'Special emphasis on the fast expansion of pry education and removal of illiteracy'

REVENUE BUDGET: 1994/95

Mr. Speaker,

35. Let me now present the budget proposals for the next fiscal year Revenue income for 1994/95 is projected at take 13637 crore that is about 11% higher than the revised estimate for the current year. Tax revenue will contribute taka 10625 crore, non-tax revenue is expected to show a healthy rise of 25.5% over revised estimate for 1993/94 to taka 3012 crore.

36. Revenue expenditure for 1994/95 is estimated at taka 9948 crore which is 8.7% higher than revised figure for 1993/94. Allocations to priority sectors such as education, health and family welfare, irrigation and flood control have been increased significantly. Payment of interest on domestic debt is estimated to increase mainly due to issuance of bonds to state-owned banks and financial institutions to make provisions for persisting defaulting loans and meet capital adequacy needs. Gross revenue surplus is estimated at taka 3689 crore. After adjusting for capital and food account, net contribution to the ADP from the revenue budget is expected to be taka 3996 crore The voluntary separation programme will continue in the next fiscal year for which taka 300 crore has been provided for

ANNUAL DEVELOPMENT PROGRAMME: 1994/95

37. Measures to streamline implementation coupled with delegation of administrative and financial powers, establishment of accountability at all levels and the improvement in performance achieved this year, have enabled us to project public investment at a significantly higher level next year. The availability of resources also is an important consideration. We, therefore, propose an ADP of taka 11000 crore for 1994/95. This is an increase of 14.5% over RADP for the current year. Taking in to account the projects proposed under the Food for Works programmes outside the ADP, the total public sector investment will stand at taka 11513 crore. Again, 38% of the next year's ADP is estimated to be financed from our own resources. This clearly demonstrates this government's success in reducing aid-dependency to promote our cherished goal of a self-reliant Bangladesh. Pursuant to our policy of allocating resources to priority sectors that directly or indirectly contribute to poverty alleviation and human resource development, we have proposed larger funds to education, health & family welfare, rural electrification and infrastructure, fisheries & livestock and social welfare. Education will get taka 1566 crore the highest allocation. It is an increase of nearly 60% over the current year. Health and family welfare will receive 20% increase over 1993/94 of taka 893 crore. Rural electrification, rural infrastructure, livestock and fisheries - the sectors which can fast contribute to economic growth and simultaneously alleviate poverty - will all get higher allocations compared to last year of taka 509 crore, taka 214 crore and taka 184 crore respectively. Social welfare, women and youth will also have significant increase, we. have provided taka 183 crore for this sector.

STRATEGY FOR ACCELERATED GROWTH AND POVERTY ALLEVIATION Mr. Speaker.

38. My preceding presentation has, I am confident, made it clear that we have made significant progress and a new window of opportunity awaits us for accelerated development. We should hasten a broad based economic growth with specific measures to alleviate the poverty of those who cannot effectively participate because of lack of entitlement. This is no partisan proposition. At this cross-road of our economic history, I urge upon all political parties, professional and social groups and, the nation at large to lend support to the economic programmes of the government for achieving our common goals. I shall now endeavour to lay before this August House some key elements of the strategy.

39. While improving and maintaining the macro-economic fundamentals like fiscal deficit, inflation, current account deficit and a comfortable foreign exchange reserves. we plan to raise the growth rate of GDP to 6%-7% in the nearterm while aiming at a double-digit growth before the turn of the century. This would require raising the aggregate level of investment from the present level of 14.5% to 16% in the immediate future, eventually reaching 20% of the GDP. Higher level of investment must, however, be associated with increased efficiency and competitiveness. The choice before us is to compete or lag behind. I am reminded of what Ludwig Erhard, former Chancellor of West Germany wrote in his book: "Prosperity for all and prosperity through competition are inseparable. The former marks the aim, the latter

40. The higher investment level and quality are achievable for a number of reasons. First, sound macro-economic fundamentals would promote savings and investment, both public and domestic. We have made a significant break with the past in effectively containing fiscal deficit and increasing public savings. As the budget proposal for 1994/95 will show, this healthy trend will be maintained. The ADP for 1994/95 also reflects our continued commitment to enhanced public investment outlay not only in quantitative but qualitative terms as well. But some important issues will have to be seriously addressed to ensure that our investment targets are achieved and drains on public resources are contained and ultimately eliminated.

