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All these strategies have been duly reflected in the proposed budget.

28. This budget is prepared keeping in mind a sustained economic growth and macro-economic stability. Budget deficit in the proposed budget has, therefore, been scaled down to 3.7 percent of GDP even though we maintained increased allocation for human development, physical infrastructure and poverty reduction programmes. Unproductive spending has been slashed and spending has been prioritized. 56.3 percent of total resources have been directed towards direct and indirect poverty-reducing spending. The fiscal stance behind the proposed budget is also consistent with Government's private sector-led growth strategy. The economy will remain resilient to both internal and external shocks. Trade, commerce and investment will remain buoyant and the growth will reach in the neighbourhood of 7 percent. Due to reforms in monetary sector, the price inflation is expected to come down below 6 percent.

Overall Expenditure Framework for FY 2006-2007

Mr. Speaker,

29. The target of revenue receipt for FY 2006-07 is estimated at Tk. 52542 crore which is 11.3 percent of the GDP. This estimate is 17 percent higher than the revised revenue estimate for FY 2005-06. The total size of the budget, development and non-development together, will be Tk. 69740 crore, which is 15 percent of the estimated GDP. Out of this, the non-development outlay has been estimated at Tk. 42286 crore which is 14 percent higher than the revised budget. The size of the ADP has been proposed at Tk. 26000 crore, which is 5.6 percent of GDP and 21 percent higher than the revised ADP of current fiscal year. Apart from this, additional allocations amounting Tk. 481 crore for Food-for-Work, Tk. 1982 crore for development programmes financed from revenue budget for employment generation programmes have been proposed. In effect, the total developmental expenditure in the next fiscal year will stand at Tk. 28463 crore which is 6.1 percent of GDP. This proposed developmental expenditure will be 21 percent higher than that of the revised budget. Consistent with our economic goals, we have proposed increased allocation for different social infrastructure sectors including education, health and women development which is 43 percent of the total budget.

SOCIAL INFRASTRUCTURE

Human Resources Development

Mr. Speaker,

30. The initiation of development process and its sustainability is primarily dependent on human resources development. For this reason, we proposed an allocation of 22 percent of the total budget for expansion and qualitative improvement of health and education. Because of the success in health and education sectors, in terms of Human Development Index, Bangladesh has already elevated its position to middle category country. In FY 2006-07, allocation for human resource development has been proposed to raise to 23 percent of the total budget.

EDUCATION

Primary and mass Education:

Mr. Speaker,

31. J. Maurice Clark, a renowned economist said, "Knowledge is the only instrument of product that is not subject to diminishing returns." To expand and to bring qualitative improvement of primary education, a 6-year "Second Primary Education Development Programme" (SPEDP) has been launched at a total cost of approximately Tk. 5000 crore. A stipend programme at a cost of Tk. 3312 crore is being implemented. Every year around 55 lakh students are receiving stipends from this programme. Over the last five years, 5000 headmasters and 52000 assistant teachers have been recruited in the primary schools. About 8000 primary schools were rebuilt and 5000 schools have been repaired. The female-male teacher ratio has been raised to 44 percent. To bring the primary school dropouts and out-of-school children to the mainstream, a project titled Reaching Out of School Children (ROSC) is under implementation. The registered primary schools have no source of income as they are providing free primary education. Considering the plight of the teachers of these schools, I propose to make an additional allocation of Tk. 45 crore to enhance their emoluments.

Women Education Development

Mr. Speaker,

32. Despite opposition from donor agencies, with whole-hearted support from the Hon'ble Prime Minister Begum Khaleda Zia, I, as Finance Minister have introduced "Female Stipend Programme" and "Food for Education Programme", first at secondary and later at higher secondary level. Due to success of the programme, the donor community joined the programme at a later stage. I believe that these two innovative programmes will be considered as epoch-making steps taken by the BNP Government. Of all the programmes introduced and implemented during my incumbency as Minister for Finance and Planning, I consider these two programmes as my most successful achievements. Under these programmes, government is providing stipends, examination fees and tuition fees to about 25 lakhs female students. Following the introduction of female stipend programme a positive change is evident in female student enrollment which is playing a key role in preventing early marriage, in reducing fertility rate and in enhancing reproduction gap.

