



BUDGET 2010-11
Ministry of Finance

BUDGET SPEECH

Abul Maal Abdul Muhith
Minister
Ministry of Finance
Government of People's Republic of Bangladesh

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In the name of Allah, Most Gracious, Most Merciful

Chapter I

Mr. Speaker

1. I seek your kind permission to present the Supplementary Budget for the fiscal year 2009-10 and the Budget Estimates for the fiscal year 2010-11 before this august House.

Introduction

2. I express my profound gratitude to Allah, the Almighty, at whose mercy I am here today to present the budget before this esteemed gathering. I am also thankful to the Honorable Members of Parliament and the citizens of the country who prayed for my well-being. At the outset of my budget speech, I recall with deep sense of respect the innumerable valiant sons of the soil whose self-sacrifice earned for us a dignified place among the comity of nations of the world. At the same time, I remember with high esteem the immortal sacrifice of the great hero of our liberation war, the greatest Bangalee of all times, the founder of independent and sovereign Bangladesh and the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman. I also recall with profound respect the supreme sacrifice of the four martyred national leaders. As we are obligated to their towering sacrifice, I kept reflecting during preparation of the budget how best we can meet this obligation.

**Regards
and Thanks**

3. In presenting the budget this time, I feel somewhat relieved and free from obligation. Because, the judgment on the trial of ruthless killing of the Father of the Nation and almost all his family members has been executed. At long last, we have freed ourselves as a nation from the shameful burden we shouldered so long. However, the major task of bringing some of the killers to justice is yet to be accomplished. Alongside, we have also started the process of another long awaited trial of the war criminals. I am confident that with the unequivocal support from our people, we will soon be able to ensure their trial on this soil. In establishing the rule of law, these would be our bold steps.

Indemnity

4. This year we started the budget setting process long before the usual calendar. We have kept the Parliament informed on budget implementation and revision. My sudden illness unfortunately kept me away from the budgeting process. But, our Hon'ble Prime Minister stood by me at this critical point in time. I witnessed yet another dimension of her bold leadership which has steered the nation over three long decades. She assumed the leadership in budget setting process on 11 May 2010 and guided it through successfully. When I gradually stepped into the process, I found that she advanced it significantly. I can say without any hesitation that Hon'ble Prime Minister herself, in fact, assumed the role of the Finance Minister. I am deeply overwhelmed at her magnanimity of placing trust on me and demonstrating her earnestness for my well-being. I have no words to express my gratitude.

Gratitude

5. Before delving deep into my budget speech, I pray for the salvation of the departed souls of those who died in the two tragic incidents that took place at *Begunbari and Nimtoli* in the city of Dhaka. I convey my deep condolence to those individuals and families who have been severely affected in these two incidents. This is a stark reminder of our gross negligence to perform our designated responsibilities.

Condolence

6. While preparing the budget, I met with the renowned economists, members of parliament, journalists, development experts and secretaries of different ministries in eight different pre-budget discussion sessions. Besides, I have exchanged ideas with the peasants at the *Baradhul Bazar* of Kamarkhand upazila in Sirajganj district and listened to their views about the forthcoming budget. All of them gave their opinions on budget preparation from their own perspectives. I wish to put on record my sincere thanks to various socio-economic institutions, business associations and NGOs, think tanks and research groups, professionals and members of intelligentsia and above all, the Hon'ble Chairpersons of a number of parliamentary standing committees and other members of parliament for their valuable suggestions.

Pre-budget Consultations

7. I regret that I could not avail the opportunity of exchanging views in more discussion meetings and in many instances I had to

Regrets

rely on the recommendations of previous discussion meetings. The Standing Committee for the Ministry of Finance worked very hard and came up with a list of 73 recommendations. I have already given my remarks on many of the issues highlighted in the recommendations and today, I am going to reflect on several other issues. The Hon'ble Members of Parliament are aware that the Government cannot always accept all the recommendations for different reasons even if they have some merits. Mr. Speaker, I tender my apologies for not being able to attend to those recommendations. Moreover, I am thankful to different development partners who provided valuable opinions and my colleagues in the Ministry of Finance who put in unrelenting efforts and due diligence in the long process of budget preparation. I recall with deep gratitude the support provided by the media and journalists in various ways. Last but not the least, I express my sincere gratitude to Dr. Mashiur Rahman, Economic Advisor to the Hon'ble Prime Minister who strengthened my hands in steering the whole process.

Mr. Speaker

8. In my previous budget speech I mentioned that “by 2021, Bangladesh will reach a trajectory of high performing growth supported by advanced and innovative technology with prices of commodities stabilized, income and human poverty brought to a minimum level, health and education for all secured and capacity building combined with creativity enhanced, social justice established, social disparity reduced, participatory democracy firmly rooted and capacity to tackle the adverse effects of climate change achieved. Information and communication technology will by that time take us to new heights of excellence giving the country a new identity to be branded as Digital Bangladesh”.

Vision for Prosperous Bangladesh

9. In order to realize the vision, in my last budget speech, I made commitments to implement various short, medium and long term policies and strategies, plans, programs and projects. In our promised journey towards progress we have encountered many hurdles and moved on in the direction of achieving our goals. Eventually, we have prepared a Perspective Plan covering a period from 2010 to 2021. Simultaneously, we

Outline of the Budget Speech

are also at the final stage of formulation of the 6th Five Year Plan (2010-2015). Both these documents will be laid before Parliament soon. These documents made substantial contribution towards the budget setting process. In this regard, we have taken into account the latent potentials of the economy and availability of resources. At the same time, we were mindful about the administrative limitations to meet our commitments. Before presenting the budget proposals, I would like to discuss the macroeconomic scenario of the country in the context of global and domestic economic situations.

Macroeconomic Scenario

Mr. Speaker

10. The world economy was close to a collapse due to the recent global economic crisis. However, the global economy has turned around and recovered from recession faster than expected. The

Growth

 process and pace of recovery, however, varied in different regions of the world. In the recovery process, the developing Asian economies made remarkable strides. According to the latest forecast, the world economic growth is expected to reach 4.2 percent in 2010 whereas it shrank to 0.6 percent in 2009.