41. Let me first address the issue of ADP implementation. Admittedly, there is ample scope for improvement. We have identified a few areas and shall continue to explore new mechanisms. While efforts will be made to improve the overall project monitoring, 40 high priority projects have been identified for closer surveillance. Six ministries and divisions who utilise about 92% foreign aid have devised project wise implementation matrix to monitor implementation status. New procurement guidelines have been issued and action plan, including training of the concerned officials, drawn up. Project pruning will continue to restructure, revise and even terminate projects, reallocate resources from slow moving to high priority fast moving projects. Government has already delegated more power to project authorities to speed up implementation. A highpowered committee has been constituted to examine simplification of land acquisition procedure with due care for the displaced persons.

Mr. Speaker 42. In my last budget speech, I drew the broad outlines of good governance which is synonymous with a sound development administration and an effective framework for implementation of our development programmes and policies. Good government in our case incorporates institutions and policies for public sector management, a legal framework and process that do not inordinately defer adjudication of disputes and above all, it must ensure transparency, accountability and rule of law.

Mr. Speaker.

43. In today's integrated, interdependent and fiercely competitive world environment, no society can afford a frustratingly delay prone legal system where resolution of disputes takes years and decades while investment moves in electronic speed across national frontiers. The weaknesses and the anachronism of our laws and legal systems have to be addressed quickly. The existence of rights becomes illusory in the absence of prompt and efficacious remedies. An assurance of speedy resolution of commercial disputes is the basic foundation for national and international investment decisions. The reform of the legal system is long overdue. In view of that a Law Reform Commission has been set up with comprehensive terms of reference to review and update the existing laws and recommend new legislation to deal with the requirements of a changing society in an increasingly complex and technology based social and economic order. We hope the recommendations of the Commission and also some priority legislation in the sphere of commerce and finance will ameliorate the prevailing situation. Besides, a new company law has already been drafted which will be placed before the Parliament soon.

Mr. Speaker, 44. We need a modern, competent, forward-looking and user-friendly administration which can meet the challenges of the fast-moving world. It should be flexible enough to reorient to changing domain and role of the government. We should aim at a lean, efficient and effective administration that delivers policies and commitments. To achieve these objectives, the government is in the process of introducing comprehensive reforms of the civil service. A seven-member Cabinet Committee has been set up to look in to the recommendations of a number of studies so far undertaken. In addition, an Administrative Reorganisation Committee is evaluating to rationalize the present organisation structure of different government agencies through abolition, merger, down-sizing and restructuring; the twofold objectives are efficiency and economy. To achieve the contemplated administrative reforms, a well sequenced phase-wise implementation strategy will be evolved. As longer term measures crystalize, we shall continuously take pragmatic and urgent steps to enhance administrative efficiency.

45. Local level administration is intimately linked to accountability, efficiency and responsiveness to local needs. 19-point programme of the BNP envisages decentralization of administration and strengthening of local government institutions. The government has made a firm commitment to the promotion of strong local government. For the first time in the history of the nation, the Mayors of the four city corporations were elected directly by the people in February, 1994. The government has decided that all layers of local government will be elected bodies. Union Parishad will be the grass root organisation with Zilla Parishad at the district level with more powers, function and responsibilities.

Mr. Speaker.

