

Budget text

Full Text of Finance Minister's Budget Speech

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governance. With a view to democratizing democracy we must decentralize. Bangabandhu had similar vision. He rightly said, "I do not want to concentrate constitutional power in Eden Buildings or Gano Bhavan. I want to delegate it to villages, thanas, unions and districts so that people get the benefits". Following the trails blazed by Bangabandhu, the present government has already undertaken measures to strengthen local government. Strong local government at union level has already been established. Despite various odds, the elections of Pourashbas have been successfully completed. Elections to Upazilla and Poura Corporations will be held in the near future. The Administrative Reforms Commission, has already submitted 20 interim reports for streamlining administration. A project with the assistance of the World Bank has been undertaken for judicial reforms.

Mr. Speaker,

25. I would now present the salient features of the revised budget for FY 1998-99. The unprecedented flood exerted two types of pressures on the fiscal management. First, Govt. revenues declined as the economic activities were interrupted by flood. Secondly, government expenditure on relief and rehabilitation significantly shot up. The government took three measures to restore fiscal balance. First, surcharges were imposed to augment revenue. Secondly, allocations for contingency expenses were cut by ten percent. Finally, development partners were requested to augment assistance. Total receipts from foreign aid was estimated at Tk. 7382 crore in the original budget for FY 1998-99. It has been raised to Tk. 8188 crore in the revised budget. Despite the increase in foreign aid, total available resources declined as a result of shortfall of Tk. 1076 crore in revenue receipts. On the other hand, the revised expenditure in revenue budget increased by Tk. 828 crore compared to the original estimates inspite of austerity measures mainly because of higher allocations for relief, interest on domestic debt, financial assistance for using

The revenue estimate for NBR has been fixed at Taka 17,500 crore in FY 1999-2000.... Net increase in revenue due to expansion of tax base, rationalization of tax rates and procedural improvement will be Taka 1050 crore. The remaining Tk 1600 crore will come from autonomous growth of revenue.

local materials in ready made garments and pension. The size of Annual Development Programme (ADP) was raised by Tk. 400 crore for providing allocation for rehabilitation purposes. On the whole, there might be a deficit of Tk. 1465 crore which would be financed by borrowing from banks. Usually, such deficits contribute to inflation. However, there was idle and unused capacity in various sectors in the wake of flood. Increase in government expenditure in such circumstances contribute to higher production. Furthermore, there is already a downward trend in inflation because of record wheat and boro harvest. As a result, the harmful effects of the deficit in the revised budget will be very limited. The deficit on the other hand, has not only alleviated the sufferings of distressed humanity but also proved to be conducive to growth and macro stability. In fact, by increasing government expenditure and ensuring timely investment and increasing the flow of agricultural credit, we have succeeded in restoring normalcy in the economy in the quickest possible time.

Mr. Speaker,

26. Total revenue for FY 1999-2000 has been estimated at Tk. 24151 crore. It is 22.5 percent higher than the revised budget target. Compared to the original target in FY 1998-99, the revenue target for FY 1999-2000 is 16.2 percent higher. Total revenue expenditure for FY 1999-2000 has been estimated at Tk. 17800 crore. This allocation is 11.7 percent higher than the original allocation in FY 1998-99 budget and 6.2 percent higher than the revised allocation. It may be mentioned here that allowances for the government servants will be increased in FY 1999-2000 in accordance with a previously announced government decision. This alone will require an additional allocation of Tk. 680 crore in revenue budget (excluding development project). It is estimated that Tk. 115 crore will be required for upazila election and preparation of voter list. An additional allocation of Tk. 230 crore will be required for special assistance for exports. Furthermore, the expenditure on pension will increase by Tk. 384 crore compared to original estimates in FY 1998-99. Excluding these four additional allocations, revenue budget for FY 1999-2000 increased by 3.1 percent compared to original revenue budget for 1998-99. This growth is much lower than the rate of inflation.

27. Total allocation for Annual Development Programme in FY 1999-2000 is proposed to be fixed at Tk. 15500 crore. This allocation is 13.9 percent higher than the previous year's original target and 10.7 percent higher than the revised target. 49.5 percent of total outlay of ADP will be provided from external resources; 50.5 percent from the domestic sources. Total external assistance has been estimated at Tk. 7667 crore. 83.8 percent of aid will be provided in the form of project assistance; 12 percent in the form of commodity assistance and 4.2 percent as food aid. Compared to original target in last year's budget, external aid is projected to increase by about 3.8 percent. Globally external assistance as a whole is declining in view of unfavourable developments in the world economy. Viewed in this context, the growth rate of foreign assistance in Bangladesh is really encouraging.

