Allocation of Public Expenditure: 
Some Realities for Development Planning in Bangladesh

Adil Mohammed Khan*

Abstract
Allocation of ‘Public Expenditure’ is very important for a developing country like Bangladesh, where development growth has not taken place in a homogenous way across the country and the regional divide in terms of development is quite significant as well. This paper attempts to analyze the public expenditure pattern of Bangladesh, especially in the distribution of Budget and to analyze the spatial disparity in public expenditure within different regions of Bangladesh. Data on sectoral allocation of national budget as well as the regional pattern of distribution of budget have been analyzed in this paper. Location Quotient (LQ) Analysis, Gini Index, Kuznets Ratio are used for measuring regional variation in budget distribution across the country. This paper reveals that, the western divisions of Barisal, Khulna and Rajshahi divisions should be given special attentions in the distribution of Budget to ensure ‘fair’ share of budgets for development programmes as these regions are quite lagging behind in terms of allocation of budget. Special programs relating to poverty reduction in the forms of social safety net distribution may be increased to the districts of these divisions for reducing the development gap within the country.

(Keywords: Annual Development Plan (ADP), Location Quotient (LQ) Analysis, Gini Index, Kuznet’s Ratio, Regional Disparity)

Introduction
Allocation of ‘Public Expenditure’ is very important for any country especially for a developing country like Bangladesh which still suffers extreme level of poverty even after independence of some 40 years. Successive governments, since independence have taken development efforts that are noteworthy and significant according to them, however the harsh reality is that almost forty percent of the country still lies below the poverty line. Moreover, the development growth has not taken place in a homogenous way across the country and the regional divide in terms of development is quite significant.

Article 19(2) of the constitution of the people’s republic of Bangladesh states: “The state shall adopt effective measures to remove social and economic inequality between man and man and to ensure the equitable distribution of wealth among citizens, and of opportunities in order to attain a uniform level of economic development throughout the republic.” In spite of the constitutional obligations, regional variations have been taken place in terms of development of Bangladesh since the independence. Development plans and programs of the country have not been adopted with regional approach for ensuring balanced development in the country. As a result, variations in socio-economic development among regions are quite evident for the country nowadays (PRSP, 2005).

The patterns of distribution of annual budget in education, health, infrastructure, agriculture or in other sectors in successive years have been increased but the fate of common people have not been

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significantly improved. Hence, the social indicators of development of Bangladesh are not in the rise in various social development indexes. Moreover, the regional disparity in socio-economic development has been widening over the years. Hence, the question of proper allocation of public expenditure comes in front for the case of our country. This paper is an attempt to analyze the allocation of public expenditure of Bangladesh and also to explore the spatial pattern of distribution of this public expenditure within the country.

Khan and Mahmud (2008) reveal that there exists significant imbalance in development across regions in our country over the years which have resulted in spatial variation of poverty incidences at regional levels in Bangladesh. According to a report of World Bank (2002), east-west divide of Bangladesh along the river Jamuna is quite prominent, therefore eastern divisions of Dhaka, Chittagong and Sylhet Divisions are relatively developing better than the western divisions of Rajshahi, Khulna and Barishal.

Sen and Ali (2005) find that the extent of spatial inequality in social development has decreased over the second half of the nineties although the level of inequality among regions are still considerable. Moreover, persistent spatial inequality has been long recognized both as the cause and as the effect of underdevelopment in the lagging regions of Bangladesh. Hossain and Rahman (2012) reveal wide disparities in the level of development among different districts in Bangladesh. They estimated the level of development with the help of composite index based on optimum combination of all development indicators like education, agriculture and population. There are various related literatures which admit the regional divergences in the socio-economic development of Bangladesh.

Relationship between spatial variation of development in Bangladesh and budgetary allocation across regions is an issue that needs greater attention from policy makers. Idea of ‘District Budget’ and its inception from the Budget of Fiscal Year 2013-14 by announcing the budget for ‘Tagail District’ indicates the level of importance from the Government to address the issue of spatial importance of distribution of Budget. In this background, this paper attempts to unearth the regional variation in distribution of Budget in Bangladesh with a view to analyse the public expenditure pattern of Bangladesh for future policy implications.

