

**Seminar Paper**  
**On**  
**Budget 2008-09: Agriculture, Food security and Public Service Sectors**

**Introduction:**

The budget is a document of a government regarding income and expenditure of a probable future year. The budget is not only an economic document but also it indicates ideology, political policy of a government. Good governance especially refers to economic good governance as a focal point in the budget. In light of neo-liberal economy initiated at 80s, Bangladesh government prepares our national budget in light of PRSP under the consecutive structural adjustment activities started from 2003. Bangladesh government has not undertaken five year plan since 2001 under the pressure and guidance of World Bank and IMF but it has adopted a 3 year circulated plan. The general scenario of our national budget reflects decrease or increase of sector wise allocation in compared to last year. The unequilibrium political power of existing community and classes is clearly reflected on budget allocation. Which particular group or community of our society is favored in the national budget? The fact is that budget favored the interests of powerful group or class of people and disfavors middle class people and city dwellers in terms of class or community aspect. SUPRO has continuing its campaign movement for last few years to formulate poor people friendly budget as well as to reflect expectations of farmers, labors, women and indigenous communities properly.

The present caretaker government as other previous governments has prepared a budget for current fiscal year under the influence of open market, dependence on liberism and flourishment of private entrepreneurships. Like other previous political governments this current budget is popular because of its high ambition which is hardly implemetable.

**1. Budget Formulation Process: Bureaucratic and Centralized Budget:**

There is hardly any opportunity of peoples' participation in the budget formulation. Even though, it defines ultimate destiny of people. Remarkably, last year government has received peoples' opinions through e-mail. The government tends to have a limited discussion with bureaucrats, businessmen and economists before formulating a budget. But, ironically always farmers, laborers, women, indigenous and marginalized communities remain behind curtail. The discussion is only centered on tax increase or tax exemption which is not the pure characteristics of a budget. Normally, people have dubious perception whether the findings of discussions are included or exempted from the budget. Ironically, peoples' have no scope of participation in Annual Development Plan (ADP). Under this situation, it is necessary to expose the budget to people before three months to ensure peoples' participation. Moreover, the budget formulation process has to be decentralized.

## **1.2. Limited Access of People to Budget related Information**

There are three specific stages of national budget; budget formulation, budget implementation and impact assessment. According to “Open Budget Index-2006”, evaluated by US-based International Budget Project Bangladesh has scored 40 out of 100. The people of Bangladesh have limited access to budget related information in compared to other countries. Although, the government unfolds information regarding national budget in a limited range but never present half-yearly discussion report to people. Even, the recommendations of annual audit report is not exposed to people for better implementation.

## **1.3. Imbalance between Budget speeches versus policy strategy:**

In a verbose budget speech of Finance Adviser/Finance minister there is explanation on target, expectation, necessary guidance of a fiscal year but there are no specific indications how they will be achieved.

## **1.4. Source of Finance, budget deficit & foreign debt**

The formulation of a deficit budget is a stereotype characteristic of our national budget. In the current year, the amount of deficit budget is 22,313 core taka excluding debt of BPC. To cover deficit, government has received debt amounting to taka 9,478 core 40 lacs taka. At the beginning of the fiscal year, 76% of the deficit budget has been come from domestic sources. There might have a negative impact on whole economy if government continuously borrows money to cover deficit budget. On the other hand, government has received foreign debt amounting to 3,428 crore taka. As a result, foreign debt has kept us under vicious conditions. The gradual increase of foreign debt has also increased per person debt amounting to 140\$. Consequently, we have to pay higher interests rate of 13.5% which is double than our health budget (6.6%) in the current fiscal year.

Surprisingly, only 1 % people including few companies pay regular taxes in our country. The percentage of indirect tax payers is 72.44% including VAT 34.1%. To increase scope of taxation structural reform is urgently needed. Therefore, it is necessary to campaign to encourage tax payers and initiatives have to be taken to make tax administration as tax payer friendly institutions.