Mr. Speaker,

28. In line with Bangladesh Awami League's election

manifesto, highest priority has been given to education sector in the revised budget for FY 1998-99 and the budget for FY 1999-2000. Before the present government assumed office, total allocation for education sector in FY 1995-96 was Tk. 3521.93 crore. In 1999-2000 FY, I propose to raise this allocation to Tk. 5149.28 crore. Within three years of assumption of office by the government headed by Prime Minister Sheikh Hasina, annual allocation for the education sector is proposed to be raised by about Tk. 1627 crore. Compared to 1995-96, total allocation for education sector has been raised by about 46 percent. In the revised revenue budget of FY 1995-96 total allocation for education was Tk. 2151.45 crore, it has been raised to Tk. 3220.16 crore in FY 1999-2000. Two-thirds of the increased allocation in education is required for higher salaries and for new teachers. About two thousand primary schools were understaffed with sanctioned strength of either one or two teachers. After the present government took over, at least three posts of teachers have been sanctioned for all primary schools. Steps have been taken to fill up the vacant posts of teachers. Meanwhile, projects for rehabilitation of twenty thousand primary schools and ten thousand secondary schools damaged by flood are in the process of implementation. With the assistance of NGOs, 100 new primary schools will be set up in villages where there is no school. The allocation for books and science laboratories has been gradually increased since the present government came to office. 2.9 million female students will be given stipend in 1999. The National Curriculum and Textbook Board is implementing a project for development of English language teaching with a view to upgrading the standard of English education. Vocational course at S.S.C. level has been introduced in 200 non-government schools with the objective of encouraging technical education. Measures have already been taken for the establishment of 16 polytechnic institutes, 13 vocational institutes and 12 science and technology universities. With the expansion of scientific and technical education, there has been rapid increase in the

application of information technology in the country. Exemptions and concessions in respect of duties and taxes have already been given to boost computer-based exports. Large scale training programmes have been undertaken for government officers and staff through various projects. The system of advance for the purchase of computers has been introduced to encourage public servants in using computers.

29. In FY 1995-96, total allocation in revenue and development budget for health and family welfare sector stood at Tk. 1611 crore. In 1999-2000, I propose to raise the combined allocation for health sector in revenue and development budget to Tk. 2519.53 crore including an allocation of Tk. 990.20 crore in the revenue budget and Tk. 1529.33 crore in the development budget. Compared to 1995-96, total allocation in this sector will increase by Tk. 908.53 crore which amounts to an increase of 56 percent. 4000 posts of nurse were created to improve the standard of health services. Two thousand nurses have already been appointed and the rest will be appointed in FY 1999-2000. The government has already appointed 1332 physicians through the Public Service Commission. Furthermore 1295 new posts of physicians have been created. With a view to providing health and family welfare services at the doorstep of the people, a project for the establishment of 18 thousand community clinics is now being implemented. One hundred health and family welfare centres were constructed in the current year, another one hundred centres will be constructed in the next fiscal year.

Mr. Speaker,

30. The development of human resources is a necessary but not a sufficient condition for economic development. Human resources cannot be harnessed in the absence of an effective physical infrastructure. Specially, it is not possible to raise production by using modern technology unless the supply of electricity is ensured. In the election manifesto of 1996, Bangladesh Awami League pledged: "Through its widespread extension in rural areas, electrification will be the basis of economic development and modernization". In accordance with our promise in the election manifesto, we have increased the effective generation capacity in the country. In 1995-96, effective generation capacity in the country was 2105 MW; it has been raised to 2500 MW in 1998-99. In 1994-95, per capita electricity production was 92 kwh, in 1997-98 it has been raised to 107 kwh. Because of the increase in demand for electricity we could not bridge the gap in electricity supply which we inherited as a result of the failure of the previous government. In the current fiscal year, one 100 MW barge mounted generation plant in the private sector has started commercial production in Khulna, 6th unit at Ghorasal with a capacity of 210 MW has been commissioned. In 1999 one generation plant with a capacity of 70 MW in Mymensingh, one with 100 MW capacity in the private sector at Baghabari and another with 100 MW capacity at Haripur will be commissioned. For the long-term development of the power sector, the Govt. is pursuing a three-fold strategy. First, government investment in the power sector has been increased significantly. In the revised development budget of 1998-99, the allocation for electricity sector was Tk. 1363.42 crore. In FY 1999-2000, I propose to raise this allocation to Tk. 1770 crore. Secondly, private sector

investment in power sector has been encouraged. Because of the policies pursued by the government, total private sector investment in power sector during the period 1997-98 to 1999-2000 is expected to be around \$566 million or about Tk. 2700 crore. Thirdly, management of power sector is being radically restructured. Three separate organisations have been set up for electricity generation, transmission and distribution on commercial basis. Dhaka Electricity Supply Authority was set up in the first stage. In order to restore discipline in distribution system, Dhaka Electric Supply Company (DESCO) has been registered under the Companies Act for distribution of electricity in Mirpur of Dhaka Metropolitan area. The Power Grid Company of Bangladesh (PGCB) has been constituted to take over the responsibility of transmission of electricity and it has started its operation. It is expected that the newly created environment of competition will contribute to sound management of electricity sector in the near future.