11. According to this economic outlook, the growth of developing Asian economies has been projected at 8.7 percent in 2010. In the case of South Asia, it will be 7.4 percent. In 2009, among five ASEAN countries, Malaysia and Thailand experienced negative growth, Philippines recorded a growth of 1 percent and Indonesia and Vietnam's growth was around 5 percent. According to the final computation, Bangladesh recorded 5.7 percent growth in FY2008-09 in place of the estimated 5.9 percent growth. I shall inform Parliament of the macro-economic trends in the current financial year in my discussion on various macroeconomic indicators later in my speech. In brief, these are – (1) our export posted a growth of 19 percent in April 2010, (2) from available information, it is expected that *Boro-Aman* will register growth and potato and maize will yield good harvest. Other agricultural produces including fish and meat are having higher production, (3) private sector credit flows grew by 19.5 percent while industrial term loan recorded a growth of 42.5 percent. We also

know that the growth of combined credit flows to agriculture and SME sectors are in the neighborhood of 20%, (4) during July-April period of the current fiscal year based on L/C opening, import of capital machineries and raw materials increased by 54 and 12.5 percent respectively, (5) domestic demand has increased by around 25 percent. We have to admit that two important sectors of the economy showed weak performance. We know that although supply is increasing in the power and energy sector, it cannot cope with the growing demand. Besides, manpower export though increased in the context of the trends prior to 2006, it fell compared to 2007 and 2008 and even compared to 2009. Considering these, we estimate that overall economic growth in FY2009-10 will be 6 percent.

Mr. Speaker

12. Now, I would like to turn to the export sector. While export of commodities and services had shrunk by 20.4 percent globally due to economic downturn in 2009, Bangladesh managed to achieve a 10.3 percent growth in export. This is obviously a commendable achievement for Bangladesh.

Export

13. Due to the global recession, export earnings have increased by only 1 percent during July- April of FY2009-10. It is to be noted that export earnings are on the rise since March 2010 and in April this has increased by 19 percent. I am optimistic that this trend will continue in the remaining months of current financial year as well as in the coming fiscal year.

14. Due to recession, prices of commodities in global market as well as volume of imports have declined. While imports shrank by 12 percent in the developed countries and by 8.4 percent in the emerging and developing economies, import growth of Bangladesh stood at 4.1 percent in 2008-09. In the first ten months i.e. up to April of FY2009-10, import expenditure has increased by 0.8 percent compared to the corresponding period of the previous financial year. Import has, however, increased by 24.9 percent on the basis of L/Cs opened during July-April period. The good news is that the import of capital machineries and raw materials has increased by 54 percent and 12.5 percent respectively on the basis of L/C opened during this period which will have a positive impact on the economy in the near future.

Import

15. The global remittance flows in 2009 decreased by 5.3 percent. Whereas, with an increase of 19.4 percent, remittance flow in Bangladesh reached to US\$ 10.7 billion in 2010. In this context, I would say that the growth in remittance is undoubtedly a remarkable achievement for us while the global remittance flow shrank. The remittance flow of first eleven months with an increase of 14.9 percent stood at US\$ 10.1 billion in FY2009-10.

Remittance

16. If we look at the foreign trade balance, we would see that we are enjoying a very strong position at the moment. The current account surplus has reached to US\$ 2.6 billion during July-March period of FY2009-10 which is equivalent to 2.6 percent of GDP.

Current Account Balance

Mr. Speaker

17. As you know, our foreign reserve exceeded US \$ 10 billion mark for the first time in November 2009 due to high growth of remittance flows. As on 1 June 2010, the balance of reserve remained stable at US \$ 10.2 billion which is sufficient to foot the bill for five and a half month's imports.

Foreign Exchange Reserve

18. If we look at the value of currency, we will observe that the currency exchange rate, especially the exchange rate of Taka against US Dollar remained stable due to sufficient supply of foreign exchange in the money market. During the July-March period of current fiscal, the average exchange rate of Taka against US Dollar was TK. 69.2. During this period, Taka depreciated by only 0.6 percent. Bangladeshi exporters are still able to maintain export competitiveness as the real effective exchange rate of Taka remains below the nominal exchange rate.

Exchange Rate

19. Now I would like to talk about the monetary sector. We are following a monetary policy that sustains high economic growth while maintaining price stability at the same time. The present monetary policy places more emphasis on extending credit facilities for agricultural as well as small and medium

Monetary Sector

enterprises (SME) sectors. At the end of March 2010, the year-on-year broad money supply increased by 21.3 percent. Private sector credit has increased by 19.5 percent. This provides the indication of a recovering private sector.

20. An important commitment of our Government is to sustain people's purchasing power by containing inflation. With the recovery of

Inflation

 global economy, domestic demand is on the increase in many countries. This has resulted in unexpected price escalation in international commodity markets creating upward pressures on inflation in many countries. Point-to-point inflation reached 8.8 percent in March 2010. It may be mentioned that over the same period, inflation was 9.9 percent in India and 12.9 percent in Pakistan.

21. We know the first victim of inflation is the poor people. We have, therefore, widened the ambit of food security program. Agriculture and Rural Development programs have been strengthened. We spared no efforts to strike a balance between overall supply and demand and took necessary steps to import commodities of daily necessity. By now, Boro has arrived in the market. Inflation declined by 0.3 percent in March 2010. Bangladesh Bank has increased both the margin of cash reserve requirement (CRR) and statutory liquidity ratio (SLR) of the scheduled banks by 0.5 in order to reduce the inflationary pressures arising from excess liquidity in the banking sector. It is expected that average inflation in FY2009-10 can be contained to remain within 6.5 percent.

