Chapter 3

EVOLUTION OF THE BANGLADESH BUDGET

1. Introduction

Bangladesh as a part of united Pakistan and Pakistan as a part of the Indo-Pak sub-continent, as noted earlier in Chapter 2, was under the control of British administrative and financial policies upto 14th August, 1947, when India was partitioned into two sovereign states i.e., India and Pakistan. So, 'the genesis of the system of government budgeting and the financial administration of Bangladesh can be traced back to the year 1860, when Sir James Wilson, the First Finance Member of the Viceroy's Executive Council of India introduced India's first budget'[1].

The system of government budgeting which developed in that period in England was accepted as a guide line and its procedure was followed by the then Government of India. The system of financial management, however, has changed over time in view of the growing and changing demands of the economy, particularly after the partition of India and subsequently after the creation of Bangladesh[2].

After partition in 1947, Pakistan just inherited the British Indian system of budgeting and thus Bangladesh, after its emergence as a sovereign state, also inherited the British system of government budgeting[3].

Thus the budgetary heritage and legal provisions for its formulation and approval in Bangladesh can be viewed from three stages of evolution, namely —

a) British period,
b) Pakistan period, and
c) Bangladesh period.

In this chapter we like to draw a picture of the evolution and constitutional heritage of the Bangladesh Budget. Accordingly, Section 2 of this chapter analyses the development of budgeting in the British period and Section 3 and 4 deal with the Pakistan period and the Bangladesh period of budgetary evolution respectively.

2. British Period

Though the first budget of British India was introduced in 1860, the process had actually been initiated in 1833[4], when the Government of India Act, 1833 made it obligatory for East India Company to place the budget of the British Indian Empire to the British Parliament by stating,

> "... all the rights and interests to or in the (said) territory and all their territorial and commercial, real and personal assets and property whatsoever, shall, subject to the debts and liabilities now effecting the same, be placed at the disposal of the Parliament"[5].

A few years later, following the Government of India Act, 1858, the management of the empire was taken over by Her Majesty, the Queen of England. According to the Act of 1858, the Secretary of State for India was responsible for placing the 'Annual Financial Accounts of India' before the Parliament of England[6]. Though some financial reorganisations were followed, no innovation in this regard was attempted for some time. "The local budgets", remarked R. Knight even in 1871, "are simply a snare and delusion.....

Instead of serving any good purpose, these budgets ..... simply promote jealousy and strife"[7].

The India Act, 1919, however, made it mandatory for the Secretary of State to obtain the consent of the majority of Councillors (created according to the India Act.1909) of India to place the budget before the British Parliament[8]. According to the Government of India Act, 1919, all proposals of financial matters had to be placed before the Indian Legislature only on recommendation of the Governor-General[9]. But the appropriation of revenue for heads mentioned below were not required to be submitted to the vote of the Legislative Assembly[10]:

i) Interest and Sinking Fund charges and loans;

ii) Expenditure of which the amount is prescribed by or under any law;

iii) Salaries and pensions of persons appointed by or with the approval of Her Majesty or by the Secretary of State;

iv) Salaries of Chief Commissioners and Judicial Commissioners; and

v) Expenditure classified by the order of the Governor-General in Council for :

  a) Ecclesiastical,
  b) Political, and
  c) Defence.

Other items of appropriation than mentioned above were, however, required to be submitted to the vote of the Legislative Assembly in the form of demand for grants, which the Assembly could discuss and accord assent or refuse or could suggest reduction of whole or any part, though all proposals for appropriation were finally decided by the Governor-General. In addition, the Governor-General could authorise such expenditure without reference to the Assembly, which in his opinion were considered for safety and tranquility of British India or any part thereof[11].

But it is the India Act, 1935, which brought some important changes in the procedure for financial matters as follows[12]:

i) The Governor-General shall, in respect of every year cause to be laid before both the chambers of the Federal Legislature of the Federation for that year, in this part of Act referred to as the Annual Financial Statement.

ii) The estimates of expenditure embodied in the financial statement shall show separately:

a) the sums required to meet expenditure described in this Act as expenditure charged upon the revenues of the Federation, and

b) the sums required to meet expenditure proposed to be made from the revenues of the Federation and shall distinguish expenditure on revenue account from other expenditure.

