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Bankruptcy courts have been set up in Dhaka and Chittagong. As a result of these efforts, the proportion of classified loan is decreasing gradually. The Banking Reforms Committee has already submitted its recommendations to streamline the banking system. A Commercial Bank Reform project has been undertaken with the assistance of the World Bank. In the near future, banking laws will be further amended to strengthen the banks.

19. Throughout the world, investment in share market is risky. Share market is run by the private sector. The main role of the government is proper regulation. With this end in view, Securities and Exchange Commission has already been strengthened. A programme for capital market development has been undertaken with the assistance of the Asian Development Bank. The Securities and Exchange Commission has already issued licenses to seventeen merchant banks. Major reforms were introduced in the management of the two bourses in the country. Computers have already been introduced in the Chittagong Stock Exchange. A loan amounting to Tk 8.4 crore was provided through BSRS on concessional terms from the revenue budget to Dhaka Stock Exchange for immediate automation. Restrictions on foreign investment in the share market have been eased. Further a provision for three year lock-in of the share of local sponsors has been introduced. The Law on Central Depository System is being enacted on a priority basis. Important proposals for tax relief to encourage the share market have been formulated. I propose to discuss these measures in the second part of my speech.

Mr. Speaker,

20. I have, so far, dwelt on the background of the budget. Let me now bring into focus the main features of the budget. The original outlay for revenue budget in FY 1997-98 was Tk 14544 crore. The revised budget estimates now stands at Tk 14500 crore. I am glad to inform this august house that as a result of close supervision and prudent management in public expenditure, no additional allocation in excess of original allocation will be necessary for the revised revenue budget. The original outlay for Annual Development Programme (ADP) 1997-98 was estimated at Tk 12800 crore. The size of the revised ADP has been estimated at Tk 12200 crore, a reduction of 4.6 percent. In the original budget it was estimated that Tk 6021 crore would be provided for the ADP from the internal resources. The revised estimate for this purpose stands at Tk 5521 crore. External resource for ADP was estimated at Tk 6779 crore, the revised estimate in this regard is Tk 6679 crore.

21. For FY 1998-99 I have proposed an outlay of Tk 15937 crore in the revenue budget. This is only 9.9 percent higher than that of revised revenue budget for FY 1997-98. In FY 1997-98 the estimated revenue expenditure was 16 percent higher than that of revised budget of the previous financial year. With a view to providing maximum contribution from our own source for ADP, revenue expenditure has been cut as far as possible. For FY 1998-99, the Annual Development Programme is estimated at Tk 13600 crore. The proposed size of ADP is 11.5 percent higher than that of revised ADP for 1997-98. Estimated revenue receipts and revenue surplus for FY 1998-99 are Tk 20776 crore and Tk 4849 crore respectively. After adding net capital receipt and resources used for self-financed projects by various autonomous bodies Tk 6218 crore will be provided from internal resources. About 46 percent of the proposed ADP will be financed from our own resources.

22. 54 percent of the resource proposed for development budget is expected to come from external sources. In FY 1998-99 receipt from external sources has been estimated at Tk 7382 crore. This is 8.9 percent higher than external assistance in FY 1997-98 revised budget. It may be mentioned here that despite increased external assistance to Bangladesh, the availability of concessional loan and grant worldwide is decreasing. According to World Bank estimates, the amount of concessional loan and grant was \$40.1 billion in 1996; it dropped to \$37 billion in 1997. The increased external assistance to Bangladesh testifies to the continuing support of our development partners to our reform programmes. Since the present government assumed office, the World Bank president, ADB president, chief executives of OECF, UNICEF, IDB, IFAD and a number of ministers associated with external assistance programme visited Bangladesh and assured us of their continuing support. It is expected that the range of World Bank's minimum annual assistance to Bangladesh will be increased to \$ 600 - \$ 650 million as against \$ 400 - \$ 450 million in accordance with their new programme.