46. In my previous budget speeches I had referred to the deplorable performance of most of the public enterprises. In fact, we could do without a third of project aid if only the mounting losses and haemorrhage of our scarce resources could be stopped. Our future strategy in this regard will be fourfold. First, we shall privatise those industries which will not remain in the public sector in the medium-term. I have dealt with privatisation in little more detail later. Second, those which would remain in the public sector for some time in the foreseeable future, will be restructured for

Text of Budget Speech

operational and financial improvements and efficiency. Part of the shares will also be offered to public. Third, private and public entities will compete on a level playing field. Fourth, services of public utility monopolies are inefficient and expensive for the consumers. We shall allow private sector participation in various market segments for competition, reduction of system losses and improved services. We plan to deal sternly with pure theft in the garb of system loss by whatever measures deemed necessary am sure that all the members of the House and public at large would lend full

47 Low rate inflation encourages savings. We have seen its effects in the slow but steady rise in the level of private domestic savings. The steady decline in the lending rate of the banks has reduced the cost of borrowing to an all time low. Moreover, the quantum leap in foreign portfolio investment is an expression of confidence in the overall government policy and performance as also in our listed companies. These indicators support the contention that continued reforms should lead to higher level of private investment domestic and foreign

48. We have significantly liberalised our trade regime to remove anti-export bias in the economy so that resources could flow to the most efficient sectors both existing and potential. The tax structure has undergone a major overhaul, rates are now among the lowest in this region. I shall refer to further measures in these areas in the second part of my speech.

49 Virtually all the sectors of the economy have been opened for private investment But we are aware that the cost of doing business still remains high which is a major impediment to optimal response from private sector. To overcome this, a study has been completed to identify legal, policy and regulatory constraints to private investment in Bangladesh. An action programme has been drawn up to implement the recommendations of the study. Board of investment is being completely restructured to play a facilitating role for private sector development. In line with our Export Development Strategy upto to the year 2000 which seeks to diversify our export base. increase domestic value added and bridge the trade-gap, we propose to create a new export assistance facility initially with a contribution of taka 50 crore to provide matching grants for export product and market promotion by small and medium

50 Oil and gas exploration, power generation, transmission and distribution telecommunication and air transport are now open for private investment. National petroleum policy which came into force from July 1993 has already attracted foreign investment in oil and gas exploration and development. One production sharing contract for off-shore oil and gas exploration with two foreign companies has already been signed. Few more proposals are at advanced stage of negotiation. Besides public sector investment in coal, an agreement has been initialed with a foreign company for coal exploration in other than known coal areas in northern Bangladesh. Power policy, which among others, would hopefully attract much needed private investment in this vital sector, is close to finalisation. Levelle make it very clear that without private capital flow, particularly foreign, there is just no way that we can meet the future power demand in the country. Our neighbouring countries are already attracting large foreign private investments in diverse fields

51. Telecommunication is another crucial infrastructure. When information super highway is being built in the world, we can not afford to be marginalised. Bold policy initiatives are needed in this growth industry. A National Telecommunication policy which will encourage competition and private sector participation will be announced soon. In the meantime, one private company is operating in rural telecom sector and negotiation with another is being finalized. Value-added services like cellular phone and paging which are already in the private sector will be opened up fully. Private sector can now supply telecom sets and will soon be allowed to transmit data. In many countries competition in this advance technology has brought services to the consumers at inconceivably low prices. We must remember that we cannot fully use computer technology nor take part in the information revolution without cheap telecommunication facility. As a nation, we cannot stay behind

52. In air transport, government has given provisional air transport operating license to six private companies for STOL services; seven airports have been refurbished to cater to their needs. Hopefully, we shall soon see private carriers flying our sky.

53. I have talked earlier about administrative reforms and measures to improve public sector efficiency. In that context, privatisation acquires special significance. I must admit that even after the establishment of Privatisation Board, the pace has been sluggish. A due diligent approach with full disclosure and transparency must, however, be ensured. We have undertaken a technical assistance programme to enhance the capability of the Privatisation Board which will soon be operational. In furtherance of this objective, the government has decided to offload part of its holding of shares in public companies through the stock market; this will also help develop the capital market where scrips are in short supply and at the same time, augment government resources for investment in other priority sectors for creation of more productive jobs.

54. Efficient financial intermediation is one of our key strategies for supporting growth in the real sector. The government attaches importance to the development of an efficient, strong and competitive banking industry which can mobilise savings and allocate them to sectors and activities with the highest returns. In this way it can secure the interests of the depositors and at same time accelerate economic growth. With these objectives in view, we are in the process of reforming the banking sector to make it conform to sound international banking practices.

