



BUDGET

2005 - 2006

Text of FINANCE MINISTER's speech

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provide stipends to 29 lakh female students under the female students stipend programme. In FY 2004-05, we have substantially increased both the coverage and monthly rate of scholarships to provide further incentive to meritorious students. I propose an increase of number of scholarships between primary and secondary stages, at different levels by 10 percent in FY 2005-06. At present, only 2 to 3 percent of students at secondary and higher secondary levels receive technical and vocational education. A plan is in place to scale up this share to 25 percent in next 15 years. We have taken steps to extend technical education by modernising polytechnic institutes and also setting up new institutes. We have also taken measures to establish 3 polytechnic institutes for women to enhance their participation in technical education.

Mr. Speaker,

25. We are committed to further encourage women education at bachelor's degree level.

Currently, on the basis of Higher Secondary Certificate results, about 5,000 female students receive monthly general stipend of Taka 225 each. I propose to increase the monthly stipend for both boys and girls from Taka 225 to Taka 250.

To promote higher education of female students, I propose to award monthly scholarship of Taka 200 to a further 10,000 female students pursuing studies in specialised subjects at graduate honours level in public universities, government colleges, and MPO-listed non-government colleges. Female students studying at public technical and specialised colleges and universities will also come under the purview of this programme. At the same time they will enjoy tuition fee waiver.

Health and Nutrition

Mr. Speaker,

26. I propose a total allocation of Taka 4,240 crore, revenue and development budget combined, for FY 2005-06 in the health sector exceeding the original budget of current fiscal year by Taka 508 crore.

27. Consistent with our poverty reduction strategy, we are implementing a programme titled "Health, Nutrition and Population Sector Programme" (HNPPS) with an outlay of about Taka 9,500 crore. In keeping with the needs of the larger segment of the rural population the Government has taken up a programme to increase the number of beds from 31 to 50 in each Upazilla Health Complex. Similarly, a programme is being implemented to increase the number of beds from 50 to 100 in new district hospitals and from 100/150 to 250 in old district hospitals. Besides, a programme is underway to increase the number of beds in quite a few hospitals. Shaheed Ziaur Rahman Medical College with a 500-bed hospital at Bogra and another medical college with a 500-bed hospital at Dinajpur are being built. Meanwhile, 3,000 health assistants have been recruited. In addition, recruitment of 3,200 doctors, 2,000 senior staff nurses and 800 nursing supervisors is in progress.

28. Post graduate courses have been introduced in government medical colleges across the country to enhance opportunities for specialised medical treatment and to provide higher education to the doctors. A Revised National Drug Policy 2005 has been formulated to modernise and expand pharmaceutical industries and to attract increased foreign investment. Under National Nutrition Programme, about 3 crore people are receiving nutritional service through 24,000 nutrition centres at 105 Upazillas since 2004. The Government has approved National Population Policy, 2004.

Agriculture, Water Resources, Rural Development and Rural Infrastructure

Agriculture

Mr. Speaker,

29. I propose a total allocation of Taka 2,213 crore, revenue and development budget combined, for FY 2005-06 in the agriculture sector, which is Taka 436 crore more than the original budget of current fiscal year. In the next fiscal year, the programme for agricultural extension, research, field training, production, preservation and distribution of HYV seeds, storage and marketing of agriculture produces, and irrigation will be further strengthened. Bangladesh Agricultural Development Corporation (BADC) would be restructured and the Corporation's work of seed production, preservation and distribution will be further expanded. For reduction of the cost of agricultural production, I would like to highlight the specific steps that have been taken in current fiscal year and those which will be taken in FY 2005-06:

Like urea fertiliser, the programme introduced in current fiscal year for providing 25 percent subsidy on imported DAP, MOP and TSP fertilisers will continue in FY 2005-06. As a result, the amount of subsidy and assistance to agriculture sector will increase two-fold to Taka 1,200 crore from Taka 600 crore allocated in the current year's original budget.

From 1st of July 2005, interest on agricultural loan provided for production of pulses, mustard seeds, spices and maize will be reduced to 2 percent from existing 8 percent.

The Government has waived interest on classified agricultural loan up to Taka 5,000 as on 31st December 2003. The repayment period of principal amount will be extended from 30 March 2005, as fixed earlier, to 30 March 2006.

20 percent subsidy on electricity bills of Palli Bidyut Samities (PBS) for electricity use in irrigation will continue. In addition, the minimum charge for all electricity connections throughout the country for irrigation will be waived with effect from 1st July 2005.

