

# Fiscal data in Bangladesh: Issues and Challenges

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# Study team and acknowledgement

## *Study team*

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## *Acknowledgement*

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1. Context
2. Study objectives
3. Conceptual framework
4. State of affairs of fiscal data in Bangladesh
5. Bangladesh's performance in the Open Budget Survey (OBS)
6. What are the major concerns
7. Concluding remarks

- ❑ Fiscal data comprises of three domains of government budget data: **revenue earnings, public expenditure and budget deficit and financing**
- ❑ In the backdrop of a **weak fiscal reporting** system, Bangladesh's **institutional shortcomings interrupt** the attainment of **fiscal transparency**
- ❑ **Demand** for fiscal data has **increased manifold** in recent times
  - Bangladesh's **dual transition** via graduation to LMIC status and upcoming graduation from the LDC group, has **implications** in terms of a **higher cost of borrowing** for financing development and **more difficult conditions for market access**
  - In view of the **formidable financing requirement** to achieve the ambitious **SDGs**, the issues of **domestic resource mobilisation** and **optimal use of resources** have re-emerged with **greater urgency**
  - The ongoing **COVID-19** pandemic has **made** the **already complicated** situation even **more complex**

## 2. Study objectives

### Three specific objectives of the study

To provide an **assessment** of the **state of affairs** with regards to the **fiscal data ecosystem** of Bangladesh

To **identify** the **challenges** in the fiscal data ecosystem of Bangladesh deciphering **both the demand side and supply sides** issues of the problematique

To **contribute** towards **informed decision making** for **promoting openness and transparency of fiscal data**

- ❑ The study **focuses** on **fiscal data** provided by the **central government**
- ❑ The study mainly **deals with** the **core fiscal data domains** viz. revenue, expenditure, budget deficit and it's financing
  - Additionally, indicators such as contingent liabilities and public debt are also discussed
- ❑ This study **evaluates** the **fiscal indicators provided by** key government agencies such as **FD of MoF, IMED, NBR, and BB**

### 3. Conceptual framework

- The **demand side** (data users viz. policymakers, civil society, media, researchers, development partners etc.) **and supply side** (data generators and suppliers viz. MoF, NBR, IMED, BB etc.) of the fiscal data ecosystem **will be evaluated** based on four dimensions: **The four ‘A’s**

