

Sikalbaha. The proposed projects will lead to an investment of Tk. 4000 crore in the private sector. Furthermore, a 60 MW gas turbine power plant will be set up in Mymensingh by a Rural electrification company to supply electricity in rural areas. Simultaneously, telecommunication sector has been opened for private sector investment. Two private companies were given licences to set up digital telephone exchange at Thana level and four private companies were given permission to operate cellular radio telephone. Total private sector investment in telephone sector may exceed Tk.5000 crore. An infrastructure development company has been set up with the assistance of World Bank to attract investment in the infrastructure in Bangladesh.

18. There is an acute global scramble for resources for private sector investment in physical infrastructure. Despite recent private sector investments we need huge investment in the public sector. According to a survey, the estimated requirement for investment in infrastructure in Asia will be over 7 percent of GDP by the year 2000. This suggests that Bangladesh needs a minimum investment of Tk. 10000 crore per annum in the physical infrastructure alone. In the current fiscal year, our total investment in physical infrastructure is Tk. 6995 crore. In the next fiscal year it has been proposed to raise it to Tk.7327 crore. Compared to other Asian countries, we have a minimum deficit of Tk. 2800 crore per year for investment in physical infrastructure. We will have to take new measures for mobilization of resources for the construction of infrastructure. I propose to discuss some of these new initiatives in the second part of my speech today.

19. In order to attract foreign direct investment, a law has already been enacted for the establishment of export processing zone in the private sector. Initiatives have already been taken for establishment of such zones. The Board of Investment has been strengthened. The statistics furnished by the Board of Investment indicate that 1002 enterprises involving an investment of Tk. 5122 crore has been registered during the period July, 1996 to March, 1997. This includes proposals for 100 foreign direct investment. The conducive environment created by the Government has already attracted investment offers from 24 countries. Administrative and legal reforms have already been undertaken to attract domestic and foreign investments. These reforms will be completed shortly. Dhaka Export Processing Zone has been expanded and the construction of a new export processing zone at Ghazipur has already commenced. In the current fiscal year, proposals for investment of Tk. 1400 crore in export processing zones have already been approved.

20. Human resource not natural resource is the main determinant of economic development. The real struggle for development does not start in factories or farms, it starts in class rooms. In the globalized economic system, there has been a transition from capitalism to knowledge-society. In this new world order, large population is the most precious hidden resource of Bangladesh. The increase in productivity through expansion of education and health services is an essential component of the development strategy of the present Government. The real educated persons are never a burden for the state. They create jobs not only for themselves but also for others. In human resource development, the aim is not quantitative success but qualitative excellence. We must also fully utilize the trained manpower in the country. Specially, the scientists in Bangladesh deserve our support and encouragement. With this end in view, I propose to make a lump allocation of Tk. 12 crore in the revenue budget for FY 1997-98 for supporting scientific research. This allocation will be administered through the National Council for Science and Technology.

21. We do not believe in growth for the sake of growth. Growth is not an end in itself, it is merely a means to an end. Our goals were articulated by the Bangabandhu: "I want to see smile on the face of our distressed people. I would like to see that hungry people get square meals and clothing. I would like to put an end to all oppression and deprivation". The Father of the Nation dreamt of building the Golden Bengal. He was not given time to realize his dream. But the nation still cherishes this. Animated by the noble ideals of Bangabandhu, his able daughter Sheikh Hasina has dedicated herself to the goal of bringing smile to the poor and the disadvantaged. More than half of total population in Bangladesh live below the poverty line. The road to the realization of the noble goal of poverty alleviation is arduous. We will have to preserve and enlarge our limited natural resources if we want to free ourselves from the clutches of centuries-old oppression, deprivation and poverty. The nation will have to work hard and unitedly to escape from this terrible curse. Along with measures for economic growth, we will have to launch specific programmes for poverty alleviation.

