



# Budget Booklet 2012-13



2016

2015

2014

2013

2012



2011

2010

2009





# Budget Booklet 2012-13

Published by:  
Finance Division, Ministry of Finance  
Government of Bangladesh  
[www.mof.gov.bd](http://www.mof.gov.bd)

in collaboration with



**SPEMP**  
Strengthening Public Expenditure Management Program  
**MAKING PUBLIC MONEY COUNT**



# CONTENT

<b>Acronyms</b>	05
Message	07
Preface	07
<b>Introduction</b>	08
<b>What is the Budget?</b>	08
<b>The National Budget</b>	08
Some essential features of the national budget	09
<b>How Does the Budget Look Like?</b>	09
Where does the money come from?	09
How is this public money spent?	10
<i>Non-Development expenditure</i>	10
<i>Development expenditure</i>	10
Source of ADP's Financing	11
Overall budget balance	11
<b>Budget Process</b>	12
Planning and policy	12
Budget preparation	13
Budget execution	13
Audit and evaluation	14
People's participation in the budget process	14
<b>Sector-Wise Distribution of the 2012-2013 Budget</b>	14
How does this year's budget affect your life?	15
<b>Poverty Reduction and Gender Budget</b>	16
<b>Key Projects and Achievements: What Do We Notice from the Annual Budget?</b>	16
Health	16
Agriculture	17
Youth and Sports	17
Social Security and Protection	17
Food Security	18
Power and Energy	18
Overall Education Sector	18
Infrastructure	19
ICT: Digital Bangladesh	20
<b>Budget Documents Explained</b>	20
<b>Budget Glossary</b>	22



# ACRONYMS

<b>ADP</b>	<b>Annual Development Program</b>
<b>BCCTF</b>	<b>Bangladesh Climate Change Trust Fund</b>
<b>BSCIC</b>	<b>Bangladesh Small Cottage Industry Corporation</b>
<b>BMC</b>	<b>Budget Management Committee</b>
<b>BMRC</b>	<b>Budget Monitoring and Resource Committee</b>
<b>ECNEC</b>	<b>Executive Committee of National Economic Council</b>
<b>EEF</b>	<b>Equity and Entrepreneurship Fund</b>
<b>EGPP</b>	<b>Employment Generation Program for the Poorest</b>
<b>FY</b>	<b>Fiscal Year</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>HNPSP</b>	<b>Health Nutrition and Population Sector Program</b>
<b>MOF</b>	<b>Ministry of Finance</b>
<b>MTBF</b>	<b>Medium Term Budget Framework</b>
<b>MBF</b>	<b>Ministry Budget Framework</b>
<b>NBR</b>	<b>National Board of Revenue</b>
<b>NEC</b>	<b>National Economic Council</b>
<b>NGO</b>	<b>Non-Governmental Organization</b>
<b>OCAG</b>	<b>Office of the Comptroller and Auditor General</b>
<b>OMS</b>	<b>Open Market Sales</b>
<b>PFM</b>	<b>Public Financial Management</b>
<b>PSMP</b>	<b>Power Sector Master Plan</b>
<b>PPP</b>	<b>Public Private Partnership</b>
<b>SAARC</b>	<b>South Asian Association for Regional Cooperation</b>
<b>SME</b>	<b>Small Medium Enterprise</b>
<b>VAT</b>	<b>Value Added Tax</b>
<b>VGD</b>	<b>Vulnerable Group Development</b>



### আমাদের এই দেশ

আমাদের দেশটি হলো বাংলাদেশ। এটি একটি  
দেশ। এখানে অনেক প্রকারের গাছ পাতার গাছ  
উঠে আছে। অনেক প্রকারের পশু পাখিও  
এখানে পাওয়া যায়। এখানে অনেক নদ  
ও খাল আছে। এখানে অনেক মানুষ  
বসে আছে। এখানে অনেক শহর  
ও গ্রাম আছে। এখানে অনেক  
স্কুল ও কলেজ আছে। এখানে  
অনেক মানুষ পড়াশুনা করে।

## Message



The National Budget is indeed a reflection of revenue collection and the spending priorities of the Government in light of public needs. It is one of the key tools to ensure appropriate allocation of scarce resources to attain equitable and sustainable growth for Bangladesh to become a middle income country. Citizens are key stakeholders in the budget making process. It is, therefore, important that they understand the budget basics, for example, how the resources are mobilized, for what purposes they are allocated and how they are spent.

Bearing in mind this objective, the Finance Division is bringing out the Budget Booklet 2012-2013, the first of its kind. The booklet aims to clarify the key concepts of budget and explain the rationales behind proposed allocations of resources. It narrates in a lucid manner the budget setting process together with the development trends and future socio-economic outlook of the country. This initiative is reflective of the deep commitment of the Government to promote transparency, accountability and good governance.