#### Availability

Existence

Recognisability

Disaggregation

Use of proxy indicators

#### Accessibility

Degree of access

Sorting of data

Functionality

Reproducibility

#### Agility (Promptness)

Timeliness

Frequency

Long term availability

#### Accuracy

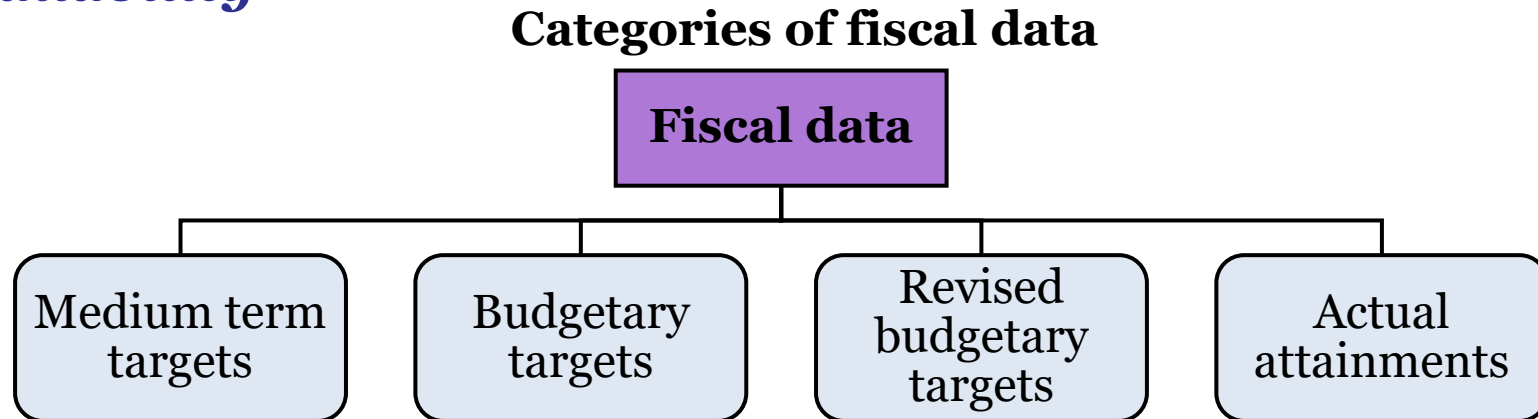
Standardisation

Comparability

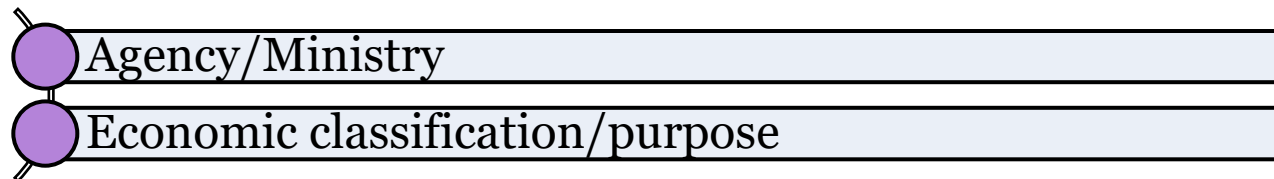
Harmonisation

# 4. State of affairs of fiscal data in Bangladesh (contd.)

## I. Availability



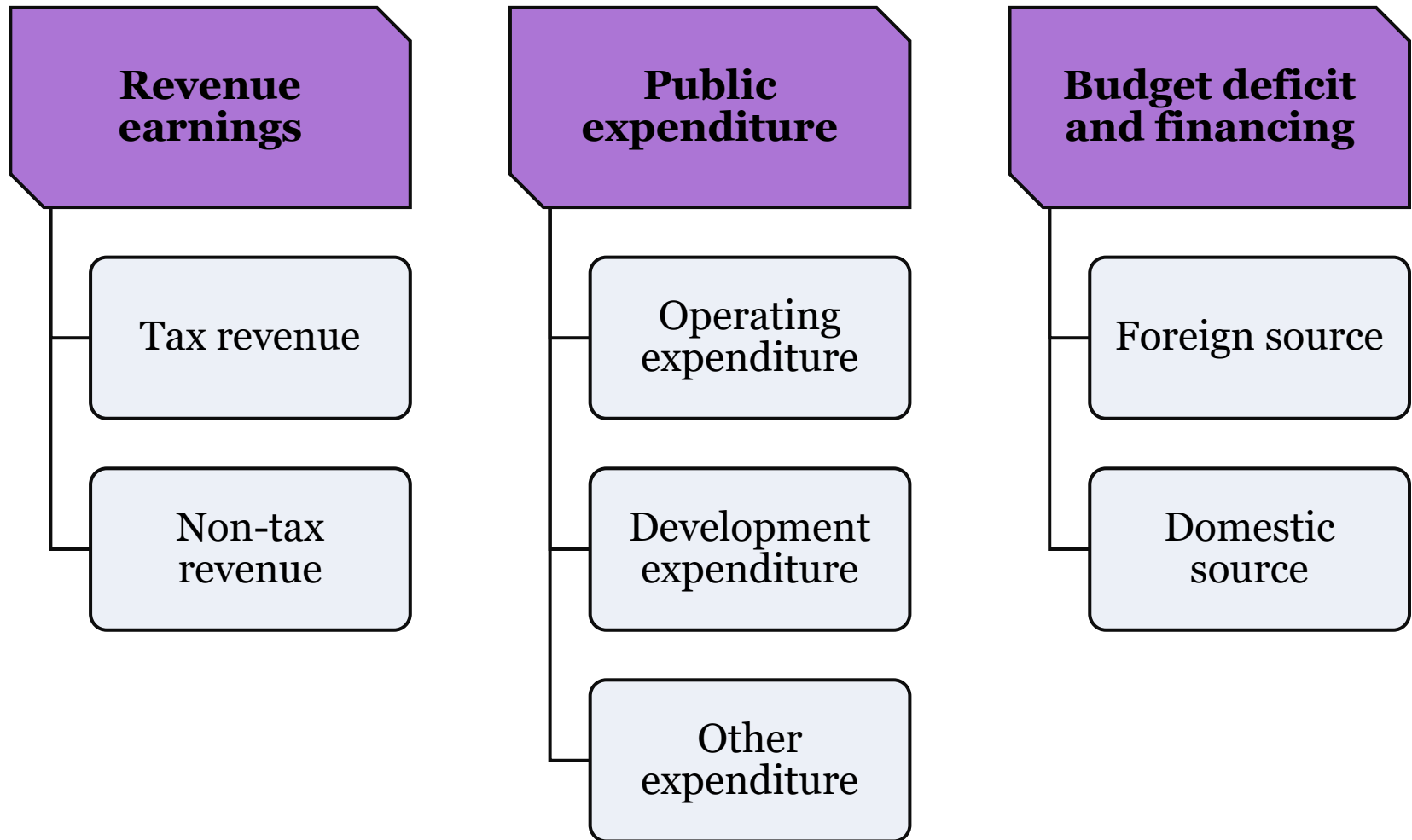