23. I would like to dwell first on the allocation for the agricultural sector. 64 percent of the employment opportunities in Bangladesh directly originates from agriculture. Keeping in view the problems of agriculture and farmers, the Election Manifesto of Bangladesh Awami League observed: "During last 5 years of its rule, the BNP government pushed agricultural sector into a destructive path. 18 farmers were gunned down by the previous government only because they asked for fertilizer at fair price. Dependence on external source for food has increased. Awami League will put an end to this situation." The present government has, during last two years, fulfilled its commitment to a large extent. The availability of fertilizer has been ensured all over the country by providing adequate subsidy. During FY 1992-93, the country's food production was 1.95 crore metric ton, in FY 1993-94, the production fell to 1.91 crore metric ton. In FY 1994-95 it further declined to 1.8 crore metric ton. On the other hand, after the assumption of office by the present government, food production increased to 2.03 crore metric ton in FY 1996-97. Despite shortfall in Aman production, food production during FY 1997-98 will be more than 2.05 crore metric tons. Record levels in food production during two consecutive years testify to the success of agricultural policies pursued by the present government. Allocation for Ministry of Agriculture in FY 1997-98 original budget was at Tk 186.34 crore. I propose to raise this allocation to Tk 212.48 crore in the revised budget. Estimated allocation for crop subsector in ADP 1997-98 was Tk 343.30 crore. In the proposed ADP for 1998-99 Tk 377.40

crore has been allocated for this subsector. To provide subsidy on essential inputs I propose to allocate Tk 129 crore for crop subsector in the revenue budget for FY 1998-99. As a result of prudent management it was possible to reduce expenditure on fertilizer subsidy. I propose an allocation of Tk 718.88 crore for crop subsector in FY 1998-99 by adding up the sums provided in ADP and revenue budget including subsidy. Allocation for Fisheries subsector in the ADP for 1997-98 was Tk 60.78 crore; this is proposed to be raised to Tk 85.60 crore in the ADP for FY 1998-99. Allocation for Livestock subsector in ADP 1997-98 was Tk 73.24 crore; in ADP 1998-99 the allocation has been proposed to be raised to Tk 80 crore.

24. I would now like to discuss the food management system. Despite a slippage from Aman production target due to adverse weather, food production in the current financial year will be about 1 percent higher than that of last financial year. According to the latest estimates, production of wheat will be around 18.02 lakh metric ton and that of Boro is expected to reach the record level of 79.79 lakh metric ton. Yet, as a precautionary measure, import of food grains under government's own financing has been increased. During FY 1996-97 quantity of imported food grains under government's own financing was only 1.77 lakh metric ton. During current financial year, quantity of imported food grains stood at 4.06 lakh metric ton, an increase of 2.29 lakh metric ton. Steps have been taken to encourage food grain import by private sector by reducing rates of duty and taxes on the imported rice and by providing adequate loan from the commercial banks. In FY 1996-97, only 2.37 lakh metric ton of food grain was imported by private sector. During the current financial year private sector has, so far, procured 10.19 lakh metric ton of food grain from abroad. According to estimates made by WFP in May, per capita daily availability of food grain is 441 grams in FY 1997-98. During FY 1996-97 and FY 1995-96, per capita availability was 425 and 433 grams respectively. As per these estimates, per capita availability of food has increased by 3.76 percent during the current financial year, compared to the previous financial year. With a view to stabilizing food grain prices about 1.62 lakh tons of grain has been distributed upto May 1998 through OMS. Moreover, to ensure fair prices to growers, target for internal procurement of wheat has been raised to 2 lakh metric ton from 1.3 lakh metric ton. If necessary, steps will be taken to procure more food grain from the internal source. Arrangements have also been made to procure maize on an experimental basis during the current financial year.

25. Water is indeed a resource. It is also a source of power and water will be the future in the 21st century. Owing to lack of proper management enormous water resources of Bangladesh has become a blessing on the one hand and a curse on the other. Hence with a view to achieving proper use of water resources, work has begun to prepare a National Water Management Plan. This plan will be completed within next three years. In the meantime, feasibility study of the Ganges barrage has been undertaken and work on reexcavation of project is under way. Besides a project for the reexcavation of the river Gorai has been undertaken with the assistance of the World Bank and the governments of Netherlands and Belgium to augment water supplies on an urgent basis in the Ganges basin region. In FY 1998-99 an allocation of Tk 901.04 crore and Tk 118.86 crore has been proposed for agencies under Ministry of Water Resources under ADP and revenue budget respectively. Allocation for the development of water resources stands at 6.54 percent of the ADP.

