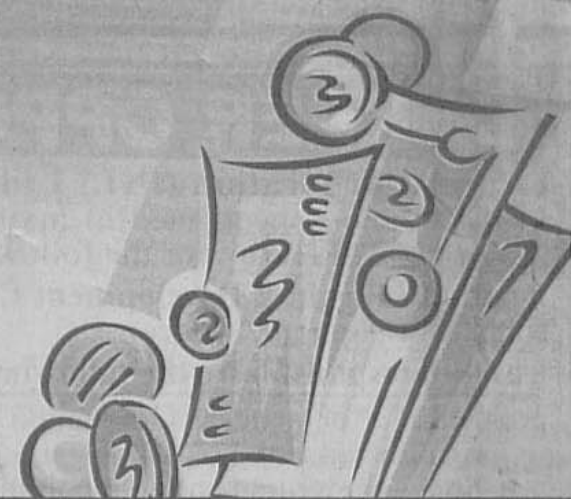




BUDGET

2005 - 2006

Text of FINANCE MINISTER's speech



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JUNE 10, 2005

The Daily Star

Bismillah-hir-Rahmanir-Rahim

Mr. Speaker,

I would like to present, with your kind permission, the supplementary budget for the fiscal year 2004-2005 and the budget for the fiscal year 2005-2006, for kind consideration of this august House. Shaheed President Ziaur Rahman, the proponent of Bangladeshi nationalism, began his march towards building a self-reliant and a developed nation through achieving faster economic growth, rural development, poverty reduction and institutionalisation of a multi-party democratic environment. Following his dreams and ideals, we have achieved remarkable success over the past few years in various socio-economic sectors. The unflinching support of our people to the bold and dynamic leadership of the Hon'ble Prime Minister Begum Khaleda Zia has inspired and encouraged us in our efforts to accomplish this success.

Mr. Speaker,

2. In the first budget of this coalition government for FY 2002-03, I mentioned in my speech: "Our politics is for the people. We tried our best to reflect their hopes and aspirations in this budget. In a country where about half of the population is still below the poverty line, the struggle should be to wipe out poverty to make the people smile and to achieve economic emancipation". This is my eleventh budget presentation to this august House. Each of my budget presentation echoed our Government's commitment to this struggle. This commitment inspired people of all walks of life to devote themselves to build a happy and prosperous nation and their own destiny.

Mr. Speaker,

3. As a nation we have many achievements to be proud of. Our success in socio-economic areas as compared to other developing countries has been acclaimed and appreciated throughout the world. I would like to highlight a few examples of these achievements for kind information of this House:

We have set a unique example of holding free and fair election through institutionalising the system of caretaker government. We have consolidated a democratic system of governance by holding three successive free and fair elections under caretaker governments.

Despite internal and external constraints, we have been able to achieve economic growth of broadly about 5.5 percent in recent times. In the last fiscal year due to stronger performance of agriculture, industry and service sectors, the economic growth finally stood at 6.27 percent which is the highest growth rate achieved so far. At the same time, we have restored macro-economic stability.

We have been able to substantially reduce the level of income-poverty since early nineteen nineties. According to a recent estimate, we have achieved faster rate of reduction of income-poverty during the period 2000-2005. As a result, increasingly a greater number of the poor are coming out of the vicious circle of poverty.

In reduction of human-poverty in terms of education, health and nutrition, our success has surpassed the achievements of many developing countries.

We have accomplished remarkable success in improving life-expectancy and level of nutrition, in reducing child and maternal mortality and growth of population and in improving food security.

We have achieved two targets of Millennium Development Goals (MDGs) by removing gender disparity in primary and secondary education and by ensuring access to safe drinking water. We have ensured enrollment of ninety-seven percent of the children in primary education. This enrollment rate is the highest among the developing countries.

According to UNDP Human Development Report, Bangladesh has already graduated from low human development to middle human development index category of countries.

In a recent study titled "Women's Empowerment: Measuring the Global Gender Gap" by World Development Forum, Bangladesh secured 39th position in women's empowerment index among 58 countries of the world. The ranking of Bangladesh is the highest among the Muslim countries and way ahead of the other South Asian countries. The achievements of Bangladesh in promoting participation of women in economic activities, expansion of female education and improvement in their health and welfare have been praised in the study.

The Bangladeshi people, especially the farmers have demonstrated extraordinary resilience and courage in facing natural disasters and in successfully managing rehabilitation activities in the aftermath of natural disasters.

The micro-credit programmes successfully run in Bangladesh through Government-NGO initiative in the reduction of poverty and empowerment of the poor is being replicated as a model in many countries.

