

Should we be worried about the size?

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The present agenda is an ambitious agenda, but not a meaningless one



The goals are big, but we have to plan right Photo- BIGSTOCK

Every year, the shape and size of the national budget in any country raise imperative questions concerning the economic opportunities it will create, the challenges it might face, and the socio-economic vision it will support.

Thus, the strong public discourse in Bangladesh on the expected nature of the current national budget for FY17 is, by and large, a healthy and useful development.

Most importantly, a vibrant public scrutiny allows policy-makers to fine-tune its resource mobilisation mechanisms and expenditure decisions by balancing competing needs, so that the overall exercise achieves both productive and allocative efficiency.

In the context of Bangladesh, however, one aspect of this public discourse — ie whether the budget size is too ambitious or not — is, I believe, somewhat misguided.

While it is true that most discussions on the national budget have rightly focused on the need to improve the capacity of the government to implement its objective effectively, the size of the budget has rarely received an adequate comparative analysis.

This, I believe, is essential if we have to understand where Bangladesh is and the kind of

socio-economic character it can and should aim to achieve.

First, let us agree that no acceptable evaluation of the budget size is possible without scrutinising the relation the market and the state will have with each other in any country.

In other words, does Bangladesh aspire to be a country where neo-liberal principles are dominant and market-led mechanisms play a fundamental role in allocating resources?

Or, will Bangladesh aim to create a dynamic social welfare state where equal opportunities are available for everyone? Of course, some mistakenly believe that this decision only has implications for allocation — ie the share of total expenditure that is dedicated for social sectors like health care, education, public housing, etc.

But as I will point out, the socio-economic opportunities that a state aims to create also have consequences for the budget size itself.


For countries where policy-makers have invested in a market mechanism so that it can play a fundamental role in shaping economic outcomes, like the US, the size of the budget has typically been around 25% of GDP.

On the other hand, countries where its respective political leadership has opted for a social welfare state, especially Scandinavian countries in Europe and others like Germany, France and the UK, the budget size has been approximately 35% of GDP or more.

Even a country like India, which is far from settling whether it wants to carry on operating on neo-liberal economic principles or whether it will opt for creating a welfare state entertains a budget outlay that is nearly 25% of GDP.

Consequently, the size of the national budget in Bangladesh, which typically hovers around 15% of GDP, does not merit a discussion on.

In fact, as indicated in Figure 1, we have performed unfavourably in increasing our budget size as a share of GDP if we compare to countries like India or Malaysia.

Hence, the only option for policy-makers in Bangladesh is to be ambitious and continue to concentrate efforts to enhance the size of our tax base so that we can mobilise resources for financing our infrastructure needs and investments in human capital. 

In recent times, however, Bangladesh has achieved tremendous results in increasing the absolute size of its national budget as of FY10.

When the current government assumed office in early 2009, it started implementing its Vision 2020 manifesto with approximately Tk90,000 crore for FY10. In the last fiscal year, the original budget aimed for achieving Tk295,000cr, but the revised budget stood at approximately Tk264,000cr.

This reflects a threefold increase approximately against the earlier budget size of FY10.


In the upcoming financial year, the budget size is expected to be Tk340,605crore, which marks a growth of 30% in total outlay. Moreover, if this milestone is achieved, then our budget size will reach 17.4% of GDP.

As pointed out in the Seventh Five Year Plan, budget size is targeted to reach 18.5% of GDP by FY17 and 21.1% of GDP by FY20 (Figure 2).

Hence, the Tk31,000cr revenue shortfall in the current fiscal year probably explains why policy-makers have lowered their target from 18.5% (as originally targeted in the Seventh Five Year Plan) to 17.4%. On the whole, this ambitious resource mobilisation endeavour needs to be backed by well-thought-out actions.

This is particularly crucial because the size of the budget fundamentally shapes the state's capability to pay attention to the economic needs of our social sector and the type of investments on infrastructure we can undertake, which will determine our economic growth prospects.

Bangladesh has already defied expectations in achieving growth rates that makes it stand out with few other countries in the current global economic context.

In fact, since 1990, we have maintained an economic growth rate above the world growth rate (Figure 3).

An even more remarkable landmark is that our growth rate has accelerated in the post-2008 period when the global financial crisis took the world market by surprise.

This is a noteworthy achievement, and it deserves sincere reflection, especially at a time when the dominant public discourse in Bangladesh is mainly focussed on the “glass half-empty narrative.”

Furthermore, if we have to achieve a growth target of 8% and reduce poverty to under 20% by 2020, as embodied in the Seventh Five Year Plan (Figure 4), there is no alternative to increasing the size of the state in our country.

Hence, the present ambitious agenda is not necessarily a meaningless agenda for Bangladesh, and I hope policy-makers will design effective measures to realise such an agenda.