Objectives, Methodology and Limitations of the Study

The main objectives of this paper are to analyze the public expenditure pattern of Bangladesh and to analyze the spatial disparity in public expenditure within different regions of Bangladesh. In order to achieve the objectives of the study, data on sectoral distribution of national budget have been analyzed. Distributions of Annual Development Plan are also analyzed to get the spatial dimension of this distribution. Data have been collected from Bangladesh Bureau of Statistics, Planning Commission, Ministry of Planning, Bangladesh Institute of Planners, Ministry of Finance, Local Government Engineering Department etc.

Location Quotient\(^1\), Gini Index\(^2\), Kuznets Ratio\(^3\) are used in this paper for measuring regional variation across the country. According to the findings of the study, some

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1 Location Quotient (LQ) is a way of qualifying how concentrated a particular industry, facility, cluster, occupation, or demographic group is in a region as compared to the nation. LQ value greater than 1 indicates that a region has proportionately more facilities than the national average (www.economicmodelling.com).
recommendations are given for better allocation of public expenditure of our country for balanced socio-economic development of the country.

Regional data are not quite available in our country because regional considerations do not get priority in development planning of Bangladesh. As a result, for analysis of regional variation of development budget across regions, this paper deals with the available regional data for FY 2006-07 to 2008-09 from Sixth Five Year Plan. For analysis of trend for sectoral distribution of Budget, budgetary data from Fiscal Year 2008-09 to 2012-13 are collected from Ministry of Finance. Up-to-date data regarding various public expenditures across various regions in Bangladesh would have given more analytical findings for this study.

Analysis of Budget for Fiscal Year 2013-14

National Budget for the Financial Year 2013-14 was declared to be 2,22,491 crore Taka² (Tk) giving priority for investments for higher growth and accelerating economy. The size of the budget for the fiscal year 2013-14 is Tk 33,165 core which is 17.52 percent higher than the current fiscal’s revised budget of Tk 189,326 crore. The real economic growth target has been fixed at 7.2 percent for the new financial year. In the budget for the year 2013-14, the allocation for non-development expenditures has been estimated at Tk. 1,56,621 crore.

In the Fiscal Budget of 2013-14, 23.17 percent has been allocated to social infrastructure sector, of which 19.6 percent has been proposed for human resource development sector (education, health, and other related sectors), 30.18 percent of total allocation has been proposed for physical infrastructure sector, of which 14.50 percent has been proposed for overall ADP implementation.

Sectoral Allocation of Budget for Fiscal Year 2013-14

Public administration gets the highest allocation (14.4%) of total budget of 2,22,491 cr Tk for the fiscal year 2013-14 followed by Education and Technology which gets 11.7% of total allocation (Table-I). It is a harsh reality that our national budget still paying 12.5% of its aggregate amount for repayment of Interests of previous debts.

Agriculture Sector gets 7.9% of total share of budget whereas Health sector has a share of only 4.3%. As many of our population reside below the poverty line, allocation of health sector should be more to ensure proper health for common people of the country. It is an irony that ‘Housing Sector’ only receives 0.8% of total budget though a large portion of population are living in the slums and squatters in various parts of the country and most of them are landless people.

² Gini Index is the measurement of the income distribution of a Country, value of which ranges between 0 and 1, with 0 representing perfect equality and 1 representing perfect inequality (www.investopedia.com).
³ “Kuznets ratio” is the ratio of the incomes received by top 20% and bottom 40% of the population. It is a measure of the degree of inequality between high and low income groups in a country. Kuznets ratio represents share distribution of income across the country (Todaro and Smith, 2010).
⁴ One US Dollar is equivalent to 77.5 Taka (Tk) on 19th September, 2014(www.exchangerates.org).
Table 1: Ranking of Different Sectors according to the Allocation of Budget (in Percent) for Fiscal Year 2013-14