iii) The following expenditure shall be expenditure charged upon the revenues of the Federation:

a) the salary and allowances of the Governor Genral and other expenditure relating to his office for which provision is made by or under the Third Schedule to this Act;

b) debt charges for which the Federation is liable, including interest, sinking fund charges and redemption charges and other redemption of debt;

c) the salaries and allowances of Ministers, of the Advocate-General and Chief Commissioners;

d) the salaries, allowances and pensions payable to or in respect of judges of the Federal Court and the pensions payable to or in respect of judges of any High Court;

e) expenditure for the purpose of the discharge by the Governor-General of his functions with respect to defence and ecclesiastical affairs, his functions with respect to external affairs in so far as he is by or under this Act required in the exercise thereof to act in his discretion, his functions in or in relation to the tribal areas, and his functions in relation to the administration of any territory in the direction and control of which he is under this Act required to act in his discretion provided that the sums so charged in any year in respect of expenditure on ecclesiastical affairs shall not exceed forty two lakhs of rupees (Rs. 4.2 million), exclusive of pension charges;

f) the sums payable to His Majesty under this Act out of the revenues of the Federation in respect of expenses incurred in discharging the functions of the Crown in its relation with Indian States;

g) any grants for purposes connected with the administration of any areas in a Province which are for the time being excluded area;

h) any sums required to satisfy any judgement, decree or award of any court or arbitral tribunal; and

i) any other expenditure declared by this Act or any Act of the Federal Legislature to be so charged.

The main difference between the Act of 1919 and the Act of 1935 in respect of financial procedure was that the discussion of charged expenditure which was not allowed under the Act of 1919, was permissible under the Act of 1935 except the salary and allowances etc. of the Governor General[13]. Besides, the classification of expenditure between the revenue account and other accounts was made for the first time under the Government of India Act, 1935. However, under the Act of 1935, the Governor-General, at his discretion used to decide the expenditure which should be charged or otherwise and no demand for grant could be made except on his recommendation[14].

3. Pakistan Period

The partition of India in 1947 created two independent states, namely India and Pakistan. The Government of Pakistan, however, accepted the India Act of 1935 in respect of financial procedures under the 'Pakistan Provisional Constitutional Order of 1947', which continued till 1956 when the first Constitution of Pakistan was promulgated[15]. But the new constitution brought no significant change in relation to financial matters as in the India Act 1935, except the fact that expenditure was classified into recurring and non-recurring expenditure. The main features of the Constitution of 1956 about financial procedures were as under[16]:

Article 40

i) The President shall, in respect of every financial year cause to be laid before the National Assembly a statement of the estimated receipts and expenditure of the Federal Govt. for that year, in this part referred to as the Annual Financial Statement.

ii) The Annual Financial Statement shall show separately:

a) the sums required to meet expenditure describe by the Constitution, expenditure charged upon the Federal Consolidated Fund; and

b) the sums required to meet other expenditure proposed to be made from the Federal Consolidated Fund and shall distinguish expenditure on revenue account from other expenditure.

iii) The Annual Budget Statement shall also indicate, the following headings, the source from which the estimated receipts will be derived:

a) Existing taxation;

b) New and increased taxation;

c) Borrowings; and

d) Other sources.

iv) In this Article 'New Expenditure' in relation to the Annual Budget Statement for a financial year, meant;

a) where expenditure for a project for that year has previously been approved by the National Assembly in purusance of Article 42, so much of any expenditure for that project for that year as exceeds the expenditure approved for that year by more than ten per centum of the approved expenditure;

b) any other expenditure which is not recurring expenditure;

c) any expenditure which is recurring expenditure and which is for a purpose in respect of which no provision was made by way of recurring expenditure in the Schedule of Authorised Expenditure for the previous financial year; and

d) so much of any expenditure which is recurring expenditure and which is for purpose in respect of which provision was made by way of recurring expenditure in the Schedule of Authorised Expenditure for the previous financial year as exceeds more than ten per centum of that expenditure.

v) 'Recurring Expenditure' means expenditure of a Kind that ordinarily recurs from year to year, but does not incluce expenditure for which provisions may be made under Article 42.

vi) For the purpose of definition of 'New Expenditure' set out in clause (iv) of this Article, any Schedule of Authorised Expenditure relating to a Supplementary Budget Statement for a financial year shall be regarded as being incorporated with the Scheduled of Authorised Expenditure that relates to the Annual Budget Statement of that year.