22. We have already undertaken transfer (such as Food for Works, Vulnerable Group Development, Gratuitous relief, Test relief etc) and direct (such as primary education, rural electrification, health etc) programmes for poverty alleviation. The resounding success in raising crop production in the current fiscal year made more and cheaper food available to the poor people. However, problem of poverty is so acute in Bangladesh that the Government must redouble its efforts in poverty alleviation. Despite resource constraints, we propose to undertake three new additional programmes in FY 1997-98.

23. First, I propose to undertake on an experimental basis a programme for the welfare of uncared elderly poor people. It is not very difficult to identify the poor, the hapless and the deprived in our society. Those who are acquainted with the realities of Bangladesh would agree that landless, assetless and old people who are incapable of manual work constitute the hardcore of the ultra-poor. Specially the plight of the distressed women is much more tragic and miserable. With social evolution and erosion of values, the tradition for maintaining and caring for the elderly is fast disappearing. In this perspective, sanction of superannuation allowance for those elderly people who are passing their last days in dire distress is considered highly desirable from the humanitarian point of view. I would like to reiterate that the Prime Minister Sheikh Hasina attaches highest priority to poverty alleviation and social justice. We must recognize that revenue income of the Government is limited whereas the responsibilities and functions of the Government are varied. After due deliberation and weighing pros and cons, the Government has decided to pay superannuation allowance at the rate of Tk. 100 per month to at least ten elderly poor people in each ward, of which at least five would be female. The

launching of this programme would benefit 4.5 lakh distressed elderly persons. Taking into account the needs of the beneficiaries, foodgrains equivalent to the allowance may also be given in kind, if necessary. This programme will cost approximately Tk. 50 crore per annum. Some people may apprehend that the administrative system for implementation of this programme may be complex and expensive. We think that if this allowance is channelized through local government, the administrative costs may be kept at minimum. We know that this is an insufficient measure in the backdrop of pervasive poverty. Because of limitations, a significant portion of the target group will remain outside the orbit of this programme. However, this will be an initial but definite and firm step in our struggle against a mighty enemy like poverty. With increasing national productivity, growth and revenue generation by the Government the scope and coverage of the pension for the elderly will be expanded. With deep gratitude I would like to place on record the fact that we could undertake the implementation of this pledge only owing to the initiative and firm support of the Honourable Prime Minister. Sheikh Hasina will be remembered for ever for taking this bold decision to implement this historic initiative.

24. Shelter is a basic human right. A survey indicates that at least 31 lakh families face acute shortage of housing in Bangladesh. The great poet Rabindranath Tagore expressed the yearning of people for shelter in inimitable way:

"বহুদিন মনে ছিল আশা
ধর্মীর এক কোণে
রিখি আপন মনে;
ধন নয়, মান নয়, এত টুকু বাসা
করেছিল আশা।"

(I have cherished a dream for a long time. I would love to be left to myself on a patch of the earth. Not wealth, nor prestige, but a small house I crave for). Unfortunately a small shelter is still a far cry for many. We know that most poor people in Bangladesh have no access to credit for housing from the formal sector. I propose to establish a housing fund of Tk. 50 crore in FY 1997-98. This fund will provide grant and loans for the construction of housing units to the homeless, the poor and the low income groups through NGOs, other voluntary agencies and local government. Special priority will be given to construction of housing units for female workers in Dhaka and other cities and rehabilitation of people uprooted by erosion of rivers. This fund will be administered by a Board to be appointed by the Government.

25. Bangladesh has been acclaimed throughout the world for signal success of micro-credit in poverty alleviation. Despite its potentialities micro-credit could not be as yet made available to all in Bangladesh. It cannot be denied that a large segment of our population is accursed by unemployment. We must rescue our youth who have immense potentialities from the blind alley of despair, anarchy and terrorism. It is feasible to infuse a new life in the economy by awakening inherent potentials and vitality of our youth force through provision of self-employment. The Government has, therefore, decided to set up an employment-generation bank. The main purpose of this bank would be to provide self-employment to the youth. This bank with a difference will help create jobs in profitable and productive sectors and promote necessary skills through provision of technical training. This bank will be set up under the supervision of Bangladesh Bank with the active collaboration of commercial banks and financial institutions. It will have a paid-up capital of Tk. 50 crore. The borrowers will be represented in the Board of Directors. We believe that the present Government which is animated by the spirit of war of liberation will succeed in creating jobs for innumerable youth in this country.