## Lenses of disaggregation



- Geographical disaggregation is mostly unavailable
- Some budgetary data disaggregated by poverty, gender, climate, child etc. are also available. However, their availability may vary over time
- Comprehensive budget allocation estimates for other marginalised groups are not available

# 4. State of affairs of fiscal data in Bangladesh (contd.)

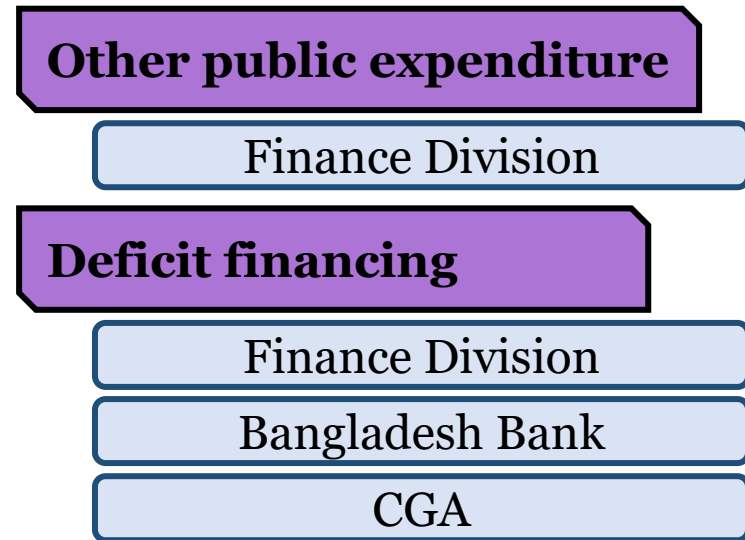
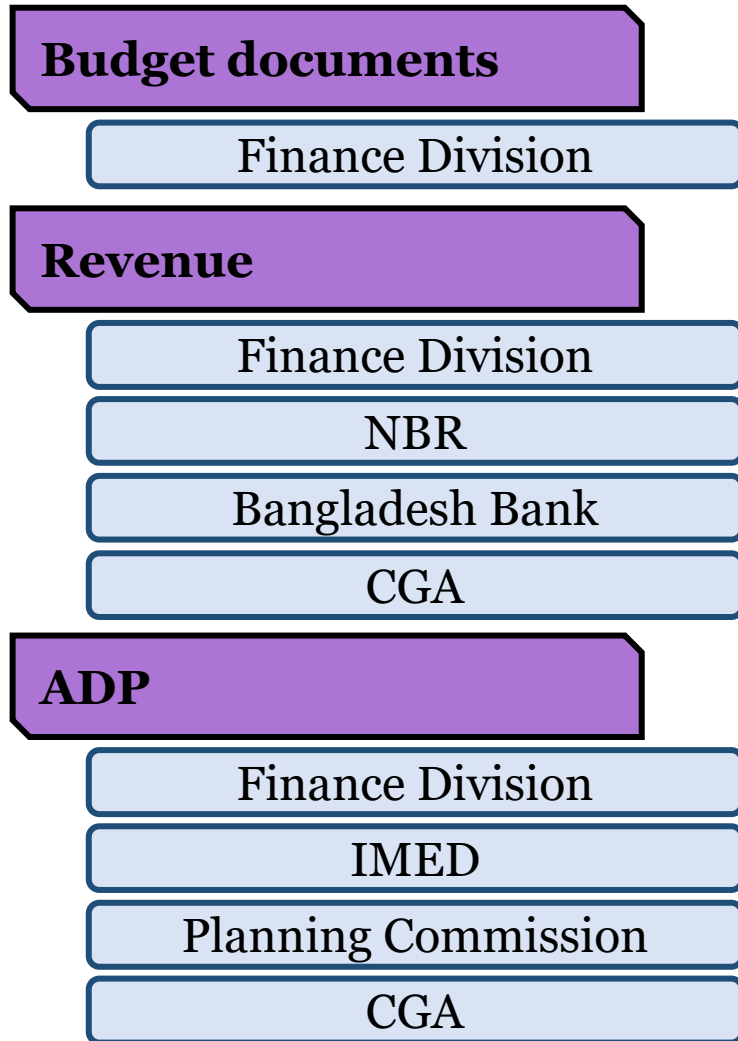
## Major domains of fiscal data





