



number of assumptions under the Medium Term Macroeconomic Framework. The building blocks of this framework are – continuity in pursuing monetary and fiscal policy strategies and ensuring macroeconomic stability. It is assumed that in 2013, world economy will recover from the economic recession that re-emerged especially in Europe in 2012. As a result, world economic growth will gather pace raising the demand for Bangladeshi exports. In the 5th table appended to the speech, a matrix on budget structure while in the 6th and 7th tables data on the overall budget and sector wise ADP allocations have been presented.

Global Economy

24. With the Extended Credit Facility (ECF) with IMF being effective, the development partners and potential investors will be more confident about Bangladesh. Due to this, we are expecting a rise in Foreign Direct Investment (FDI). It will also make the disbursement of foreign aid in the pipeline easier and increase project aid utilisation rate. Thus, implementation of Annual Development Programme (ADP) will gather momentum. In order to make the saving instruments

Fiscal and Monetary Space

(Sanchaypatra) attractive to the public, we have harmonised its interest rate with other existing rates prevailing in the market. Moreover, we have taken steps to repackage and rebrand the conventional diaspora bonds and adopted appropriate market promotion policies. As a result, financing from the saving instruments and bonds will increase in the proposed budget. At the same time, this will not crowd out the private sector. The resulting fiscal and monetary space will be supportive in implementing development programmes of the Government. This will accelerate private sector investment. In this backdrop, the GDP growth target for FY2012-13 has been set at 7.2 percent. GDP growth rate will increase to 8 percent by FY2014-15.

25. The agriculture sector will help continue our growth trend. Production of flood-draught -salinity resistant seeds, targeting of government assistance in the sector, provision of uninterrupted power supply for irrigation, and increased flow of agricultural credit will continue. These will result in enhanced agricultural productivity, crop intensity and its diversification.

Sustained Growth in Agriculture

26. At the moment, the main impediment to investment consists of infrastructural deficit and lack of good governance. We have laid emphasis on infrastructural development. We are effectively pursuing the agenda of expanding the coverage of electrification rapidly. We are also exploring ways for ensuring optimum energy diversification. We are continuing our endeavors for extension and development of railways, roads, waterways together with land ports, sea ports and airports. PPP framework has been established. We are making rapid progress in terms of digitizing Bangladesh and at the same time taking steps to reduce the cost of doing business. Hopefully, these steps will crowd in private investment. Many expressed concerns about the state of investment in private sector which are not founded on facts. In the previous fiscal year, private sector credit growth was enormous i.e. 26 percent. Compared to that, it is projected to be only 16 percent this year. The private sector credit stood at Tk. 3,40,713 crore by June, 2011, while in the current fiscal year it is projected to be Tk. 3,95,227 crore.

Private Sector Investment

27. The ongoing legal, procedural and structural reforms in revenue sector will continue. Alternative Dispute Resolution (ADR) system introduced in the current fiscal will play a significant role in scaling up revenue collection. As a result of re-fixation of the rates of non-NBR tax and Non-Tax Revenue, revenue collection will be further augmented.

Revenue Mobilisation

28. The budget has been proposed on the assumption that the prices of fuel will be automatically adjusted in harmony with international prices along with planned adjustment of power tariff. Initially, non-food inflation may remain high due to higher fuel prices and lagged effect of food inflation. However, monetary tightening initiatives along with fiscal consolidation will continue. Because of the outlook of declining trend in food prices in international market and satisfactory domestic agricultural production, we are expecting the food prices to settle at a tolerable level. The increased supply of foreign exchange will keep the exchange rate stable. As a result, inflation will moderate. Given this scenario, we are expecting to bring down inflation to 7.5 percent in the next fiscal year and to 5.0 percent in the medium term.

Inflation

Structure

Mr. Speaker

Now, I will briefly present the proposed income and expenditure estimates for FY2012-13.

29. The revenue income for FY 2012-13 has been estimated at Tk.1,39,670 crore which is 13.4 percent of GDP, of which NBR tax revenue is Tk. 1,12,259 crore (10.8 percent of GDP). Revenue from non-NBR sources has been estimated at Tk.4,565 crore (0.4 percent of GDP). Tk.22,846 crore (2.2 percent of GDP) will be collected as Non Tax Revenue (NTR).

Estimates of Revenue Income

30. The total expenditure for FY 2012-13 has been estimated at Tk.1,91,738 crore (18.1 percent of GDP). The allocation for non-development and other expenditure is Tk.1,36,738 crore (13.1 percent of GDP). Expenditure for ADP has been estimated at Tk.55,000 crore (5.3 percent of GDP).

Estimates of Expenditure

31. The overall budget deficit will be Tk.52,068 crore which is 5.0 percent of GDP. Of this amount Tk. 18,584 crore (1.8 percent of GDP) will be financed from external sources and Tk.33,484 crore (3.2 percent of



Prime Minister Sheikh Hasina signs the proposed budget for fiscal 2012-2013 after the cabinet meeting at Jatiya Sangsad Bhaban yesterday.

