

BUDGET 2013-14 (FY 14)

A dispassionate disaggregation

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In a least developed country like Bangladesh the financial sector and the money market are grossly imperfect. This severely constrains the smooth operation of the transmission channels of monetary policy. In consequence, fiscal policy is arguably the most potent macroeconomic policy instrument to accomplish the development objectives. Fiscal policy is embodied in the budget. The allocation of expenditure across various activities, the level of revenues raised and its distribution among various sources, the resultant deficit and the methods of financing a given level of deficit impinge on the accomplishment of development goals relating to, interalia, growth, inflation, incentives to save and invest, income distribution, employment and poverty alleviation. This article seeks to analyse selected aspects of FY14 budget from this perspective. It should be emphasised at the beginning that the achievement of the goals of a budget depends on its implementation. Therefore, this article will specially focus on the likelihood of meeting some of the quantitative targets and the implications of potential failure to achieve these targets. Furthermore, a realistic budget must be based on the immediate past experience and also likely developments in the politico -- economic scenario during the upcoming year.

Quantitative targets

Table-1 represents some important quantitative targets of FY14 together with the original budget and revised estimates of FY13

	FY 14 budget	FY 13
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	FY 14 Budget	FY 13	Original budget	Revised
Total expenditure	2,22,491		1,91,738	1,89,326
Total revenue	1,67,459		1,39,670	1,39,670
NBR tax revenue	1,36,090		1,12,259	1,12,259
Foreign grant	6,670		6,044	5,280
Deficit (excluding foreign grant)	55,032		52,068	49,656
Deficit as % of GDP	-4.6		-5.0	-4.8
Annual development programme (ADP)	65,870		55,000	52,366
Non-development revenue expenditure	1,34,449		1,11,675	1,10,627
Foreign loan (net)	14,398		12,540	11,903
Borrowing from banks (net)	25,993		23,000	28,500
Sale of saving instrument (net)	4,971		7,400	1,973

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growth of imports including capital machinery and raw materials, considerable deceleration in the flow of credit to the private sector, notable increase in the share of classified loan in the banking system, falling levels of profit in banks and likely slowdown of export growth in the wake of recent developments in the garments sector inevitably point to deceleration of economic activities. The situation will be further aggravated by likely continuation of confrontational politics. In addition, a number of tax-related proposals will have a depressing impact on revenue collection. One can, therefore, predict with reasonable degree of certainty that NBR tax revenue collection will fall short of FY14 budget estimates.

- Net external assistance, including grants, for FY14 is estimated to be Tk.21,068 crores. Using the exchange rate of April 2013, this turns

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