33. To encourage development of talents of the students during the last five years, we have significantly increased the number of primary, junior talent-pool and general scholarships. The rate of scholarship has been enhanced too. In FY 2005-06, we allocated Tk. 44 crore and increased the number of primary, secondary and higher secondary scholarships to 85000. In FY 2006-07, we have proposed to increase the allocation to Taka 52 crore by increasing the total number of scholarships to 101000. Various stipends and scholarship programmes will continue to promote the talents of the students at graduation and post-graduation level.

Technical Education

34. To educate the youth force in technical education, we lay emphasis on development and expansion of technical and vocational education, its qualitative improvement and teachers' training. Suitable trade courses have been introduced for women. We are establishing three Polytechnic Institutes only for the women.

Higher Education

35. The necessity for higher education cannot be over emphasised in building the knowledge-base for sustaining the momentum of development. To meet the increasing demand, establishment of a Science and Technological University in each of the twelve old districts is underway. Meanwhile, four such universities have started their academic programmes. Side by side with public universities, 54 private universities are functioning.

Science and Information & Communication Technology

Mr. Speaker,

36. The Hon'ble Prime Minister has meanwhile declared Information & Communication Technology (ICT) as the thrust sector considering its importance for the socio-economic development of the country. E-governance has been introduced in various ministries and divisions to facilitate easier on-line service to public.

37. In FY 2005-06, an allocation of Tk. 9686 crore, development and non-development together, was made for education and technology sector. I propose to allocate a total of Tk 11093 crore in FY 2006-07 which is 20 percent higher than the allocation made in the revised budget of FY 2005-06.

Health

Mr. Speaker,

38. To expand and improve the quality of health services, under a long-term "Strategic Investment Plan for Health, Nutrition and Population," a

proposal titled "Health, Nutrition and Population Programme" has been prepared. The total estimated outlay of this 7-year programme (2003-2010) is about 32450 crore. In the last 5 years, the number of beds in different government hospitals at upazila and district level increased by about 6000. Likewise, the number of registered doctors has increased by 10000 and registered nurses by 5000. Currently, in 105 upazilas, 2 crore 90 lakh people have been brought under a nutritional service programme through 23000 social nutrition centres. In the year 2000, the child mortality rate was 66.3 per thousand. This has now reduced to 65. Maternal mortality has reduced to 3.1 from 3.2 per thousand. The average life-expectancy has now gone up to 64 years from 61 years in 2000. In health sector, the total allocation of budget, development and non-development combined, has remarkably increased over the last 5 years. In FY 2005-06, a total allocation of Tk. 4240 crore was made for this sector. In FY 2006-07, I propose to allocate Tk 4784 crore for this sector, which is 16 percent higher than the allocation made in the revised budget.