<table>
<thead>
<tr>
<th>Sector</th>
<th>Allocation of Aggregate Budget</th>
<th>Allocation of Development Budget (ADP)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent</td>
<td>Rank*</td>
</tr>
<tr>
<td>Public Administration</td>
<td>14.4</td>
<td>1</td>
</tr>
<tr>
<td>Interests</td>
<td>12.5</td>
<td>2</td>
</tr>
<tr>
<td>Education and Technology</td>
<td>11.7</td>
<td>3</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>9.3</td>
<td>4</td>
</tr>
<tr>
<td>Agriculture</td>
<td>7.9</td>
<td>5</td>
</tr>
<tr>
<td>Local Government and Rural Development</td>
<td>6.7</td>
<td>6</td>
</tr>
<tr>
<td>Defense</td>
<td>6.5</td>
<td>7</td>
</tr>
<tr>
<td>Social Security and Welfare</td>
<td>5.6</td>
<td>8</td>
</tr>
<tr>
<td>Energy and Power</td>
<td>5.1</td>
<td>9</td>
</tr>
<tr>
<td>Public Order and Safety</td>
<td>4.7</td>
<td>10</td>
</tr>
<tr>
<td>Health</td>
<td>4.3</td>
<td>11</td>
</tr>
<tr>
<td>Industrial and Economic Services</td>
<td>1.4</td>
<td>12</td>
</tr>
<tr>
<td>Recreation, Culture and Religious Affairs</td>
<td>0.8</td>
<td>13</td>
</tr>
<tr>
<td>Housing</td>
<td>0.8</td>
<td>13</td>
</tr>
<tr>
<td>Miscellaneous Expenditure</td>
<td>8.3</td>
<td></td>
</tr>
</tbody>
</table>

(Note: * Ranks of respective Sectors are given according to the Percentage Allocation of Budget)

Source: Ministry of Finance, 2014

The expenditure for ADP has been estimated at Tk 65,870 crore (5.5 percent of GDP) for the fiscal year 2013-14. Transport and Communication sector has got the highest allocation of 23.9% followed by Local Government and Rural Development (18.6%), Energy and Power (16.8%) and Education and Technology (13.5%) respectively (Table-1). Agriculture gets 6.3 percent of total allocation of ADP whereas Health sector gets only 5.3% of total share in the budget.

Transport and Communication Sector has got the highest allocation of 23.9% followed by Local Government and Rural Development (18.6%), Energy and Power (16.8%) and Education and Technology (13.5%) respectively. Agriculture gets 6.3 percent of total allocation of ADP whereas Health sector gets only 5.3% of total share.

Trend Analysis of Sectoral Distribution of ADP (From Fiscal Year 2008-09 to 2012-13)

Distribution of ADP budget varies for various sectors in different years due to the over-reliance of project based allocation of budget. However, analysis of sectoral Distribution of ADP helps to analyse the trend of this distribution which is significant for policy analysis. Here some trend analyses have been done from the budgetary data from Fiscal Year 2008-09 to 2012-13 to get a vivid picture of this pattern of distribution.
Human Resource and Social Development Sector

Share of allocation of ADP for Primary and Mass Education Sector has been decreased during 2008-09 to 2012-13. Primary and Mass Education Sector has got 10.3 percent allocation in 2008-09 which has been decreased to 7.8 percent for 2012-13. Similarly share for Health Sector also have decreased within this period from 9.8 percent in 2008-09 to 6.9 percent in 2012-13. However share to Education Sector (particularly Higher Education) have observed a constant allocation around at 4.5 percent of total ADP distribution.

Agriculture and Rural Development Sector

In Agriculture and Rural Development Sector, percentage of ADP share has been decreased significantly during the study years. This sector received 37.1 percent share in 2008-9 which has been reduced to 29.8 percent in 2012-13. Subsequently, share to Local Government has reduced from 24.7 to 19.6 percent and allocation for agriculture has decreased from 3.4 to 2.2 percent during this period.

Energy and Power Sector

Energy and power sector has been given importance by Government in recent years which are reflected in the increase of budget in this sector lately. Quick rental projects for power generation are the main factors behind the sharp rise in the allocation for this sector recently. In 2008-09, this sector received 12.9 percent of ADP whereas it has been increased to 17.1 percent in 2012-13. Allocation to Electricity Sector has been increased from 11.9 to 14.2 percent during this period.
Roads and Infrastructure Sector

Share of ADP for Transport Infrastructure has been increased sharply from 8.8 to 14.7 percent during the period of 2008-09 to 2012-13. Introduction of Railway Ministry as a separate entity is a reason for reduction in the Roads Sector as railway was a part of it. Allocation for Bridges division has been increased recently and the recent decision of government to build Padma Bridge by domestic financing has contributed for enhancement for budget in this sector for current fiscal year of 2013-14.

