament through the Annual and Supplementary Budgets for a particular year³⁴.

Again, when the full procedure leading to the enactment of the Appropriation Bill has not been completed before the commencement of a financial year, the Parliament has the power to make, pending the completion of procedure, an advance grant in respect of estimated expenditure for a part of the financial year known as 'Voted Account', which, however, is subsequently merged in the amount granted for the whole financial year³⁵.

(ii) When the Parliament is not in Session

At any time when the Parliament is not in session, if the President is satisfied that Circumstances exist 'which render immediate action necessary', he may 'make and promulgate such an Ordinance as the circumstance appears to him to require, and any Ordinance so made shall, as from its promulgation, have the like force of law as an Act of the Parliament'³⁶. Again, an Ordinance so made, is to be laid before the Parliament at its first meeting following the promulgation of the Ordinance, 'and shall, unless it is earlier repealed, cease to have effect at the expiration of thirty days after it is so laid or, if a resolution disapproving of the Ordinance is passed by the Parliament before such expiration, upon the passing of the resolution'³⁷.

(iii) When the Parliament Stands Dissolved

At any time when the Parliament stands dissolved and the situation that exist 'which render such action necessary', the President may 'make and promulgate an Ordinance authorising expenditure from the Consolidated Fund' which 'have the like force of law as an Act of the Parliament'³⁸. Here again, the Ordinance so made, 'shall be laid before the Parliament as soon as may be and the provisions of Articles 87, 89 and 90 shall, with necessary adoption, be compiled within thirty days of the reconstruction of the Parliament'³⁹. However, the method of preparation of budget remains the same as they are when the Parliament is in existence.

5. Budget Implementation

Budget implementation or execution is an administrative process which delineates the function between the Ministry of Finance, GOB, and the spending agencies. After the budget has been passed by the Parliament, its implementation rests with the executive Ministries along with their attached and subordinate office. It is thus the responsibility of the spending authorities to ensure that the funds allotted to them are actually spent on the purposes specified in the budget. In other words, the preparation as well as implementation authority should be guided by the fact that a budget implies denial of many requests for funds but allocation to most deserving few. However, the main responsibility lies with the Ministry of Finance, GOB, to see that the approved budget is working on the basis of guided purposes. In other words, the Finance Division of the Ministry of Finance, GOB, is responsible for coordinating the overall discipline in the implementation process of the budgetary proposals and decisions⁴⁰.

The implementation of the budget is also regarded as a part of the budget procedure involving balancing of government income and expenditure. The administrative process involving assessment, collection, enforced collection, legal consequences from individuals, etc. form part of the budget procedure. These together with day to day implementation of the structures of taxes and duties affect the quantum and direction of expenditure involving transfer of resources among different sectors and these, in turn, affect the economic activities during the fiscal year.

Thus the primary concern of the implementation authorities of the budget is to ensure the fulfilment of the financial and economic aspects of outlays. The financial aspects include spending the moneys for purposes specified, maximising government savings, minimising misuses and avoiding lapses or a rush of expenditure towards the end of a fiscal year. The economic task, on the other hand, consists of ensuring that the physical targets of programmes have been achieved.

Under the above circumstances, budget implementation process involves the following interrelated phases:

- a) an allocation system under which expenditure is controlled by release of funds;
- b) acquisition and supervision of funds;
- c) an accounting system that records the government transactions and provides a framework for an analysis of their implementation; and
- d) a reporting system that permits of a periodical appraisal of actual implementation of policies⁴¹.

In Bangladesh for budgetary control and implementation, there is a 'Delegation of Financial Powers', patterned by the Ministry of Finance. This delegation has the power to issue, or refuse to issue, expenditure sanctions within the limit set by the budget⁴². Under the delegated authority of financial powers, administrative Ministries, Divisions and Heads of the Departments are empowered to re-appropriate funds between budget provisions on certain items within the same demand for grants. The Ministry of Finance, however, retains some power, beyond the delegated authority of financial powers. But

reappropriation from one Demand/Grant to another Demand/Grant is not admissible under statutory rules as these are voted by the Parliament or assented by the President. Again, re-appropriation is not admissible from a 'charged' head to a 'voted' head as the voted grant can not be increased except by the Parliament⁴³.