## **2. Implementation of Annual Development Program (ADP):**

The major weakness of Bangladesh development budget is incomplete implementation of Annual Development Program (ADP). Even, the changed ADP is not implemented properly. In the current ADP, budget has been reduced to 22,000 core taka. Up to last January 2008, it has implemented 24.50% of the total budget. On the other hand, 81% of the total budget has been implemented in the last year. It has also been found that 90% and 93% of corrected ADP has been implemented in 2005-06 and 2004-05 consecutively.

According to evaluation report of IMED, it has been identified that due to project formulation process without baseline survey, long time to project formulation, undisciplined activities in financial planning, lack of required human resources, late in receiving development partner's concern and problems in complying with conditions ADP projects are not completed in due time.

### **Reasons behind sloth implementation of Annual Development (ADP):**

- **Over budgeting:** Due to political factor, high ambitious target is estimated for ADP. Every year new projects are incorporated without assessing previous projects' proper implementation and considering feasibility of projects which surely hold back ADP's proper implication.
- **Insubstantial Program Design:** ADP Projects are formulated within a short period hastily due to dearth of time and lack of proper trainings and orientation which make troubles in implementing projects. Finalization of tenders, land acquisition and other slow-motion activities barred ADP's implementation according to its target. Besides this, transfer of project directors and high price of construction materials are also responsible for slow implementation of ADP projects.
- **Infrastructural problems:** The infrastructural problem is the major disadvantage of ADP. As every year new projects are being designed hurriedly which make the size of projects bigger but miniature achievement is found. Apart from this, lack of administrative skills, absence of coordination and monitoring make vulnerable in implementing ADP projects. In this regard, ADP has to undertake long-term projects to overcome infrastructural problems.

**3. Regional Imbalance:** In terms of allocation in budget, regional imbalance and range of poverty has to be specifically considered in ADP. To alleviate poverty special allocation has to be ensured for hard to reach areas, Char and Haor areas, coastal belt, and districts of hill tracts in ADP.

### **4. Agriculture and Peoples' Food Security**

**4.1. Food Security:** Economic development does not bear any significance if majority of people don't have access to food and remain in food crisis. More than 75% of the total populations live in rural areas and majority of them are victims of seasonal and chronic food insecurity. Every year 20 lacs people are added to total population and quantity of agricultural land is gradually decreasing. For this reason, long-term development projects are highly needed for ADP.

**4.2. Increase of Food Production Vs Ownership:** There is no guarantee in reduction of food security if production is increased. The prime condition of this is to enhance ownership of food insecurity affected people. The issue of ownership is critical one even though food production is increased. Food security will not be ensured for marginal farmers and rural day laborers even there is bumper harvesting of *Boro* rice. The rural

people will have no capacity to buy food if permanent source of income is not extended to the rural people. Consequently, hidden hunger or what ever we call will come around as usually.

**4.3. Scarcity of cold storage and preservation crisis:** Lack of adequate cold storages, around 20 lacs metric ton potatoes will be spoiled out of total production of 1 crore 20 lacs metric tons as estimated 70 lacs metric tons will be produced this year. The farmers are in profound crises due to lack of sufficient cold storages and advanced bookings of middlemen instead of farmers. There are 343 cold storages in the country and out of them 330 are private-owned and 13 owned by Agriculture Development Corporation. The government should provide assistance in building new cold storages and specifically declare leverage on seeds, electricity and taxation sector to strengthen food security. In this way along with potatoes, tomatoes and other winter vegetables could be preserved.

**4.4. Increase subsidy in agriculture and reach to farmers:** Bangladesh government has drastically reduced subsidy in agriculture by the influence of donors' communities. The government's assistance to agriculture is only 1 to 1.5% against total agricultural production. According to Agreement on Agriculture (AOA) of WTO, government's permissible assistance to agriculture is 10%. So, for extensive production subsidy in agriculture has to be increased and equally should reach to the doors of farmers. Reasonably, this subsidy has to be allocated for production, preservation and preservations as well.