Article 41

i) So much of an Annual Budget Statement as it relates to expenditure charged upon the Consolidated Fund may be discussed in, but shall not be submitted to the vote of the National Assembly.

ii) So much of an Annual Budget Statement as it relates to other expenditure, but not being expenditure specified in the statement in pursuance of clause (i) of the Article 42 in respect of any subsequent financial year, shall be submitted to the National Assembly in the form of demand for grant.

iii) A demand for a grant in respect of a sum that is shown in an Annual Budget statement as new expenditure may be discussed in the National Assembly, but subject to clause (iv) of this Article, the demand shall not be submitted to the vote of the Assembly and the Assembly shall deemed to have assented to the demand:

a) at the expiration of fourteen days after the statement was laid before the Assembly, or

b) at the commencement of the financial year to which the statement relates, whichever last occurs.

iv) The National Assembly may, with the consent of the President, reduce a demand for grant referred to in clause (iii) of this Article and, in that the Assembly shall be deemed to have assented to the demand so reduced.

v) The National Assembly may assent to or refuse a demand for a grant in respect of a sum that is shown in the Annual Budget Statement as new expenditure or may assent to the demand in respect of such lesser sum as the Assembly may specify.

vi) A demand for grant shall not be made except on the recommendation of the President.

Article 42

i) The Annual Budget Statement, or a Supplementary Budget Statement, in respect of a financial year may, in relation to a project for which estimated expenditure for that year is specified in the Statement and which will involve expenditure from the Consolidated Fund in subsequent years, specify the estimated expenditure for each of the subsequent years.

ii) The National Assembly may, by resolution, approve or disapprove of the expenditure for any such subsequent year or may approve of such lesser expenditure for that year as is specified in the resolution.

iii) If at the expiration of a period of fourteen days after the National Assembly has assented (either with or without reduction) to the demand for a grant in respect of the expenditure specified in the Budget Statement in relation to the project for the year to which statement relates, the Assembly has not passed resolution in pursuance of clause (ii) of this Article in relation to the estimated expenditure for a subsequent year, the Assembly shall, at the expiration of that period, be deemed to have approved of the estimated expenditure for the subsequent year.

iv) Notwithstanding the approval of the National Assembly under this Article of any expenditure for a subsequent year, the estimated expenditure for that project for that subsequent year shall (whether or not it is the same as the approved expenditure for that year) be included in the Annual Budget Statement for that subsequent year.

In 1962, another constitution was promulgated in Pakistan and the new constitution introduced the following new classification of expenditure[17]:

a) Recurring and non-recurring expenditure;
b) New and other than new expenditure; and
c) Receipts classifications.

The Constitution of 1962 also provided some new features which included, among others, the following[18]:

Article 63

i) The President shall, in respect of every financial year, cause to be laid before the National Assembly, before the commencement of that year a statement (to be called the Annual Budget Statement) of the estimated receipts into and estimated expenditure from, the Consolidated Fund for that year;

ii) The Annual Budget Statement shall distinguish expenditure on revenue account from other expenditure and shall show separately;

a) the sums required to meet expenditure charged upon the Consolidated Fund; and

b) the sums required to meet expenditure, distinguishing recurring expenditure from expenditure that is not recurring, and showing the extent, if any, to which that other expenditure is new expenditure.

Besides, the Constitution of 1962 made the provision of placing before the National Assembly for approval of multi-year development projects. It also indicated as to how the multi-year development programme budget should be carried through[19].

But in practice the Constitution of 1956 and 1962 did not vary much from the India Act of 1935 in respect of financial procedures except that the two chambers of the Indian Federal Legislature were replaced by one National Assembly in Pakistan.

4. Bangladesh Period

Bangladesh emerged as a sovereign state in 1971 and just inherited the financial procedures from Pakistan. In other words, Bangladesh essentially followed the British type of budgetary system. At the same time Bangladesh also followed the classification and codification as embodied in the IMF system of Government Finance Statistics, 1974, of which more later[20]. However, the 1972 Constitution of the People's Republic of Bangladesh has laid down some financial and legislative procedures specially in respect of constitutional approval for the National Budget, as under[21].

Article 80

i) Every proposal in the Parliament for making a law shall be made in the form of a Bill.

ii) When a Bill is passed by the Parliament it shall be presented to the President for assent.

iii) The President, within fifteen days after a Bill is presented to him, shall assent to the Money Bill or, in the case of Bill other than a money Bill, may return it to the Parliament with a message requesting that the Bill or any particular provisions thereof be reconsidered, and that any amendments specified by him in the message be considered; and if he fails so to do he shall be deemed to have assented to the Bill at the expiration of that period.

iv) If the President so returns the Bill the Parliament shall consider it together with the President's message, and if the Bill is again passed by the Parliament with or without amendments, it shall be presented to the President for his assent, whereupon the President shall assent to the Bill within the period of seven days after it has been presented to him, and if he fails to do so, he shall be deemed to have assented to the Bill on the expiration of that period.

v) When the President has assented or is deemed to have assented to a Bill passed by the Parliament, it shall become law and he called an Act of the Parliament.

