

Wanted need-based budget

Requesting funds from the Ministry of Finance through budget proposals against traditional sectors is no more a viable option. Such an approach to framing budget proposals has negative impacts on the use of public funds, writes **Khurshed Alam**

IN June every year, the Finance Minister presents the proposed annual budget for the next financial year (July-June). There he allocates funds for government departments. For preparing the budget, the government departments follow a rule of thumb - based on the previous year's budget size, they add 10 per cent-15 per cent to that. This is, however, not a pragmatic approach.

The government departments, before sending their budget proposals to the Finance Ministry, should conduct in-depth need assessment of their own departments every year instead of working in the traditional manner. The logic is simple: in today's fast-changing world, ways of working too are changing fast, so are changing budget demands of a department. Therefore, requesting funds from the Finance Ministry against traditional sectors is not a viable option any more. Such an approach of framing budget proposals has two negative impacts on public funds. First, misallocation of public funds leads to misuse of the same. By this we mean wastage of tax-payers' money in some

fields that are not really important or productive. Second, this approach is also counterproductive in terms of non-expenditure of public fund. This is why every year a large amount of public funds remains unused.

In order to use public funds in an effective and measured way, the government departments should adopt a smarter budget framing approach on the basis of current needs of a department. In this regard, they should rethink and revisit methods of framing budget that would reflect efficiency in allocation and proper use of the allocated funds. This method of budget framing had reaped better result in budget implementation for the Bangladesh Water Development Board (BWDB) when this writer was working as an institutional development adviser of the BWDB in 1993-1994 period.

Prior to 1993-94, budget proposal of the BWDB had little relevance to the field requirements. There was no clear-cut assessment of how much money is needed for canal re-excavation, embankment maintenance, flood control, drainage requirement for

preventing crop damage, river erosion, etc. The BWDB officials had little clue about how much money is needed to address these problems in a water management division/project in a given year.

Further, there was no mechanism to prioritise the tasks. For example, in a given year, flood control may be a priority in X district but next year it may not be a priority. Nonetheless, due to the traditional mechanism of preparing budget, lump-sum amount of money would be allocated for that district against flood control every year even when there is no flood there but money is needed for upgrading or fixing drainage system. In this scenario, according to the BWDB's traditional budget mechanism, money allocated for flood control in the X district would remain unused whereas development or upgradation of drainage system would not take place, as there was no money allocated in the proposed budget.

Against the backdrop of this mechanism, and in order to frame a budgeting system responsive to genuine needs, a needs-based budget mechanism was introduced in the BWDB and a priority was

set against each sub-sector/item so that the government can allocate funds based on those priorities. Since then it worked fine. This lesson of good practice of budget framing based on need-based assessment should be followed in other government departments.

Mere increased supervision of ministers or secretaries will not serve the purpose. Rather there is a need to develop a need-based budgeting system. We should remember that in order to bring an order in a system, a concrete system is what should be in place. Otherwise, merely blaming officials will hardly improve the system or serve any purpose. If there is no pragmatic system, there is no chance of having any order or discipline in that system. If there is no order there is no chance of improving the system. Are we ready to move towards need-based budgeting system?

Dr. Khurshed Alam is the Chairman, Bangladesh Institute of Social Research Trust (BISRT). He worked over 29 years as a senior consultant in government departments, ADB and World Bank. bisr@agnionline.com