**4.5. Assistance to marginal farmers:** The marginal farmers don't avail any benefits of subsidy on fertilizers, diesel and electricity bills. 20% subsidy is accessed mainly for fertilizers, irrigation pump and electricity bills by rich farmers and local rich industrialists. Ironically, small and marginal farmers are completely deprived from this subsidy. Agricultural production would not be possible to increase if rights of small and marginal farmers are not ensured. In this regard, land reform bills of 1984 should be implemented immediately.

**4.6. Access of fertilizers, seeds including agriculture materials to be ensured:** The crisis is being generated as there is absence of pragmatic rules and regulations in fertilizers production, distribution, selling and management. At the beginning of the year, quantity of fertilizers needed to agricultural sector should be estimated by appropriate statistics. The stock should be ensured before plantation according to need. The small and marginal farmers do not get required fertilizers in due to time. The researchers have stated that 20 lacs tons more food could be produced if high-quality seeds are utilized. To ensure high-quality seeds and technology extension to farmers' special allocation should be ensured in the budget.

**4.7. Reduce transfer of agricultural land to non-agricultural sector and maximum utilization of land:** For the last two decades, 1.1% of agricultural land is being transformed to non-agricultural activities yearly. Around 1 lac hector arable land is being reduced for urbanization or by population pressure. Only for transformation of agricultural land to non-agricultural 15 to 20 lacs people live with affliction of food

insecurity. There should be specific policy and strategy in the budget to reduce or stop transformation of agricultural land to non-agricultural activities. To ensure maximum utilization of land, soil test/survey should be conducted for which crop is best suitable for which kinds of land. Moreover, there should be planned activities in the budget in relation to reduce uses of agricultural land to non-agricultural activities.

**4.8. Ensure reasonable price of *Boro* rice:** The farmers have to encourage continuously for increasing production. If the government can ensure fair prices, then farmers will be encouraged. The government should come forward with planned initiatives to buy rice from farmers. In considering production expenditure of farmers, purchasing prices should be fixed during purchasing crops from farmers.

**4.9. Allocation for Revival of Jute Industry:** Being identified as third important sector according to national industry policy, but allocation for jute industry has not been reflected for last few years in the budget. There should be specific assurance and allocation to revive lost traditions of jute industry in the budget as well as to conduct research on jute seeds, provide high-quality jute seeds to farmers and ensure fair price for jute.

**4.10. Ensure 100 days employment for rural day laborers:** The agricultural laborers do not have any work for 150 day in a year. In this lean period, rural farmers don't have sufficient food. The government should take initiatives to employ rural farmers or provide pension for at least 100 days to ensure food security. To include all rural laborers, adequate allocation should be ensured in the development budget.

**4.11. Rationing for food security:** The food shortage has been accelerated in Bangladesh due to encourage private sectors for importing food, self sufficiency through importing food from world market and dependency on private sectors to resolve food insecurity. The open market strategy has been largely futile under the safety net initiatives. For this reason, to protect and ensure food security for landless rural laborers, slum dwellers, garments laborers including low-income people from the scourge of price hikes rationing system should be introduced along with safety-net initiatives of government.

## **5. Budget and Public service Sector**

**5.1. Education:** In 2007-08 highest allocation of 12369 crore taka has been given to education sector which is the 14.5% of the total budget. The followings proposals have been mentioned in order to increase capacity and quality of education;

- 60% women out of total 15 thousands new teachers will be appointed in primary schools.
- Provide scholarships to 55,00000 children each @Tk.100 per month
- Provide income oriented training to qualified 605000 students of mass education initiatives.
- Provide trainings to 10,000 teachers.
- Construction of 18,186 school rooms

- Establish one computer lab in every district-level schools.