Sectoral Distribution of ADP from Fiscal Year 2008-09 to 2012-13

Total amount of Budget allocated for ADP from Fiscal Year 2008-09 to 2012-13 is around 1,80,000 cr tk. Within this period, highest share of ADP was disbursed for Local Government Division which got 21.72% of aggregate amount (Fig. 5).

Figure-5: Sectoral Distribution (in Percent) of ADP from Fiscal Year 2008-09 to 2012-13

Source: Ministry of Finance, 2013
Electricity got the second highest share of ADP during this period with allocation of 14.07% followed by Primary and Mass Education Sector which got 8.71 percent of ADP. Agriculture Sector has got only 2.68% of total ADP within this period whereas Health and Family Welfare have received 7.87 percent of total ADP.

**Regional Variation of Budget Distribution in Bangladesh**

It is an irony that, spatial variation persists across regions within Bangladesh in terms of distribution of budget. Though homogeneous distribution of budget is not practically possible in current socio-economic reality, sharp variation in budget distribution is a hindrance to the balanced development of the country. Following section describes the regional variation of budget distribution. District data\(^5\) regarding distribution of development Budget (ADP) among various districts from Fiscal year 2006-07 to 2008-09 (upto March) have been used for measuring the regional variation across Bangladesh. More recent data at regional level are quite not available for analysis. As Rangpur Division has been introduced in 2010, six divisions have been used to analyze the divisional variation of budget allocation within the study period.

**Regional Variations in Development Budget**

Regional disparity regarding the distribution of annual development plan is quite prominent over the years. During the Fiscal years from 2006-07 to 2008-09 (upto March), Dhaka district got the highest allocation of ADP totaling 4160 crore taka followed by Chittagong (2860 cr tk), Comilla (2310) and Sylhet (1970) respectively.

Lowest ranked district in terms of ADP allocation within this period years was Joypurhat having only 200 cr tk followed by chuadanga (210), Narail (210), Thakurgaon (220), Meherpur (240) respectively.

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\(^5\) District Data regarding allocation of Development and Non Development Budget of Bangladesh are not quite available for analysis. This paper analyses the district data regarding distribution of Budget from 2006-07 to 2008-09 (upto March), provided in the Statistical Annex and Technical Framework (Part-3) of Sixth Five Year Plan (pp 86-89).
It is quite noteworthy that Dhaka district alone have received more ADP allocation than two Divisions namely Barisal and Sylhet. Total share of ADP for Dhaka was 8.34% whereas lowest ranked Joypurhat have only received 0.40 percent of total share. North-West and South-West parts of the country are lagging regions in terms of ADP distribution.

LQ analysis of ADP distribution map represents that, central regions of the country have received relatively better amount of ADP on an average whereas northern and north western regions are quite receiving less amount of annual distribution of ADP over the period of 2006-07 to 2008-09. Hilly regions of the country are advanced region here according to the LQ analysis because of the less population density in the region, though total amount of ADP distributed to these regions are not much in aggregate amount.

Regional Variations in Non- Development Expenditure

Regional variation in terms of non-development expenditure portrays the importance of regions in terms of socio-administrative dimension in the country. Non-development expenditure has a major share in the overall budget of the country and the ratio between non-development part of the budget to the development counterpart of budget tends to be 3 to 1 approximately.
During the Fiscal years from 2006-07 to 2008-2009 (upto March), Dhaka district got the highest allocation of Non-development Budget totaling 35080 crore taka followed by Chittagong (11030 cr tk), Khulna (4930) and Bogra (4620) respectively. Lowest ranked district in terms of Non-Development expenditure within this period years was Meherpur having only 420 cr tk followed by Narail (660), Shariatpur (680), Barguna (700), Jhalokathi (710) respectively.