Our private sector entrepreneurs are playing increasingly greater role in economic development. While the existing industrial entrepreneurs are expanding the domain of their businesses, new dynamic entrepreneurs are joining them in industrial development of the country.

The expatriate Bangladeshis are making substantial contribution to the economic upliftment of the country by remitting their earnings and investing them. Remittance by expatriate Bangladeshis are consistently on the rise and this year it would stand at about US\$3.8 billion which is about 47 percent of our total export earnings. At the same time, during employment overseas they are upholding the image of the country through hard work, efficiency and honesty.

The members of the armed forces continue to bolster the reputation of Bangladesh abroad by participating in United Nations Peace Keeping Missions. To date, our armed forces have served in 19 UN Peace Keeping Missions and they are currently involved as peace-keepers in 11 of them.

Mr. Speaker,

4. The credit of this success goes to the people and the nation at large. Neither any individual nor any group nor any political party has the right to belittle these achievements at home or abroad. This success is the source of our inspiration. We will be inspired to turn whatever failures we have into success if we could appropriately project these achievements. We must avoid the mentality to demean our own success. For, this sick mentality is the major impediment to upholding the image of Bangladesh in the international arena.

Mr. Speaker,

5. In the seventies, certain quarters branded Bangladesh as "a test case of development" and a "bottomless basket". Over the past three decades, Bangladesh has persistently disproved this perception by unlocking the development potentials of the country. In recent times too, certain quarters are attempting to label Bangladesh as "communal" and a "failed state". Our success in various fields does, however, disprove these wrong and baseless perceptions. The present government assumed office in a fast deteriorating law and order environment. Since then, significant progress has been made in improving law and order. Our stand against fundamentalism is firm and total. All Bangladeshis strongly believe in nationalism and communal harmony. Our coexistence in amity and peace, irrespective of religion, caste and creed is a glaring example of that harmony. The people of Bangladesh have taken firm position at home and abroad against all forms of terrorism. Our law enforcing agencies have been playing a praiseworthy role in this area. Despite having the highest population density in the world, our performance in achieving near self-sufficiency in food production and in reduction of poverty is rare. Our annual budget immediately after independence in 1972-73 was only Taka 735 crore. Next year, we will have a budget of over Taka 64 thousand crore. All these achievements



PHOTO: STAR

Finance Minister M Saifur Rahman, accompanied by Prime Minister Khaleda Zia, enters the Jatiya Sangsad yesterday to present the national budget for the fiscal 2005-06.

hear testimony of a successful state, not of a "failed" one. It is our collective responsibility to truly project our national achievements both at home and abroad.

Mr. Speaker,

6. The United Nations Millennium Declaration was adopted in the 55th session of the UN General Assembly in December 2000. In the Declaration, goals for acceleration of economic growth and poverty reduction for the developing countries were formulated. The fundamental message of UN Millennium Declaration is that a sovereign and self-respecting nation would build its own destiny.

7. Immediately after assumption of office, the coalition government supported the innovative development ideals enunciated in the UN Millennium Declaration. Our resources may be limited but we are not poor in our sense of self-respect, courage and commitment. We all share this pride. Therefore, the Government prepared an interim strategy for economic growth and poverty reduction based on participation of the people. Nationalism is the foundation of this strategy. Patriotism emanates from nationalism. A nation imbued with the spirit of nationalism can deter-



PHOTO: STAR

Finance Minister M Saifur Rahman presents national budget for fiscal 2005-06 at the Jatiya Sangsad yesterday. Prime Minister Khaleda Zia is seen on his left while LGRD Minister Abdul Mannan Bhuiyan on his right.

mine its own future.

Mr. Speaker,

8. In my budget speech for FY 2004-05, I promised that by December 2004, we would finalise the Poverty Reduction Strategy Paper (PRSP) through broad-based consultative process involving stakeholders at all levels. I am happy to announce in this august House that, as promised, we finalised the draft of a full-blown PRSP in January 2005. The finalisation of the draft strategy involved extensive engagement of over a year with representatives from various professions and levels of society both at national and field level. The nature and dimension of poverty is wide and multi-faceted. That is why the draft goes on to say:

"Poverty is a broad front. It is about income levels. It is about food security. It is about quality of life. It is about asset bases. It is about human resource capacities. It is about vulnerabilities and coping. It is about human security. It is about initiative horizons. It is each of these and all of these together."

Mr. Speaker,

9. In my concluding remarks in the budget speech for FY 2004-05, I mentioned, "The people of Bangladesh are exceptionally enterprising, have

tremendous self-confidence and indomitable courage. Given opportunity, they can achieve rare success in shaping their destiny". The PRSP titled "Unlocking the Potential: National Strategy for Accelerated Poverty Reduction" reflects this conviction. The implementation of this national plan as a strategy to unlock the potential of our beloved country will unfold opportunities for people at large to shape their destiny. The honourable members of Parliament are currently reviewing this important document.