It gives me immense pleasure to present this Budget Booklet to the citizens at large to keep them informed of the budget fundamentals. I hope that the Booklet would significantly enhance citizens' understanding of the National Budget and ensure their effective and meaningful participation in the budget formulation process. I sincerely thank those who put in their best endeavour to make the publication possible.

**Abul Maal Abdul Muhith**  
Minister for Finance

## Preface



The preparation of a National Budget, from proposal to enactment, is essentially a comprehensive process that engages all ministries/divisions including the government departments/directorates round the year. The National Budget requires us to determine the spending priorities and identify the funding sources of those priorities. Lately, the budget setting process has undergone a change arising from a series of reform interventions. At the heart of this agenda is the introduction of the Medium Term Budget Framework (MTBF). The essential difference between the new budget framework and the traditional budget lies in the fact that while traditional budgeting is heavily dependent on estimation, MTBF takes into account two more important aspects. First, it establishes linkage between government policy-strategies including its overriding priorities and resource allocation and secondly, it links resource allocation with performances. Hence, it is important that everybody participates in the budget setting exercise using MTBF.

Currently, budget formulation is guided by a number of basic principles: first, keeping the spending within Government's affordability; second, spending resources on products and services that meet people's needs and help the country grow faster; and third, ensuring efficiency in delivering goods and services.

The key challenge of bringing out this booklet was to present the basic budget concepts and the process of budget preparation in simpler language which is easily understood by all. I believe, we could overcome this challenge to a large extent, if not completely, thanks to the persistent efforts of a team of zealous officials of the Finance Division. The cardinal objective of publishing this booklet will be achieved only if the audience for whom this publication is intended understands clearly the budget process and participates in this process more effectively.

I congratulate all of those who are associated with this publication.

**Fazle Kabir**  
Secretary, Finance Division



## Introduction

Budget provides an indication of how a country manages its public finances so as to maximize the benefit for its citizens. Budget is also reflective of the road map for national development. A huge amount of information is contained in the Budget Documents. However, while every citizen is, one way or other, affected by the budget, only a few fully understand its significance. For the citizens to have a comprehensive understanding of the national budget, it is essential that they understand the basics of budgeting, budget terminology, key components of the budget cycle, budget data and the implications the budget has for national development.

'Budget Booklet 2012-2013' is an attempt in this direction. It is designed to help citizens fully understand the National Budget. The document, by clarifying the key concepts and answering the frequently asked questions about the budget, enables the readers to experience a gradual unfolding of the budget-story so that he/she becomes aware of the intended benefits of such an exercise.

## What is the Budget?

We all have needs that we want to satisfy. We can meet them by paying for the particular products or services. As our resources are not unlimited we need to make choices and prioritize what we find most important to meet. We decide upon what to do with the money we receive and how we will spend that money.

Similarly, in a national perspective, the Government has needs in order to fulfill its commitments and to provide services to the people. Because of scarcity of resources the Government has to make choices and prioritize national needs. Accordingly, the Government plans its revenue collection and sectoral expenditure for the coming year.

## The National Budget

The National Budget is an account of how the Government proposes to collect revenue and spend the collected money over a period of one year. The budget usually sets out expenditure plans in accordance with the Government's priorities. The Finance Division of the Ministry of Finance is responsible for the preparation of the national budget and its presentation to the Parliament. It is also responsible for monitoring the implementation of the budget. The budget must be approved by the Parliament before it can be implemented.

The ministries/divisions have their budget allocations in two categories namely Non-development and Development. Non-development budget allocations are finalized by the Finance Division in consultation with the Line Ministries. Annual Development Program – (ADP) allocations are finalized by the Planning Commission in consultation with Ministries and Divisions and then forwarded to the Finance Division for translation into the Development Budget.

## Some essential features of the national budget:

- The budget is prepared using the Medium Term Budget Framework (MTBF), an approach to budgeting that integrates policy, planning and budgeting within a medium term framework (estimates for 1 year, and projection for 4 years);
- Budget preparation (allocations of resources) is carried out in accordance with the government's strategic priorities;
- The budget process focuses on the services (outputs) delivered as well as the resources required (inputs); and
- The budget process promotes predictability and creates opportunities to harmonize recurrent and capital spending.

## How Does the Budget Look Like?

The National Budget consists of 4 main components:

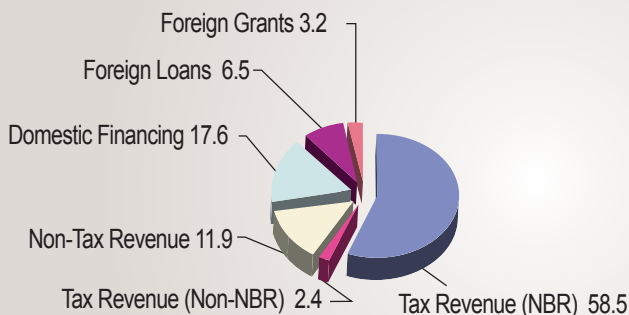
- Revenue
- Expenditures
- Deficit
- Financing

## Where does the money come from?

The Government raises revenue from various sources in order to fund government activities and development programs. These revenues are divided broadly into tax and non-tax revenues. Tax revenues are those received from taxes on goods, services and international trade. Examples include personal income tax, profit tax, custom duties, value-added tax (VAT), and tax on export.