30 percent cash subsidy introduced for export of agricultural commodities, vegetables and fruits will continue in next fiscal year.

20 percent subsidy on electricity used in agro-based industries will continue in next fiscal year.

Up to April 2005 of current fiscal year, Taka 4,200 crore has been disbursed as agricultural loan which is 47 percent higher than the disbursement of the corresponding period in the last fiscal year. In next fiscal year, Bangladesh Bank will provide refinancing as required to relevant banks at 5 percent interest rate to enhance the agricultural credit flow.

Steps have been taken to introduce strong monitoring, both at central and local levels, so that the farmers can smoothly avail of the agricultural credit facility on time.

Water Resources

Mr. Speaker,

30. The target of food production is not achievable without efficient water resource management including flood control and development of drainage and irrigation system. I propose an allocation of Taka 1,234 crore in the revenue and development budget for fiscal year 2005-06 for the Ministry of Water Resources.

Rural Development and Rural Infrastructure

Mr. Speaker,

31. I propose a total allocation of Taka 6,383 crore, revenue and development budget combined, for local government and rural development sector in the budget for fiscal year 2005-06 which is Taka 1,481 crore more than the original budget of the current fiscal year.

32. To strengthen the local government institutions and to provide support to Union Parishads, I am proposing for the first time an allocation of Taka 100 crore in the revised budget for current fiscal year and Taka 120 crore in budget for next fiscal year for carrying out their development activities. The Government has also introduced another special

programme titled "Development Support through Gram Sarker". I propose an allocation of Taka 60 crore for the next fiscal year to support this programme.

Mr. Speaker,

33. In FY 2005-06, about 10 thousand kilometres of paved road and 9 thousand and 5 hundred kilometres of kutchra road will be constructed and/or rebuilt by Local Government Engineering Department (LGED) under rural infrastructure programme. Besides constructing 346 union parishad complex buildings and 20 cyclone centres, 435 growth-centres/hat-bazars will be developed. Under flood rehabilitation programme of urban infrastructure development initiative, 570 kilometres of road together with drainage system will be constructed. These programmes will create employment opportunities for a huge number of male and female workers.

34. To meet the additional demand of drinking water in arsenic-affected areas, the Government has established one lakh fifty thousand



PHOTO: PPD

President Iajuddin Ahmed assents to the revised budget for 2004-05 and proposed budget for fiscal 2005-06 yesterday.

new water sources across the country. Following implementation of arsenic mitigation programme by the Government, availability of safe drinking water rose to 80 percent in rural areas. Besides, the government has declared to provide sanitation facilities for all families by 2010. Development of sanitation has, therefore, been included in ADP as a priority.

Mr. Speaker,

35. There is an ongoing Char Livelihood Project with an outlay of Taka 475 crore to provide livelihood during lean seasons to the communities living in char areas encompassing 150 poverty-stricken unions along the banks of the Brahmaputra. A rehabilitation programme to house 65 thousand landless and uprooted families is being implemented successfully by the Prime Minister's Office through "Abashan Prokalpa" (Housing Project) having an outlay of Taka 447 crore. There is an initiative to rejuvenate Upazilla Central Cooperative Societies under Bangladesh Rural

Development Board (BRDB) by providing agricultural credit fund. The Samabaya Bank (co-operative bank) is being restructured to bring in further dynamism in its activities and a process has been initiated to inject fresh capital to this entity. I propose a total allocation of Taka 2,214 crore, from revenue and development budget, to the Ministry of Fisheries and Livestock, Ministry of Social Welfare, Ministry of Women and Children Affairs, Ministry of Labour and Manpower and Ministry of Youth and Sports to implement 113 projects to accelerate development of the rural non-farm sector and to create additional employment opportunities in the rural areas.

Targetted Employment Generation and Poverty Reduction Programmes

Mr. Speaker,

36. It is our fundamental responsibility to create opportunities for minimum subsistence for the disadvantaged and poor segment of the population. In addition to provisioning in ADP, I propose an allocation of Taka 4,600 crore from the non-development budget for the next fiscal year for targeted poverty reduction, social safety-net and employment generation programmes. Through you, Mr. Speaker, I would like to place before this august House some of the major targeted programmes:

Social Safety-net

One of the major commitments of our Government is to ameliorate the sufferings of the helpless elderly poor people of the country. We mentioned this commitment in BNP's 1996 Election Manifesto. Despite resource constraints, in fulfillment of our commitment, old-age allowance has been scaled up from Taka 100 to Taka 165 and the number of beneficiaries raised from 4 lakh 15 thousand to 13 lakh 15 thousand over the past few years. Under the Old-age Allowance Programme, I propose to enhance the monthly allowance from Taka 165 to Taka 180 and to raise beneficiary coverage from 13 lakh 15 thousand to 15 lakh effective from 1st of July 2005.