26. In the industrial sector private entrepreneurs are the key players. In order to encourage industrialization, a new industrial policy will be announced soon. Along with increased investment in the private sector, losses in public sector need to be reduced. Losses in the jute sector in particular have become a cause for great concern for the government. The previous government spent Tk 2467.56 crore towards the implementation of Jute Sector Reform Programme. However, there was no perceptible benefit from this programme. The interests of small and marginal farmers are closely linked to jute industry. Hence inspite of weaknesses and losses in jute industry, government support to jute sector will continue. In 1996-97, the total loss of Bangladesh Jute Mills Corporation (BJMC) was Tk 251.7 crore and the loss is estimated at Tk 224.6 crore in 1997-98. Last year government gave guarantee for Tk 250 crore to keep the mills of BJMC running. It is not possible to issue such guarantees every year. Moreover no such guarantee is issued in favour of the private jute mills. Taking a comprehensive view of the various problems in the jute sector, I propose to provide special financial support for the export of jute goods from next financial year. This support will be available for both private and public sectors. As a result, government will have to spend an estimated amount of Tk 130 crore. Detailed instructions regarding this support will be issued in consultation with Ministry of Jute. I further propose to repay Tk 100 crore against guarantee given in favour of Bangladesh Jute Mills Corporation. In the interest of the farmers, the jute mills will be kept running and to this end in FY 1998-99, I have proposed total allocation of Tk 230 crore.

27. Sick industry is not unique to Bangladesh, there are sick industries in capitalist economies throughout the world. Inevitable laws of capitalism render to-day's sun rise industries into sunset industries of tomorrow. The Ministry of Industries registered 1580 sick enterprises in 1992 and 1325 enterprises in 1996. The reasons for sickness of these enterprises are very complex. The industries were affected by mismanagement, political and economic instability, rapid liberalization and unexpected shift in economic policy. The small entrepreneurs were badly hit because they could not afford detailed feasibility study prior to investment. Therefore, in many countries of the world, small entrepreneurs are provided support by the government in various ways. In the current budget several proposals have been made to provide assistance to small sick industries already registered by the Ministry of Industries. A special committee headed by a retired judge (not

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below a district judge) will be set up to consider prayer for remission of interest of those enlisted sick industries which had borrowed upto Tk 50 lakh from the state owned banks. Taking into account the condition of sick industry, previous relief, if any, financial capacity, honesty, reputation and statements of the entrepreneur, the committee may recommend remission of interest and penal interest upto 100 percent. The Government will reimburse 50 percent of such remitted interest to banks. The amount due as determined by the special committee will be payable in three years in not more than 36 monthly installments. Those enlisted sick industries who borrowed more than Tk 50 lakh may submit proposals for compromise to banks. The banks will take appropriate decision in such cases taking into account the bank-client relationship. Broad guidelines will be laid down to resolve this problem on the basis of consultation with the banks. Sponsors of those sick industries who believe that their sick industries can be profitably rehabilitated may submit feasibility report to the concerned banks. The management of the public sector bank will take decisions on these proposals on the basis of government guidelines. Where court cases are pending, all proceedings will be taken within the legal framework without compromising the interest of the banks. With the implementation of these decisions, all government committees relating to sick industries will stand abolished and in future all sick industries will have to seek redress under the Bankruptcy Act. In order to compensate the losses of banks for the implementation of these measures, I have proposed to issue bonds worth Tk 60 crore in FY 1998-99. If needed, allocations for this purpose will be enhanced in the future.

Mr. Speaker,

28. Honourable members may please recall that I made the following observations in my budget speech of 1996-97, which was delivered within five weeks of assumption of office, on the consequences of the failure of the previous government in making essential investments: "The nation will have to bear the cost of electricity, gas, water shortages arising from the failure to make essential investments in time." Regrettably our apprehensions have proved true. The nation is carrying on this burden. We have taken all-out efforts to mitigate the crisis in the shortest possible time. For expeditious exploration and expansion of gas resources, the whole country has been divided into 23 blocks and these blocks have been offered for investments by local and foreign investors. In the meantime, agreements have been concluded with four foreign companies for eight blocks. Work on eight blocks is going on in full swing. Meanwhile in the Sangu gas field five wells have been drilled and in Semutang field work on an exploration well is completed. In the Sylhet region, work on two more exploration wells is in progress. It is hoped that by July 1998, additional 300 million cubic feet of gas per day will be produced. Besides, negotiations are on for signing of contract for another 12 blocks. Gas is an invaluable resource for Bangladesh. Not only the present generation, but also the future generations have rights over this resource. Hence I want to give assurance to this august House that decisions regarding production and distribution of gas will be taken on the basis of long term policies. In addition to the foregoing private sector investments, the Annual Development Programme of FY 1997-98 provides for an allocation of Tk 530.46 crore for investments in gas, oil and natural resources sectors. In 1998-99 ADP this will be raised to Tk 592 crore. Adequate allocations have been made for Madhyapara Hardrock and Barapukuria Coal Mining projects.