Being the capital of the country, Dhaka district alone have received more allocation than all other Divisions except Rajshahi. Total share of non-development expenditure for Dhaka was 23.12% whereas lowest ranked Meherpur have only received 0.28 percent of total share. Southern and coastal regions of the country are lagging regions in terms of non-development expenditure in the country.

According to the LQ Analysis for non-development expenditure, Dhaka has a LQ value of 3.33 followed by Rangpur (3.32), Rajshahi (3.29), Rangamati (2.82) and Bogra (2.73). Backward regions are Sunamgonj (0.41), Habiganj (0.45), Bhola (0.47), Lakshipur (0.49), chandpur (0.50) etc. Eastern and Mid-Northern regions are lagging regions having limited share of non-development expenditure according to LQ analysis.
Regional Variations in Budget (Aggregate of Development and Non-Development Expenditure)

During the Fiscal years from 2006-07 to 2008-09 (upto March), Dhaka district got the highest allocation of Budget which is about 39240 crore taka followed by Chittagong (13890 cr tk), Khulna (6120), Bogra (6000) and Comilla (5820) respectively. Lowest ranked district in terms of Budget allocation within this period years was Meherpur having received only 660 cr tk followed by Narail (870), Rajbari (950), Chuadanga (1070), Magura (1110) respectively.

Dhaka district alone have received major share of annual budgets which is quite more than the total allocation of four divisions namely Chittagong, Khulna, Barisal, and Sylhet Divisions. Total share of annual budget for Dhaka was 19.46% whereas lowest ranked Meherpur have only received 0.33 percent of total share. Southern and Coastal regions of the country are lagging regions in terms of allocation of Budget.

According to the LQ Analysis for Budget disbursement, Rangamati district, due to its fewer population for adverse natural topography, has highest LQ value of 3.60 followed by Rajshahi (3.09), Rangpur (3.06), Dhaka (2.80) and Bogra (2.66). Backward regions are Kishoregonj (0.49)
Sunamgonj (0.53), Satkhira (0.55), Habiganj (0.45) etc. North-east and southern regions are lagging regions having limited share of total budget according to LQ analysis.

**Regional Variations of Development Budget by Divisions**

Significant variation prevails in the budgetary distribution of resources among various divisions of Bangladesh. Analysis of Budget from fiscal year 2006-07 to 2008-09 reveals that, Dhaka Division have got the highest share of budgetary allocation (36.72%), followed by Rajshahi (22.18%) and Chittagong (19.26%). Sylhet division is lower ranked division with 5.21 percent share of budget followed by Barisal (6.07%) and Khulna (10.48%).

**Figure 12: Regional Variation of Development Budget (ADP) by Divisions (in percent)**

Above figure shows that, Dhaka division have got the highest share of ADP during 2006-07 to 2008-09, at around 30% of the aggregate total followed by Chittagong Division (24%) and Rajshahi Division (19%). Barisal and Sylhet Division have got the lowest allocation of 8% of total ADP.

**Spatial Disparity of Development among Various Regions in Bangladesh**

Spatial variation persists in regional level in terms of allocation of Budget in Bangladesh. Gini index value have been found to be 0.34 for total budget distribution during the fiscal year 2006-07 and 2008-09 (upto march) whereas the gini value of ADP for the same period has been calculated 0.27. However, gini value for non-development expenditure across the country is 0.38 which shows that certain regions are getting more allocation due to some socio-administrative criteria than other parts of the country.

**Table 2: Spatial Disparity of Development among Various Regions in Bangladesh**

<table>
<thead>
<tr>
<th>From 2006-07 to 2008-09 (upto march)</th>
<th>ADP</th>
<th>Non-Development</th>
<th>Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 20%</td>
<td>21520</td>
<td>85650</td>
<td>105780</td>
</tr>
<tr>
<td>Bottom 40%</td>
<td>9870</td>
<td>24520</td>
<td>36200</td>
</tr>
<tr>
<td>Kuznet’s ratio</td>
<td>2.2</td>
<td>3.5</td>
<td>2.9</td>
</tr>
</tbody>
</table>

*Source: Analyzed by Author*
Kuznets ratios are 2.05 for the ADP distribution, 3.5 for the non-development expenditure and 2.9 for aggregate budget expenditure during fiscal year 2006-07 and 2008-09 (upto march) which represents that disparity exists across the regions of Bangladesh in terms of allocation of public money in the form of budget distribution.