Under the Allowances Programme for the Widowed, Deserted and Destitute Women, I propose to enhance the monthly allowance from Taka 165 to Taka 180 and to raise the number of beneficiaries from 6 lakh to 6 lakh 25 thousand from 1st of July 2005.

Under Honorary Programme for Insolvent Freedom Fighters, I propose to enhance the number of beneficiaries from 60 thousand to 70 thousand from 1st of July 2005.

I propose an additional allocation of Taka 75 crore to the Fund for Mitigating Risks due to Natural Disasters.

I propose an additional allocation of Taka 20 crore to the Fund for Rehabilitation of the Acid-burnt and the Physically Handicapped.

I propose an additional allocation of Taka 75 crore to the Fund for Housing the Homeless in the next fiscal year.

In the revised budget of the current fiscal year, there is an allocation of 8.70 lakh tons of food grains for VGD, VGF, Food for Works Programmes, Test Relief and Gratuitous Relief (GR). I propose to increase the allocation by 1.62 lakh tons raising it to 10.32 lakh tons next fiscal year.

I propose to raise the allocation of Taka 264 crore in the original

budget for Food for Works Programme (Cash) to Taka 300 crore in the next fiscal year.

I propose to allocate Taka 100 crore in lump to the Ministry of Food and Disaster Management to meet the emergencies due to natural disaster.

Mr. Speaker,

37. I propose to introduce two new programmes in the next fiscal year in addition to the ongoing social safety-net programmes:

Allowance for the Fully Retarded: To provide subsistence to 1 lakh 4 thousand fully retarded persons, a programme for paying monthly allowance of Taka 200 will be introduced from 1st of July of next fiscal year. I propose to allocate Taka 25 crore to this programme in the next fiscal year.

Seasonal Unemployment Reduction Fund: The marginalized poor of some specific areas in Bangladesh remain unemployed per force for certain periods in a year owing to natural and geographical constraints. To mitigate their miseries and to create employment for them, I propose to create a fund of Taka 50 crore in tandem with development projects operating in those areas.

Programme for Mitigating Economic Shocks

Mr. Speaker,

38. I propose to allocate Taka 30 crore and Taka 20 crore to the special funds introduced in FY 2004-05 for Retraining and Employment of the Voluntarily Retired/Retrenched Employees/Labourers and Retraining and Employment of Workers/Employees of Readymade Garment Industries respectively.

Special Credit Programmes for Employment Generation

Mr. Speaker,

39. The government has taken up quite a few special credit programmes under both revenue and development budget for creation of employment for the poor:

Up to December 2004, within the purview of different development programme micro-credit amounting to Taka 6,000 crore has been disbursed from Government's own resources through different ministries/divisions/departments. Government is also operating micro-credit programmes under the revenue budget. In view of the successful implementation of these programmes, I propose a further allocation of Taka 200 crore from the revenue budget to the micro-credit fund already created under Rural Development and Cooperative Division, Ministry of Fisheries and Livestock, Ministry of Youth and Sports, Ministry of Liberation War Affairs and Ministry of Women and Children Affairs.

Since its establishment in 1994 by the BNP Government, PKSF (Palli Karma Shahayak Foundation) has, with Government resources, disbursed micro-credit amounting to Taka 2,125 crore up to April 2005 among 54 lakh poor people through 225 large and small NGOs. More than 90 percent of the beneficiaries are women. I propose an allocation of Taka 281 crore to PKSF to implement micro-credit programme through NGOs in FY 2005-06.

The Bangladesh NGO Foundation has begun its activities this year with a fund of Taka 50 crore allocated by the Government to accelerate the pace of development of rural social sector. I propose a further allocation of Taka 50 crore to this fund for FY 2005-06. As a result, this Fund will increase to Taka 100 crore.

Taka 100 crore was allocated for the current fiscal year to the Special Fund for Employment Generation of the Hard-core Poor operated by PKSE. 34 NGOs, funded through PKSE, implemented various programmes for providing training and creating employment opportunities through disbursement of micro-credit to 3 lakh hard-core poor of 30 districts in the country. I propose an additional allocation of Taka 100 crore to this Fund in next fiscal year.