# 4. State of affairs of fiscal data in Bangladesh (contd.)

## Major sources of fiscal data



- ❑ MoF is the natural lead government agency

# 4. State of affairs of fiscal data in Bangladesh (contd.)

## II. Accessibility

- ❑ All of the reports produced by the provider agencies are available in PDF format
- ❑ However, the monthly reports available through the NBR and IMED are oftentimes provided in a script that cannot be reproduced (i.e. copy-pasted)
- ❑ Among the reports reviewed, only BB's Monthly Economic Trends is published in both PDF and Excel formats
- ❑ A major **commonality** exists amongst all the sources such that the **searchability of data** within their website is **limited**
  - For instance, the MoF website returns a blank page when searching for the core data domains
- ❑ All the sources exhibit similarity in terms of the **websites having a non-interactive web interface** such that the **data cannot be sorted**

## 4. State of affairs of fiscal data in Bangladesh (contd.)

- ❑ **The monthly reports from NBR and the IMED are available in Bengali only. Certain reports produced by the MoF are in English only.** The annual report by BB is the only one available in both Bengali and English
  - Multilingual reports increase the ability of various stakeholders to use it
- ❑ **Some reports published by the MoF and BB have various forms of data visualisation including graphs, bar charts and pie-charts which increases a user's understandability of the data**
  - For example, the annual report published by the BB uses a pie chart to show composition of tax revenue while MFRP uses a bar graph along with trend lines to show trends in revenue growth over time
  - Thus, other data providers such as IMED and NBR could invest in resources that could incorporate data visualisation aspects into their regular reports to increase user friendliness

## 4. State of affairs of fiscal data in Bangladesh (contd.)

### III. Agility (promptness)

- In terms of agility, **expenditure** domain is performing the **worst**
  - A source wise comparison reveals that, the BB has the most updated monthly data while MoF has the least updated monthly data pertaining to FY2022

#### Timeliness of Key Documents

Agency	Document name	Frequency	Related domain(s)	Availability on Web as of 20 Feb 22	Comment
MoF	Monthly Fiscal Report	Monthly	Revenue, expenditure and deficit financing	Jun 21	Time lag of seven months
	Monthly Report on Fiscal-Macro Position	Monthly	Revenue, expenditure and deficit financing	Jun 21	Time lag of seven months
	Quarterly Budget Execution Report	Quarterly	Revenue, expenditure and deficit financing	Dec 21	Updated