Revised Budget for 2009-10

Mr. Speaker

22. In March 2010, for the first time in the history of Bangladesh, I placed before this august House, the Budget Implementation Progress

Revenue Situation

 report for FY 2009-10 and a likely outline of the Revised Budget for this year. The Revised Budget I am placing right now is more or less consistent with that outline. The revenue collection situation up to March 2010 remains satisfactory against total revenue target for the budget of FY 2009-10. For this reason, the estimate for collection of NBR (National Board of Revenue) Tax in the

revised budget remains unchanged at Tk. 61,000 crore (8.8 percent of GDP). Apart from that, revised estimates for collection of Non-NBR Tax and Non Tax Revenue (NTR) has been fixed at Tk. 18,484 crore (2.7 percent of GDP) after having a slight upward adjustment.

23. We have laid out a plan before the nation for attaining economic growth over different periods. We said that we would like to enhance the economic growth to 8 percent by 2014 and to 10 percent by 2017. A huge amount of investment will be necessary for attaining these targets and a major portion should come from direct increase of revenue. We have been able to increase Government's revenue collection as per target (almost 0.7 percent of GDP) set this year. Our efforts will continue to maintain the momentum of revenue collection activities. I am going to discuss our plans and programs on this issue in the tax proposals part of my speech.

24. We will now look into the changes made in respect of expenditures in the revised budget. The total expenditure was estimated at Tk. 1,13,819 crore (16.6 percent of GDP) in FY 2009-10 budget. In the revised budget, expenditure allocations for 39 ministries/divisions have been scaled up by Tk. 11,987 crore, whereas, allocation for the remaining 17 ministries/divisions scaled down by Tk. 15,283 crore. After an overall decrease of Tk. 3,296 crore, the revised allocation now stands at Tk. 1,10,523 crore (16 percent of GDP). Included in this amount are, non-development budget expenditure of Tk. 82,023 crore (11.9 percent of GDP) in place of Tk. 83,319 crore and ADP allocation estimated at Tk. 28,500 crore (4.1 percent of GDP) in place of the original allocation of Tk. 30,500 crore.

Expenditure Situation

25. I mentioned in my previous budget speech that the implementation of ADP is a major challenge for us. I also said that we should give emphasis on monitoring and evaluation in order to increase the rate of ADP utilization. Following this, in each ECNEC meeting, the progress status of ADP implementation of two ministries/divisions is being placed for discussion. Furthermore, a taskforce has been formed for the purpose of monitoring the ADP implementation of 10 major ministries/divisions. Besides this, progress of implementation of 50 of the largest foreign aided projects is under review. As per the directive of the Hon'ble Prime Minister, ECNEC meetings are being held almost every

Annual Development Program

week. We have revived the Statistics Division in order to strengthen the foundation of planning and public policy and to make them more information-based.

26. Now let us look at the revised budget deficit. In the original budget, budget deficit was estimated at 5 percent of GDP. In the revised **Budget Deficit** budget, deficit will decrease to 4.5 percent of GDP. Out of this, 2 percent will be financed from external sources and the rest 2.5 percent from domestic sources.

Some Important Pledges

Mr. Speaker

27. As you know in the last year's budget speech, stimulus package to encounter global financial crisis was one of our priority areas. We **Stimulus Package** declared a stimulus package of Tk. 3,424 crore in April 2009 to keep the economy buoyant. A range of financial incentives together with various policy supports were announced in this package, which focused on the development of country's export sector among others. In FY 2009-10, the allocation for cash incentive/subsidy in export sector was scaled up to Tk. 2,100 crore with an increase of Tk. 300 crore. The allocated money has already been released. Alongside the financial and policy support offered through the first stimulus package, various support for the small and medium textile industries have been offered in the 2nd stimulus package declared on 25 November 2009. Cash incentives have been given for the development of ship building industry and finished and crust leather industry. Besides, arrangements have been made for additional subsidy on export income related to export of new commodities and export to new markets in textile sector. Later, some of the incentives of the 2nd stimulus package were readjusted. One of them is to provide an extra 5 percent export incentive to small and medium textile industries in FY2009-10 based on the level of export income of the preceding year.

28. The core subsidy provided in the existing stimulus packages will continue in the next fiscal year until such time the export sector stabilizes

in the context of gradual recovery of global economy. I propose to allocate Tk. 2,000 crore for this purpose in the budget for FY2010-11.

29. We made an allocation of Tk. 2,500 crore in the budget of FY 2009-10 for supporting PPP (Public Private Partnership), because we felt the need

**Public-Private
Partnership**

for integrating private entrepreneurship through PPP with public sector investment to meet the probable investment gap in infrastructure development and maintenance. However, I would admit that we could not achieve the expected results from this initiative. In the absence of an integrated policy on PPP, there was, hardly any investment made in this sector last year.

30. Despite this, agreements have been signed to construct 4 power plants on rental basis with a capacity of 300MW and two 200 MW peaking power plants under the PPP. Five land ports out of the 13 commissioned under the PPP have begun their operations. Steps have been taken to run the management of new mooring container terminal at Chittagong and of another one at Mongla under joint public and private ownership. The pre-qualification of the bidders of the Elevated Expressway in Dhaka has just been completed. A list of 23 projects under PPP has been presented in ADP of FY2009-10. Finalization of some of these projects and resulting cost estimation would require considerable time.

31. However, I would like to dwell upon two initiatives. First, a set of PPP guidelines incorporating new policies, strategies and procedures for selection and approval of projects have been prepared replacing the existing regulatory framework. Besides, steps are being taken to establish a PPP Office and to engage a group of suitable experts to run this office. I am hopeful that this will soon be approved by the cabinet. I am certain that you will be pleased to see the new policies and strategies on PPP and the simplified, transparent and integrated framework of the project approval process. I strongly believe that from next year onward, with much wider participation of private sector, adoption and implementation of projects will gather pace under the new strategies and policies of the PPP initiative. Therefore, I propose to allocate Tk. 3,000 crore for this sector for the next fiscal year.

32. The second initiative that I would like to mention here is that we have created a fund called 'Bangladesh Infrastructure Finance Fund' (BIFF) to strengthen PPP activities and to encourage the potential investors. An amount Tk. 1,600 crore has already been placed in this fund from the allocation made for PPP this year. It will grow into a huge investment fund when individuals and organizations, both local and foreign, and international development partners will participate and contribute to this fund. This, I hope, will help meet the massive demand for financing potential physical and social infrastructure projects for implementation under PPP framework.