In current fiscal year, a fund with an allocation of Taka 50 crore was created for development of micro-enterprises in the rural areas. PKSF is implementing this programme through 70 NGOs. I propose a further allocation of Taka 50 crore for next fiscal year to this fund.

In current fiscal year, the Government has provided credit support of Taka 100 crore through Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, BASIC Bank and Karma Sangsthan Bank to promote agro-based industries. In the next fiscal year, I propose to further allocate Taka 100 crore on this account.

Bangladesh Bank is operating an Equity Entrepreneurship Fund for development of agro-based industries, food processing and computer software. So far, investment assistance amounting to Taka 730 crore has been sanctioned from this fund to 212 projects. I propose a further allocation of Taka 150 crore to this fund in the next fiscal year.

Infrastructure

Power and Energy

Mr. Speaker,

40. Recently with the addition of three new gas fields to gas production, 1,690 million cft gas will be produced in the next fiscal year. It would be possible to extract annually 10 lakh tons of coal following implementation of Barapukuria Coal Mine Project. Over the last three years, power generation has increased by 1,020 MW, transmission lines increased by 180 kilometres and distribution lines by 50 thousand kilometres. Besides, 9,000 new villages have been electrified. Given the projects under consideration are implemented, it would be possible to generate additional 2,910 MW electricity in the next 3-5 years. The Government has decided to allow installation and operation of 10-50 MW power stations entirely by the private sector. The Government has adopted a long-term strategic plan up to 2015 for development and expansion of the power sector. I propose an allocation of Taka 4,270 crore to the power and energy sector in the development budget, which is 17 percent of the total pie.

Roads and Highways

Mr. Speaker,

41. I propose a total allocation of Taka 4,832 crore in the revenue and development budget for the Ministry of Communication in the next fiscal year. In the current fiscal year a number of major bridges including Khan Jahan Ali Bridge, Haji Shariatullah Bridge and Kushiara Bridge have been constructed. In addition, about 1,700 kilometres of road have been rebuilt under various periodic maintenance programmes. In the next fiscal year, a programme has been taken up with Government's own resources to upgrade Dhaka-Chittagong highway into 4 lanes. I hope Chittagong-Feni section of the highway will be converted into 4 lanes in next 2 years. I am happy to announce that only a few days ago the Government of Kuwait has informed us of their final decision to provide Taka 315 crore to support building the 3rd Karnaphuli Bridge and expressed their hope that work of building the bridge will be taken up soon. Therefore, we will commence construction of the 3rd Karnaphuli Bridge in the beginning of next year. Besides, the Government will take up the work of rebuilding of about 4,000 kilometres of road including 3rd Buriganga, Teesta, 2nd Shitalakshya and Dardapara Bridge. The World Bank, the Asian Development Bank, JBIC, DFID and governments of Denmark and Kuwait are offering financial assistance in building these important bridges and roads. Building flyovers at Mahakhali and Khilgaon having lengths of 1,012 metres and 1,900 metres respectively is a bold step by the present government towards easing up increasing traffic jam in the city.

Mr. Speaker,

42. Reconstruction and remodelling of a number of railway stations

including procurement of locomotives and modernisation of signaling system have been completed for development, expansion and improved service delivery of the railway. Container handling capacity and container transportation capacity have also been increased. Modernisation of different stations and branch lines including signaling system and renovation of locomotives will continue in the next fiscal year.

Telecommunications

Mr. Speaker,

43. Over the past four years, the telephone capacity of Bangladesh Telegraph and Telephone Board (BTB) rose from 6.75 lakh to 10 lakh and the number of connections to 8 lakh 50 thousand in phases. The TelerTalk Bangladesh Limited has already begun its operation under "10-Lakh Mobile Phone Project of BTB". At present, digital phones and internet service are in place in all districts and 175 Upazillas. A programme is underway to introduce digital exchanges in all Upazillas in the next fiscal year. Very soon Bangladesh will be connected with global information super highway through submarine cable. I propose to allocate Taka 1,426 crore in the revenue and development budget to the Ministry of Post and Telecommunications in the next fiscal year.

Mr. Speaker,

44. There is an initiative to promote and encourage private sector participation in building infrastructure. As part of this initiative, the Government has prepared "Private Sector Infrastructure Guidelines". It is expected that the implementation of the facilities as enunciated in the guidelines will encourage private sector entrepreneurs to invest in infrastructure sector.