However, it is the accounting system of Bangladesh which acts as the central controlling organisation for the implementation of budget. The accounting system has been designed to ensure the financial control and accountability for the safeguarding of public funds and for the regularity and propriety of expenditure of these funds. No attempt is, however, made here to explain the accounting system of Bangladesh in details but in brief⁴⁴.

In Bangladesh for the regularity and propriety of each individual transaction under the vote, the provision of Principal Accounting Officer (PAO) has been made which is related to a Ministry or a Division and the Secretary or Secretary-in-charge of a Ministry/Division acts as the PAO of the vote/votes of account under it with functions and responsibilities assigned by the Ministry of Finance in 1983⁴⁵.

In addition, under each Ministry/Division there may be one or more heads of departments and under head of department, there may be a number of Drawing and Disbursing Officers with prescribed authority by the existing Financial and Treasury Rules to incur petty expenditures. Again, there is the Chief Accounts Officer (CAO) i.e., head of accounts office, with assigned responsibilities, who provides accounting support to the PAOs and ensure propriety, regularity and accuracy of transactions⁴⁶. In short, after the

budget estimates are approved by the Parliament, the responsibility for the control and use of the budget rests with the PAO, who discharges his duties with the assistance from the heads of department under his control on the one hand and CAOs on the other. This is known as the departmentalisation of accounts⁴⁷.

However, on the accounting side, the main responsibility of preparation and consolidation of the accounts of the Republic lies with the Controller General of Accounts (CGA), who receives and consolidates the accounts from the offices of the CAOs, as well as of the Regional, District and Upasila Accounts Officers. In addition, the audit side is taken care of by the Directors of Audit and the entire accounting and auditing responsibility of the Republic lies with the Comptroller and Auditor General of Bangladesh (C and AG)⁴⁸.

6. Budget Evaluation

In Bangladesh there are three standing committees, constituted by the Parliament, in respect of financial matters of the government i.e. the budget and its proper implementation⁴⁹. These are:

- (i) Committee on Public Accounts (CPA),
- (ii) Committee on Estimates (CE), and
- (iii) Committee on Public Undertakings (CPU).

(i) The CPA or the Public Accounts Committee (PAC), as it is commonly known, is responsible for examination of the annual audited accounts of the public expenditure and consists of not more than 15 members of the Parliament other than Minister, with some assigned responsibilities and functions as laid down by the Rules of Procedure of the Parliament (RPP), quoted below⁵⁰:

"There shall be a Committee on Public Accounts for the examination of accounts showing the appropriation of sums granted by the House for the expenditure of the government, the annual finance accounts of the government and such other accounts laid before the House as the Committee may think fit".

"In scrutinising the appropriation accounts of the government and the report of the Comptroller and Auditor General thereon, it shall be the duty of the Committee to satisfy itself —

- (a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;
- (b) that the expenditure conforms to the authority which governs it; and
- (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority".

"It shall also be the duty of the Committee —

- (a) to examine the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, and projects together with the balance sheets and statements of profit and loss accounts which the president may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or projects and the report of the Comptroller and Auditor-General thereon;
- (b) to examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies,

the audit of which may be conducted by the Comptroller and Auditor-General of Bangladesh either under the directions of the President or by a statute of the Parliament; and

- (c) to consider the report of the Comptroller and Auditor-General in cases where the President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stocks.

If any money has been spent on any service during a financial year in excess of the amount granted by the House for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendation as it may deem fit".

(ii) The Committee of Estimates (CE) which is composed of not more than 10 members of the Parliament other than Minister, is empowered to judge whether the estimates presented before the Parliament are prepared with maximum possible efficiency and economy. The functions and responsibilities of the CE as laid down in the RPP are⁵¹;

- "(a) to report what economies, improvements in organisation, efficiency or administrative reform, consistent with the policy underlying the estimates may be effected;
- (b) to suggest alternative policies in order to bring about efficiency and economy in administration;
- (c) to examine whether the money is well laid out within the limits of the policy implied in the estimates; and
- (d) to suggest the form in which the estimates shall be presented to the House" .