31. Because of the policies pursued by the government, private investment has also been attracted to natural gas and telecommunication sectors. Total foreign investment in gas sector in 1994-95 was only \$14 million; during the period 1996-97 to 1999-2000 it will stand at \$632 million. Furthermore, with a view to encouraging exploration and extraction of mineral resources in the country, government investment in the gas sector has been increased. In revised development budget for FY 1998-99, the allocation for this sector is Tk. 556.86 crore. I propose to raise this allocation to Tk. 670 crore in FY 1999-2000. According to estimates of World Bank, telecommunication sector received foreign investment of \$70 million since the assumption of office by the present government and there will be additional foreign investment of \$10 million in 1999-2000. I propose to provide an allocation of Tk. 398.49 crore for telecommunication in development budget for FY 1999-2000.

Mr. Speaker,

32. Transportation constitutes the arteries of the economy through which all exchanges take place. From different economic surveys it appears that improvement of transportation system not only accelerates economic growth but also alleviates poverty by generating new employment. This is why transportation sector received the highest allocation in the ADP. I propose to allocate Tk. 2421 crore for this sector (including Jamuna bridge) in development budget for FY 1999-2000. This constitutes 15.62 percent of ADP. About 76 percent of this allocation will be earmarked for road sector, about 15 percent for railways, about 5 percent for civil aviation and about 4 percent for inland water transportation. There has been significant improvement in road transportation with the commissioning of big bridges like the Bangabandhu Jamuna Multipurpose Bridge. The following new projects of Roads and Highways department deserve special mention: Dhaka eastern bypass, bridges on Dharla and Rupsha and at Paksi, Bhairab, Shikarpur and Dwarika. A survey has been undertaken to examine the feasibility of the Padma Bridge. It is hoped that concrete measures for the construction of Padma Bridge will be undertaken shortly. With a view to reducing traffic congestion in Dhaka Metropolitan area Transportation Planning and Development Board has been set up with the assistance of the World Bank. I propose to allocate for this project Tk. 67 crore in the budget of Roads and Highways and Tk. 29.69 crore through Dhaka Municipal Corporation in FY 1999-2000.

In the interest of the local industries, I propose to reduce the duty rate of all commodities presently attracting 30 per cent duty to 25 per cent. Consequentially, duty rate of intermediate raw materials under as many as 1257 H S Codes will come down. This may lead to governmental revenue loss but the local industries will benefit and become more competitive.

Tk. 230 crore has been provided for the repair of damaged infrastructure of roads and highways in the development budget. Furthermore, a sum of Tk. 270 crore has been allocated in the revenue budget for repair and maintenance of the Roads and Highways Department. Work on rail links with both ends of Jamuna Bridge is in progress. I propose to allocate Tk. 219 crore for this project in FY 1999-2000.

33. A review of economic history indicates that the share of agriculture in GDP declines with economic development. Bangladesh is not an exception to this trend. Nevertheless, agriculture is still a potent engine of growth in Bangladesh economy. According to Labour Force Survey in 1995-96, 61.8 percent of total labour force is still employed in agriculture. The greatest potential of economic growth in Bangladesh lies in the agriculture sector. In the wake of flood in 1998, the peasants in Bangladesh proved that they can produce record harvest fighting against natural odds provided Government support and inputs are available in time. In the election manifesto, the present government pledged to provide subsidy on agricultural inputs. The government has provided subsidy on agriculture from the revenue budget for three consecutive years from its own resources. I propose to allocate Tk. 100 crore for subsidy on fertilizer in FY 1999-2000. If international prices of fertilizer go up and if needed we will provide more resources in the revised budget for this purpose. The Government is determined not to allow artificial scarcity of fertilizer under any circumstances. Agricultural research has been intensified with a view to accelerating growth in agricultural sector. In order to encourage transfer of technology at farmer level, private sector will be involved in supply of improved seed and in new areas including bio-technological research within the framework of national agricultural research system through Bangladesh Agricultural Research Council. I propose to allocate a sum of Tk. 835 crore for agriculture sector in the development budget

of FY 1999-2000. Apart from the crop sector, allocations for fisheries and livestock subsectors have also been increased. Total allocation for Agriculture Ministry in FY 1998-99 revenue budget was Tk. 209.84 crore. I propose to raise this allocation to Tk. 287.77 crore in FY 1999-2000. Similarly, I propose to raise the allocation of Fisheries and Livestock Ministry in the revenue budget from Tk. 109.93 crore in FY 1988-89 to Tk. 124.27 crore in FY 1999-2000.