29. Installed capacity for power generation in the country is 3091 megawatt. But available power generation capacity is 1900 - 2000 megawatt and the peak hour requirement is 2300 megawatt. In this background, arrangements have been made to put into operation 210 megawatt capacity sixth unit at Ghorashal and 100 megawatt barge-mounted power plant at Khulna by next August. In the private sector, agreements have been signed in October 1997 for setting up of two 100 megawatt barge-mounted power plants at Khulna and Haripur. In March 1998, an agreement was also signed for setting up of another 100 megawatt barge-mounted power plant at Haripur. It is hoped that by the first half of 1999 this power plant will start generating electricity. In September 1997 an agreement was signed with the Rural Power Company to set up a 60 megawatt gas turbine power plant at Mymensingh. This plant will be commissioned in March 1999. It is expected that soon a contract will be signed for setting up a 450 megawatt combined cycle power plant at Meghna Ghat in the private sector. In the revised ADP 1997-98, a sum of Tk 1252.50 crore has been proposed for allocation in the power sector. This allocation is 10.44 percent of the revised ADP. In the ADP for 1998-99 total allocation for power sector stands at Tk 1390 crore. Apart from power generation, this allocation will be available for investment in transmission and distribution. About 32 percent of the total allocation for power sector, that is Tk 445 crore will be spent for rural electrification.

30. The highest allocation in both the revised ADP in 1997-98 and ADP for 1998-99 went to transportation sector. In the revised ADP for FY 1997-98 total allocation for Bangabandhu bridge was Tk 568.5 crore. In FY 1998-99 total ADP allocation of this project is Tk 465 crore. Under the dynamic leadership of Prime Minister Sheikh Hasina, Jamuna bridge which is associated with sacred memory of Bangabandhu is nearing completion. By formally inaugurating Bangabandhu bridge on June 23, the Honourable Prime Minister will add a new milestone in the history of development of our nation. World Bank, Asian Development Bank and Government of Japan have provided assistance for the construction of the bridge. We are deeply grateful to them. When the present government took over, length of all highways, regional roads and feeder roads under the supervision of Roads and Highways Directorate stood at 16400 km. At present total length of these roads and highways is 20200 km. In other words 3800 km of roads were constructed or reconstructed during last two years. The construction of Pakshi bridge will commence shortly with the assistance of Japanese government. Formalities for external assistance for

Rupsha bridge and Bhairab bridge will be completed soon. In the original revenue budget of FY 1997-98 for communications sector there was an allocation of Tk 277.69 crore. It has been raised to Tk 315 crore in FY 1998-99. Out of this allocation about Tk 260 crore will be spent for maintenance of roads. In the annual development programme of FY 1998-99, 162.66 crore has been allocated for 87 projects of Roads and Highways Directorate. Total allocation in ADP for Bangladesh Railway has been proposed at Tk 426.59 crore. A sum of Tk 113.26 crore has been proposed for inland water transport sector in FY 1998-99. Revolutionary changes have taken place in telecommunications. Total number of telephones in Bangladesh in June 1996 was 3.75 lakh. It increased to 4.92 lakh in January 1998. In order to encourage the expansion of telecommunications, a sum of Tk 337.98 crore has been provided in the ADP for 1998-99 in the public sector.