55. In recent years many steps have taken to strengthen the banking system. These include improvement of the regulatory environment, enforcement of loan classification guidelines and recapitalisation of nationalized commercial banks. The banks are now required to follow strictly the guidelines for loan classification so that nonperforming loans are quickly identified. Over the past two years, there has been a massive infusion of taka 3200 crore in the NCBs in shape of government bonds to make up for capital and provisioning shortfalls. These have occurred due to high proportion of nonperforming assets as well as loan forgiveness for which banks had to be compensated. Some private banks too have unacceptably high proportion of bad and doubtful debts. It is absolutely essential that they should make every effort to recover those. Many years of laxity, indiscipline in credit operations and weaknesses in the legal system have encouraged a default culture. A deepening of reform of the financial sector is therefore imperative. Structural reform of the real sector of the economy cannot be sustained without a strong, stable and efficient financial system.

56. The nexus between sectoral structural reform and the stability of the banking system can be easily appreciated from the fact that under the jute sector adjustment programme, a huge outstanding debt amounting to about taka 4000 crore owed to the banks is being restructured involving partial write off, compensation payments to the banks, rescheduling of debts with softer rates and easier terms. Some public corporations and enterprises have been perennially losing money which has resulted in a mounting burden of debt upon the banks. The government is examining the feasibility of transferring some of these debts to the national exchequer. There are two clear advantages: first, it will relieve the concerned banks from some non-performing loans thereby enhancing their income and profitability; and, second, it will promote transparency and parliamentary accountability of the state-owned organisations. Considering the constraints on our budgetary resources, we shall have to be selective. At this stage we should pause to ask ourselves what sort of equity and justice is it for the millions in the society to pay for the staggering waste of public resources caused by the erroneous decisions of the past. Is it not time for those decision-makers to render accountability for their actions? Mr. Speaker, there is no free lunch for anybody - we, as a nation, cannot go on wasting limited public resources. Eventually the day of reckoning comes; somebody has to foot the bills. And who are those somebody? The ordinary millions of our countrymen who are unheard, unnoticed and unsung; yet, they are the ones whose tax payments fund the good life of the privileged few. Can we allow this to continue? NO. It does not fit in with BNP's commitment to equity and justice in every sphere of our national life. Consequently, upon our coming to power, we initiated a host of legal, fiscal and administrative measures to rectify these misdeeds, enforce accountability from the defaulters and to prevent recurrence of such delinquency in future. The government will, in due course, make a more detailed statement of public policy on the banking system to establish a stronger, more competitive and efficient industry. Mr. Speaker.

57. Let me touch upon some of the benefits that have accrued from the ongoing reforms. As I have mentioned earlier, lending rates have declined increasing business profitability and encouraging investment. The commercial banks are diversifying and strengthening their portfolio. They have increased term lending. Upto April this year, they have sanctioned term loans totaling taka 1026 crore; disbursement of agricultural loans stood at Taka 966 crore- 31% increase over the same period last year. NCBs have introduced loan programmes in off-farm and agro-based activities, the remarkable growth of which I have referred earlier. NCBs, BSB and BSRS have been able to rehabilitate 471 sick units which have created 21000 new jobs.

58. The government is keen to correct and remedy failures and imperfections in the financial markets. For example, a small- credit guarantee scheme has been introduced to assist new entrepreneurs who can receive loan of taka 25 lac without any collateral. To enlarge the activities of Grameen bank, which serves the poor particularly the women in the rural areas, the government has provided guarantee against loans amounting to take 465 crore in 1993/94 in addition of take 100 crore provided directly by the Bangladesh Bank. We shall lend continued support to such activities as our strategy to promote growth augmenting poverty reduction programmes. In the next fiscal year, we have already committed to Grameen Bank to provide loan guarantee for additional taka 385 crore.