**Bangladesh
Infrastructure
Finance Fund**

Mr. Speaker

33. I mentioned in my previous budget speech that the Grand Alliance Government believes in a long-term vision for the development of the country. There will be a long-term perspective plan outlining a direction in which the country wants to go within a specific time frame. With that objective in mind, we put forward **Vision 2021**. In order to realize this vision, we have taken up the task of formulating the sixth 5-year plan. We have already drafted two documents; a perspective plan for the period up to 2021 and a 5-year plan for the period covering 2010-15. Consultations on these drafts are underway.

Perspective Plan - 2021

34. Our goal is to link the national budget with the Government's policy and resource allocation with performance and strengthen the process of budget implementation, monitoring and evaluation. To achieve this goal, 13 more ministries/divisions will be brought under MTBF in addition to the existing 20 ministries/divisions. We have a plan to bring rest of the ministries/divisions under this system (MTBF) in FY2011-12.

**Medium Term
Budgetary Framework
(MTBF)**

35. I made a commitment in my previous budget speech about converting the 3-year Medium Term Budget Framework (MTBF) into a 5-year one. Following this, we have already prepared a 5-year Medium Term Macroeconomic Framework (MTMF). On this basis, we will prepare 5-year MTBF from next year.

Five Year MTBF

36. Besides, there was a policy directive on creation of a Budget and Planning Wing in all the ministries/divisions within their respective organizational structures to strengthen the process of budget formulation, implementation and monitoring activities. By now, 24 ministries/divisions have created such Wings/Branches.

Budget and Planning Wing

37. In my previous budget speech, I mentioned that our Government wants to ensure the participation of women in development as well as in establishing good governance. With this objective, I presented a report last year on the allocations of resources for women advancement covering four ministries and I committed that the coverage of the report would be widened in the coming years. I am pleased to inform this august House that I have submitted a separate report on the allocations earmarked for women advancement covering ten ministries in FY 2010-11.

Gender Responsive Budget

38. In my previous budget speech, I reflected on formulation of unified and district budgets in order to overcome the lack of coordination and also the overlapping that exists between non-development and development budgets and to make allocations of public resources explicit at the district level. We are still working on this agenda. We will have to go through a number of procedural reforms for preparation of district budget alongside a unified national budget. I have placed a concept paper before this House where I have introduced a number of important issues which include decentralization and devolution of power to district and upazila level, reforms in government accounting system, changes in the format of development projects, revision of budget classification structure and digitization of government accounting. We have also presented a tentative action plan on these issues. However, before taking up any activity for implementation, we will have to decide on a number of fundamental issues. I hope we will be able to present before you the unified and district budgets once we complete these procedural reforms.

Unified Budget and District Budget

Budget Framework for 2010-11

Mr. Speaker

39. Now I would like to discuss briefly the overall budget framework for FY 2010-11. The next year's budget has been prepared on the basis of certain assumptions contained in the medium term macroeconomic framework. Factors like global turnaround from the financial crisis, continued growth in agriculture sector and capacity to sustain domestic demand have helped us in making upward corrections to the economic growth in FY 2010-11. It is projected in the framework that our economic growth will be 6.7 percent in the next fiscal year. We hope that expected progress will be achieved by augmenting revenue collection, crowding in private sector investment through ADP implementation, expediting private sector investment through an increase in supply of credit for the private sector including PPP and making the external sector competitive through a stable exchange rate. Alongside, we will continue with our efforts to contain inflation within a tolerable limit as well.

40. In order to sustain agricultural growth, we have given emphasis on agricultural productivity by introducing crop intensity and diversifying agricultural products with the help of intensified agricultural research. In addition, a wide range of government assistance in agriculture sector like, providing adequate subsidy, ensuring uninterrupted power supply for irrigation, increasing the flow of agricultural loans, developing adverse weather and salt tolerant seeds and providing assistance for agro-based industries will help achieve the expected growth in agricultural sector. In our medium term plan, there are provisions for increasing ADP allocations and taking the industry sector forward through implementation of PPP driven big projects in power and infrastructure development sector. We plan to achieve 6.7 percent growth in FY 2010-11 and to increase it gradually to 8.0 percent by FY 2013-14. In order to achieve this, we plan to increase revenue collection by 0.5 percent of GDP each year, increase ADP allocation from 4.1 percent of GDP to 6.0 percent of GDP and increase investment from 24.2 percent of GDP to 32.0 percent of GDP. Besides, we will keep trying to contain inflation at 6.5 percent in next year and gradually lower it in the coming years.

41. The sluggishness that we observed in the area of investment is already on the wane. The factors like the gradual decrease in negative growth of foreign trade, high growth of remittance inflow, increase in agriculture and industrial term loan disbursement, increase in import of capital machineries and industrial raw materials and increase in private sector credit flow have helped us in determining the macroeconomic targets in the proposed budget.

Mr. Speaker

42. Now, I will briefly narrate the scenario of proposed income and expenditure for the budget of FY 2010-11. In FY 2010-11, total estimated

Revenue Income

 revenue income will be Tk. 92,847 crore, which is 11.9 percent of GDP. Of this, the estimated NBR tax revenue will be Tk. 72,590 crore (9.3% of GDP). The estimated tax revenue from non NBR sources will be Tk. 3,452 crore and from non-tax sources Tk. 16,805 crore (2.6% of GDP).

43. In the budget of FY 2010-11, the total expenditure has been estimated at Tk. 1,32,170 crore. This is 16.9 percent of GDP and 19.6

Expenditure

 percent higher than the revised allocation for FY 2009-10. In the coming year, allocation for non-development budget stands at Tk. 93,670 crore (12.0 percent of GDP) and for ADP it is Tk. 38,500 crore (4.9 percent of GDP).

44. The non-development and ADP expenditure have increased by 14.2 percent and 35.1 percent respectively over the revised budget allocations for FY 2009-10. 15.4 percent of non-development expenditure is essentially development expenditure, which will be spent for various safety net programs undertaken for the ultra poor and various non-ADP development programs. Total development expenditure including the ADP and these development programs will be 6.8 percent of GDP.