The revenue collection for FY 2012-13 has been estimated at TK 1,39,670 crore, which is 13.4 percent of total Gross Domestic Product (GDP). The National Board of Revenue (NBR), aims to collect tax revenues up to the total amount of Tk 1,12,259 crore. Revenue from Non-NBR sources has been estimated at Tk. 4,565 crore. The target for Non-Tax Revenues for FY 2013 is Tk 22,846 crore. This includes revenues from amongst others dividends and profits, interest, administration fees, and charges and capital revenues.

### Graph I: Revenues



**TAX REVENUE (NBR):**  
Taka 1,122.59 BILLION (58.5%)

VAT	36.0%
Import Duty	12.9%
Income Tax	31.5%
Supplementary Duty	17.8%
Others	1.8%

**Sector wise Resource Distribution ( Including Subsidies & Pension )**

Source: Budget in Brief 2012-13, Finance Division, Ministry of Finance

## How is this public money spent?

In FY 2013, total Government expenditure is planned to be Tk 1,91,738 crore (18.1 percent of GDP), which is 19 percent higher than last year's revised budget.

## Non-Development expenditure

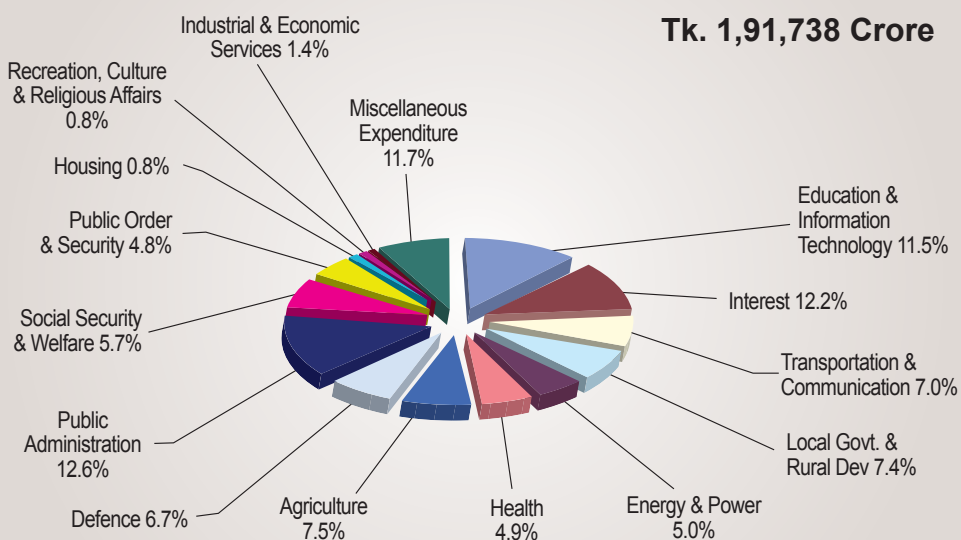
Non-development expenditures refer to the funds used to keep services operational. This encompasses salaries of public officials, goods needed to provide services (such as medicines and school books) and other services. Other examples of recurrent expenditures include social or economic interventions, interest payments and unexpected expenditures. Non-development expenditure in FY 2013 is planned at Tk 1,31,601 crore (12.6 percent of GDP).

## Development expenditure

Development expenditures mainly include financing of public investment projects, which include the construction of public infrastructure, such as roads, bridges, electricity grids and telecommunication. The Annual Development Program (ADP) specifies the list of projects to be implemented during a particular fiscal year.

The ADP details the development expenditure programs sector-wise, ministry-wise and agency-wise. At a very early stage in the budget process, agreement is reached at the highest level, with the participation of Budget Monitoring and Resource Committee (BMRC) headed by the Minister of Finance, on overall resources and expenditures for any particular year. Development expenditure is estimated at Tk. 55,000 crore (5.3 percent of GDP) for this year's budget.

## Graph II: Development & Non-Development Expenditures



**Sector wise Resource Distribution ( Including Subsidies & Pension )**

Source: Budget in Brief 2012-13, Finance Division, Ministry of Finance

## The ADP is financed from the following sources

- Revenue surplus
- Foreign grants and assistance
- Own resources of various autonomous agencies
- Domestic loans

## Overall budget balance

If the government collects more revenue than it is spending, it is in surplus, while if the Government spends more than it collects, there is a deficit. If the latter scenario is the case, which is almost always the case in Bangladesh, the government needs to borrow money from the domestic or external sources to cover this deficit.