(iii) For the examination of the working of the public undertakings a Committee on Public Undertaking is constituted by the Parliament which consists of not more than 10 members of the Parliament other than Minister. The main functions of this Committee specified by the RPP are ⁵²;

- "a) to examine the reports and accounts of the public undertakings;
- b) to examine the reports, if any, of the Comptroller and Auditor-General on the Public Undertakings;
- c) to examine, in the context of the autonomy any deficiency of the public undertakings, whether the affairs of the public undertakings are being managed in accordance with sound business principles and prudent commercial practices; and
- d) to exercise such other functions vested in the Committee on Public Accounts and the Committee on Estimates in relation to the public undertakings not covered by clauses (a), (b) and (c) above and as may be allotted to the Committee by the Speaker from time to time;

Provided that the Committee shall not examine and investigate any of the following, namely —

- i) matters of major government policy as distinct from business or commercial functions of the public undertakings;
- ii) matters of day to day administration; and
- iii) matters for the consideration of which machinery is established by any special statute under which a particular public undertaking is established".

From the above discussion we may conclude that the Bangladesh Budget in practice is a continuous process of preparation, approval,

implementation and evaluation. However, all these four stages are not water-tight compartments — they are interlinked. For example, a proper preparation of the budget requires a proper evaluation of the past budget and approval depends on the nature of preparation, and so on.

NOTES AND REFERENCES

1. This section and the next two are based primarily on The Budget in Brief, Various Issues, Ministry of Finance, GOB.
2. The Budget in Brief, 1986-87, p. 5.
3. Ibid, p. 5.
4. Ibid, p. 2.
5. Such a list was initially published by the Auditor General of India in 1938, in 4 volumes which, however, was reprinted by the Accountant General of Pakistan with certain changes and has again been adopted by Bangladesh. See M. Hossain The System of Government Budgeting in Bangladesh, Hassan Publishers, Dhaka, 1987, p. 88.
6. For revised code list of 1983, see M. Hossain (1987), Appendix 4, p. 144.
7. IMF, A Manual on Government Finance Statistics, 1974, Draft, Washington, 1974.
8. M. Hossain (1987), p. 92.
9. The Budget in Brief, 1986-87, p. 92.
10. Ibid.
11. For code numbers of receipts and expenditure of the Public Account, see M. Hossain (1987), Appendix 2, p. 136.
12. Wayland D. Gardner, Government Finance, Prentice-Hall, 1978, pp. 3-12. Also see R.A. Musgrave, The Theory of Public Finance, McGraw-Hill, London, 1959, pp 4-25, for details.
13. The Budget in Brief, 1986-87, p. 1.
14. Gulam Kibria, Government Budgeting in Bangladesh (mimeo) Ministry of Finance, GOB, August, 1976.
15. The Budget in Brief, 1988-89, p. 17.
16. The Budget in Brief, 1986-87, p. 19.
17. A.M.A. Muhit, Budgetary Policy (mimeo) Ministry of Finance, GOB, July, 1983.

18. The Budget in Brief, 1986-87, p. 2.
19. General Financial Rules, (Undated), Ministry of Finance, GOB.
20. Ibid.
21. S.U. Patwari, Financial Administration in Bangladesh, Dipika, Dhaka, 1985, Also see M. Hossain (1987), pp. 75-7.
22. M. Hossain (1987), p. 77.
23. Ibid, p. 77. Also see The Budget in Brief, 1986-87, p. 2 and 3.
24. Ibid, p. 83.
25. S.R. Deb, "The System of Government Budgeting in Bangladesh". A paper prepared for Special Foundation Course, BATC, Dhaka, 1988.
26. Ibid.
27. See Rules of Procedure of the Parliament of the Peoples' Republic of Bangladesh, Bangladesh Parliament, May, 1988, for details. Also see M. Hossain (1987), p. 79.
28. The Budget in Brief, 1986-87, p. 3.
29. M. Hossain (1987), p. 80.
30. Ibid, p. 81.
31. Ibid, p. 81.
32. The Budget in Brief, 1986-86, p. 3.
33. Ibid, p. 3.
34. M. Hossain (1987), p. 80.
35. Ibid, p. 82.
36. The Constitution of the Peoples' Republic of Bangladesh, 1972, Article 93(i).
37. Ibid, Article 93(ii).
38. Ibid, Article 93(iii).
39. Ibid, Article 93 (iv).
40. The Budget in Brief 1986-87, p. 4.
41. S.R. Deb, "The System of Government Budgeting in Bangladesh", (1988), p. 2.
42. For details, See General Financial Rules.
43. Ibid.