Women and Children

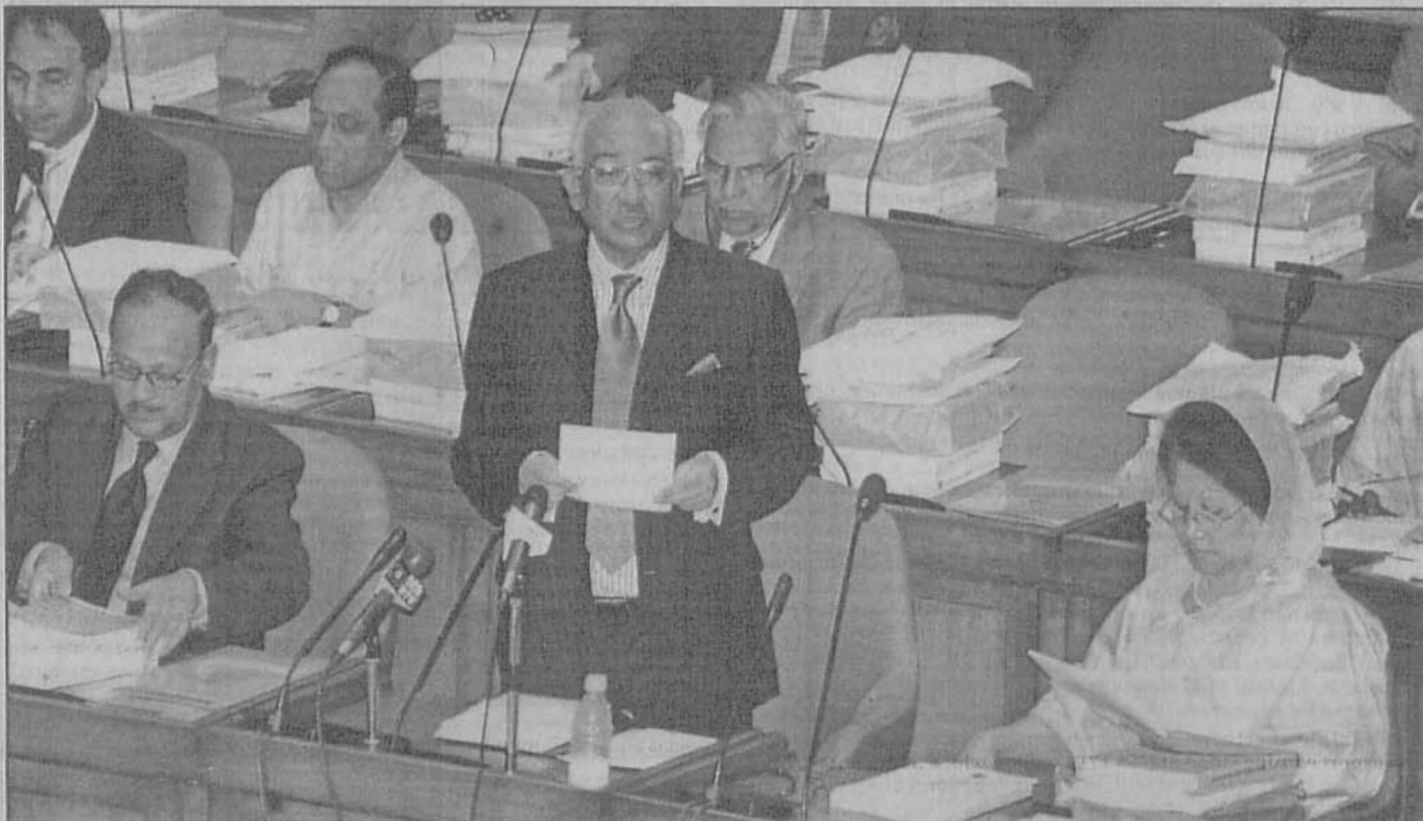
Mr. Speaker,

39. I said earlier that we are committed to make our budget gender-balanced. The Ministry of Women and Children Affairs, in their various programmes is mainstreaming women and children in development process through education and training and striving to establish gender-parity. In FY 2005-06, the total allocation for the Ministry of Women and Children Affairs was Tk. 643 crore. I propose to allocate for the next fiscal year a total of Tk. 749 crore, non-development and development together.

Agriculture and Agro-based Industry

Mr. Speaker,

40. With increase of budgetary allocation for expansion and development of agriculture and agro-based industries, the Government is also increasing the quantum of agricultural credit and subsidies. We have increased



allocation for agricultural research and provided various incentives. In the last budget of the previous government, the allocation for agricultural subsidy was merely Tk. 100 crore. In FY 2005-06, the Government allocated Tk. 1100 crore for agricultural subsidy and rehabilitation. In FY 2006-07 too, I propose to allocate Tk. 1200 crore for this purpose and also allocate Tk. 244 crore for agricultural research. Up to March, 2006, the total agricultural credit disbursed stood at Tk. 4000 crore, which is 13 percent higher than corresponding period of the last fiscal year. In FY 2006-07, the target of agricultural credit distribution is Tk. 6000 crore. In FY 2005-06, the combined allocation for the Ministry of Agriculture was Tk. 2213 crore. In FY 2006-07, I propose to allocate Tk. 3149 crore, non-development and development together, for the Ministry of Agriculture, which is 42 percent higher than the allocation of revised budget for FY 2005-06.