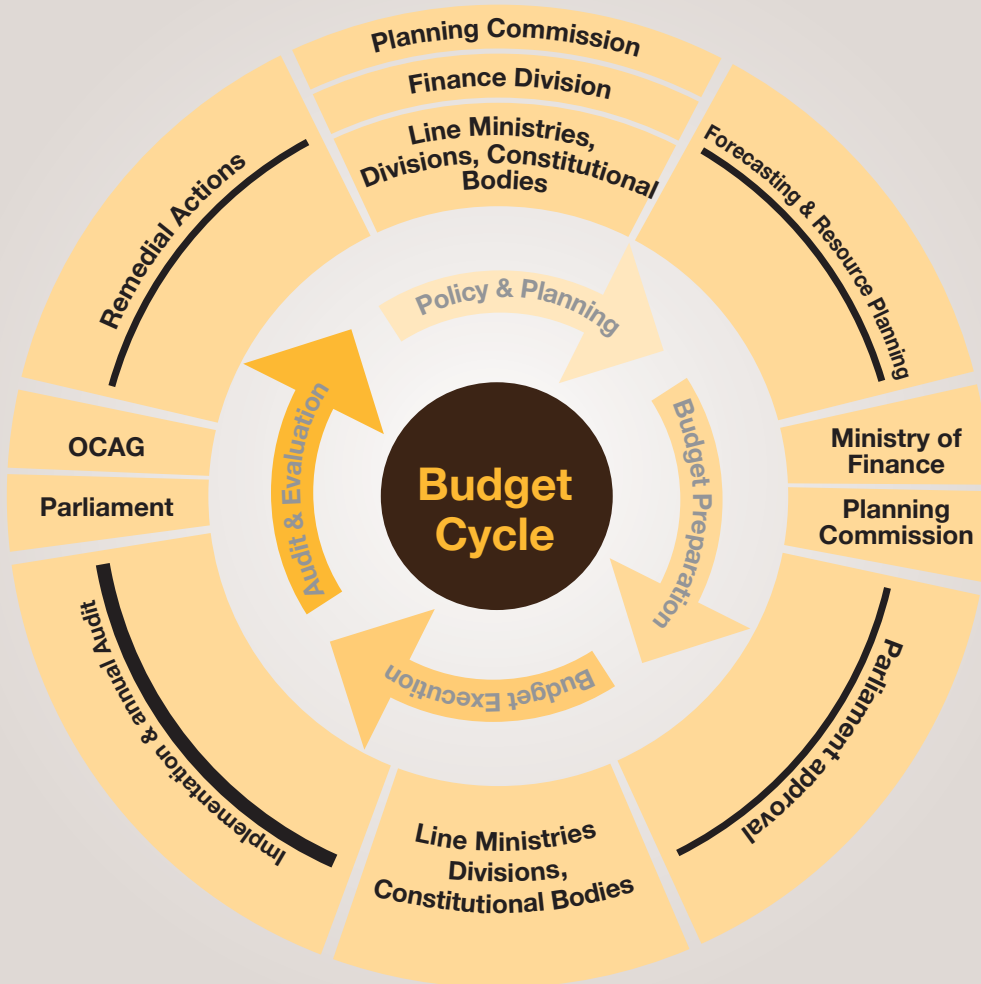
Financing through external borrowing comes from various sources such as project aid, non-ADP project aid, budget support for development, sectorwide program support in the form of grants and loans. Borrowing from non-bank sources include national savings schemes, provident funds and others.

### Table 1: The Financing Plan for FY 2013

Description	RBFY13		BFY12		Growth
	Core Tk	% of GDP	Core Tk	% of GDP	FY13 Over RB FY12
Revenue Collection	139,607	13.4	114,885	12.6	21.6
Total - Expenditure	191,738	18.4	161,213	17.6	18.9
<b>ADP</b>	<b>55,000</b>	<b>5.3</b>	<b>41,080</b>	<b>4.5</b>	<b>33.9</b>
<b>Non-ADP</b>	<b>136,738</b>	<b>13.1</b>	<b>120,133</b>	<b>13.1</b>	<b>13.8</b>
<b>Overall Deficit (Excl. Grants):</b>	<b>52,068</b>	<b>5.0</b>	<b>46,328</b>	<b>5.1</b>	<b>12.4</b>
<b>Financing</b>					
Foreign Grants	6,044	0.6	4,460	0.5	35.5
Foreign Loan-Net	12,540	1.2	7,399	0.8	69.5
Foreign Loan	20,398	2.0	14,036	1.5	45.3
Amortization	7,858	0.8	6,637	0.7	18.4
Domestic Borrowing	33,484	3.2	34,469	3.8	(2.9)
Bank Borrowing (Net)	23,000	2.2	29,115	3.2	(21.0)
Non-Bank Borrowing (Net)	10,484	1.0	5,354	0.6	95.8
Total Aid Requirement (Net)	18,584	1.8	11,859	1.3	56.7
Total Aid Req (Net, bln US\$)	2.2	-	1.5	-	52.9
Total Aid Req (Gross)	26,442	2.5	18,496	2.0	43.0
Total Aid Req (Gross, Bln. US\$)	3.2	-	2.3	-	39.5

Source: Finance Division, Ministry of Finance

# Budget Process



Source: Finance Division, Ministry of Finance.