31. Rural roads are necessary not only for infusing dynamism in the economy; they play a very vital role in poverty alleviation and employment generation. In FY 1997-98, Local Government Engineering Department (LGED) constructed 2322 km paved road, 2404 km unpaved road and 3294 bridges/culverts. In 1997-98, total allocation for this organization was Tk 854.02 crore. In FY 1998-99 ADP, a sum of Tk 1012.01 crore is provided for LGED for constructing rural roads, markets and other infrastructures. In the revenue budget for FY 1998-99 LGED will receive an allocation of Tk 102 crore for maintenance of rural roads. Furthermore, 78.6 thousand metric ton of food grains have been allocated in favour of LGED under Food For Work Programme in FY 1998-99 budget. Proposals have been made to allocate Tk 200 crore for Thana Development Assistance, Tk 115 crore for the development of Pourashava and a block allocation of Tk 75 crore for local government institutions and development of Chittagong Hill Tracts in the ADP for FY 1998-99. A special provision of Tk 100 crore has been proposed for four municipal corporations. An allocation of Tk 60 crore has been proposed for District Councils. The Union Parishads will be allocated funds from Thana Development Assistance and Food For Works Programme to implement their development programmes. Furthermore, a sum of Tk 50.92 crore has been allocated for revenue expenditure of the Union Parishads. For provision of safe drinking water, Public Health Engineering Department has been allocated Tk 263.93 crore; Dhaka and Chittagong WASA Tk 140.83 crore.

32. Education sector is the highest recipient of the combined allocations of the revenue budget and the ADP. In the revised budget of FY 1997-98, total allocation stood at Tk 4199.98 crore. In FY 1998-99 it is proposed to be raised to Tk 4596.14 crore. Total allocation for FY 1998-99 is 9.4 percent higher than the revised allocation for last year. We are already receiving dividends of higher allocation in the education sector. A survey of Primary and Mass Education Division indicates that the rate of literacy has increased from 47 percent to 51 percent during last two years. For the first time in the history of Bangladesh, the majority of the people are literate. The subvention for the salaries of the registered and aided school teachers was revised for the first time in Bangladesh along with the revision of pay scales of the government employees. As a special gesture, the rate of subvention of teachers in the registered private primary school will be revised upward next fiscal year. National Committee on Education Policy has submitted its recommendation for radical reforms in the education sector. Steps have already been taken to implement these reforms in a phased manner. In last fiscal year I proposed special allocation for libraries and science laboratories with a view to encouraging quality in education. This measure was specially appreciated. In FY 1998-99 I propose to raise the allocation for libraries from Tk 2 crore to Tk 3 crore and for scientific laboratories equipment from Tk 3 to Tk 5 crore. Furthermore, a special block allocation of Tk 12 crore in last year budget for encouraging scientific research was made. The research establishments have been specially benefited by this measure. I therefore, propose to keep a similar allocation of Tk 12 crore for this purpose in FY 1998-99.

33. The provision of Health services is essential for human resource development. It is also a constitutional right of the citizens. In the original revenue budget of FY 1997-98, the original allocation was Tk 786.25 crore. In the revenue budget for 1998-99, it has been proposed to raise this to Tk 851.54 crore. In FY 1997-98, total ADP allocation for Health and Family Welfare sector was Tk 1111.62 crore. In FY 1998-99, it has been proposed to raise it to Tk 1373 crore. The proposed combined allocation in revenue budget and annual development programme for this sector in FY 1998-99 is Tk 2224.54 crore. This allocation is 17.2 percent higher than FY 1997-98 allocation. Total allocation in health sector is about 1.4 percent of GDP. In order to encourage higher education in health sector Bangabandhu Sheikh Mujib Medical University has already been set up. In the meanwhile 4000 posts of nurses and 1296 posts of doctors have been created in the first phase. A strategy has been chalked out to integrate all development and revenue activities during the period 1998-99 for the health and family planning sector under the Ministry of Health and Family Welfare. With the assistance of \$ 1 billion from the development partners a project will be launched shortly for reforms in this sector.

34. With the assumption of office by Bangladesh Awami League which was the standard bearer and the embodiment of the liberation war, there has been a new wave in the arena of sports and culture. In the original revenue budget of FY 1997-98, total allocation for sports was Tk 12.75 crore. An additional special allocation of Tk 12 crore has been made (including an allocation of Tk 10.5 crore in the revised budget of 1997-98) for the installation of flood-light in Bangabandhu Stadium. Total allocation for sports in the revenue budget has been increased to 18.62 crore. In FY 1998-99, allocation for sports has been fixed at Tk 40.4 crore. For youth development a provision of Tk 63.77 has been provided in FY 1998-99 budget. In order to celebrate the centenary of the rebel poet Kazi Nazrul Islam in a befitting manner, I propose to allocate

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