The PRSP will be finalised and published after receiving their valued comments and suggestions by July this year.

Mr. Speaker,

10. We have identified four strategic blocks and four supporting strategies in the full-blown PRSP document to translate our vision into reality. Our four strategic blocks are:

Firstly, poverty can be reduced by creating extensive employment opportunities. Our fundamental principle would, therefore, aim at increased economic growth which facilitates creation of jobs for the poor.

Secondly, according priority to growth-oriented sectors like rural farm and non-farm sectors, SMEs, communications and rural electrification sector.

Thirdly, implementation of targetted poverty reduction and social safety-net programmes for the poor specially, the poor women.

Fourthly, augmenting investment in sectors like education, health and nutrition to reduce human poverty.

Mr. Speaker,

11. In order to support these four strategic blocks of policies, following four strategies are being implemented:

Firstly, ensuring participation in economic development and empowerment of the distressed, marginalised, disadvantaged and the retarded section of the poor, specially the poor women.

Secondly, promoting good governance by establishing transparency, accountability and rule of law and ensuring sound allocation of resources.

Thirdly, improving the quality of service delivery to meet the basic needs of the people, in particular, the poor.

Fourthly, ensuring sustainable development and environmental balance.

Recent Economic Trends

Mr. Speaker,

12. In the current fiscal year, our economy was subjected to various internal and external shocks. Last year, during July-September, due to devastating floods and excessive rain, the infrastructure as well as the economy was badly affected. However, this natural catastrophe could not hold back the wheel of the economy. The Government, in collaboration with people of all walks of life, political organisations, civil administration, armed forces and NGOs faced this catastrophe with courage and determination. With government's sincere efforts, timely intervention and appropriate economic and disaster management policies, we have successfully implemented the relief operation. At the same time, we have also implemented emergency post-flood rehabilitation programme with our own resources.

13. The budget allocation of Taka 600 crore for subsidies and other assistance in agriculture sector was enhanced to Taka 1,315 crore. Under this assistance programme, 31 lakh flood affected small and marginal farm-families were provided with free fertiliser and seeds at a cost of Taka 185 crore for cultivating twelve crops. For the first time, the government initiated a programme to provide 25 percent subsidy on imported MOR DAP and TSP fertilisers.



14. Emergency infrastructure rehabilitation programme was implemented using our own resources. Flood rehabilitation programme at a cost of US\$400 million is now being implemented with the assistance of the World Bank and the Asian Development Bank. The United Kingdom and Japan have also come forward to assist in our rehabilitation efforts. Our success, particularly the ability of our farmers, in facing natural disasters has been acclaimed at home and abroad. Our farmers have made good the loss with the support and initiatives of the government.

Mr. Speaker,

15. In this age of globalisation, the developments in international arena have critical impact on our economy. This year, due to excessive price hike of oil and some other importables in international market, our external trade balance was subjected to additional pressure. In the first nine months of this fiscal year, import registered an increase of 26 percent compared to the previous fiscal. To meet the increasing demand of industrialisation, import of capital machinery and intermediate goods increased by 53 percent and 54 percent respectively. Adoption of a slightly expansionary monetary policy in the backdrop of implementation of post flood emergency rehabilitation programme, resulted in credit expansion in private sector which posted a growth of 12.6 percent as compared to 7.6 percent in the corresponding period of the previous fiscal year. Due to sharp rise

in oil price in international market, an additional US\$ 600 million, equivalent to over Taka 3,600 crore will be required this year, only to import oil. As a result, like many countries, including our neighbouring ones, Bangladesh experienced some upward inflationary pressures. I firmly believe that with growth trend in agriculture along with other sectors continuing, the inflationary pressure will ease and inflation will remain within tolerable and manageable limit.

Mr. Speaker,

16. Amidst all these constraints, we have been able to infuse fresh dynamism in the economy. I trust that had there been no odds, we could have achieved a growth of over 6 percent this year. Current provisional estimates suggest that there will be a negative growth of 3.3 percent in crop and vegetables sub-sector this year compared to a positive growth of 4.27 percent last year owing to adverse effect of flood. This might limit economic growth in the vicinity of 5.4 percent this fiscal year. The growth in manufacturing sector is expected to be 8.43 percent while export will grow as targetted. The overall budget deficit for the current fiscal year will remain within 4.5 percent of GDP. The foreign exchange reserve will continue to remain at the level of US\$ 3 billion mark and the macro-economic fundamentals will remain stable.