## Planning and policy

The Budget Cycle starts with formulation of relevant planning and policies. In order to ensure the proper implementation of pledged deliverables, the Government formulates policies/planning with varying time-frames. The single most important planning document that initiates budget preparation is the 6th Five Year Plan titled “Accelerating Growth & Reducing Poverty”. In terms of service delivery, the line ministries determine their strategic objectives and then identify the major activities by operationalizing the strategies into actions. Ministries also consider sector specific planning documents in doing so. One important sub-phase of planning stage is to define some KPIs (Key Performance Indicators) and also to set targets, in quantitative terms, against the KPIs.

## Budget preparation

Under the MTBF, the budget preparation process is completed in three phases:

- (1) Strategic Phase
- (2) Estimating Phase
- (3) Budget Approval Phase

It is necessary to prepare/update Ministry Budget Framework (MBF) by Ministries/Divisions and other Institutions in the Strategic Phase. The main objectives of revising and updating MBFs are:

- (i) to make the linkage between Government's policy-priorities and the budgetary allocations more explicit;
- (ii) to strengthen the linkage between budgetary allocations and performance of the Ministries/Divisions/Other Institutions and their subordinate departments and agencies; and
- (iii) to prepare a realistic expenditure plan for the Ministries/Divisions/Other Institutions on the basis of the resources available in the medium term.

In the Estimating Phase, line ministries prepare estimates for one year and projections for four years. All the development and non-development expenditures of the ministry should be accommodated within the expenditure ceiling given for them. These estimates/projections are then sent to Finance Division and Planning Commission. After receiving the budget estimates/projections from the line ministries, Finance Division and Planning Commission review these estimates/projections to check for consistency with the policies and priorities and for compliance with the ceiling and guidelines provided in the budget circular. The Finance Division and Planning Commission finalize non-development and development estimates respectively in consultation with the respective ministry. After the discussion is over, Finance Division compiles these estimates/projections and places them before the Parliament for approval.

## Budget execution

Once the Parliament approves the budget, the line Ministries, Divisions and Other Institutions can spend funds allocated to their departments according to the approved expenditure plans. Each spending is to be monitored and evaluated by the implementing departments themselves. A key role of the Planning Commission is to monitor and evaluate the implementation of development projects included in Annual Development Program (ADP). The Finance Division reviews quarterly trends of the revenue receipts and expenditures against targets set out in the budget and the Hon'ble Finance Minister submits a statement at the ensuing session of the Parliament on the results of the aforesaid review and report on possible remedial measures.

## Audit and evaluation

When the financial year comes to an end, public expenditures are audited independently. The Office of the Comptroller and Auditor General (OCAG) of Bangladesh is responsible for auditing government receipts and public spending and to ascertain whether expenditures have yielded value for money in government offices, public bodies and statutory organizations. Throughout the year, the OCAG conducts financial and performance audits covering various sectors of the governments for the preceding financial year and submits reports. The reports are placed before the Parliament to determine whether the public spending met its objectives, and whether the implementing departments used their resources efficiently and effectively.

The Parliament plays its oversight role on public expenditure through three financial committees of the Parliament, namely: (i) the Public Accounts Committee, (ii) Committee on Public Undertakings, and (iii) Committee on Estimates. These committees make sure that public money is spent in a transparent, effective and efficient manner.

## People's participation in the budget process

An active involvement of citizens in the budget process will ensure more transparent and accountable management of public money that will, in turn, help reflect citizens' demands in the national budget in a more effective way. There are two main possibilities for citizens to influence the budget:

1. Pre-budget consultation at the central and regional level are held with the members of the Parliamentary Standing Committees, think-tanks, research institutions, economists, media representatives, private sector representatives, civil society organizations, and NGO representatives; and
2. Participatory planning and open budget meetings are held at grassroot level. In participatory planning meetings the local governments gather information to decide upon policy priorities, revenue collection and expenditure. In open budget meetings the views of participants are discussed and incorporated in the budget, where possible.

## Sector-Wise Distribution of the 2012-2013 Budget

The National Budget for FY 2012-13 has been approved by the Parliament on 28th of June 2012. The Line Ministries/Divisions have begun implementing the budget immediately after the Parliament's approval.

