

Economists for performance-based budget

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They suggest getting out of traditional one that allocates fund without considering performance



Former Bangladesh Bank Governor Salehuddin Ahmed addresses a budget discussion in Dhaka yesterday. Former adviser to the caretaker government Mirza Azizul Islam (left) and Distinguished Fellow of Centre for Policy Dialogue Debapriya Bhattacharya (centre) also spoke at the event

Photo- Nasirul Islam

Former Bangladesh Bank Governor Dr Salehuddin Ahmed yesterday stressed the need for introducing performance-based budget instead of traditional incremental one for effective implementation of the budgetary measures.

As the time has come to get out from the traditional incremental budget, the government should now focus on performance-based budget for effective implementation of budgetary measures, he told a panel discussion on budget for the fiscal year 2014-15 at BRAC University auditorium in the capital.

BRAC University Economics Club organised the discussion while the club's adviser and chairman of the BRACU economics and social science department Syed M Hashemi presided over the discussion.

Regarding the budgetary allocations, Salehuddin noted that the allocations for the different ministries are now made without considering their performances, so the allocations, in most cases, failed to serve the purposes.

Citing an example, Ahmed said: If a ministry gets Tk10 crore in a fiscal year, it will get Tk12 crore for the next fiscal, no matter what the ministry was performed. The measures will only work if the allocations are made on the basis of the performances of the ministries.

He also stressed on initiating performance-based allocations for some sectors that are performing well including communication and information technology.

"The difference between personal income and regional income has already widened and it will increase further if the budget cannot ensure balanced development, which is the core aim of a budget plan," he added.

Centre for Policy Dialogue distinguished fellow Debapriya Bhattacharya said the tax measures should be taken considering how the measures will be implemented.

"The government has proposed imposing highest slab for income tax at 30% which will help towards lessening the income discrimination, whereas the corporate tax is now at 27.5%. There is risks that people can now open up companies for paying less taxes as the tax rate is lower compared to the personal income tax. There will be problems in the coming days if both of the taxes are not being coordinated properly," he added.

Regarding the black money whitening provision, which the finance minister AMA Muhith has proposed to be scrapped, Debapriya said, "The minister is waiting for the amendment of law to scrap the provision. I do not think the people, who have acquired black money will not let the issue scrapped so easily."

The economist also stressed the need for formulating Local Government Financing Commission, Public Expenditure Review Commission, Independent Statistical Commission, and Agricultural Price Commission to achieve 7.3% proposed GDP growth rate.

Former adviser to the caretaker government Mirza Azizul Islam said the projected 7.3% growth for the fiscal year 2014-15 was a difficult target to achieve as it needs 33% investment of the GDP ratio.

Regarding private sector investments, he said the fiscal incentives like extension of tax holiday, reduction of tax rate for the non-listed companies and increased tax-free limit for dividend income, will not work until the basic preconditions such as infrastructural facilities are developed.