

Preparing for a better budget

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An economist friend was telling me the other day- 'isn't it too early to discuss about the budget'? I rather thought, if not very late, it is quite late to discuss about the budget. My experience with earlier finance secretaries as well as the present one tells me, for a fair treatment to the budget process, the fundamental structure, direction and philosophy have to be sorted out by 31st January at the latest, if not 31st December. This is being more emphasised now, as there is a resolution among all stakeholders that budget, as taught in our secondary level education, is no more all about numbers, it is also a strong philosophical tool for the governments to take the country forward, drive growth, ensure equitable distribution of growth as well as national wealth, make adequate investment in education and health infrastructure and, more importantly, ensure food and energy security and thereby social harmony with clear visibility about the future. This has become an absolute reality in an era where Nobel peace prize is being given in recognition of the fight against poverty.

Having mentioned all these, we were discussing among friends, whether there is any way to make a drastic 'quality shift' in the process used for formulating and implementing budget. Having studied economics for eight years (rather 10 years, due to the session jam) from secondary to masters level and done a dissertation on 'Development planning in Bangladesh', I would rather expect the budget document to reflect serious background research on issues like 'growth-inflation relationship', 'impact of electricity generation on growth and on the other hand growth warranting electricity generation', 'effective land management in view of land loss to manufacturing and infrastructures', 'impact of private as well as public investment on growth', 'size and impact of informal economy on growth and possibility of mainstreaming the black or informal economy', 'way to ensure food security for the increasing population', 'effective handling of the entire subsidy economics' as well as 'effect of public sector economics on the entire economy' and, more importantly, on 'how the neighbouring or competing countries are responding to similar or emerging issues or challenges' in order to make growth inclusive and ensure forward-looking capacity building. This is more needed in a country where there is an identified paucity of market or social research and the economists fail to response when they don't have any link with the party in power or their input is very shallow or emotion-driven while the ruling party is

their favourite one. Having said so, I am also aware the present finance secretary and some of his distinguished colleagues have already highlighted some of the issues mentioned above.

Now the million dollar question is: how will be the next budget? My journalist friends are telling, this is not going to be great in any way. Just kind of an expansion on the same philosophical platform or political direction. Revenue estimate will increase by may be 20-22 per cent, expenditure may increase by 18-20 per cent and Annual Development Programme (ADP) will be increased by 15-20 per cent with every expectation of cutting its size at the fag end of the fiscal.

Our very articulate finance minister has already mentioned that the budget would aim at realising the unmet promises of the present government. As usual, some economists have advised him not to concentrate much on with the size of the budget. At the same time they have made a loud plea for an appropriate subsidy policy. Those who know our finance minister can possibly appreciate, he did not differ much with the suggestions put in by the economists and hinted at keeping the budget outlay within Tk. 1.90 trillion and fiscal deficit below 5.0 per cent in the ensuing budget.

Taking clue from what is happening around and particularly being cognizant of the serious 'capacity disconnects' among the regulatory and implementing agencies, I have my doubts whether the finance minister would be able to materialise many of the electoral pledges that the ruling alliance had made within its current tenure for the same would necessitate an over-bloated budgets, in terms of resource allocation. We are aware of our identified resource constraints as well as global situation is not also in our favour.

No doubt, the minister will be facing a daunting task of keeping the fiscal deficit below 5.0 per cent and subsidies within the estimate that he is expected to make in the next budget. On the inflation front, the challenge is likely to be humongous. I would not be at all surprised, if we get to see the international oil and food prices are dictating terms for all of us. The government facing a 'take it or leave it' situation will be forced to align all its policies in line with the international prices, thereby making 'management of budget deficit as well as subsidies' a continuous struggle for the government.

Therefore, the entire exercise of preparing a budget for the next fiscal will no doubt be a tough one, given the current state of the economy, uncertain or challenging global scenario and meagre political might available at the disposal of the government to drive any meaningful policy reforms.

We have witnessed the government finances going haywire during the current fiscal, mainly due to the rising subsidies on account of increased volume of fuel import and power purchase from the private rental plants. Yet the government, unfortunately, is left with no option other than bearing with strong criticism from its political rivals and people due to frequent power load-shedding. That is, however, demonstrates the government's failure to make proper planning to address the issue of power crisis. Surprisingly government's or development partners' 'hung on' situation with the budget deficit is also not allowing 'poor power development board (PDB) to buy even 40 per cent power from the private rental power companies, which have around 2500 megawatt (mw) installed capacity and when the country is experiencing frequent power outages.

My readers would ask me; in that case will the government be able to handle its finances well in next fiscal? As usual we would expect the finance minister to put the public finances in order. We would be very interested to watch how he reins in the runaway subsidies.

The share of subsidies in the non-development budget for the current fiscal has been estimated at 8.3 per cent. However, despite all efforts, the expenditures on subsidies have already overshoot that estimate and it is feared to reach a record level by the end of the fiscal.

Crude oil prices in the international market are already up and predictions are there that the price level is likely to maintain an upward trend, and thereby warranting a continuous local price adjustments to give a further boost to 'inflation'.

Obvious question would be- while the government is likely to be too busy tackling the current issues like 'subsidy', 'fuel price adjustment', inflation or some important political developments, where would they get time to 'think' about the future, do necessary home work to launch an inclusive growth plan and thereby take the country towards a sustainable development path? No doubt, it is going to be a tough war and may even become tougher, if we- policy planners, politicians, private sector, development partners, civil society and other important stakeholders do not get into a 'fair game'. We don't have many choices left, but to behave like real adults.

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