45. Overall budget deficit will be Tk. 39,323 crore, which is 5 percent of GDP. The deficit will be financed up to Tk. 15,643 crore (2 percent of

Budget Deficit and Financing

 GDP) from external sources and Tk. 23,680 crore (3 percent of GDP) from domestic sources. Domestic financing includes Tk. 15,680 crore (2 percent of GDP) from banking sources and Tk. 8,000 crore (1 percent of GDP) from

non-banking sources, the major portion of which will come from National Savings Certificates. Like in the previous years, this year also, we are attaching preference to concessional external financing having fewer conditionalities.

46. We have followed the same principle as we have done in the current year in determining the size of the next year's ADP, keeping in focus our election commitments to ensure regional parity, improved infrastructure and quality of spending. In the proposed ADP, 21.2 percent is allocated for overall agriculture sector (agriculture, rural development, rural institutions and water resources), 15.78 percent for power and energy, 15 percent for communication (roads, railway, bridges, river transport, civil aviation and tele-communication), 24.2 percent for human resources (education, health, science and technology).

Framework for ADP Allocation

47. I mentioned in the last budget that the rate of implementation of ADP has not been encouraging. Though planning and budgeting has been decentralized under the MTBF, it has not been very effective. Keeping that in mind, I have already mentioned that strengthening of budget and planning wings in line ministries/divisions will receive highest priority. 77 percent of ADP is being implemented by only 10 ministries. I am convinced that rate of utilization could be higher had there been stronger monitoring. The Ministries, now, can spend allocated budget immediately after the budget is approved by the Parliament, and they have a tentative knowledge of what the size of resource allocation will be in the next 3 years. Therefore, they are now able to complete in advance many activities including the tender processes. Directives in this regard can also be issued to subordinate departments. They can also devolve the centralized decision-making process.

ADP Implementation

48. I have already presented the allocation structure of ADP for FY 2010-11. I would like to present a brief outline about the overall expenditure framework (non-development and development) of the proposed budget before this august House from which we can get a clear understanding about sector-wise allocation and priorities of the entire budget.

Overall Expenditure Framework

49. We may classify the ministries and divisions under three major categories depending on their allocation of business: social infrastructure, physical infrastructure and general service sector. In the proposed budget, 33.3 percent of total outlay has been allocated to social infrastructure of which, 23.9 percent is allocated to human development (education, health, science and technology and other related sectors). Allocation of 30.4 percent of total outlay has been proposed for physical infrastructure of which 16.9 percent goes to wider agriculture and rural development, 7 percent to overall communication sector and 4.6 percent to power and energy. 21.1 percent of total outlay has been proposed for general service sector that includes an allocation of 9.6 percent of total outlay for PPP projects, cash incentives for various industries and implementation of last year's pay commission. Apart from these three major categories, the rest 15.1 percent will be spent for interest payment and net lending, wherein the share of interest payment is 11.1 percent.

50. A major portion of our domestic borrowing comes from the national savings schemes. We are aware that these schemes largely benefit the middle and low income families as social securities. We, therefore, support that the interest rate of these schemes be higher than those of other borrowing instruments. However, the interest rates of all the borrowing instruments should be harmonized. We expect to formulate an acceptable policy to rationalize the limit, amount and interest rates of borrowings.

Chapter II

Some Key Sectors

Power and Energy

Mr. Speaker

51. First, I will place before you, our plans about the much talked about issue of our time - power and energy sector. In terms of overall priority, wider agriculture sector is the major sector for economic development. But, we are now confronting with power and energy crisis which is impeding investment environment in the country.

52. Along with other budget documents, I am submitting before this august House, a report titled Road Map for Development of Power and Energy Sector. This will give the nation a clear idea about the massive action plan that we have undertaken to address the ongoing crisis in these two sectors. On the one hand, this report will assure the citizens about our sincerity of purpose and the action plan and on the other, make them aware of the future direction of these two sectors and the areas of uncertainties. In fact, the principal thrust of this document is on a 5-year action plan.

Power

53. The ongoing power crisis has aggravated people's sufferings, slowed down industrial production and hampered trade. In January 2009, our electricity production capacity (derated capacity) was 5000 MW, but

Shortage of Power

monthly average actual production was 3525 MW. The huge gap between our production capacity and actual production is attributable to; firstly, around one-third of our power plants is exceedingly old and should be scrapped. Secondly, many of our power plants remain idle due to lack of adequate supply of gas. Thirdly, our transmission and distribution system is extremely defective and inadequate.

54. Although, in May 2010, our derated power production capacity rose to 5520 MW, the average monthly actual production did not exceed 4070 MW. Gas crisis has become the main impediment in this regard. Another important reason behind the ongoing power crisis is the time consuming bidding process and inadequate response from the bidders. In September 2009, against invitation for bids for production of 530 MW, we received 63 bids. From among these, we could award contract for production of only 300 MW. At the same time, under PPP initiative, we invited bids for production of 2000 MW and received adequate response. This invitation of bids and awarding procedure has established acceptability of and transparency in the procurement process. This has also given us an idea about the prevalent market price. After this, we declared power as an emergency sector and following this, we adopted direct method for procurement of power on rental/purchase/production basis. Under this initiative, we have already concluded contracts for installation of 1107 MW power plants, among which two are diesel fired and the rest 9 are furnace oil-based. According to our plan, we have taken steps to produce 9,426 MW power by 2015.

2010	792 MW
2011	920 MW
2012	2269 MW
2013	1675 MW
2014	1170 MW
2015	2600 MW

55. Let me mention here that in our new action plan, beside natural gas we have also considered the use of furnace oil and diesel as energy sources for production of power. This will enhance the cost of power generation and call for additional funding which will be met by providing subsidy and price adjustments. In tandem, we have taken into consideration coal and imported LNG as energy sources for power generation. Implementation of these initiatives, however, will take time.