Financial Sector, Private Sector Investment and External Trade

Financial Sector

Mr. Speaker,

45. Immediately after assumption of office, the present Government reinitiated reforms in the banking sector. Besides providing autonomy to the central bank, activities related to enhancement of its technical and professional skills are under way. At the same time, the process of privatising Rupali Bank and improving the quality of management of the 3 remaining nationalised commercial banks (NCBs) is continuing. The amount of classified loans has reduced substantially. Transparency and efficiency in granting quality loans and their recovery have enhanced further. We have successfully restored transparency and dynamism in the capital market. In future, the Government shares, invested in various agencies will be gradually off-loaded to the private sector.

Private Sector Investment

Mr. Speaker,

46. Bangladesh is increasingly becoming an attractive destination of foreign direct investments (FDI) following implementation of investment-friendly economic policies and strategies by the Government during the last four years. During calendar year 2004, the actual FDI in Bangladesh rose to US\$ 653 million recording an annual growth of 48 percent over 2003. The leading entrepreneurs of different countries have expressed their interest to invest in Bangladesh. It is estimated that the total amount of investment only from their major proposals will reach around US\$ 12 billion. Given the negotiations completed on time, it would take three to four years to implement the proposed projects. At the same time, local private investment is also increasing at a faster pace. In the first nine months of current fiscal year, the disbursement of industrial term-loan by the banks and financial institutions increased by 43 percent compared to the corresponding period of the previous fiscal year. The Government has formulated appropriate policies for the development of small and medium enterprises (SMEs) and has also taken fresh initiatives to finance them.

Foreign Trade

Mr. Speaker,

47. Our exports continue to grow despite external constraints. There has been no perceptible adverse impact on our export of readymade garments even after the abolition of Multi-Fibre Arrangements (MFA) from January 2005. Government actions coupled with unrelenting efforts of the entrepreneurs of garment industries is playing a vital role in making our ready-made garments industry competitive in the world market. Consolidation and expansion of markets for readymade garment require a strong complementing textile sector with enhanced efficiency and increased productivity. To this end, the Government has taken an initiative to formulate a programme titled "Post-MFA Action Programme" at a cost of US\$ 40 million with the assistance from development partners. Following a range of initiatives of the Government at bilateral and multilateral levels, we have been able to gain duty-free access for our exports to European Union and also to a number of countries like Canada, Australia, Norway and New Zealand. The Government, in association with Bangladesh Garments Manufacturers' and Exporters' Association (BGMEA), is continuing its efforts to gain duty-free access of our exports to USA. There was a decision to abolish cash subsidy to textile exports from the next fiscal year. In the interest of textile export, we reconsidered our earlier decision and I now propose to continue the current provision of 5 percent cash subsidy in the next fiscal year. I also propose to continue the existing cash incentives to other exportables in the next fiscal year.

Governance and Reforms

Mr. Speaker,

48. Our Government has demonstrated its efficiency and prudence in allocating limited resources to different sectors to achieve economic progress and poverty reduction. Good governance in all spheres is an essential prerequisite for efficient utilisation of resources. The pace of reforms should, therefore, be further geared up. Consistent with our socio-economic reality, we, at our own initiative, have designed our reform programme in a way that it ensures appropriate and transparent utilisation of resources and supports poverty reduction.

Mr. Speaker,

49. I would like to place in brief before this august House the ongoing and future reform programmes of the Government:

We have introduced new procedures for formulation of development projects by way of reforming the existing process to bring in speed and efficiency in this important area. This will allow gearing of project objectives towards the goal of economic growth and poverty reduction and would also facilitate transparent evaluation of achievements against project objectives. The financial and administrative powers of implementing agencies have been enhanced to accelerate the process of project implementation.

As part of the process of budget decentralisation, steps have been taken to formulate budget within the indicative resource ceiling using medium-term budgetary framework. Within the new framework, revenue and development budget will be merged into a single document. Four ministries that include Ministries of Agriculture, Education, Women and Children Affairs and Social Welfare have prepared their budgets for next year within their medium-term resource ceilings. This will be rolled out to further 11 ministries in FY 2006-07 and I hope, thereafter, all the ministries would be able to formulate their budgets within the medium term budgetary framework.

Guidelines have been prepared on how to make pro-poor and gender-focused budget and the implementation of the guidelines is underway.

Preparation of relevant guidelines is at the final stage to further improve public expenditure management and establish internal control and internal audit in all ministries. Required allocation has been made to major ministries including Education, Health and Agriculture to conduct Public