## 4. State of affairs of fiscal data in Bangladesh (contd.)

### Timeliness of Key Documents (contd.)

Agency	Document name	Frequency	Related domain(s)	Availability on Web as of 20 Feb 22	Comment
<b>MoF</b>	Year End Fiscal Report	Annual	Revenue, expenditure and deficit financing	FY2015	Time lag of six years
	Bangladesh Economic Review	Annual	Revenue, expenditure and deficit financing	FY2021	Updated
	Budget documents	Annual	Revenue, expenditure and deficit financing	FY2022	Updated
<b>NBR</b>	Monthly Report on Revenue Collection	Monthly	Revenue	Dec 21	Time lag of one month
	Annual Report	Annual	Revenue	FY2020	Time lag of one year

## 4. State of affairs of fiscal data in Bangladesh (contd.)

### Timeliness of Key Documents (contd.)

Agency	Document name	Frequency	Related domain(s)	Availability on Web as of 20 Feb 22	Comment
<b>IMED</b>	Monthly Progress Report	Monthly	Expenditure	Dec 21	Time lag of one month
	Annual Progress Report	Annual	Expenditure	FY2020	Time lag of one year
<b>BB</b>	Selected Economic Indicators	Weekly	Revenue	Report published timely but with Dec 21 data	Time lag of one month
	Monthly Economic Trends	Monthly	Revenue	Report published timely but with Nov 21 data	Time lag of two months
	Major Economic Indicators	Monthly	Revenue and deficit financing	Report published timely but with Nov 21 data	Time lag of two months
	Annual Report	Annual	Revenue, expenditure and deficit financing	FY2020	Time lag of one year

## 4. State of affairs of fiscal data in Bangladesh (contd.)

### IV. Accuracy

- Accuracy of fiscal data in Bangladesh has been repeatedly brought under scrutiny as **different sources** published **different figures** for the **same indicator** and **same source** published **different figures** for the **same indicator over time**

#### NBR tax collection: Data discrepancy between sources

Year	MoF	NBR	Difference	Departure (in %)
	in crore Tk.			from MoF
FY17	171,639	171,656	17	0.01
FY18	187,103	202,313	15,210	8.13
FY19	218,622	223,462	4,840	2.21
FY20	216,037	216,452	415	0.19
FY21	263,872	259,867	-4,005	-1.52

Source: Compiled and calculated using data from MoF and NBR

## 4. State of affairs of fiscal data in Bangladesh (contd.)

### ADP expenditure: Data discrepancy between sources

Year	MoF	IMED	Difference	Departure (in %) from MoF
	in crore Tk.			
FY17	83,500	100,414	16,914	20.26
FY18	119,538	139,234	19,696	16.48
FY19	147,287	158,269	10,982	7.46
FY20	155,421	154,977	-444	-0.29
FY21	159,648	164,440	4,792	3.00

Source: Compiled and calculated using data from MoF and IMED

### Deficit financing: Data discrepancy between sources

Year	MoF	BB	Difference	Departure (in %) from MoF
	in crore Tk.			
FY17	66,003	57,084	-8,919	-13.51
FY18	104,624	87,540	-17,084	-16.33
FY19	138,170	114,282	-23,888	-17.29
FY20	151,402	140,893	-10,509	-6.94
FY21	122,501	83,984	-38,517	-31.44

Source: Compiled and calculated using data from MoF and BB



## 4. State of affairs of fiscal data in Bangladesh (contd.)

- ❑ The reasons behind data discrepancy may include:
  - Difference in data collection methodology and sources (e.g. MoF vs NBR or MoF vs IMED)
  - Definitions of indicators (MoF vs BB)
  - Time lag in reporting (MoF vs IMED)
- ❑ iBAS++ data should be more accurate as it is based on accounting system
- ❑ These differences may also create confusion while making policy actions
- ❑ In past, it has been experienced that when the relevant government agencies come together and reconcile their data, the discrepancies can be minimised
- ❑ Stakeholders often opt for more readily available data and forgo the accuracy and credibility aspects
- ❑ If iBAS++ data can be made available more widely and in a timely manner, the quality of public finance data can be improved