**Table 2: The Sector-Wise Distribution of the National Expenditures**

Sector	Share in BFY13	Share in RBFY12	Change in FY13B Over FY12R	
	%		Croe TK	%
Public Service	12.6	10.8	6704.0	38.5
Interest	12.2	12.3	3506.0	17.7
Education and Technology	11.4	11.6	3392.0	18.1
Agriculture	7.5	8.9	110.0	0.8
LGRD	7.4	7.4	2207.0	18.4
Transport and Communication	6.9	6.5	2856.0	27.3
Defence Services	6.7	7.6	662.0	5.4
Social Security and Welfare	5.7	6.4	652.0	6.3
Fuel and Energy	5.0	4.9	1587.0	19.9
Health	4.9	5.1	1183.0	14.5
Public Order and Safety	4.8	5.3	626.0	7.3
Industrial and Economic Services	1.4	1.0	1208.0	77.4
Housing	0.8	0.8	89.0	6.5
Recreation, Culture and Religious Affairs	0.8	1.0	63.0	4.1
Other(Memorandum Item)	11.7	10.4	5680.0	34.0
<b>Total Expenditure</b>	<b>100.0</b>	<b>100.0</b>	<b>30525.0</b>	<b>18.9</b>

Source: FSMU, Budget Wing, Finance Division, Ministry of Finance

## How does this year's budget affect your life?

Some highlights of this year's budget:

- Allocations for Public Services is set to increase by 38.5% and will mainly go to subsidies and public private partnership initiatives;
- Subsidies for agriculture, fuel, electricity and food remain as they are, to meet the gap between the high international prices and the administered prices;
- Transport and Power receive the highest percentage rate of the ADP to meet with the Government's objective to increase the power supply and enhance the quality of roads and bridges;
- Substantial investments have been planned for the Local Government Division. One of the main priorities is to ensure safe drinking water;
- Education is one of the socio-economic drivers. Hence the Government's focus is to improve the quality of and accessibility to education; and
- Climate change is affecting every citizen of Bangladesh. An amount of 400 crore of the budget has been allocated for Bangladesh Climate Change Trust Fund (BCCTF).



## Poverty Reduction and Gender Budget

The Government is laying significant emphasis on poverty alleviation and relevant programs have been expanded and consolidated. The budget reflects this drive for more equitable growth:

- High priority placed on social sectors such as education and health, nutrition, population and family welfare (11.5 percent and 4.9 percent respectively of the total budget);
- Over 51 percent (9 percent of GDP) of the total budget is aimed at reducing poverty directly or indirectly;
- Increased focus on social protection and empowerment schemes which accounts for 11.9 percent of the total budget and 2.18 percent of GDP;
- In FY13, 26 percent of total budget has been allocated for gender related expenditure, which is around 5 percent of GDP. A report containing gender related expenditure of 25 ministries has been published; and
- Significant focus placed on employment generation, enhancing economic growth and ensuring the envisaged development goals.

## Key Projects and Achievements: What Do We Notice from the Annual Budget?

### Health

The present government is committed to ensure quality health services for all. The policies and programs adopted over the last three years in this sector have now started yielding intended results. Bangladesh has registered remarkable successes among the SAARC nations in terms of reduction of maternal mortality and infant mortality rates as well as increased life expectancy. According to Bangladesh Demography and Health Survey 2011, the under-5 infant mortality rate has been reduced to 53 from 65 per thousand over the past four years. The maternal mortality rate has also been reduced to 1.94 per thousand from 3.5.



The Government has introduced the e-Health program in 482 hospitals at zila and upazila level, and a program has been launched to provide health services through mobile phone. Internet connectivity has been provided to 800 health organizations. Telemedicine facility has been introduced in 8 hospitals through which patients can now take advice of medical specialists at upazila and zila level.

In order to improve the health quality of poor city dwellers living in 6 city corporations and 5 municipalities in Bangladesh, primary health care service is being provided through 27 urban maternity clinics, 167 urban health centers and 656 satellite clinics. 30 percent of the services delivered at the urban health centers are provided free of cost.

## Agriculture

The agricultural sector has shown a consistent growth over the last three years. The average growth rate was 4.7 percent per year. The Government targets to become self-sufficient in food production by 2013 and has framed “The National Agricultural Policy, 2011” to achieve that target. To support the farmers, the government has distributed 1.40 crore ‘Agricultural Inputs Support Card’ among the farmers across the country and made arrangements for them to open a bank account with Tk.10 only, in order to ensure availability of agricultural input and agricultural credit.

To provide solutions on farmers’ needs, a new initiative ‘e-Agriculture’ has been implemented. Information Centers have been opened with video conferencing and SMS functions. Currently, the agricultural information communication centers in 95 unions have started their activities and steps have been taken to open such centers in another 150 unions.

## Youth and Sports

As of now, 56,801 unemployed youths - male and female, have been trained under the National Service Program. Two years temporary employment opportunities have been created for 56,126 youths. In FY 2012-13, there is a plan to provide training to another 17,744 youths under this program. To encourage self-employment, the Directorate of Youth Development has distributed Tk. 219.33 crore as micro-credit among 1,15,460 trained youths, male and female, from January 2009 to March 2012.

The process of modernization and renovation of stadiums and women sports complexes is going on at the district level throughout the country including Dhaka.