Mr. Speaker

59 The reforms of financial sector and trade liberalisation are being complemented by appropriate forex regime. We continue to follow an active exchange rate policy to maintain the competitiveness of our economy. In the backdrop of the Uruguay Round Multilateral Trade Agreements and particularly, the gradual merger of Multi-fibre arrangement into the GATT, the exchange rate will be closely monitored. We have made taka convertible on all international current transactions.

60 Bangladesh has accepted the obligations of Article VIII of IMF Articles of Agreement which means removal of all restrictions on making payments and transfers for current international transactions. By accepting these obligations, Bangladesh has given a clear signal to the international community that it would pursue sound economic policies, and thereby create a congenial climate for investment.

61 The emerging trade and investment opportunities will surely demand that we enhance our economic efficiency by letting the market forces guide investment choices and diverting resources to areas where Bangladesh has distinct comparative advantages. As the climate for concessional assistance becomes difficult and conditionalities more onerous, accelerated growth will require enhanced level of international trade and private capital flows.

62 Government is aware that efficiency and flexibility of the labour market are critical for Bangladesh to compete and benefit from its inherent comparative advantage in the international markets for labour intensive products. While we invest in human capital to, among others, increase labour productivity in the medium-term, it is imperative that we devise mechanism for linking wages with productivity in the immediate future to ensure that we remain internationally competitive. A tripartite committee has already submitted its draft recommendations on linking wages with productivity in the cotton and jute sectors; it is now looking into other industries. The National Labour Law Commission constituted in 1992 has submitted its draft recommendations to the government. It is expected that a modern comprehensive labour law compatible and consistent with our present day needs will emerge out of the recommendations of this

Mr. Speaker

63 I would now briefly discuss our specific strategy for agriculture which is the single biggest sector in terms of contribution to GDP and share of employment. This is also the most competitive private sector which has extreme resilience in the face of external shocks. Government's role in this area is to assist in the diversification of the structure of production, increase the value-added, improve efficiency by integrating not only the domestic markets but reaching out to the international markets. In this context, the role of research and development and provision of extension services are extremely critical. We should continue to raise yield per acre of foodgrains to maintain our goal toward food security while releasing land for other agro-activities. The crop diversification programmes undertaken by the government have initiated the structural change in agriculture. The increase in the production of maize, oilseeds, vegetables etc. in some areas of Bangladesh bear testimony to this change. I have already mentioned some statistics to highlight the enormous changes in technology and scale of activities in livestock and fisheries. We have to maintain the momentum. This would require improvement of rural infrastructure like roads, electricity and telecom to help integrate the markets for the products so that incentives can be maintained through remunerative prices. In order to provide further incentives to agricultural growth I propose to reduce the prices of kerosene and diesel by one taka per litre and furnace oil by about taka 3000 per metric ton. This will cost the exchequer about taka 200 crore after compensating part of the loss in revenue by raising the price of petrol to taka 15 per litre. While preparing the budget, financing of this additional cost has been taken into consideration. Government has further decided to lower the urea price by taka 350 per metric ton which along with the last year's reduction of taka 650 per metric ton will add up to a total reduction of the urea price by take 1000 per metric ton. This will cost the exchequer additional sum of taka 60 crore. These measures will benefit the farmers by lowering the cost of production and marketing; lower kerosene price will mean reduced cost of living to the poorest segments of the society. Reduction in the price of furnace oil will particularly benefit the industries and thermal power generation in north and south-west Bangladesh. Transport sector will not only benefit from a lower diesel price but will also get a shot in the arm for faster growth. These pro-people initiatives are evidences of the firm commitment of the BNP in fostering rural and regional development, raise rural employment, income and thus reduce poverty.

Mr. Speaker. 64. Let me summarize our overall strategy toward poverty alleviation. It has four elements. First, economic growth based on efficiency has to be labour intensive - be it industry or agriculture or other areas; so maximum generation of employment is inherent in such a strategy. This calls for acceleration of economic growth. Second, certain poverty alleviation activities are directly growth augmenting also; we have laid emphasis on such programmes so as to achieve the twin objectives. A cooperative role of government and NGO will be a significant factor in this context. Third, targeted food assistance programmes for poverty alleviation would have to be continued to deal with the nutritional stresses of vulnerable groups. Fourth, a sustainable poverty reduction programme would require development of human resources.