Water Resources

Mr. Speaker,

41. We have continued our efforts to ensure poverty reduction, employment generation and environment-friendly development by ensuring appropriate use of water through efficient water resources management of water resources. I propose to allocate for the FY 2006-07 a total of Tk. 1466 crore, development and non-development combined, for the Ministry of Water Resources. This allocation is Tk. 332 crore higher than the revised allocation of FY 2005-06.

Fisheries and Livestock

42. In Bangladesh, pisciculture and animal husbandry is fast transforming from traditional non-farm based to farm-based production. I propose a combined development and non-development allocation of Tk. 578 crore in the next fiscal year for the Ministry of Fisheries and Livestock. This allocation is 36 percent higher than the revised allocation of FY 2005-06.

Environment

43. The Government banned the use of polyethylene bags, two-stroke three-wheelers and vehicles variously aged between 20 to 25 years. We have made it obligatory for the industrial manufacturers discharging effluents to set up waste effluent treatment plants to protect our rivers from industrial waste. I propose to allocate for FY 2006-07, a total of Tk. 242 crore for the Ministry of Environment and Forest.

Small and Medium Enterprise (SMEs)

Mr. Speaker,

44. The role of SMEs is extremely important in the development of private sector small and medium entrepreneurs, human development, poverty reduction and employment generation in rural and urban areas. The main hindrances to the development of this sector are limited access to credit and high cost of financing. We have taken following measures to address these constraints:

- To encourage the banks and financial institutions to provide credit to the SMEs, the Government introduced a Tk. 100 crore Refinancing Scheme through Bangladesh Bank. The World Bank and the Asian Development Bank (ADB) will provide US\$ 10 million and US\$ 30 million respectively to support this scheme. Till date, 3000 SMEs have received credit under this scheme.
- For the development of agro-product processing and software industries, the Government allocated Tk. 100 crore to Equity Development Fund in the revised budget of FY 2005-06. So far, 212 projects have been financed from this Fund. I propose to enhance the allocation to Tk. 200 crore in FY 2006-07 for this Fund.
- To build up agro-based farm and industries, a credit support to the tune of Tk. 100 crore is allocated in the current fiscal year under the Agro-based Industries Assistance Programme. In FY 2006-07, I propose an allocation of Tk. 150 crore to this Programme.
- Loss of crops due to natural disasters and epidemics often pauperise the small farmers. Because of the absence of crop insurance, the small farmers find no alternative to mitigate their miseries. To enable the farmers to come out from such situations, I propose to create a fund called "Fund for Assistance to Small Farmers Affected by Natural Disasters" and to allocate Tk. 50 crore to this Fund in FY 2006-07.

Local Govt, Rural Dev and Rural Infrastructure

Mr. Speaker,

45. In the last five years, we have laid particular emphasis on the development of rural infrastructure. Between FY 2001-02 and FY 2005-06, the Local Government Engineering Department (LGED) built and rehabilitated 20000 KM of metalled road and 28000 KM of dirt road along with 243

KM of bridges and culverts. The Department has also developed 744 growth centres and hat-bazaars. Besides, Union Parisads (UPs) are directly provided with block allocation from budget as development assistance. Due to success of the programme, the World Bank has agreed to join the Government in undertaking "Local Government Support Project" for allocating funds directly to UPs on performance basis. In FY 2005-06, the budget allocation for local government and rural development was Tk. 6013 crore, development and non-development together. In FY 2006-07, I propose to allocate Tk. 6427 crore, development and non-development combined.