## Social Security and Protection

Bangladesh is striving to eradicate hunger and poverty. According to the ‘Household Income and Expenditure Survey 2010’, poverty head count ratio has been reduced from earlier 40 percent to 31.5 percent. Around 30.1 percent of rural and about 25.3 percent of all the families of the country are being brought under the coverage of social safety net programs. In addition to broadening the coverage of social safety net programs, a number of new programs have also been introduced to improve the social conditions of the poorer section of the society. One of the most important programs is ‘Employment Generation Program for the Poorest (EGPP)’. Another important program is the “One House One Farm Project”, which has been implemented in 17,388 villages of 64 districts. This project has directly benefited more than one million families.

## Food Security

The Government has laid emphasis on food security. To ensure intergenerational food security, the 'Country Investment Plan for Food Security' and the 'National Food Policy Plan of Action' have been formulated and are under implementation.

Around 12 lakh fair price cards have been distributed among the low and limited income groups to provide them with food support.

Besides, Open Market Sales (OMS) operation has been expanded to ensure food for the poor at low prices.

## Power and Energy

Power is one of the main drivers of the country's economy. The government has, therefore, laid particular emphasis on the development of the power sector. It has prepared the Power Sector Master Plan (PSMP) 2010 and kicked-off the implementation agenda by installing new power plants, upgrading transmission and distribution systems, diversifying renewable energy sources and identifying ways to ensure economic use of power.

## Overall Education Sector

In order to reduce human poverty, the Government has prioritized education as the most significant strategic tool and is pledgebound to ensuring access to education, eradication of illiteracy by 2014. Meanwhile, 'Education Policy, 2010' has been formulated. To promote female education, distribution of stipends program is being implemented. Presently the male-female student ratio is 47:53 which is the second highest in South Asia. As many as 43.38 lakh students from the secondary to graduation level have been awarded stipends.



100 percent enrollment at primary level has been ensured. From 2011, examination on completion of primary education has started taking place throughout the country under a uniform system. As a result, it is now possible to assess the merits of primary students using a set of uniform criteria. A policy on non-formal education has been formulated to eradicate illiteracy. To enhance the quality of primary education efforts have been made to bring down the teacher-student ratio to 1:47 from 1:50. This year's budget ensures continuation of the stipend program of about Tk. 4,000 crore, intended to prevent dropping out due to poverty.

## Infrastructure

In order to develop the rural economy, this government undertook various projects of infrastructure development during the past three years; 12,409 km of rural road and 1,37,880 meter of bridges and culverts have been constructed up to January 2012.

The work of several key projects including conversion of Dhaka- Chittagong Highway into four lanes and Nabinagar-DEPZ-Chandra Road, development of Joydebpur-Mymensingh road and construction of Teesta Bridge Project are going on in full swing. A flyover has been opened for traffic to ease cargo transport in the Chittagong port.

Under the 20-year Railway Master Plan, the objective is to turn the Bangladesh Railway into a modern mode of transportation by improving the quality of service.

The government is encouraging investments in risky but potential software and food processing industries. A total of Tk. 2,100 crore has so far been allocated to EEF (Equity and Entrepreneurship Fund), out of which, an amount of Tk. 1,225 crore has been released. The projects established under EEF have been making significant contributions to the agriculture and industrial sectors. Besides, EEF assisted projects have generated 17,000 permanent and seasonal employment.

Since the establishment of a PPP office within the Finance Division, a number of PPP projects on power plants, land ports and other infrastructures have been successfully implemented. Eight projects (appr. Tk. 3,000 crore) under five ministries/divisions are to be implemented on a pilot basis.



## ICT : Digital Bangladesh

To fulfill the mission of 'Digital Bangladesh', it is important to ensure enhanced access to information and modern communications resources. Importance is attached to establishing e-Governance including e-Services, e-Education and e-Commerce. A new ministry namely 'Ministry of Information and Communication Technology' has been established.

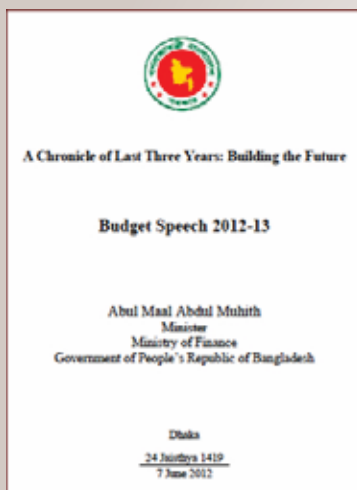
Major efforts have been made to the expansion of internet and telecom

services. 7 divisional towns, 46 districts and 36 upazilas have been brought under optical fibre network. Installation of this network in 1000 unions is also underway. As of now, 400 upazilas including 25 inaccessible hilly upazilas have been brought under Teletalk network.



## Budget Documents Explained

The following budget documents are a selection of the documents available on the Ministry of Finance website ([www.mof.gov.bd](http://www.mof.gov.bd)):



**1. Budget Speech:** It is basically an overall policy pronouncement of the Government consisting of 2 parts. Part I deals with the overall financial and economic condition of the country, government economic performance during the last one year and government economic plans and programs and the budgetary allocation. Part II deals with taxation measures.