Mr. Speaker,

34. Bangladesh is the largest wetland in the world. This land was formed by the interaction of innumerable rivers and streams, its configuration was determined by them and they are continuously changing it. When water is not needed, turbulent water floods large landmasses. Water is not available in many places when it is needed. The present government has adopted an integrated national water policy with a view to ensuring proper and best utilization of water resources. Furthermore, a historic treaty on long term sharing of Ganges water has been signed with neighbouring India. As a first step of the development of the Ganges basin, a project for the resuscitation of the river Gorai has been undertaken. I propose to allocate Tk. 1015 crore for the water sector in the development budget for FY 1999-2000. 84.7 percent of this allocation will be earmarked for Bangladesh Water Development Board and Ministry of Water Resources. About 15.3 percent will be provided to minor irrigation projects which will mainly be implemented by agencies under the Agriculture Ministry. As a part of flood rehabilitation programme a project for the rehabilitation of 1200 deep tubewells of Bangladesh Agricultural Development Corporation and a project for deep tubewell at low cost to be implemented by Rural Development and Co-operative Division will be undertaken in FY 1999-2000. Two projects for emergency flood repair will be undertaken by Water Development Board with the assistance of Asian Development bank and World Bank. An allocation of Tk. 108.44 crore has been proposed for these projects. I propose to raise the allocation for the Ministry of Water Resources from Tk. 118.86 crore in FY 1998-99 revenue budget to Tk. 134.13 crore in FY 1999-2000.

35. It is not sufficient to raise production of food in the country, it is also essential to strengthen the food security system. I would like to dwell on the food management in the country. There are three objectives of Public Food Distribution System by the government. First, adequate stock must be maintained for food security so that speculative activities in food market are discouraged. The second objective is to provide food to distressed groups. The final objective is to ensure fair price for farmers so that they do not suffer if food production increases. In FY 1998-99, the target for Government import of foodgrains was raised from 3.5 lakh M.T. to 7.79 lakh M.T. to meet the shortfall in domestic production. On the other hand, the target for domestic procurement was reduced from 7.55 lakh M.T. to 5.3 lakh M.T. Because of record harvest of wheat and boro rice, the target for domestic procurement for next year has been fixed at 8.05 lakh M.T. In order to provide an incentive price to farmers, the procurement price for wheat has been fixed at Tk. 8.80 per kg and the procurement price for boro has been raised from Tk. 12 per kg to Tk. 13 per kg. Total projected food aid in next fiscal year is 8 lakh M.T. wheat. The closing stock of Public Food Distribution System is estimated at 10.67 lakh M.T. at the end of FY 1999-2000.

36. Allocations are provided to local governments from three sectors in the ADP. First, I propose to allocate Tk. 1233.25 crore for construction of infrastructure in rural areas by the Local Government Engineering Department (LGED). This allocation is 15.5 percent higher than the revised budget allocation for the LGED in the current year. Second, in the physical planning sector in FY 1999-2000, it has been proposed to allocate Tk. 121.54 crore for four city corporations, Tk. 178 crore for LGED, Tk. 264.10 crore for Public Health Engineering Department, Tk. 155.14 crore for Dhaka WASA and Tk. 10 crore for Chittagong WASA. Thirdly, block allocations of Tk. 225 crore for assistance for Thana development and Tk. 125 crore for development of Pourashabhas have been proposed in the ADP for FY 1999-2000. Furthermore, a sum of Tk. 110 crore has been provided to Local Government Engineering Department for the repair and maintenance of its infrastructure from the revenue budget in FY 1999-2000. In revenue budget for FY 1998-99, total allocation for Local Government Ministry was Tk. 287.15 crore. I propose to raise this allocation to Tk. 308.59 crore in FY 1999-2000. A total allocation of Tk. 95 crore has been proposed under three heads for the development of Chittagong Hill Tracts. Total allocation for Chittagong Hill Tracts in 1998-99 was Tk. 57 crore only.

37. A new surge of enthusiasm is sweeping sports and cultural arena in Bangladesh which today is illumined by the spirit of The Liberation War. The nation recently celebrated with great reverence the centennial of the birth of the rebel poet Kazi Nazrul Islam. The indomitable youth of Bengal by winning ICC Trophy qualified for participating in the World Cup and earned a respectable place for Bangladesh in the world of cricket. In the recent World Cup games in Britain, our players earned remarkable success in their maiden venture. By winning against Scotland and Pakistan, they provided immense

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