65. Poverty alleviating efforts of the government and community organisations have helped the poor in a number of ways. Some major areas of improvements are: higher savings and capital formation; increased availability of credit together with skill development; upward occupational mobility and, higher household expenditure and income. In this regard, please recall the illustrative examples I have cited earlier to highlight the changes that are taking place in the rural areas; I have termed it as a quiet revolution. Under the SAARC initiative to accelerate the elimination of poverty from the South Asia Region, Bangladesh is producing its Pro-Poor Plan which will no doubt refine, and improve upon the broad consensus already arrived at. It will identify new practical initiatives - both to get this strategy fully implemented and to ensure a wider and more effective mobilisation of groups whose members direct their own development efforts. The ensuing meeting of SAARC Finance and Planning Ministers at Dhaka will be a milestone in this regional effort.

Mr. Speaker

66. Investment in education, more specifically primary education, family welfare and primary health, public health and sanitation with a bias toward children and women will remain our cornerstones for human resources development. We have not only been devoting increasing amount of financial resources to these sectors but also placing emphasis on quality, social mobilisation and community participation. After all, in the final analysis, there is no greater wealth that a nation can create than a healthy, educated and skilled work force.

Mr. Speaker.

67. The government attaches top priority to the integration of environmental concerns into the developmental perspective, both at micro and macro levels. Several important steps have been taken in this regard. In accordance with the objectives of National Environment Policy adopted in 1992 and also in line with the overall framework of the Agenda 21, a draft National Environment Management Action Plan has been prepared. A draft Environmental Legislation which, among others, will enumerate environmental standards, is under preparation and will be placed for consideration of the Jatiya Shangshad in due time.

68. History has seen quantum jumps in the last decade of this century. We cannot but be a part of this process. One of the spirt-offs of this is the global change in trade, investment and aid pattern. I have noted our strategy about the first two. I shall now say a few words on aid. Not so long ago in 1989-90, we were in deep addiction of aid: not only the entire ADP was financed by external assistance but part of our consumption expenditure had to be met from external resource. In this back drop, it came as challenge for the new government to establish the country's self-respect in the world fora through achievement of self-reliance. We have since then weaned ourselves significantly from the aid addiction; we have been able to finance more than a third of the ADP from own resources. It has increased our international standing, Bangladesh is now viewed as a country with potential for faster development. I take pride to inform this House that we have at least partially fulfilled one more of BNP's 19-point programme which stipulates in clear terms that we utilise every possible means to establish a self-reliant Bangladesh. It is a matter of great satisfaction that the policies, programmes and performance of the government of Begum Khaleda Zia received recognition in the election of Bangladesh to the Chairmanship of the Bank Fund Board of Governors. As Finance Minister of my country, it has been an honour for me to perform the task of Chairman during this historic year when these prestigious Bretton Woods institutions will be celebrating their fiftieth anniversary. In such capacity I shall make the opening address in the joint Bank-Fund conference on the future of these institutions which will be inaugurated by the Prime Minister of

69. Nation's accumulated external debt is now over US\$ 13 billion. Because of the concessional terms of most of these loans and improved performance of our export and higher level of remittances in recent years, we have been able to contain our debt



service ratio within comfortable limits as I mentioned earlier in my speech. To bridge our deficit on the external account and finance investment needs, we shall, however, continue to remain substantially dependent on aid. But we should be selective in seeking assistance, only the aid that fosters economic development in an efficient and cost effective manner should be sought. Besides as increasing number of countries are seeking external assistance, a kind of aid fatigue is developing in donor countries. In such a competitive environment, donor countries and international aid agencies are incorporating more stringent conditions with aid programmes. Although most of the conditions are not only consistent with our economic policy, but also strengthen our efforts, we have to judge the rationale of any conditionality in the context of our country. I want to state in unequivocal terms that the BNP government has not accepted any unreasonable condition and shall never, under any circumstances, do so in the future