Widening of Social Safety Nets

Mr. Speaker,

46. To meet the minimum requirement of the livelihood of hapless and unprivileged populace of Bangladesh, we have widely extended the safety net programmes:

- In FY 2005-06, the rate of "Senior Citizen Allowance" allowance was enhanced to Tk. 180 and the number of beneficiaries was raised to 15 lakh. In FY 2006-07, I propose to enhance the rate of allowance to Tk. 200 and raise the number of beneficiaries to 16 lakh.
- Similarly, the rate of allowance for the destitute, widowed women in FY 2005-06 was enhanced to Tk. 180 and the number of beneficiaries raised to 6 lakh 25 thousand. In FY 2006-07, I propose to fix the allowance at Tk. 200 and increase the number of beneficiaries to 6 lakh 50 thousand.
- To mitigate the sufferings of the people persecuted socially and affected by natural disasters, we introduced two programmes titled, "Fund for Rehabilitation of the Acid-burnt and the Physically Handicapped" and "Fund for Mitigating Risks due to Natural Disasters" in FY 2003-04. In FY 2006-07, I propose to allocate Tk. 10 crore and Tk. 30 crore respectively to these funds.
- Till 2005-06, the beneficiary coverage under the Honorarium Programme for Insolvent Freedom Fighters was enhanced to 70 thousand. I propose to increase the number of beneficiaries from 70 thousand to 1 lakh in FY 2006-07.



- In current fiscal year, under the Programme for the Assistance to the Fully Retarded about 1 lakh 4 thousand fully retarded persons are receiving monthly allowance of Tk. 200 against an allocation of Tk. 25 crore. I propose to raise the beneficiary coverage by another 60 thousand and increase the allocation to a total of Tk. 40 crore.
- A "Seasonal Unemployment Reduction Fund" of Tk. 50 crore was created under non-development budget in FY 2005-06 to mitigate the seasonal unemployment of the unprivileged poor people in some specific areas caused by natural and geographical constraints (specially in Monga prone areas). I propose to make a further allocation of Tk. 55 crore to this Fund.
- In FY 2006-07, I propose to allocate an additional Tk. 30 crore to the fund for "Retraining and Employment of Voluntarily Retired/Retrenched Employees/Labourers" introduced in FY 2004-05.
- In FY 2006-07, I propose to allocate Tk. 20 crore to create Skill Development Fund for the Readymade Garments Workers.
- In FY 2006-07, I propose to allocate Tk. 50 crore to the "Fund for Housing the Homeless" to address the housing problems of the homeless, the poor and the low income group, particularly the rural families.

47. Over and above these programmes, in FY 2006-07, 10 lakh 57 thousand metric tons of food grains have been earmarked for Rural Infrastructure Maintenance Programme (TR), Food for Works Programme (FFW), Gratuitous Relief (GR), VGF and VGD. Like previous year, I propose to allocate in lump Tk. 100 crore to the Ministry of Food and Disaster Management to meet the emergencies due to natural disasters.

Special Credit Programmes for Employment Generation

Mr. Speaker,

48. A number of special credit programmes under both development and non-development budget is in operation to create employment opportunities for the poor. For successful implementation of these programmes, I propose to allocate further Tk. 148 crore to the micro-credit funds created for Rural Development and Cooperatives Division, Ministry of Fisheries and Livestock, Ministry of Youth and Sports, Ministry of Liberation War Affairs and Ministry of Women and Children Affairs.

49. Palli Karma Shahayak Foundation (PKSF) is distributing micro-credit among the poor through 225 large and small NGOs. Most of the beneficiaries are women. I propose to allocate Tk. 217 crore in FY 2006-07 for this programme. In addition, in FY 2006-07, I propose to raise the allocation to Tk. 267 crore by injecting Tk. 100 crore in "Special Fund for the Employment of the Hardcore Poor" administered by PKSF. To provide Credit Assistance to Small Entrepreneurs in rural areas, I propose to increase the allocation in FY 2006-07 to Tk. 150 crore by a further allocation of Tk. 100. I propose to allocate an additional Tk. 25 crore in FY 2006-07 to raise the Endowment Fund to Tk. 125 crore for the NGO Foundation created to accelerate the progress of social sector in rural areas.