26. I have so far dwelt on the main strategies of the economic management of the Government. I would like to mention the specific issues relating to preparation of budget. We have inherited a defective budgetary procedure. We will have to undertake speedy reforms in public expenditure. We should not continue with unproductive expenditures merely because they had been traditionally included in the budget. With this end in view, initiatives have been taken to streamline auditing, budgeting and expenditure control. A technical assistance project on these reforms is under implementation with the assistance of the British ODA. In order to facilitate economic analysis of budget, a new classification system will be introduced in the budget for FY 1998-99. We will have to gradually eliminate the artificial distinction between revenue and development budgets. Revenue and development budgets are supplementary to each other; it is not possible to segregate them. We must remember that it is not sufficient to complete development projects; we will not reap the benefits of these projects unless adequate resources could be provided for the maintenance of the completed project.

27. I am placing first the revised budget for the FY 1996-97. The original allocation for the revenue budget for FY 1996-97 was Tk. 12103 crore. This is proposed to be raised by Tk. 432 crore and thus the revised revenue budget stands at Tk. 12535 crore. This estimate is 6.1 percent higher than the revised budget for the FY 1995-96 and 3.5 percent higher than the original revenue budget for FY 1996-97. Revised revenue expenditure increased owing to increased interest payment of Tk. 336 crore on account of domestic borrowings which were contracted before the assumption of office by the present Government. In the original budget an amount of Tk. 744 crore was allocated for payment of interest on domestic borrowing. However, on the

basis of actual payments made during the first 8 months of the financial year the estimate has been raised to Tk. 1080 crore. 78 percent of the increased expenditure in the revised revenue budget is accounted for by increased payment of interests only. It may be mentioned that payment of interest is charged and Government has to honour its obligation. Besides increased interest payment, an additional amount of Tk. 162 crore has been made on account of subsidy for fertilizer and exports. Had there been no unexpected increases for interest and subsidy payments there would have been no need for additional expenditure in the revised revenue budget.

28. For FY 1997-98 I have proposed an outlay of Tk. 14544 crore in the revenue budget. This is about 16% higher than that of the revised revenue budget and the increase is due to two reasons. First, Tk.700 crore has been earmarked for meeting increased expenditure to take suitable measures in the light of recommendations of the Pay Commission which is expected to submit its report soon. New pay scales will be effective from July 1, 1997. Had there been no increased expenditure on salary and emoluments it would have been possible to increase investment in productive sectors through Annual Development Programme. Reduction of the size of non-essential workforce and productivity increase are essential preconditions for raising pay and allowances of the Government employees. The government employees should keep in mind that not only the Government has responsibilities towards them, but they have obligations towards the nation and its government. Second, as per the announced commitments of the Government a few investment proposals (e.g. subsidy for agriculture, pension for the destitutes etc.) are included in the revenue budget. If these two types of expenditure proposals as described above are excluded, the rate of increase in the revenue budget would have been in line with the rate of increase in the recent past.

29. For FY 1997-98, the Annual Development Programme is estimated at Tk. 12,800 crore including Tk. 553 crore on account of Food for Work and Rural Infrastructure Development. The proposed ADP for 1997-98 is 9.4 percent higher than the revised ADP of 1996-97. For FY 1996-97 estimated revenue receipt is Tk.19624 crore, revenue expenditure Tk.14,544 crore and revenue surplus Tk.5080 crore. Thus 47 percent of the ADP will come from internal resources and 53 percent from foreign resources.