56. In order to strengthen transmission and distribution of power in next the 3 years, we have pledged to add 837 km of power grid lines, 17 sub-stations and more than 15,000 km of distribution lines. Out

Power Transmission and Distribution Lines
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of which, we have been able to construct, since January 2009 till now, 252 km of power grid lines, 10 sub-stations and 6,091 km of distribution lines.

Mr. Speaker

57. Alongside the use of non-renewable sources, we have also taken appropriate measures for generating environment-friendly power from renewable energy sources. The Renewable Energy Policy has already been prepared with the target to produce 5 percent of total power generation by 2015 and 10 percent by 2020 from renewable energy sources like air, waste and solar energy. An agency called ‘Sustainable Energy Development Agency’ (SEDA) has been set up to develop renewable energy sector.

**Power Generation
from Renewable
Sources**

58. Apart from measures taken to step up power generation, efforts are underway to have proper load/demand management. By changing the closing hours of shopping malls and shops, about 350 MW of demand and by changing the area wise weekly holiday of commercial organizations /supermarkets, about 150 MW of demand for electricity was reduced. By next June, 200 MW power could be saved through the use of energy saving bulbs. Moreover, steps have been taken to include the provision for use of solar power in National Building Code, install solar panels in government organizations, replace Incandescent bulbs with Compact Fluorescent Lamp (CFL) bulbs and change conventional street lights with lead as well as solar bulbs.

**Power Savings
through Demand
Management**

59. I want to state unequivocally that within the current term, our Government would be in a position to work out an acceptable solution to the power crisis. As part of this, immediate, short, medium and long-term plans have been taken up to expand generation of power. I hope that by implementing Government’s specific plan for this sector, we will be able to remove the gap between the demand and generation of power by 2012. And we expect that from 2015 onwards, supply of power and energy will not remain as an obstacle in the development process. It is to be noted that in future power supply under private sector initiative will significantly increase and the use of other energy sources beside natural gas will

**Power Generation
Plan**

expand. However, let me point out that even after conclusion of contract, production of power is delayed due to a variety of reasons. Despite our precautions taken against this, there could be time over-runs in implementation of certain projects.

60. In short, we have identified resolution of power crisis as the top priority sector and are working relentlessly for its development. We strongly believe that we will be able to create a rare example of development in this sector.

Energy

Mr. Speaker

61. Power generation in our country is basically dependent on the supply of natural gas. However, we have been negligent of augmenting gas supply and exploration of new gas fields. We did not pay due attention to power production from renewable energy sources. Even, we did not give enough attention to the extraction of our coal resources. We also did not take any initiative to import LNG (Liquefied Natural Gas) considering the future requirements. We put on hold our contemplation on use of nuclear energy for power generation. Now, we will have to pay special attention to all these possibilities.

62. At present, about 2000 million cubic feet gas is produced daily from 17 out of 23 gas fields in the country while the daily gas demand is about 2300 million cubic feet. In the context of overall development of the country, the daily demand for gas has increased to 2500 million cubic feet. As supply is lower than demand, it is creating low pressure in supply of gas in different parts of the country. In order to address the situation, gas drilling programs have been rescheduled to expedite the ongoing short, medium and long-term plans for quick increase of gas generation.

Gas Production Situation

63. As per our commitment made in the previous budget, agreements with two companies are in the process of being concluded for gas exploration in 3 off-shore blocks of the country. BAPEX has taken up programs to drill exploration wells at Kapashia, Mobarakpur, Sundolpur

and Srikail. For rapid development of gas distribution system, circumventing the traditional procedures, Petro-Bangla has adopted Fast Track Program to conclude production enhancing activities. Furthermore, a Gas Development Fund has been created as pledged in the previous budget to enhance the capacity of BAPEX for exploration of oil and gas. Formulation of a policy in this regard is underway.

64. 356 km gas transmission pipeline will be constructed to expand gas facility across the country, especially the western and south-western zones. Extensive use of CNG in the automobiles is making the ever increasing gas crisis all the more complex. A number of steps have been taken, including the use of pre-paid meter system, to prevent the misuse of natural gas. Due to the ongoing gas crisis, we could not generate 800-1000 MW of power from the existing power plants.

**Gas Management
Plan**

65. In the previous budget, we expected to finalize a time-befitting energy and coal policy. The draft of National Coal Policy has already been prepared and Energy Policy updated which will be finalized soon. Boropukuria Coal Mining Company Ltd. (BCMCL) has kicked off commercial operation with 1 MT annual target of coal extraction. Of the extracted coal, annually 7 lakh MT is being used in Boropukuria 250 MW thermal power plant.

**Energy and Coal
Policy**

66. I propose to allocate Tk.6,115 crore for power and energy sector, development and non-development combined, for the next financial year. This allocation is 61.5 percent higher than the revised budget of the current fiscal year.

Agriculture and Rural development

Agriculture

67. In the budget speech of last year, I stated that we want to achieve self sufficiency in food in Bangladesh by the year 2012. On that count, I also mentioned that we do not perceive agriculture as a

**Agricultural
Development**

separate sector. Rather, we treat rural non-farm sector, rural development including rural infrastructure, rural electrification, rural housing, using land and water resources and development of rural small and medium enterprises as an integral part of agriculture. In addition, I also expressed our belief that food security along with accelerated economic growth can be achieved by developing the rural economy.

68. We believe that agricultural development is essential for survival of the farmers and the country as well. Accordingly, in the next year's budget, we plan to keep fertilizer prices within the reach of the farmers. Besides, we have taken a program to distribute organic, green and bio fertilizers to 97 lakh families in the country to popularize the use of natural fertilizers in kitchen farming with a view to increase agricultural production.

69. Another major success of the present Government in agriculture sector is the distribution of agro-input assistance cards among 1.82 crore farmer families throughout the country. An amount of Tk. 750 crore has been distributed among 92 lakh boro-farmers across the country to help them purchase diesel in the boro-season of FY2009-10. By showing this agro-input card, farmers are now able to open a bank account with only Tk 10. By utilizing this card, I hope that in future, we will be able to bring agro-input assistances in a more transparent manner directly to the farmers' doorsteps.