PHYSICAL INFRASTRUCTURE

Power, Energy and Mineral Resources

Mr. Speaker,

50. The Government is continuously increasing energy production and its utilisation. To meet increased demand of gas, a total of 25 projects are being implemented for exploration, production and transmission of gas. Recently, the price of petroleum and petroleum products has spiralled upwards abnormally. Other countries including our neighbours have increased their oil price. Due to selling of petroleum products in the domestic market at a lower rate than the imported price, the liability of Bangladesh Petroleum Corporation (BPC), the lone importer of petroleum products, has been increasing rapidly to an unsustainable level. By April this year, its liability to different banks rose to Tk. 10500 crore. This has created liquidity crisis in the banking system. I have taken steps to tackle this situation temporarily by injecting funds to the banks from government budget. The macro-economic stability is threatened because of pursuing the policy of not aligning the domestic petroleum prices with international market price. We have no other alternative but to adjust domestic petroleum price realistically. While formulating the budget, I extensively consulted the renowned economists, leading businessmen and the members of the civil society on this issue. All of them unanimously agreed that raising the price of oil is necessary and unavoidable.

Power

Mr. Speaker,

51. Increased demand in relation to production is resulting in deficit in

power supply. The population within the coverage of power facility increased from 25 percent to 40 percent. To meet the increasing demand for power, the Government has already taken a number of steps.

- A Power Rehabilitation Programme with an outlay of Tk. 100 crore financed from non-development budget has been undertaken for repair and maintenance of old power plants. I propose to allocate Tk. 100 crore again for this Programme in FY 2006-07 from non-development budget.
- To improve power generation, transmission and distribution, an allocation of Tk. 3586 crore has been earmarked for 52 projects including 2 new projects in the ADP during FY 2006-07.
- I propose to create an Energy Development Fund to promote use of solar power and other renewable sources of energy for inaccessible localities where people are deprived of power supply. I propose to allocate Tk. 100 crore for this Fund in FY 2006-07.

An investment to the tune of about Tk. 22000 crore will be needed to build an appropriate power infrastructure. The Government has, therefore, involved private sector in this sector.

52. In FY 2006-07, I propose to allocate Tk. 4286 crore for this sector, revenue and development expenditure combined, which is 14 percent higher than the revised budget of the current fiscal year.

Communication:

Mr. Speaker,

53. During the period between FY 2001-02 and FY 2005-06, 3056 KM of new metal roads, 24 bridges spanning 14209 M and culverts covering 3409 M were built by Roads and Highways Department. Roads and highways measuring 4201 KM were also repaired. Meanwhile, the detailed feasibility of the Padma Bridge, has been done. It is expected, by FY 2008-09, the construction of the Padma Bridge will begin.

54. In FY 2005-06, the allocation for the Ministry of Communication is Tk. 4832 crore, development and non-development combined. I propose to allocate Tk. 5357 crore, development and non-development together, for the Ministry of Communication in FY 2006-07.

Telecommunication:

Mr. Speaker,

55. I am pleased to inform this august House that the tele-density per 100 persons rose from 1 to 9 over the last 5 years due to expansion of telecommunication facilities including mobile phones. Bangladesh has been connected with global information super highway by establishing optical link with submarine cable. In FY 2005-06, the total allocation for the Ministry of Post and Telecommunication was Tk. 1426 crore. I propose to enhance this allocation to Tk. 1574, an increase of 10 percent in FY 2006-07.