30. I would like to review the activities of the public food distribution system before outlining the allocations for various sectors in the revenue and development budgets. The main objectives of food management system are two fold. First, it aims at providing food security in the country. Second, it attempts to ensure fair price to the growers through increased domestic procurement. Steps have been taken to build up an adequate stock in the government godowns to ensure food security. On July 1, 1996, Government had a stock of 9.33 lakh ton of foodgrains. It is expected that the stock will be 9.02 lakh tons on July 1, 1997. Domestic procurement has been increased along with increased food production. In 1994-95, 2.77 lakh ton was procured from domestic markets. In 1995-96 the total quantity of domestic procurement was 4.22 lakh ton. In 1996-97 domestic procurement is estimated at 7.69 lakh tons. Share of domestic procurement in the total procurement in 1994-95 was 24.41 percent; in 1995-96, 28.87 percent and in 1996-97, 85.82 percent. As a result of these measures we have not only saved lot of scarce foreign currency but also succeeded in paying fair prices to the growers.

31. From time immemorial, agriculture has been the main source of our prosperity. It is observed from historical experience that the share of agriculture in the GDP gradually decreases with economic growth. The contribution of agriculture in the Gross National Product in Bangladesh now stands at about 32 percent. In spite of this trend, agriculture has remained the most important sector in the socio-economic context of our country. Success in agriculture is essential for the macro-economic stability. Failure in foodgrain production will lead to inflation and rising pressure on foreign exchange reserve. Agriculture is also directly responsible for the creation of at least two-third jobs in the country. In my budget speech of 1996-97 I described in some detail the stagnation created in the agriculture sector owing to negligence by the previous government. With a view to promoting growth in agriculture we allocated initially an amount of Tk. 100 crore in the ADP to provide subsidy. Subsequently when crisis developed in the production of fertilizer we had to spend Tk. 212 crore as subsidy to offset the high cost of imported fertilizer. The fund came from ADP (Tk. 50 crore) and from the unallocated allocation in the revenue budget (Tk. 162 crore). Due to the government policy in the current year there has been no crisis in the availability of fertilizer and prices of all types of fertilizers except TSP have been lower by 15 to 25 percent than those of last couple of years. The courageous decision of giving subsidy has resulted in the healthy growth of 6 percent in agriculture sector. The Government has set up an Agriculture Commission to define the role of the government in the agricultural sector. In the light of the recommendations of the Commission, the Government will finalize long term policies for agriculture. In the meantime Government has formulated new agriculture extension policies in order to speed up growth. A National Agricultural Research System has been set up through introduction of appropriate amendments in the laws and regulation of Bangladesh Agricultural Research Council and eight other research organisations. This will enhance the standard and efficiency in agricultural research.

32. Agricultural credit is an essential input for agriculture. Unfortunately acute crisis looms in agricultural credit sector because of lack of appropriate policy and management. Agricultural banks carry on their operations by borrowing funds

from the Bangladesh Bank. But such financing on an indefinite basis by Bangladesh Bank is not desirable for macroeconomic stability. The Government has decided to contribute Tk. 100 crore to rural credit fund of Bangladesh Bank. A credit programme of at least Tk. 1000 crore will be ensured for the cereal sub-sector by Bangladesh Bank with the support provided by the Government as well as from its own resources. Effective measures for rehabilitation of agricultural banks will be undertaken in consultation with Bangladesh Bank. Fishery and livestock sub-sectors contribute not only to GDP growth but also to poverty alleviation. In FY 1997-98 total ADP allocation for these two sub-sectors have been proposed at Tk. 130 crore.

33. Since the assumption of office by this Government, allocation for the crop sub-sector of agricultural sector has been raised. In the revised budget of FY 1995-96, Tk.502.34 crore was allocated in revenue (Tk. 225.94 crore) and development (Tk. 276.4 crore) budgets (excluding loans and grants for the liabilities of the BADC). In the revised budget for 1996-97 this allocation has been raised to Tk. 735.66 crore (Tk.382.19 crore in development and Tk. 353.47 crore in revenue budget) - an increase of 46.4 percent. Total allocation for crop sub-sector is proposed to be raised to Tk. 843.3 crore (Tk. 347.3 in development budget and Tk. 496 crore in revenue budget) in 1997-98 - an increase of 14.6 percent over current year's revised budget.