**Recommendations for Development Planning of Bangladesh**

Proper development planning is necessary for balanced and homogeneous development of Bangladesh. Spatial disparity across regions of the country would have made the overall socio-economic development unsustainable in the long run. This paper shows that, many regions of Bangladesh are still underdeveloped because of the fact that they successively receive marginal share of public expenditure and national budget of the country. The so called ‘East-West Divide’ of Bangladesh in terms of socio-economic development that other studies suggests, is supported by the findings of this study that the eastern divisions are being allocated marginal share of budget in the past. Hence, a holistic approach must be taken in order to plan for the balanced development of the country, emphasizing fair share of allocation of budget for the lagging districts of the country.

In recent years, allocation to the Education, Health and Agriculture Sector has been reduced in terms of percentage share of ADP. As 40 percent of our population lies below the poverty line and still near about 50 percent of people are dependent on agriculture, allocation for Education, Health and Agriculture sector should be increased immediately. Since education and health is a basic right of every citizen of the country, we must take appropriate measures to increase the allocation of these sectors.

It is an irony that Bangladesh does not follow any particular vision regarding the development planning of the country. Though the country has a major obligation that is envisioned in the holy constitution to reduce the gap between Rural and Urban counterparts and to reduce the regional imbalances, it is not reflected in the distribution of public money. As a result, regional considerations must be taken while preparing the annual budget of the country.

It is quite praiseworthy that in the annual budget for the current fiscal year of 2013-14, government have introduced the District Budget for Tangail. But declaration of budget for a single district will not suffice; rather a comprehensive effort must be taken to declare the district-wise budget for the whole country, which is a pre-requisite for ensuring balanced and homogeneous development of the country.

It is a reality that economic development is a pre-requisite for development of any region. Roadmap presented by Planning Commission (PC, 2008) for poverty reduction and economic development in the lagging regions is quite noteworthy here which has been presented below.
Figure-14: Roadmap for Poverty Reduction in the Lagging Regions

Above roadmap suggests and supports overall balanced economic growth and homogeneous development of the country and shows some directions for the overall goal of balanced development.

This paper reveals that, in terms of ADP allocation, the western divisions of Barisal, Khulna and Rajshahi divisions should be given special attention as these regions are quite lagging regions in comparison to the eastern divisions of the country. Special programs relating to poverty reduction in the forms of social safety net distribution may be increased to the districts of these divisions. Special attention should be given to accelerate ADP implementation maintaining its quality in the lagging areas. Appropriate measures should be taken to give a ‘fair’ share of the block allocations.
of the development and revenue budgets for development programmes in the lagging regions. All sectoral projects in ADPs, particularly those with the evident focus on pro-poor growth and gender empowerment, should be examined from the perspective of their regional dispersion. District wise annual budget instead of making a national budget for the whole country may be implemented after detailed study. Social Development Fund (SDF) should be requested to cover more areas in the three lagging Divisions. Preference should be given to Monga areas also. Social Safety Net Programs should be strengthened in the poorest and remote areas of the divisions where the most hard core people are concentrated.

Concluding Remarks

Public money generally comes from the taxes from the common people of the country, hence proper distribution of it is a popular demand. Proper measure to evaluate the appropriate distribution of public money is not easy and absence of proper monitoring has made it easy for the policy makers especially for a developing country like Bangladesh to distribute the money according to their will. In these consequences, this study attempts to evaluate the sectoral as well as regional patterns of distribution of public expenditure. However, absence of regional data is a major drawback for this type of study, because regional analysis of distribution of public money is not often done by the relevant ministries and agencies in our country. As a result, there is scope for in depth research regarding this issue which has been also admitted by Planning Commission in their recent reports also. Nevertheless, findings of this paper may help the Government and policy makers to take integrated and visionary approach for proper and balanced distribution of public money to ensure regional harmony in development.

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