**Agricultural Inputs
Assistance Card**

70. In the budget for FY2009-10, an allocation of Tk. 3,600 crore was made for granting subsidy on fertilizers and other agricultural programs to reduce the cost of production in agricultural sector. Later, we increased the amount of this subsidy to Tk. 4,950 crore. I propose an allocation of Tk. 4,000 crore for subsidy in agricultural sector in the budget for FY2010-11.

**Subsidy in
Agriculture**

71. Another major input of agriculture is seed. Under the program of supplying high yielding variety seeds to the farmers, in FY2010-11, targets have been fixed to produce and distribute 1,18,450 MT and 84,838 MT of high yielding variety of seeds through Bangladesh Agricultural Development Corporation (BADC) and

Seeds

Agricultural Extension Department respectively. Besides, actions are being taken to increase the capacity of seed storages from 40,000 MT to 1,00,000 MT. In 2010-11, we have adopted schemes to grow hybrid paddy in 12 lakh hectares and salinity resistant Bri-47 in 50 percent of salinity affected 10 lakh hectares of land.

72. We have taken steps to produce crops suitable for a particular kind of land with the help of soil survey that facilitates analysis of soil quality, identification of land resources and assessment of land fertility. Under this program, we have distributed guidelines on the use of land, soil and fertilizer and ensured transfer of technology on land management in hilly areas and salinity affected areas.

**Soil Quality
Test**

73. For a long period, expansion of irrigation facilities has received minimal attention. We made an allocation of Tk. 427 crore in the last year's budget with a plan to expand irrigation facilities in the southern part of Bangladesh by utilizing surface water, mitigating water logging problems in the south-west region and widening the area of cultivable land and facilitating multi-crop production through draining out water in Haor areas. To achieve these, implementation of 66 programs at an estimated cost of Tk. 379 crore is going on speedily. As a part of our future plan for this sector, I propose an allocation of Tk. 300 crore in the next fiscal year.

**Expansion of Irrigation
and Removal of Water
Logging**

74. In the current fiscal year, up to April 2010, agricultural loan of Tk. 8,949 crore has been distributed against a target of Tk. 11,512 crore through public and private sector banks and financial institutions. This is 16 percent higher than that of the corresponding period of last year. In the next fiscal year, we will raise the target of distribution of agricultural loan to Tk. 12,000 crore.

Agricultural Credit

75. We made an allocation of Tk. 185.21 crore for agricultural research in the last budget to develop high yielding varieties of crops and improved methods of production. This allocation is being spent on agricultural research for developing high yielding as well as salinity and flood tolerant varieties

**Agricultural
Research**

of paddy. We are going to operationalize the already created Agricultural Research Fund from the next year. The size of the fund now stands at Tk. 412 crore. Research proposals have been invited in order to utilize allocations made under the Endowment Fund for enhancing agricultural productivity through crop diversification.

76. Now I would like to draw your attention to the fact that we want to ensure that farmers get fair prices for their produces. Emphasizing this issue, we have taken steps to organize ‘Farmers Marketing Group’ and ‘Farmers Club’ throughout the country along with developing 128 agro-markets at the Upazila level and 30 such bazaars at the district level to facilitate marketing of agricultural produces. Moreover, we have built one wholesale market infrastructure in each 15 districts and 60 growers’ market in another 16 districts of northern region. We have also built a central market at Gabtoli in Dhaka to establish linkage with all these markets.

**Fair Price for
Agricultural
Products**

77. We have taken an initiative to introduce an ‘Agriculture Insurance’ scheme to provide the small and medium farmers with crop price support in the event of crop failure due to natural disasters.

Agro-Insurance

78. With a view to increasing agricultural production and to develop the agricultural sector as a whole, we are following National Agricultural Policy, National Agricultural Extension Policy, National Seed Policy, Integrated Fertilizer Distribution Policy and Integrated Pests Management Policy. We are working on the formulation of the National Agricultural Policy 2010 by modifying National Agricultural Policy of 1999.

79. I propose to allocate Tk. 7,492 crore, for development and non-development budget combined, for the Ministry of Agriculture in FY 2010-11.

Livestock

Mr. Speaker

80. I stated in the last budget speech that our Government is committed to meeting the demand for protein in the country by achieving self sufficiency in the production of fish, milk, poultry and cattle. To meet this commitment, our Government, after assuming office, introduced Jal Mahal (water body) Management Policy-2009 in order to ensure effective implementation of '*Jal jar, Jola tar*' policy (he who possesses the fishing net, possesses the water body). The poor fishermen have already started to reap the benefits of this policy.

Development of Fisheries and Livestocks
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81. Government has undertaken a massive program to prevent netting of '*Jatka*' (undersized Hilsa) with the participation of various Government organizations, local elites and beneficiaries living on the riverside. All out efforts have been made to establish quality control management system at every stages starting from shrimp production up to the consumer's end. In addition, we are actively considering certain appropriate measures to overcome environmental damages done by shrimp cultivation.

Preventing Jatka Netting, Shrimps and Environment
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82. Activities are underway to provide incentives and support to the dairy farmers in order to increase meat and milk production. In order to raise productivity in the livestock sector, we are implementing projects on semen production, artificial insemination and expansion of fetus transfer technology to improve genetic features of farm animals and increasing the numbers of crossbreed animals.

Incentives for Livestock Sector Development
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83. In FY2010-11, production target for cattle and poultry vaccine has been fixed at 41.63 crore doses. A project called **Modernization of Vaccine Production Technology and Expansion of Research Center** is being implemented to increase the production and supply of vaccines. Steps have been taken to establish regional duck reproduction farms and hatcheries to increase supply of chicks at a reduced price.

Vaccine Production and Distribution
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84. In order to implement these programs, I propose to allocate Tk. 861 crore, development and non-development budget combined, for fisheries and livestock sector in the next fiscal year.