GDP) will be financed from domestic sources. Of the domestic financing, Tk.23,000 crore (2.2 percent of GDP) will come from the banking sources and Tk.10,484 crore (1.0 percent of GDP) will come from non-bank sources. For the purpose of financing the deficit we are placing emphasis on mobilising the concessional loans from external sources as before.

Budget Deficit & Financing

32. Like the previous three budgets, without catering to the needs of any particular region, we have determined the size of ADP by factoring in the issues of regional parity, improved infrastructure and quality of expenditure as outlined in our election manifesto. In the ADP, 25.5 percent, 29.9 percent, 17.3 percent and 14.8 percent of total allocation have been proposed for human resource sector (education, health, and other related sectors), agriculture sector (agriculture, rural development and rural institutions, water resources), power and energy sector and communication sector (road, railway, bridges and other related sectors) respectively.

Annual Development Programme

33. I have already presented the allocation structure of ADP for FY2012-13. Now, I would like to focus on the overall expenditure (development and non-development) structure of the proposed budget in this august House which will give an idea about the sectoral allocation and priorities of the overall budget. We may classify different ministries/divisions into three groups based on their functions social infrastructure, physical infrastructure and general services sectors. In the proposed budget 24.2 percent of total outlay has been allocated to social infrastructure sector of which 20.5 percent has been proposed for human resource (education, health, and other related sectors) sector. 27.8 percent of total allocation has been proposed for physical infrastructure sector of which 14.9 percent has been proposed for overall agriculture and rural development, 7.0 percent for communication sector, 5.0 percent for power and energy sectors. 19.3 percent of total allocation has been proposed for general services sector. 4.9 percent of total allocation has been proposed for Public-Private Partnership (PPP), financial assistance for different industries, subsidy, and equity investment in nationalised banks and financial institutions. 12.2 percent has been proposed as interest payments. Rest 11.7 percent will be spent for net lending and other expenditures. I hope that the proposed budget in the context of domestic and external environment will support growth, contain inflation and reflect aspirations of the general people.

Overall Expenditure Structure

Chapter V Reform Programmes

Public Financial Management

Mr. Speaker

34. Our resources are limited. We, therefore, need to ensure optimum use of the limited resources. In order to ensure enhanced transparency and accountability in public financial management, we are committed to take forward the ongoing reform initiatives. Reform is a continuous process and without reform existing stalemate in the traditional system can not be dismantled for improvement. Now, I will briefly discuss our achievements and future plans in this area.

35. As part of reforming the budget preparation process, we have already brought all ministries/divisions including all constitutional bodies under the Medium Term Budget Framework. Thus, we have put in place a system to ensure resource allocation in line with Government policies and priorities and undertake performance assessment of the Government offices/organisations. Currently, we are working on deepening this process. To fulfill this objective, creation of budget management wings/branches in all the ministries/divisions will be completed by this fiscal end.

Medium Term Budget Framework

36. Alongside enhancing institutional capacity, we are continuously working to improve technical capacity of government agencies. All ministries/divisions are now preparing budget using computer based multi-module database (iBAS). We have plans to extend this network to different directorates/agencies and district/upazaila offices. Gradually, multi-module database will be used not only in case of budget preparation but also in case of budget implementation and monitoring including revenue collection and fund release in future.

Multi-module Database (iBAS)

37. There is no alternative to sound expenditure management to achieve targeted outputs. To this end, we are continuing with our efforts on expenditure management reforms. We have taken steps to strengthen economic management by building appropriate macroeconomic model and database. Steps have also been taken to develop Government's Debt Management and Financial Analysis System. We have taken steps to prepare Annual Cash Plan consistent with our borrowing requirements. In addition, steps have been taken to create a database to enhance transparency in the management of public shares and equities. As per our commitment, we have started mapping of economic codes as a step towards unification of development and non-development budgets. These initiatives are expected to protect us from internal and external economic shocks.

Reforms in Expenditure Management

38. Two committees have been formed to recommend the ways and means of mitigating delays and difficulties in project approval process. Hopefully, from September next, the implementation of recommendations of these committees would be started. In this respect, we have our shortcomings as well. We have not yet been able to formulate the policies required for simplification of the processes of formulation, processing, implementation and evaluation of development projects. Our efforts, however, are continuing.

ADP Implementation

39. In the previous budget speech, I mentioned about revising the existing budget classification structure to make it more consistent with international practices. We have already prepared a draft classification structure which is now under scrutiny. I hope to finalise this structure by the next fiscal year. On its finalization, the technical difficulties faced in the preparation of district budget, which we have earlier promised to prepare, will be largely removed.

New Budget Classification Structure and District Budget

40. Recently, we have introduced 'Electronic Fund Transfer' (EFT) in three ministries on pilot basis. Under this system, after directly transferring money to his account, the beneficiary is informed about the transfer through cell phone and internet. There is a plan to extend this facility to all the ministries by next year and

Information Technology in the Public Financial Management