70. Socio-economic empowerment of the community and the individual is at the heart of the development strategy of the government. An enduring improvement of the quality of life of the most disadvantaged segments of our society lends meaning and credibility to the reform and growth process. The complex and pervasive nature of poverty preclude any simplistic solutions. We believe that a sustainable poverty reduction programme must aim at reform of the economic and the social structures that create and perpetuate poverty. Our task will remain essentially unfulfilled unless we are, with some certitude, able to say that we have freed our land and our people from the abominable spectre of poverty. A democratic polity and a just social order must guarantee fundamental freedoms: freedom from hunger, fear, social and economic persecution and deprivation. We will be failing in our commitment to the nation if all our endeavours are nor directed towards the establishment of such a polity and social order. We must be inspired with a vision and a common goal that transcend short-

term political expediency, diverse political persuasions and interests. The brave new

world that beckons us is indeed full of promise; posterity will not forgive us if we fail to rise to the occasion. SECOND PART

FISCAL MEASURES

Mr. Speaker, Sir,
I present before you next year's fiscal proposals at a turning point of our economic restructuring and reforms programme. The path of economic reforms is not at all strewn with roses. The clash between reforms and reaction is inevitable. Specially when the reforms succeed the reaction of the vested interests intensify. But at this juncture we must not lose sight of our objectives and we must be steadfast in attaining our goals. Before presenting tax proposals, I would like to review the experience of tax reforms during last three years.

Mr. Speaker, Sir, 2. In the budget speech of 1991-92 I had pledged on behalf of the Government of Begum Khaleda Zia that "The major goal of the government which has passed great political ordeals is to mobilize the Bangladeshi nationalist forces towards creation of a self-reliant, just and equitable social order" This Government's contribution to the establishment of a just society has already been enumerated in the first part of my speech. We have also been able to lay a solid foundation of a self-reliant economy during last three years. In the last days of the autocratic rule the contribution of internal resources to development programmes came down to almost zero. In the budget speech of 1991-92 I had promised that we would meet 35 per cent of the development expenditure from our internal resources by the year 1995. We have been able to exceed that promised target one year before the stipulated time in spite of the fact that development expenditure has gone up by 35 per cent during last three years. In the current fiscal year about 36.5 per cent of the development expenditure will be met from the internal trade, permit-hunting and license-mongering have become a matter of the past. The economy is now transforming itself from an inward looking entity to an outward looking economic system due to the present government policy. In the backdrop of a competitive economy and keeping in view the needs of domestic industry and the interests of the general consumers it is imperative to reduce the duties on imports as a policy measure. During last three years the weighted average rate of duties and taxes on imports has been reduced by 36 per cent. In fiscal year 1990-91 import duty on as many as 2734 commodities was levied at the rate of 100 per cent or more. In the fiscal year 1993-94 there are only 56 commodities with import duty rate of one hundred per cent or more.

Mr. Speaker, Sir, 3. The most remarkable feature of the success in internal resource mobilization is the increase in total revenue despite lowering tax rates When the present Government came to power the highest rate of personal income tax including surcharge was 57.5 per cent. At present this rate has been reduced to 25 per cent. In 1990-91 in case of companies the rate of income tax was 46 per cent. It has now been reduced to 40 per cent. For all classes of income tax assessees the rates have been significantly reduced. In 1991-92 Value Added Tax (VAT) was introduced in place of Excise Duty and Sales Tax. About 88 per cent of the VAT and Supplementary Duty on goods and services still comes from those sectors which were previously covered under Excise Duty and Sales Tax. The goods and services which were included in the VAT for the first time contribute only 12 per cent of the domestic VAT. In spite of this weakness the Value Added Tax is a remarkable step forward in the history of our economy. The objective of the VAT is not just to augment revenue. Its fundamental aim is to collect taxes more scientifically. This tax system has reduced the cascade effect of tax on tax. Sales Tax and Excise Duty was limited to a few goods and services. By

Continued on Page 11