

Budget '94-95

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

REVENUE BUDGET: 1994/95

Text of Budget Speech

Mr. Speaker,

35. Let me now present the budget proposals for the next fiscal year...

36. Revenue expenditure for 1994/95 is estimated at taka 9948 crore which is 8.7% higher than revised figure for 1993/94...

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...

STRATEGY FOR ACCELERATED GROWTH AND POVERTY ALLEVIATION

38. My preceding presentation has, I am confident, made it clear that we have made significant progress...

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%...

40. The higher investment level and quality are achievable for a number of reasons. First, sound macro-economic fundamentals would promote savings and investment...

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...

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...

43. In today's interrelated, interdependent and fiercely competitive world environment, no society can afford a frustratingly delay prone legal system where resolution of disputes takes years and decades...

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...

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...

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...

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.

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 on a all time low...

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.

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...

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...

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...

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.

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...

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...

55. In recent years many steps have been taken to strengthen the banking system. These include improvement of the regulatory environment, enforcement of loan classification guidelines and recapitalisation of nationalized commercial banks...

56. The nexus between sectoral structural reform and the stability of the banking system can be easily appreciated from the fact that under the late 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...

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 totalling taka 1026 crore; disbursement of agricultural loans stood at taka 966 crore...

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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...

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...

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...

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...

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...

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...

Mr. Speaker,

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...

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...

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...

Mr. Speaker,

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 spin-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 its part drop, it came as challenge for the new government to establish the country's self-respect in the world...

Mr. Speaker,

69. Next, the 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...

Mr. Speaker,

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...

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...

Mr. Speaker,

2. In the budget speech of 1991-92 I had pledged on behalf of the Government of Begum Khaleida 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...

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...