The allocation for education sector is traditional and consecutive part of previous years. But the major problems in education sectors like as, quality education, dropping out, distinction between urban and rural areas, different trends of education, differentiation of education, commercialization and privatization of education and corruption in education which have not been mentioned precisely. In Annual Development Program (ADP) highest 16.3% has been allocated for education and religious sector. Up to January 2008, in seven months the rate of implementation of ADP is only 29% of education ministry and 36.6% of primary and mass education ministry have been achieved for which sloth implementation of ADP is largely responsible.

### **Recommendations:**

- Schools should be built according to need and density of population
- Increase expenditure on education at least 5% of GDP
- Introduce health services, provide school uniforms and mid-day meal for poor children
- Proper allocation for appointing required teachers to make a proportion of teachers and students 1:40
- Specify education budget of ADP segregating education and religion sector separately

### **5.2. Health:**

To ensure MDGs target Bangladesh government need to allocate 10-12% of national budget to the health sector where as government's allocation is only 6.6% of the total budget. The priority areas of 2007-08 health budgets are as follows; continuous tax free import of insulin and life saving drugs, establish more nursing training institutions, increase numbers of nurses in hospitals, develop hospital management, effective implementation of HNPS, involvement of NGOs in reducing malnutrition, contaminated diseases, and population and increase specialist services.

The implementation is a major problem rather than allocation in health sector. There were no effective steps for implementation in major areas of health sector like as, nutrition and population sector in the national budget. The main problems of health sector of our country have not been addressed properly. There are more than 6,000 unemployed doctors in the country. There are no doctors in many posts at district-level along with shortage of required medical equipments. The state should take responsibility for public health through increasing beds in hospitals, establish new hospitals and ensure better health services which should be specifically mentioned in the budget.

### **Recommendations:**

- It is necessary to establish 100 beds hospital in Upazilla level and double the numbers of doctors and nurses. Along with this, child and orthopedics doctors should be appointed.

- The attendance of Upazilla level doctors should be ensured. Adequate medicines for patients and food for extra patients against beds should be properly managed.
- Presently, there are 3575 community clinics existing in Bangladesh but most of them are useless. The budget should be increased to activate those community clinics. Appointing health assistants and providing urgent drugs and materials in those clinics, primary and maternal health care services to be ensured for poor people of rural areas.
- To provide advanced trainings for the doctors working in the rural areas and adequate paramedics and nurses should be appointed in Union level.
- The government should have effective role in control of quality and fixing prices of drugs.
- It is necessary to coordinate comparatively cheaper but available indigenous health practices with modern health care services.
- 15-20% allocation should be given to health sector

### **5.3. Electricity:**

Production and accessibility of electricity is regarded as a major indicator of socio-economic development. Only 30-32% of the total population access electricity in our country. To enhance socio-economic development power accessibility has to be extended. The distinction should be reduced between urban and rural areas in terms of availability and usages of power. This is a real challenge of government. The government completely failed to take any step to accomplish power deficiency in the last year. In the next budget, there should be specific indication in resolving power deficiency.

### **5.4. Transportation:**

In 2007-08 ADP transportation sector has received second highest allocation (12.47%). To maintenance of roads and railways 76.5% and 40% allocation have been increased in ADP. Until now, railway is the most quick, secured and affordable transportation medium. For the last two decades, government has never considered railway as promising sector. For example, in the five-year plan Bangladesh railway has received only 2-3% allocation. We could not have quality roads even though we have spent lots of money for it. It could be reduced wastage of land and money if integrated plan is followed to construct roads and rail ways. Unfortunately, we have prioritized roads and high ways mostly under the guidance of World Bank and IMF. Beside this, there is related vital interest of private transport owners. Under this situation, we want adequate allocation for revival of transportation sector. Therefore, stopping subsidy to rich for fuel initiatives should be taken to develop a long-term sustainable transportation system.

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*(Translated from Bengali by Mr. Lawrence Besra, Project Coordinator, RTI from discussion paper on "Budget 2008-09: Agriculture, Food security and Public Service Sectors", presented by Policy Research Coordinator Mr. Shahid Ullah at CIRDAP, Dhaka on 20<sup>th</sup> April 2008).*