

Fiscal Accountability and the Parliament: The Case of Budget Making Process in Bangladesh
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The Unnayan Onneshan (UO), an independent multidisciplinary think-tank, in its July 2017 issue of Bangladesh Economic Update, states that lack of fiscal accountability due to limited role of the parliament in budget making process together with constitutional and systematic rigidities results in inefficiency, poor implementation of budget and misuse of public resources.

To deal with the problem, the research organization calls for immediate adoption of necessary reform measures that may include revision of budget-related constitutional provisions, expansion of scope of parliamentary surveillance over fiscal management, and strengthening of concerned parliamentary standing committee.

The think tank finds that the status of budget implementation is on the decline since FY 2010-11. Of the total budget outlay, 97.05 percent was implemented in FY 2010-11, whereas the rate subsequently decreased to 93.18 percent, 90.76 percent, 84.59 percent, and 81.59 percent in FY 2011-12, FY 2012-13, FY 2013-14, and FY 2014-15 respectively.

Constitutional provisions relating to budgetary process seem to fail in addressing a number of problems such as, insufficient flow of information relating to formulation of budget, limited scope for participation by the legislators, lack of incentive for participation, and over-centralisation, notes the UO.

The current structure of budget formulation that follows simple arithmetic in balancing income and expenditure and that maintains a rigid time-bound schedule for approval does not allow participation by numerous stakeholders in the final outcome of the budgetary process, says the research organization.

As a consequence, lack of participation in budget making process leads to over-centralization which, in turn, results in corruption, patronization and poor implementation of budget. In addition, such centralized budgetary process gives rise to imprudent distribution of resources and makes the budget implementation process cost-ineffective.

While the parliament is provided with exclusive power to control public finance, it regularly suffers from such weaknesses as inadequacy of time for budget approval, reluctance of members to participate in budget discussion, absence of opposition, ineffective discussion, and lack of specialized knowledge and expertise among most of the parliamentarians.

For instance, in recent times the parliament was given, on average, 20-23 days to deliberate and vote on the budget in Bangladesh, while the usual time allocated for budget discussion in other parliamentary democracies such as Australia is 1 to 2 months; in Britain 3 months, and in India more than one month's time.

Along this line of budget making process, FY 2017-18's budget speech seems to lack providing prudent and farsighted solutions to the current challenges except it earmarks an ambitious target of expenditure amidst inefficient distribution of resources and cost overrun, says the Unnayan Onneshan.

The think tank notes that the political expediency along with lack of participation, accountability and transparency in fiscal management system has not only caused cost-overruns, scams, and capital flight, but the reign of uncertainty that kept the ratio of private investment to gross domestic product (GDP) stagnated over the years, slowed down growth in manufacturing resulting in underperformance in external sector.

Referring to imprudent budget making process induced inefficient channelling of resources to productive sectors and resultant lack of employment opportunities, the UO notes that the youth unemployment rate in Bangladesh is higher than the regional South Asian average, with a huge sizeable youth population languishing in as NEET (not in employment, education or training).

The causes of elapsing prospects are more of institutional. The gradual corrosion of institutions have constrained allocation of resources to be channeled efficiently into productive sectors in order for the economy to get higher returns in terms of expanded productive capacity, notes the UO.

Pointing to the underachievement of NBR tax revenue collection in recent years, the UO doubts that the target of collecting NBR tax revenue of Tk. 248190 crore may not be feasible in FY 2017-18, whereas a gap of Tk. 18152 crore has been found between the budget and revised NBR tax in FY 2016-17.

Observing institutional fragility in the banking sector due to monumental rise in writing off of loans, meteoric rise in the default loans and nose-dive in risk and capital adequacy ratio, the research organization comments that the public in general has to pump their tax money to rescue the stripped nationalized commercial banks through recapitalization due to loots in these banks.

Taking account of slow implementation against the planned duration of the infrastructure development projects, the UO comments that increase in allocation implies rising cost induced economic rent which has made the public investments inefficient. For instance, Bangladesh spends Tk. 59 crore (proposed) to build one kilometer of 4-lane highways whereas China and India spend Tk. 13 crore and Tk. 10 crore respectively.

Pointing to failure of economic growth to create employment, the research organization notes that unemployed population increased to 2.6 million which is highest since 2000. More than 70 percent of the total unemployed population is youth. To ensure distributional fairness in the economy, employment-friendly budgetary allocations for productive sectors is necessary.

To establish an efficient fiscal management system in the country and to root out the above-mentioned fiscal challenges, it is important that an effective participation of people's representatives be present in the budget making process. The parliament must be given adequate time to discuss and approve the budget. Constitutional gaps that hinder the adoption of a participatory approach to formulation of budget must be addressed through necessary amendment and parliamentary reform. Finally, budgetary process should be decentralized in order to take account of the needs of the poor and marginalized groups.

Note: Constitutional provisions relating to government budget are outlined in articles 81–92.