## 5. Bangladesh's performance in the OBS

### Cross-country comparison of OBS score and ranking over time

Country	Indicator	2006	2008	2010	2012	2015	2017	2019
Bangladesh	Score	39	42	48	58	56	41	36
	Rank	38	44	46	28	31	66	79
India	Score	53	60	67	68	46	48	49
	Rank	17	20	14	14	53	53	53
Sri Lanka	Score	47	64	67	46	39	44	47
	Rank	26	13	13	53	70	60	54
Nigeria	Score	20	19	18	16	24	17	21
	Rank	52	61	73	80	85	90	97
Uganda	Score	32	51	55	65	62	60	58
	Rank	43	32	32	18	24	29	36
<b>No of surveyed countries</b>		<b>40</b>	<b>77</b>	<b>93</b>	<b>100</b>	<b>102</b>	<b>115</b>	<b>117</b>

0-20	21-40	41-60	61-80	81-100
Scant or none	Minimal	Limited	Substantial	Extensive
Insufficient			Sufficient	

Source: Open Budget Survey (various issues)

Note: The scores are reported in a 0-100 scale index where 100 is the best score

- ❑ In OBS 2019, Bangladesh's score was lower than that of the global average (45) and the South-Asian average (46)

## 5. Bangladesh's performance in the OBS (contd.)

### Availability of key budget documents over time in Bangladesh

Document	2006	2008	2010	2012	2015	2017	2019
Pre-budget statement	☐	✘	✘	✘	☐	☐	☐
Executive's budget proposal	✓	✓	✓	✓	✓	✓	✓
Enacted budget	✓	✓	✓	✓	✓	✓	✓
Citizens budget	✘	✘	✘	✘	✓	✘	✓
In-year reports	☐	✓	✓	✓	✓	☐	☐
Mid-year review	☐	✘	✘	✓	✓	☐	✘
Year-end report	✘	✘	✘	✘	✓	✓	✘
Audit report	☐	☐	☐	✘	✘	✘	✘

Source: Open Budget Survey (various issues)

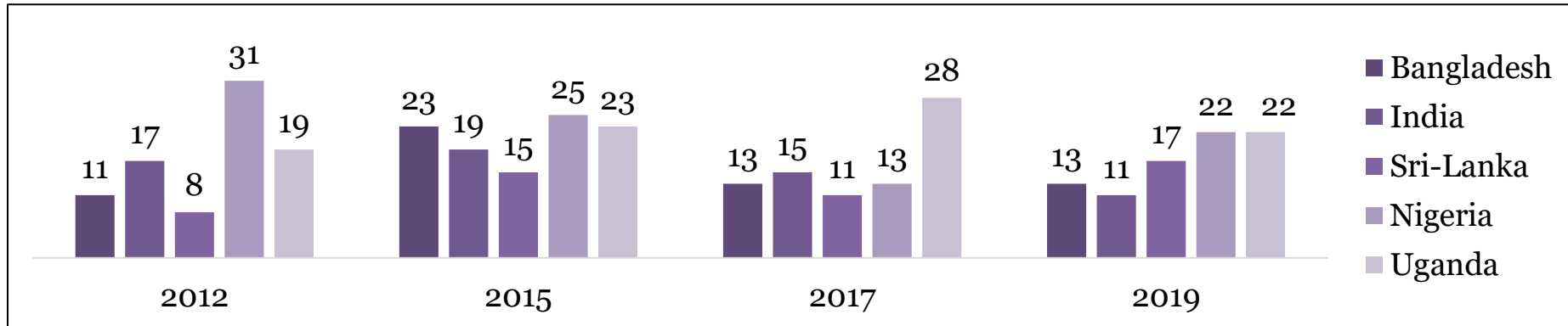
✓ Available to the public

☐ Published late, or not published online, or produced for internal use only

✘ Not produced

## 5. Bangladesh's performance in the OBS (contd.)

### Public participation scores (cross-country comparison)



- ❑ For OBS 2019, the global average of public participation score was 14. Both Bangladesh and India scored lower than the global average
- ❑ Bangladesh scored the same for OBS 2017 and OBS 2019 – indicating no improvement of the situation
- ❑ MoF and NBR conduct pre-budget consultations during the budget formulation
- ❑ However, it still lacks mechanisms to actively include and engage civil society members, vulnerable and underrepresented communities who are willing to participate in the budget formulation process
- ❑ There is no documentation mechanism to understand if the perspectives emerging from these discussions are reflected or not