44. For details see Introduction to Government Accounting : A Guide on the Departmental System of Accounting of the Government of Bangladesh, Finance Division, Ministry of Finance, GOB, 1983.
45. M. Hossain (1987), p. 105.
46. Ibid, p. 107.
47. Ibid, p. 108.
48. For details, see Introduction to Government Accounting, 1983. Also see M. Hossain (1987), pp. 108-09.
49. These Committees are formed in accordance with Rules of Procedure of the Parliament (RPP) of the People's Republic of Bangladesh, Bangladesh Parliament, May, 1980.
50. Ibid, Rule No. 223, quoted in M. Hossain (1987), pp. 110-11.
51. Ibid, p. 112.
52. See Rules of Procedure of the Parliament (1980), Rule No. 238 and 239, quoted in M. Hossain (1987), p. 113.

Appendix A

A Classification of Government Revenues

Tax Revenue	Non-Tax Revenue
1. Taxes on Net Income and Profits (corporate, company, or enterprise, individuals and other)	1. Income from Public Enterprises
2. Social Security Contributions	2. Administrative Fees
3. Employers Pay Roll	3. Fines and Forfeits
4. Taxes on Property	4. Sales of Government Property
5. Domestic Taxes on Goods and Services (Sales, excises, turnover, value added, license taxes and others)	5. Others
6. Taxes on International Trade and Transactions (import duties, export duties and others)	
7. Miscellaneous Taxes (Poll taxes, stamp taxes and others)	
Total Revenues (Tax + Non-Tax)	

Source : Adopted from IMF, A Manual on Government Finance Statistics, Draft, Washington D.C., 1974, pp. 159-61.

Appendix B

The Classifications of Government Expenditures

<u>Functional Classification</u>	<u>Economic Classification</u>
1. <u>General Public Services</u> <ul style="list-style-type: none"> a) Defence b) Education c) Health d) Social Security and Welfare e) Housing and Community Amenities f) Others 	1. <u>Current expenditures</u> <ul style="list-style-type: none"> a) Expenditures on Goods and Services; Wages and Salaries; Other purchases of Goods and Services b) Interest Payments c) Subsidies and Other Current Transfers: <ul style="list-style-type: none"> To Public Enterprises; To Other Levels of Government; To Household To Other Resident Transfers Abroad
2. <u>Economic Services:</u> <ul style="list-style-type: none"> a) Agriculture b) Mining c) Manufacturing d) Electricity e) Roads f) Water Transport g) Railways h) Communications i) Others 	2. <u>Capital Expenditures:</u> <ul style="list-style-type: none"> a) Acquisition of New and Existing Fixed Capital Assets b) Purchases of Stocks (inventories) c) Purchases of Land and Intangible Assets d) Capital Transfer
3. <u>Unallocable and Other Purposes:</u> <ul style="list-style-type: none"> a) Interest on the Public Debt b) Other Unallocable 	
Total Expenditures	Total Expenditures

Source : Adopted from IMF, A Manual on Government Finance Statistics, Draft, Washington D.C., 1974, pp. 191-93, 208-09.

Appendix C
Financing of Government Deficit

1. Domestic Financing:

- a) From the Central Bank or Other Monetary Authority (new borrowing less amortization, change in deposits^a, change in currency holdings^a)
- b) From Other Banks (new borrowing less amortization and change in deposits and other liquid claims^a)
- c) From other Lenders (net)

2. Financing from Abroad:

- a) From International Development Institutions (net loans and grants^b)
- b) From Other Lenders (net short-term and long-term debt)
- c) Change in Deposits, Negotiable Securities, and other Liquid Assets^a

Total Financing

Source : Adopted from IMF, A Manual on Government Finance Statistics, Draft, Washington, D.C., pp. 229-30.

- a. A reduction is a source of financing and an increase is a negative item.
- b. Grants are classified as an item reducing the deficit rather than a means of financing in the IMF, A Manual on Government Finance Statistics, 1974. See R. Goode, Government Finance in Developing Countries, Tata McGraw-Hill Publishing Company Ltd., New Delhi, 1988, Tables 2-3, p. 18.