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

**3. Annual Financial Statement:** It provides a summary of Budget Estimates of the receipts and development and non-development expenditures of the government for a particular financial year and Revised Estimates and Budget Estimates of the previous financial year.

**4. MTBF:** The MTBF consists of two parts, with 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 the MTBF consists of “Ministry Budget Framework (MBF)”. Under the MBF, Ministries and Divisions lay down their medium term strategy linking policies and priorities with resource allocation and that in turn with the performance of departments and agencies.

**5. Gender Budget Report:** It provides gender disaggregated budget and beneficiary data for 25 ministries.

**6. 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.

**7. Demand for Grants and Appropriation:** It shows the details of development and non-development expenditures across all the ministries and divisions of the government.

**8. Bangladesh Economic Review:** The Bangladesh Economic Review mostly focuses on trends of macroeconomic indicators, development policy, strategy and sectoral progress of Bangladesh economy.



## Budget Glossary

**Allocation** is money earmarked for a particular purpose in the budget (like education, health, *etc.*).

**Annual Financial Statement** is a factual statement of receipts and expenditure for the financial year, presented to the Parliament by the government.

**Assets (Public)** are things that the government owns or controls that are of value.

**Audit** is the assessment of the organization's systems and procedures that aims at minimizing errors, fraud, and inefficiency.

**Balanced Budget** occurs when the government's total revenues equal its total expenditures for a given fiscal year.

**Balance of Payment** is an accounting record of all monetary transactions between a country and the rest of the world for a specific time period.

**Government Budget** is a statement of a Government's estimated receipts and expenditure for a particular period, normally a year. In Bangladesh the Government Budget is a statement of estimated receipts and expenditures for one year starting each July as well as projected receipts and expenditure for the following four years.

**Budget Revision** is a change in budgetary amounts (reduction and/or increase relative to the budget plan adopted at the beginning of the calendar year). It occurs during the budget year, when Budget revenue estimates are unrealistic, or when unexpected expenditures arise.

**Deficit** is the difference between budget expenditure and budget revenue.

**Development Budget** (or Annual Development Program) includes development activities (investment projects, like water and sanitation, roads and bridges, electricity and telecommunication) and is financed from both domestic and foreign sources.

**Direct Tax** is tax that is imposed directly on the taxpayer, *i.e.* that are paid by the taxpayer directly into the budget, (for instance, tax on profits, income tax, tax on gifts and inheritances and so on).

**Expenditure** is the funds disbursed from this account for government operations and the purchase of non-financial assets.

**Fiscal Policy** is government actions with regards to aggregation of revenue and spending, and the resulting surpluses or deficits.

**Fiscal Year** is the government's 12-month accounting period. In Bangladesh it is from July to June, which does not coincide with the calendar year.

**Grants** are funds that the national government disburses directly to lower levels of government, corporations or other organizations, either for specific or for general purposes.

**GDP** is Gross Domestic Product is the market value of all officially recognized final goods and services produced within a country in a given period (per year).

**Indirect Tax** is tax on goods and services that is collected indirectly, via an agent such as an importer, producer or shop (for instance, VAT, excise, customs duty, turnover tax).

**Medium Term Budget Framework** is the five-year revenue and expenditure plans of the national government.

**Non-Development Budget** is the part of the budget concerned with current realities (maintenance of essential services, including public officials' salaries, and social safety payments) and financed from domestic resources.

**Public Financial Management** is the legal and administrative systems and procedures put in place to permit government ministries, public agencies and local governments to conduct their activities so that the use of public funds meets defined standards of probity, regularity, efficiency, and effectiveness.

**Program** is a set of independent and closely connected activities and projects aimed at achieving a common goal.

**Project** is a part of a program of a predefined duration, with planned expenses for the achievement of the goals set by a program.

**Public Sector** is the part of the national economy that in the widest sense comprehends all levels of government, the welfare system and public corporations.

**Public Debt** is the total indebtedness of the country to home or foreign creditors at a given moment.

**Revenue** is the amount of money the state collects from public in a given period of time, including taxes paid by citizens and businesses (typically, individual and corporate income taxes, payroll taxes, value-added taxes, sales taxes, levies, and excise taxes).

**Subsidies** are non-repayable state aid to producers or consumers subject to a specific type of business or behavior of the recipient.

**Surplus** is excess of revenue over expenditure in a given period.

**Transparency (Budgetary or Fiscal)** availability of comprehensive, accurate, timely, and useful information on a government's financial activities to public.

**Value Added Tax** is an indirect sales tax charged at every stage of production and distribution, for all final purchases of goods and services. It is burdened on the final consumer of goods/services, but the actual taxpayer to the budget is the provider of goods and services.





### **Suggested Additional Reading**

<http://www.mof.gov.bd/>

<http://www.cagbd.org/>

<http://www.pac-bd.org.bd/>

<http://www.spemp.com>