BANGLADESH

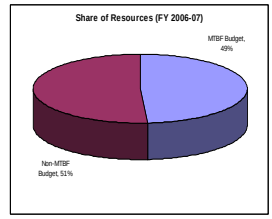
Success of MTBF in Public Financial Management: Bangladesh Experience

Overview

•Traditionally non-development and development budgets have been prepared separately for administrative units rather than on the basis of government policy objectives.
•This led to an emphasis on inputs with no attempt to link inputs to the services provided (outputs) and their impact on the public (outcomes).
•The traditional dual budgeting approach is now in transition and is being replaced by the Medium Term Budgetary Framework (MTBF), which focuses on results rather than on inputs and activities.
•In 2004, the Government of Bangladesh introduced MTBF and the budgets for four ministries for fiscal year 2005-06 were prepared under the MTBF.
•In the second phase, MTBF has been rolled out to 6 more ministries and in third phase 4 more ministries were included making the total number of ministries/ divisions 14 in 2007-08.
•All the remaining ministries and divisions will be brought under MTBF system in phases.

MTBF Ministries

- **Ministry of Education**
- **Ministry of Primary & Mass Education**
- **Ministry of Science and Information & Communication Technology**
- **Ministry of Health & Family Welfare**
- **Ministry of Social Welfare**
- **Ministry of Women & Children Affairs**
- **Ministry of Agriculture**
- **Ministry of Fisheries & Livestock**
- **Ministry of Food & Disaster Management**
- **Ministry of Water Resources**
- **Ministry of Forest & Environment**
- **Ministry of Communication**
- **Local Government Division**
- **Rural Development & Cooperative Division**



Aims and Objectives of MTBF

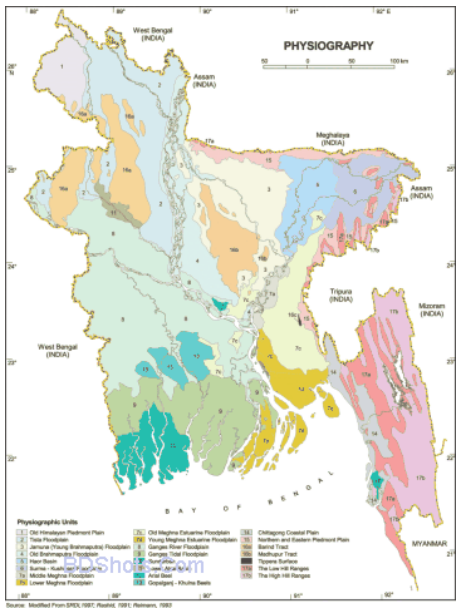
•Establishing linkage between strategic objectives of National Strategy for Accelerated Poverty Reduction (NSAPR) and resource allocation,
•Delegating more responsibility and authority to the line ministries,
•Institutionalizing a system for measuring outputs/ results from the resources allocated,
•Improving budget discipline and predictability,
•Achieving greater budget effectiveness,
•Increasing efficiency in budgetary spending through establishing performance indicators.

Results Achieved

•The introduction of the MTBF has brought significant changes to the way in which the budget planning is being approached in these ministries. Key changes are:
•the introduction of a strategic phase to budget planning before the detailed annual budget is pre-pared.
•a more integrated and unified approach to budget planning.
•a single resource ceiling covering both development and non-development budgets.
•improved budget documentation

Building Blocks of MTBF

•A macroeconomic and fiscal framework
•An analysis of key strategies and choices
•Ministry level budget strategy frameworks
•Resource ceilings and expenditure plans
•Strengthened budget implementation procedures



Lessons Learned

•MTBF has been a positive experience for Bangladesh and considered to be a way forward. Following are the main lessons:
•Effective communication and continuous dialogue among all the stakeholders will help promote confidence and mutual trust and improve coordination.
•Increased participation of senior management is needed for effective implementation of MTBF;
•Strengthening of the human resources development effort is required in order to maintain continuity, skills transfer and institutional memory.
•A single unit responsible for integrated budget management should be created in each line ministry through reorganization;
•Non-development (Recurrent) and Development (Capital) expenditure should be integrated to avoid duplication and overlapping.

Facts and Figures of Bangladesh

Area: 147570 sq. km.
Population: 138.8 million (2006)
Population growth: 1.3 (2006)
Population density (per sq. km): 941 (2006)
Adult literacy: 49.9% (2003)
Adult literacy (Female): 43.8% (2003)
Size of GDP: $62 billion (2006)
GDP growth rate: 6.7 (2006)
Per capita income: $482 (2006)
Population below the national poverty line: 40.0% (2005)
49.8% (2000)

Source: Bangladesh Bureau of Statistics

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