Appendix D

Budget Calendar

<u>Particulars</u>	<u>Last Date</u>
1. Printing and Departmental Estimates	31st July
2. Printing and Distribution of Budget forms (Estimating Officers' forms and Controlling Officers' Forms)	31st August
3. Preparation, Printing and Supply of Budget form to the Accounts Officer concerned	30th September
4. Submission of Estimates by the Estimating Officers	10th October
5. Receipt of estimate in the Accounts Office and Ministry of Finance from the Controlling Officers with 3 months actuals	31st October
6. Receipt of Consolidated Estimates in the Ministry of Finance with 3 months actuals from the Accounts Office	25th November
7. Completion of Examination of Budget Estimate in the Ministry of Finance	20th January
8. Receipt of Schedule of New Expenditure in the Ministry of Finance	22nd January
9. Receipt of 6 months' actuals from the Accounts Office	15th February
10. Completion of review of the estimates on the basis of 6 months' actuals in the Ministry of Finance	28th February
11. Preparation and despatch to press of the 1st Edition of the Budget and Schedule of New Expenditure	1st March
12. Receipt back of the 1st Edition of the Budget from Press and despatch to Ministries/Divisions	10th March
13. Forecast of Foreign Assistance for development programme	14th March

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Appendix D (Contd..)

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| 14. Completion of discussions of the Estimates with Administrative Ministries/Divisions | 28th March |
| 15. Receipt of Final Development Programme from Ministry of Planning | 28th March |
| 16. Presentation of the Budget Estimates to the Cabinet | 7th April |
| 17. Presentation and Printing of Civil Budget Estimate, Details of Receipts and Expenditure, Supplementary Estimate, Finance Minister's Speech and Budget at a glance | May |
| 18. Presentation of Supplementary Estimates to the Parliament | May |
| 19. Presentation of the Budget Estimates to the Parliament | 1st Week of June |
| 20. Authentication of Supplementary Estimates | 1st Week of June |
| 21. Authentication of Budget Estimates | 1st July |

Source : Secretariat Instructions, 1976, Instruction 260(a),
Cabinet Secretariat, GOB.

Appendix E

Budget Documents

The following statements constitute the main set of budget documents of the Government of the People's Republic of Bangladesh:

1. Budget Estimate (The Annual Financial Statement):

It shows the Consolidated Fund and Public Account-wise receipts and disbursement separately for "Charged" and "Other than Charged" expenditure by major heads of account and subsequently total 'Demand for Grants'.

2. Budget Summary Statement:

This document shows the estimated revenue receipts and expenditure as well as capital receipts and expenditure along with proposed transactions of Loans and Advances and sectoral allocation of ADP and its financing.

3. Detailed Estimates of Revenue and Receipts:

This document contains the detailed estimates of revenue and receipts from the major and minor heads in broad categories like Actuals of the last year, Revised Estimates of the current year and Budget Estimates of the coming year.

4. The Demand for Grants and Appropriations:

It is in two volumes (Development and Non-Development) containing estimates of expenditure on revenue and capital accounts proposed to be made from the Consolidated Fund. The Non-Development one indicates detailed head-wise break-up of expenditure while the Development one indicates Project/Scheme-wise estimates along with foreign-aided Projects by Ministry/Divisions/Agencies.

5. Detailed Estimates of Grants (Non-Development)

6. Budget Speech Part I :

It shows the objectives of the budget along with performance of the last year in broad outline.

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Appendix E (Contd..)

7. Budget Speech Part II:

Contains details with new tax measures for the coming fiscal year.

8. Supplementary Estimates:

This document contains the estimates of additional needs for the current year.

9. Other documents associated with the budget:

- a. Revised Annual Developments Programme (RADP) for the current year prepared by the Planning Commission (PC);
- b. Annual Development Programme (ADP) for the coming year, prepared by the Planning Commission.
- c. Budget Estimates of the Autonomous Bodies, showing detailed break-up of receipts and expenditures of the public sector undertakings; and
- d. Economic Survey, for the evaluation of the performance of the economy in the last year.

Source : Budget Wing, Finance Division, Ministry of Finance, GOB.