Article 81

i) In this part "Money Bill" means a Bill containing only provisions dealing with all or any of the following matters —

a) the imposition, regulation, alteration, remission or repeal of any tax;

b) the borrowing of money or the giving of any guarantee by the Government, or the amendment of any law relating to the financial obligations of the Government;

c) the custody of the Consolidated Func, the payment of money into, or the issue or appropriation of money from the Fund;

d) the imposition of a charge upon the Consolidated Fund, or the alteration or abolition of any such charge;

e) the receipt of money on account of the Consolidated Fund and the Public Account of the Republic, or the custody or issue of such money or the audit or the accounts of the Government; and

f) any subordinate matter incidental to any of of the matters specified in the foregoing sub-clauses.

ii) Every Money Bill shall, when it is presented to the President for his assent, bear a certificate under the hand of the Speaker that it is a Money Bill, and such certificate shall be conclusive for all purpose and shall not be questioned in any court.

Article 82

No Money Bill, nor any bill which involves expenditure from public money, shall be introduced into the Parliament except on the recommendation of the President.

Provided that no recommendation shall be required under this article for the moving of an amendment making provision for the reduction or abolition of any tax.

Article 83

No tax shall be levied or collected except by or under the authority of an Act of the Parliament.

Article 84

i) All revenues received by the Government, all loans raised by the Govt., and all moneys received by it in repayment of any loan, shall form part of one fund to be known as the Consolidated Fund.

ii) All other public moneys received by or on behalf of the Government shall be credited to the Public Account of the Republic.

Article 85

The custody of public moneys, their payment into and the withdrawal from the Consolidated Fund or, as the case may be, the Public Account of the Republic, and matters connected with the matters aforesaid shall be regulated by Act of the Parliament, and until provision in that behalf is so made, by rules made by the President.

Article 87

i) There shall be laid before the Parliament, in respect of each financial year, a statement of the estimated receipts and expenditure of the Government for that year, in this part referred to as the annual financial statement.

ii) The annual financial statement shall show separately:

a) the sums required to meet expenditure charged by or under this Constitution upon the Consolidated Fund, and

b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund.

Article 88

The following expenditure shall be charged upon the Consolidated Fund —

a) the remuneration payable to the President and other expenditure relating to his office;

b) the remuneration payable to the Vice President and other expenditure relating to his office;

c) the remuneration payable to —

i) the Speaker and Deputy Speaker,

ii) the Judges of the Supreme Court,

iii) the Comptroller and Auditor General,

iv) the Election Commissioner,

v) the members of the Public Service Commission.

d) the administrative expenses of, including remuneration to, officers and servants of the Parliament, the Supreme Court, the Comptroller and Auditor General, the Election Commissioner and the Public Service Commission.

e) all debt charges for which the Government is liable, including interest, sinking fund charges, the repayment or amortisation of capital, and other expenditure in connection with the raising of loans and the service and redemption of debt;

f) any sums required to satisfy a judgement, decree of award against the Republic by any Court or tribunal; and

g) any other expenditure charged upon the Consolidated Fund by this Constitution or by Act of the Parliament.

Article 89

i) So much of the Annual Financial Statement as relates to expenditure charged upon the Consolidated Fund may be discussed in, but shall not be submitted to the vote of the Parliament.

ii) So much of the Annual Financial Statement as relates to other expenditure shall be submitted to the Parliament in the form of demands for grants, and the Parliament shall have power to assent to or to refuse to assent to any demand, or to assent to it subject to a reduction of the amount specified therein.

iii) No demand for grant shall be made except on the recommendation of the Presidnet.

Article 90

i) As soon as may be after the grants under Article 89 have been made by the Parliament there shall be introduced in the Parliament a Bill to provide for appropriation out of the Consolidated Fund of all money required to meet :

a) the grants so made by the Parliament, and

b) the expenditure charged on the Consolidated Fund but for exceeding in any case the amount shown in the Annual Financial Statement laid before the Parliament.

ii) No amendment shall be proposed in the Parliament to any such Bill which has the effect of varying the amount of any grant so made or altering the purpose to which it is to be applied, or of charged on the Consolidated Fund.

iii) Subject to the provisions of this Constitution no money shall be withdrawn from the Consolidated Fund except under appropriation made by law passed in accordance with the provisions of this article.