DEVELOPMENT AND GOOD GOVERNANCE

Public Financial Management and Good Governance

Mr. Speaker,

56. Two manuals titled "Public Expenditure Management Manual" and "Internal Control Manual" are being implemented to achieve appropriate value for money from each taka spent by the government. Within the main government account, arrangement has been made for separate preparation of monthly accounts and Annual Financial Statement by each ministry. The Government, meanwhile, has taken steps to separate cash management from public debt management.

57. At the initiative of the present Government a "Public Procurement Regulations" was framed in 2003 to ensure competition, transparency and accountability in government procurement system. To bring our procurement practice in alignment with international best practices, a bill has been placed before Parliament to convert the Regulation into an Act.

58. A Tax Ombudsman Act, 2005 has been enacted in the Parliament to ensure transparency in tax administration and accountability. The process for appointing an Ombudsman and establishing his office is in progress. The Tax Ombudsman and his office will start functioning from July 2006.

Law and Governance:

Mr. Speaker,

59. In order to improve law and order situation and for expeditious dispensation of justice, the present Government has enacted nearly 150 laws reforming existing criminal and civil justice system. A large number of outdated laws have been reformed. Speedy disposal of sensational cases through inflicting quick and appropriate punishment under the Speedy Trial Tribunal Act has been widely acclaimed. Important amendments in Registration Act, the Transfer of Property Act and Specific Relief Act and Limitation Act have been made to bring discipline in land administration.

60. A Monitoring Cell and the Cabinet Committee on law and order are working to deal with the criminals heavy-handedly. Timely action has been taken to suppress crime by raising RAB, Cobra, and Cheeta and Highway Police. Meanwhile, the top leaders of banned Jamaat-ul-Mujahideen of Bangladesh (JMB) involved in serial bombing on August 17, 2005, have been arrested. To improve the law and order, in last five years, we have increased allocation by an average of 14 percent. I propose to raise this allocation, both development and non-development, to Tk. 3378 crore.

Mr. Speaker,

61. The present Government, since it came to office, has been laying emphasis on economic diplomacy as an important aspect of our Foreign Policy. Currently, Bangladesh is holding the chairmanship of SAARC. During the term of our chairmanship, negotiations on South Asian Free Trade Area (SAFTA) agreement were concluded. The SAFTA Agreement will come into force from July 1, 2006.

62. Efforts are continuing to modernise our defence forces. Bangladesh's participation in the United Nations (UN) Peace-Keeping Missions is widely acclaimed. Until now, our armed forces have participated in 28 UN peace keeping missions and currently engaged in 12 peace-keeping missions. Last year, from this source alone, we earned foreign currency worth Tk. 800 crore. During the current fiscal year, this is expected to increase to Tk. 1500 crore.

Investment and Economic Governance

Mr. Speaker,

63. In the backdrop of economic globalisation and the recent Asian crises affecting several countries, the need for continuous and accelerated reforms in the overall financial sector including banking has further increased. The Bangladesh Bank Order, Bangladesh Banks (Nationalisation) Order and Banking Companies Act have been amended to make the country's financial structure more investment-friendly. The reforms led to widening and strengthening of the supervisory authority of Bangladesh Bank.

64. To bring in desired dynamism in the industrial sector for economic development, credit disbursement from banks and financial institutions has increased 30 percent on an average in the last 5 years. In FY 2000-01, the term loan disbursement was Tk. 3058 crore, which in FY 2004-05 trebled to Tk. 8700 crore. Up to March 2006, disbursement of term loan recorded at about Tk. 7000 crore.

65. Following the Government's relentless efforts and the Central Bank's intensive supervision, the collection of defaulted loans significantly improved and resulted in gradual reduction of classified loans. In the year 2000, rate of overall default loan was 35 percent, which in March 2006, came down in the region of 15 percent.

66. Highest foreign direct investment has been made during the current tenure of our government. In 2005, actual foreign direct investment exceeded US\$ 800 million. Included among the notable investors this year are Microsoft of USA, Dhabi Group of UAE, Singtel of Singapore and others. Besides, investment proposals worth about US\$ 10 billion received.