## 6. What are the major concerns: Availability

### Existence

- ❑ In several instances, variables of interest are totally absent
  - Revenue loss due to tax exemptions (by NBR or MoF)
  - Allocation for social protection is available but actual expenditure is not
  - DPPs for ADP projects are often not available in detailed format

### Disaggregation

- ❑ Required level of disaggregation is rarely present.
  - Key fiscal indicators are mostly not disaggregated by location, sources/sector, gender, marginalised groups, project etc.
  - Income tax mobilised from individuals and corporate sources are not reported by MoF
  - Tax collected from special provisions are also not reported

## 6. What are the major concerns: Accessibility

### Degree of access

- ❑ Some indicators/reports are not accessible via public domains
  - MoF stopped publishing the budget implementation report on their website despite the Hon'ble Minister presenting it before the national parliament
  - There is no credible source of long term data on fiscal indicators

### Functionality

- ❑ Some indicators/reports are not provided in easily usable/retrievable format
  - NBR and IMED upload scanned images in PDF format for monthly reporting

## 6. What are the major concerns: Agility

### Timeliness

- ❑ The **key players** have **consistently struggled** in **timely data reporting**
  - MoF is yet to publish the any monthly report for FY22 (time-lag of seven months), NBR Annual Report is available for up to FY20 (time-lag of one year)
  - The time between publication of budget documents and passing of the Finance Bill does not offer much time for discussion

## 6. What are the major concerns: Accuracy

- ❑ **Harmonisation: Divergence between fiscal data** provided by the **key data suppliers** makes the situation **more difficult to gauge**
  - Discrepancy between data reported by MoF and NBR (revenue mobilised by NBR), MoF and IMED (ADP expenditure) and MoF and BB (financing of budget deficit)
- ❑ Large discrepancy in fiscal data raises questions about the reliability
- ❑ Similarly, reported data which is revised by a large margin at a later date is likely to face questions regarding its credibility and accuracy
- ❑ Often the policymakers may consider less accurate data only because it is more readily available



## 6. What are the major concerns: Use in policymaking

***Use in policymaking:*** The **present** state of **availability (and accessibility)** of fiscal data **do not adequately meet the demand for policymaking** and **ensuring transparency and accountability**

- Constituency-wise data is not available
- Impact analyses (both ex-ante and ex-post) of fiscal measures are mostly missing
- Decisions are often taken (in an ad-hoc basis) without stakeholder consultation
  - For instance: SROs, new ADP projects, supplementary budget

□ All of the aforementioned issues **impedes effective policymaking** in a **transparent and accountable manner**

□ These also **limit the capacity for better use of public money**

## 6. What are the major concerns: Use in policymaking (contd.)

### Why is government spending less than its programme?

- ❑ In FY21, budget deficit (excluding grants) was programmed to be Tk. 189,997 crore (6.58% of GDP)
- ❑ According to MoF's Monthly Fiscal Report (June 2021), actual budget deficit was Tk. 129,593 crore (4.49% of GDP) - less than FY20 (Tk. 156,035 crore or 6.14% of GDP)!
- ❑ The government could have spent an additional Tk. 60,404 crore if it maintained programmed level of budget deficit
- ❑ This is equivalent to about 83.2% of total social protection budget (excluding 'Pension for Retired Government Employees and their Families') and more than double of budgetary allocations for Health sector in FY21

## 6. What are the major concerns: Use in policymaking (contd.)

### Why is government spending less than its programme?

- ❑ According to 'Quarterly Budget Execution' report for Second Quarter 2021-22, the government has a budget surplus to the tune of Tk. 1,357 crore (excluding grants)!
- ❑ The government has shown a relatively conservative attitude in extending budgetary allocations for cash transfer and subsidy to combat the COVID-19 pandemic and rising commodity prices
- ❑ Is it driven by the government's economic and political vision or lack of fiscal space?
- ❑ Or is it because the policymakers are not fully aware of fiscal position (data-wise) of the country in real time?