34. Geography and history of Bangladesh was made by her innumerable rivers. Deeply engaged in the turbulent game of creation and destruction, the immense water resource of Bangladesh is on the one hand a blessing, on the other hand a curse. The provision of artificial irrigation and flood mitigation through development of physical infrastructure and protection of land against erosion are essential not only for economic growth but also for social justice. However, much of water in Bangladesh originates in 56 international rivers. It is not, therefore, possible for Bangladesh to develop the water resources on her own. In this perspective, the conclusion of a long term agreement for the sharing of the Ganges water has opened a new horizon for harnessing of water resources in Bangladesh. It has been proposed to allocate Tk. 1064.4 crore for water sector in the ADP for FY 1997-98. This allocation in the revised ADP of FY 1996-97 stands at Tk. 1021.6 crore. In the short run the efficiency of the completed project will be enhanced and provision will be made in flood mitigation projects for pisciculture and navigation. As a long term strategy, measures have been taken for construction of large infrastructure including the Ganges barrage.

35. Private investment is the engine of growth in the industry sector. Anomalies in laws, rules, regulations and policies are being removed with a view to encouraging investors. A new Industrial Policy will be announced soon. The taxation measures which are proposed to stimulate investment will be presented in second part of my budget speech. Government's support to small and cottage industry will continue. Assistance will be provided to raise productivity of traditional weavers, fishermen, ironsmith, potters and other artisans. In FY 1997-98, a sum of Tk. 53.97 crore has been allocated including Tk. 19.09 crore in revenue budget and Tk. 20.89 crore in ADP for Bangladesh Small and Cottage Industry Corporation, Bangladesh Handloom Board and Sericulture Board.

36. In my last budget speech, I elaborated the gathering crisis in the energy and power sectors resulting from past neglect and failures. In addition to the increase in private investment, the Government allocation for these two sectors has also been increased. In the original ADP for 1996-97, total allocation for energy sector was Taka 1308 crore; it has been proposed to raise it to Tk. 1472 crore in FY 1997-98. Tk. 612 crore has been allocated for rural electrification. The allocation for oil, gas and natural resource will be raised from Tk. 479 crore to Tk. 539 crore.

37. Transportation system constitutes the arteries of the economy through which flow the benefits of development, new technology and new ideas. Though the physical size of Bangladesh is not large, the maintenance of physical infrastructure in Bangladesh is very expensive owing to her geographical peculiarities. In FY 1997-98 maintenance budget of Road and Highways Department was increased by 8 percent and fixed at Tk. 225 crore. A total allocation of Tk. 2265.66 crore for transportation sector has been proposed for the next fiscal year. This constitutes about 17.7 percent of total development budget. Allocation for road sector excluding the Jamuna Bridge increased by 12.9 percent. However, a significant share of allocation for Jamuna bridge project has already been spent and the bridge is likely to be commissioned before 31st August 1998. As a result the allocation for Jamuna bridge project has been reduced from Tk. 938 crore in the current fiscal year to Tk.693 crore in FY 1997-98. The implementation of a project for improving the access roads of Jamuna bridge linking Chittagong to North West areas will commence in FY 1997-98. A sum of Tk. 100 crore has been allocated for the construction of railways in the Jamuna bridge. Taking into account the importance of inland waterways, the allocation for this sub sector is proposed to be increased, by 29 percent to Tk. 101.37 crore.

38. Significant allocation is also earmarked for rural infrastructure in the rural development sector in addition to allocations in transportation sector. In the next fiscal year, a sum of Tk. 677.08 crore has been proposed to be allocated in the ADP for the development of rural infrastructure. In the revenue budget, a sum of Tk. 90 crore has been provided for the maintenance of rural infrastructure. The ADP for FY 1997-98 contains proposals for allocation of Tk. 200 crore for assistance to Thana, Tk. 56 crore for Zilla Parishad and Tk. 110 crore for four big City Corporations.

39. Parallel to physical infrastructure, social infrastructure in the country will have to be developed. The services of education and health are not immediately consumed, they are investments in the true sense. Taking into account the importance of the education sector, the Government is continuously increasing allocation for education. In the current fiscal year, total allocation for education sector stood at Tk. 3850.26 crore including the allocations of revenue and development budgets. In FY 1997-98, this allocation is proposed

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