Revised budget for FY 2004-05

Mr. Speaker,

17. The revenue target originally budgeted in FY 2004-05 was Taka 41,300 crore. This has been reduced to Taka 39,200 crore in the revised budget. The revenue target had to be scaled down due to reduction of tariff on some imported goods as well as disruption of economic activities owing to the floods. The size of original Annual Development Programme (ADP) was fixed at Taka 22,000 crore in the current fiscal year. Slow rate of use of project aid in a number of foreign aided projects caused downward revision of ADP to Taka 20,500 crore. The total expenditure budget, including development and non-development components, was Taka 57,248 crore in original budget of FY 2004-05, which has been reduced to Taka 55,632 crore in the revised budget.

Budget for FY 2005-06

Mr. Speaker,

18. The revenue receipt for FY 2005-06 has been estimated at Taka 45,722 crore, which is 16.6 percent higher than that of the revised budget for the current fiscal year. For FY 2005-06, the ADP has been estimated at Taka 24,500 crore which is 19.5 percent higher than that of the revised ADP of the current fiscal year. In the budget for FY 2005-06, Taka 773 crore has been proposed for Non-ADP Food for Works Programme, Taka 790 crore for development programmes financed from revenue budget and Taka 491

crore for employment generation programme. As a result, the total development-related expenditure will stand at Taka 26,554 crore which is 17 percent higher than the development expenditure in the revised budget. The total revenue and development budget together will amount to Taka 64,383 crore in FY 2005-06, which will be 15.7 percent higher than the revised budget of current fiscal year. 52 percent of ADP outlay for FY 2005-06 will be financed from our own resources, while remaining 48 percent will be resourced from foreign assistance. The budget deficit is expected to be 4.5 percent of GDP. Given favourable external and domestic environment, I believe economic growth may exceed 6 percent in the next fiscal year.

Mr. Speaker,

19. Fifty-four percent of revenue and development budget will be spent to finance direct and indirect poverty reduction programmes in next fiscal year. I would like to present a few of the major proposals included in the budget for next fiscal year to fulfill our commitment to accelerate the pace of poverty reduction and economic growth.

Human Resource Development

Education

Mr. Speaker,

20. For FY 2005-06, I propose a combined allocation of Taka 9,686 crore from revenue and development budget for the education sector. The proposed allocation is Taka 1,827 crore higher than the original allocation for the current fiscal and constitutes 15 percent of the total proposed outlay. Clearly, this sector will be receiving the highest allocation. This allocation includes a provision of Taka 3,360 crore as development outlay for implementation of 78 projects.

21. I am happy to inform this august House that according to a recent statistics, 53 out of 100 students enrolled at secondary level are girls. The results of public examination recently held at secondary level also show that the pass rate of girls is higher than that of the boys. This statistics is of tremendous significance for a developing country like Bangladesh. Napoleon Bonaparte aptly said, "Let France have good mothers and she will have good sons". We are now giving the nation hundreds of thousands of educated good mothers. I can proudly say that this achievement has been possible because of a range of far-sighted policies and steps taken by the BNP Government in recognition of the importance of female education.

Mr. Speaker,

22. In continuation of BNP's policies adopted in 1991, the BNP Government started implementation of compulsory primary education since 1993 and also introduced at the same time "Food for Education Programme". As a result, enrollment in primary education, specially of girl students improved significantly. This enrollment recently rose to 50 percent from 45.9 percent in 1992. Another remarkable decision taken by the then BNP Government at the beginning of 1990s was recruitment of at least 60 percent female teachers in primary schools. Following this decision, the number of female teachers has almost doubled to 40 percent today. The previous BNP government introduced stipend programme for girls in order to ensure women empowerment and improvement of their socio-economic condition through huge expansion of women education. Soon after assumption of power this time, our coalition government expanded this stipend programme up to 12th class in fulfillment of election pledge. 55 lakh children are receiving primary education under "Primary Education Stipend Project" with an outlay of Taka 520 crore financed from our own resources. In addition, our Government has introduced tuition waiver programme as well as provided financial assistance for purchasing books for the girls and their participation in public examination.

Mr. Speaker,

23. We are ensuring with due importance the implementation of the strategic goals, programmes and priorities identified in the PRSP. Recognising the need for expansion and qualitative improvement of primary education, the Government has taken up two important projects with an outlay of Taka 5,000 crore for "Primary Education Development Programme-II" and another involving Taka 400 crore for "Reaching Out of School Children". We hope, we will be able to provide soon quality primary education to 100 percent children in the country.

Mr. Speaker,

24. In secondary and higher education sub-sector, building new infrastructure for both government and private educational institutions, repair and maintenance of existing buildings, provision of teaching inputs, furniture and scientific appliances have been given priority under various projects. In FY 2005-06, about Taka 400 crore will be spent to

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