### Summary of observations

- ❑ In terms of availability, the expenditure domain is relatively lagging behind vis-à-vis demand for these data
- ❑ While fiscal data might be accessible online, they are in PDF format
- ❑ Time series of fiscal data is not available in one source
- ❑ Identification of accurate data requires prior knowledge regarding the data collection process and methodology of the relevant agencies which might not be common amongst the layperson
- ❑ Fiscal data which are better in terms of timeliness often suffer in terms of accuracy criteria
- ❑ There is no 'gold standard' when it comes to fiscal data - focusing on one dimension could mean forgoing the others

## 7. Concluding remarks (contd.)

- ❑ The data producers appear to be quite content with the present status quo of fiscal data – MoF must play a proactive and lead role
- ❑ To bring forth some much needed improvement, there is a need of a big push from the demand side, particularly on the part of policymakers including the elected public representatives – at present it is led by data analysts
- ❑ The non-state actors i.e. CSOs and media need to maintain their demand
- ❑ Best use of existing resources such as the iBAS++ has remained untapped
- ❑ To carry out data related activities, adequate dedicated personnel will need to be deployed in the MoF
- ❑ To ensure data harmonisation and consistency, inter and intra-agency coordination needs to be strengthened
- ❑ There is no institutional mechanism or data protocol to ensure timely delivery of accurate and accessible fiscal data

## 7. Concluding remarks (contd.)

### Recommendations

- ❑ In order to support the budgetary decision making process, a number of documents, indicators and analyses needs to be made available by the government in a timely manner. These include:

#### *Documents*

- Pre-budget statement
- In-year, mid-year and year-end budget reports
- Audit reports

#### *Indicators*

- Revenue forgone due to tax exemptions
- Actual expenditure for social protection

#### *Analyses*

- Impact analysis of fiscal measures (both ex-ante and ex-post)

## 7. Concluding remarks (contd.)

- ❑ To facilitate regular monitoring of fiscal activities, the following measures will prove to be helpful:
  - It is possible to utilise the existing iBAS++ system to provide more disaggregated and detailed fiscal data. This system should be used more comprehensively to report data on a regular basis
  - The budget documents titled ‘Combined Demand for Grants’ and ‘Consolidated Fund Receipts’ should report actual expenditure and receipt figures respectively. Monthly reports of budget implementation based on these two documents should be prepared based on iBAS++
  - Actual expenditure on social protection and subsidies and transfers should be reported on a monthly basis. Detailed breakdown of the currently available aggregates will be necessary
  - Monthly reporting of project wise ADP expenditure should be published

## 7. Concluding remarks (contd.)

- ❑ Data on budgetary allocations and public expenditure (e.g. for social protection programmes) at the upazila/constituency level should be published so that MPs can take budgetary decisions and monitor implementation
- ❑ The Audit Reports, provided by CAG of Bangladesh, should be prepared and published within 18 months of the fiscal year
- ❑ The impact evaluation reports of the ADP projects should be produced regularly in a timely manner
- ❑ The different fiscal data providers must follow a specific timeline to release data - a publicly available 'data release calendar' needs to be prepared
- ❑ As the same indicators are reported by different agencies (sometimes with different values!) in different time periods, there should be a protocol on when to use data from which sources



## 7. Concluding remarks (contd.)

- ❑ Metadata and definitions for all indicators should be provided. It has to be ensured that different agencies follow the same definition while reporting the same indicator
- ❑ The government should take an initiative to develop a comprehensive database which will provide long term data series in excel or any other easily reproducible format

***Improvement in the area of fiscal data would require considerable political will and a change in the mind-set of core actors***

***It is to be realised that timely disclosure of accurate fiscal data can only improve implementation of budget and attainment of the national development objectives***

# Thank You



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