

## **Introduction**

Medium Term Budget Framework Book (MTBF) is presented in the Parliament every year with other budget documents. This is done in conformity to the provision of sections 10(4) & 11 of the Public Money & Budget Management Act, 2009. Estimates of the budget year and projections for the two outer years, medium-term strategic objectives of ministries/divisions, information on performance etc. are included in this book.

2. **Objectives and effectiveness of MTBF:** MTBF approach of budgeting was introduced in Bangladesh in FY 2005-06. All the ministries/divisions were brought under the coverage of MTBF by FY 2010-11 in phases. The underlying objectives of this approach are: establish aggregate fiscal discipline, enhance allocative efficiency, provide advance information on resource availability over the medium-term, enhance resource utilization capacity and establish an institutional arrangement on financial accountability. The introduction of this approach demands that during the budget preparation, ministries should attach more importance on the deliverables (goods & services) and achievements (output & outcome) than on resource allocation. It implies that more emphasis needs to be given on the output expected to be achieved in the short-term, and outcome/impact expected to be created on the socio-economic field over the medium to long-term through utilization of allocated resources. However, the effectiveness of MTBF largely depends on ascertaining the strategic objectives, activities, outputs and key performance indicators and monitoring & evaluation of results efficiently.

3. **Ministry Budget Frameworks (MBFs):** Line ministries/divisions prepare their MBFs in prescribed template (see Box below). The overarching objectives of MBFs are: establish linkages between the strategies, policies and priorities as reflected in the core planning documents with resource allocation; establish linkages between resource utilization and performance. In addition, preparing a realistic expenditure plan for the medium-term based on the available resources, fixing expenditure priority, and thereby ensuring that expenditures are taking place in accordance with that priority form some of its other objectives. Moreover, information on the achievement against the targets is also included in it briefly. In case of budget management, this document is also known as an accountability framework.

### Box 1: Composition of MBF

MBFs of ministries/divisions (LMs) are divided into two parts and six sections. The first part (Part A) is prepared by LMs and second part (Part B) is prepared by the attached departments/agencies. Different sections and forms of MBF are shown in the table below:

Ministry Budget Framework-Part-A (to be prepared by LMs)		Ministry Budget Framework-Part-B (to be prepared by departments)	
Section-1:	Mission Statement and Major Functions	Section 6.1:	Recent Achievements of Departments/Agencies
Section-2:	Strategic Objectives and activities	Section 6.2:	Activities, Output Indicators and Targets
Section-3:	Impact on Poverty reduction and Women Advancement	Section 6.3:	Medium Term Expenditure Estimates/ Projections by Operation Units, Programs and Projects
Section-4.1:	Priority Spending Area/Programmes	Form 3:	Preliminary Expenditure Estimates and Projections of Departments/Agencies
Section-4.2:	Medium Term Expenditure Estimates and Projections		
Section-4.2:	Operation Unitwise Expenditure		
Section-4.2b:	Expenditure by Economic Group Codes		
Section-5:	Key Performance Indicators (KPI)		
Form 1:	Estimates & Projections of Revenue Receipt		
Form 2:	Expenditure Ceiling by Departments/agencies		

4. **Enhancing Capacity to Formulate MBF:** Ministries/Divisions prepare MBFs under MTBF approach. This approach is a performance-based budgeting system which encompasses strategic objectives, activities, key performance indicator and output indicator etc. It is necessary that all concerned in the line ministries (LMs), including those at the policy level, have clear understanding of these concepts. Achieving the desired goals under this approach is not possible if indicators and corresponding targets are not set after a thorough exercise. Hence, Finance Division organizes series of trainings and workshops every year after the Budget Circulars are issued. The objectives, in this case, are to assist LMs in preparing their MBFs, to build capacity in LMs and create a sustainable institutional base for MTBF by making all concerned understand the associated concepts clearly.

5. **Formulation and approval processes of MBF:** The composition of MBF and guidelines are sent to LMs with Budget Circular 1. Following this guideline, the Budget Management Branches/Wings of LMs prepare/update MBFs and present in the Budget Working Group's (BWG) meeting. After reviewing the draft, BWG then prepares recommendations for review and approval by Budget Management Committee (BMC). The concerned Budget Desk Officer (BDO) in the Finance

Division then scrutinizes and prepares recommendations for the tripartite<sup>1</sup> meeting. The MBFs are then finalized incorporating the observations/decisions of the tripartite meeting.

**6. Monitoring and Evaluation of Performance:** During the budget formulation stage, ministries/divisions present their respective plan consisting of activities and projects that they will implement in the next fiscal year and in the medium-term by using the proposed resources. They also need to mention specifically about their output and KPI targets. One of the main purposes of this is to monitor and evaluate implementation progress against the targets and suggest corrective measures, if necessary and thereby, help achieve the desired targets. Finance Division also evaluates the achievement against the targets while reviewing the ministries' budget proposals. In addition, FD needs to place quarterly reports in the Parliament on the budget implementation progress in line with the provisions of the Public Money and Budget Management Act, 2009.

#### **PFM reforms activities undertaken to deepen MTBF approach**

**7. Integrated Budget and Accounting System (iBAS<sup>++</sup>):** iBAS<sup>++</sup> is the automation of activities related to budget preparation, execution and accounting. It is an internet-based centralized system which helps generate reports on the financial performance of the government offices on a real time basis. A user can operate this system from any place using internet. It is worth mentioning that iBAS<sup>++</sup> has four core modules. These are Budget Preparation, Budget Execution, Accounting and the General Ledger. The Budget Preparation and Budget Execution Modules of iBAS<sup>++</sup> have been in operation from FY 2015-16 and 2016-17 respectively. In the first phase, LMs headquarters and attached departments were brought under the network of these modules. The coverage of these modules will be extended up to the Upazila level gradually. The Accounting Module, on the other hand, has been in operation in all the public accounting offices (Chief Accounts Office, District Accounts Office, Divisional Controller of Accounts' Office and Upazilla Accounts Offices) since FY 2016-17.

**8. New Budget and Accounts Classification System (BACS):** The design and development work of new BACS<sup>2</sup> started few years back. Implementation of new BACS will commence from FY 2017-18. All LMs will use new BACS instead of the existing 13 digit code structure while preparing their budget proposals for FY 2018-19. New BACS is an international standard classification system and will be based on

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<sup>1</sup> LMs send MBFs to FD after necessary update in accordance with the BC1 guidelines. FD then holds Tri-partite meeting consisting of LM, PC and FD.

<sup>2</sup> BACS is a scientific system of identifying, preparing and analyzing accounts of the government's revenue receipt, debt, budget allocation and actual expenditure by office, location, heads and sources and period. The new BACS is consistent with the internationally best practiced standard.

iBAS<sup>++</sup>. It is hoped that simultaneous implementation of iBAS<sup>++</sup> and new BACS will effectively help in producing the real time-based financial reports from multiple perspectives. This will bring about a new era in the preparation and publication of public financial reports in Bangladesh.