Article 91

In respect of any financial year, if it is found —

a) that the amount authorised to be expended for particular service for the current financial year is insufficient or that a need has arisen for expenditure upon some new serve not included in the Annual Financial Statement for that year, and

b) that any money has been spent on a service during a financial year in excess of the amount granted for that year.

The President shall have the power to authorise expenditure from the Consolidated Fund whether or not it is charged by or under the Constitution upon that Fund and shall cause to be laid before the Parliament as supplementary financial statement setting out the estimated amount of the expenditure or, as the case may be, an excess financial statement setting out the amount of the excess, and the provisions of Article 87 to 90 shall (with the necessary adaptations) apply in relation to those statements as they apply in relation to the Annual Financial Statement.

Article 92

i) Notwithstanding anything in the foregoing provisions of this chapter, the Parliament shall have the power

a) to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion of the procedure prescribed in Article 89 for the voting of such grant and the passing of a law in accordance with the provisions of Article 90 in relation to that expenditure;

b) to make a grant for meeting an unexpected demand upon the resource of the Republic when on account of the magnitude or the indefinite character of the service, the demand cannot be specified with the details ordinarily given in an Annual Financial Statement;

c) to make an exceptional grant which forms no part of the current service of any financial year; and

d) to authorise by law the withdrawal of moneys from the Consolidated Fund for the purpose for which such grants are made.

ii) The provisions of Article 89 to 90 shall have effect in relation to the making of any grant under clause (i) of this article and to any law to be made under that clause, as they have effect in relation to the making of a grant with regard to any expenditure mentioned in the Annual Financial Statement and to the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund to meet such expenditure.

Article 93

This article relates to the Ordinance making power of the President of the Republic in relation to financial matters when the Parliament is not in session or stands dissolved otherwise.

The clauses are:

i) 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; provided that no Ordinance under this clause shall make any provision —

a) which would not lawfully be made under this Constitution by Act of the Parliament.

b) for appealing or altering any provisions of this Constitution; or

c) containing in force any provision of an Ordinance previously made.

ii) An Ordinance made under clause (i)(a) of this article, shall 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.

iii) At any time when the Parliament stands dissolved the President may, if he is satisfied that circumstances exist which render such action necessary, made and promulgate an Ordinance authorising expenditure from the Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not, and any

Ordinance so made shall, as from its promulgation, have the like force of law as an Act of the Parliament.

iv) Every Ordinance promulgated under clause (iii) of this article, shall be laid before the Parliament as soon as may be and the provisions of Articles 87, 89 and 90 shall, with necessary adaptation, be compiled within thirty days of the reconstruction of the Parliament.

Thus the system of government budgeting, developed in England from 1833, was adapted by the then British India under the India Acts of 1858, 1909, 1919 and 1935 and subsequently after the partition of India in 1947, Pakistan also included the British system of budgeting under the 'Pakistan Provisional Constitution Order of 1947, Constitutions of 1958 and 1962. In 1971, Bangladesh being freed from united Pakistan also inherited the British system of budgeting from Pakistan. In addition, Bangladesh also followed the classification and codification as embodied in the IMF's system of Government Finance Statistics, 1974. However, the system of government budgeting has changed over time in view of the growing and changing needs of the economy, especially the Constitution of the People's Republic of Bangladesh 1972, has laid down some financial and legislative procedures in respect of constitutional approval of the National Budget.

NOTES AND REFERENCES

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3. Ibid.

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5. The India Act, 1833, quoted in M. Hossain (1987), p. 45.

6. M. Hossain (1987), p. 45.

7. R. Knight, Decentralisation of the Finances of India, The Perseverence Printing Press, Bombay, 1871, p. 11.

8. M. Hossain (1987), p. 46.

9. The Government of India Act, 1919, Article 25.

10. The India Act, 1919, quoted in M. Hossain (1987), p. 46.

11. Ibid., p. 47.

12. The Government of India Act, 1935, Article 33, quoted in M. Hossain (1987), pp. 47-49.

13. Ibid., p. 49.

14. Ibid, p. 49.

15. Ibid, p. 49.

16. The Constitution of the Islamic Republic of Pakistan, 1956, Article 40, 41 and 42, Ministry of Law, GOP.

17. Cited in M. Hossain (1987), p. 54.

18. The Constitution of the Islamic Republic of Pakistan, 1962, Article 63.

19. Ibid, Article 42.

20. See Chapter 4 of this study. Also see M. Hossain (1987), p. 22.

21. The Constitution of the People's Republic of Bangladesh, 1972, Article 80 to 93, quoted in M. Hossain (1987), pp. 54-64.