Water Resources

Mr. Speaker

85. Ensuring optimum use of water resources is essential for the development of an agro-based economy. In line with the commitments of our election manifesto, we have undertaken initiatives for implementation of a number of large projects for the development of water resources namely, river dredging, construction of water reservoirs, flood control, expansion of irrigation facilities, protection against salinity, reclamation of land from sea including the construction of the Ganges barrage. For this purpose, a high powered committee headed by Hon'ble Prime Minister has been formed. In the mean time, we have formulated the draft '**Water Use Guidelines**' and amended '**The Water Resources Planning Act 1992**'.

Water Resource Development

86. We pledged in the previous budget to reclaim *Gorai* river. Immediately after the present Government came to office, we undertook, in the shortest possible time, a 4-Year *Gorai* River Dredging Project with an estimated cost of Tk. 942.14 crore, at the behest of the Hon'ble Prime Minister. At present, dredging of *Gorai* River is going on.

Re-Excavation of Gorai River

87. Sustainable river management is essential in the interest of protecting environment as well as for ensuring proper utilization of water resources. A 15-year strategy titled '**Capital Dredging and River Management Strategy of Bangladesh**' costing about Tk. 50,000 crore, prepared at the behest of Hon'ble Prime Minister with the aim of river training and sustainable river management through capital dredging, is under active consideration of the Government. This document will provide short, medium and long term plans including detailed feasibility surveys. I propose to allocate Taka 1,588 crore as block allocation in the ADP of the

River Training and Management

next fiscal year for the purpose of dredging and construction of *Padma* Bridge.

88. Besides, we are working to ensure integrated management of Ganges river water in the greater districts (Rajshahi, Pabna, Kusthia, Jessore, Khulna, Faridpur and Barisal) of south-western region of Bangladesh. For growth and protection of the regional environment, we have given approval to a feasibility study for erecting a barrage on the Ganges River. We are hopeful that the feasibility study will be completed in the next fiscal year and we will be able to start implementing the construction of the barrage after finalizing its design.

**Management of
Ganges Water**

89. In order to protect our landmass, cities and towns and important sites of historical interest from river erosion, we have fixed a target for construction of 270 km flood protection and coastal embankment, repairing of another 2,520 km, construction/repairing of 1,600 flood control structures, maintenance of 40 km new river banks and repairing 75 km in FY 2010-11.

**Prevention of River
Erosion and Flood
Control**

90. We would like to bring 15,000 hectares of land under irrigation facility in FY2010-11. Besides, excavation of 25 km and re-excavation of 370 km irrigation canal, construction of 20 and reconstruction of 70 irrigation infrastructures and erection of 3 rubber dams will be done. As a result, marginal and poor farmers will receive irrigation facilities and employment opportunity for 3 crore working days will be generated.

**Expansion of
Irrigation Facilities**

91. Nineteen districts of the southern region of the country are victims of climate change, directly or indirectly. We have therefore, undertaken a comprehensive and integrated development plan for the coastal areas. About 12.40 lakh hectares of land has been protected from salinity out of 26.37 lakh hectares which are threatened by the risk of salinity. In this manner, programs will be undertaken to protect 20,000 hectares of land from salinity every year. Programs will be undertaken to recover 18,000 hectares of land in the coastal areas by constructing embankments. Beside this, a plan has been

**Reduction of
Salinity Risks**

adopted to rehabilitate 16,000 poor families in about 11,055 hectares of land.

92. People of the Haor areas of the country's north-eastern region are more poverty stricken than the other regions. Crops in this region are very often damaged by flash floods from hills. Evaluating the past and present status of haors and swamps, an integrated master plan incorporating sustainable and appropriate applied strategy and management is being formulated for comprehensive development of haor areas including crop protection and protection from waves.

**Development of Haor
and Wet Land**

93. Besides, a project has been undertaken to improve environment by ensuring free flow of clean waters in the rivers surrounding Dhaka city, removal of unauthorized structures, keeping river transportation unhindered by restoring navigability of rivers and turning the rivers back to their original widths. Once the project is implemented, water flow in the rivers of Buriganga, Turag, Pungli and Dhaleshwari will increase and pollution will be minimized to a great extent. In this connection, I would like to mention that it has been only possible to protect successfully 136 square kilometer area in the western part of Dhaka city from flooding through implementation of Dhaka Integrated Flood Protection Project. In the eastern part, about 124 square kilometer area still remain as a flood prone zone. We have undertaken a project to protect this vast land from floods. On completion of the project, the eastern part, like the western part, will be free from flooding and water logging problems.

**Ensuring Supply of
Safe Water in the
Rivers surrounding
Dhaka**

94. For the next fiscal year, I propose to allocate Tk. 2,049 crore, development and non-development budget combined, for the water resources sector.

Rural Development

Mr. Speaker

95. Development of this country is largely dependent on rural development. We are attaching special importance to developing rural infrastructure in order to generate additional employment by enhanced investment in rural and agriculture sector. We have constructed 3,620 km new rural roads and maintained/ repaired another 9,230 km in the current financial year. For FY 2010-11, we have undertaken plans to construct 3,900 km new roads and maintain 16,500 km roads by the Local Government Division. Besides, we have fixed our targets for construction of 20 cyclone shelters, development of 207 rural hat-bazars and carrying out afforestation along 18,600 km roads in FY2010-11. As a result, employment opportunity will be created for a large number of rural poor.

Rural Infrastructure and Employment Creation

96. 'One House One Farm' program is one of our pledged projects. By giving top priority, we have identified specific work plans and strategy for implementation of this project. It is being implemented from 2009 to 2014 at an estimated cost of Tk. 1,197 crore. We have already started to bring 5 villages from each Union and 60 families from each village under the coverage of this project. By doing so, as many as 5,78,400 families will be covered. The number of beneficiaries, direct or indirect, will be about 29 lakhs.

One House One Farm

97. I expressed my confidence in the last budget speech about ensuring supply of pure and safe drinking water for all by 2011. We have undertaken a number of work plans to that end. We have planned to construct 2 lakh water-sources during FY 2010-11 to ensure supply of safe and pure drinking water across the country. 41,850 sources of safe drinking water are being constructed in the rural areas. Water supply programs have been implemented in 133 municipalities. Another 155 municipalities will be brought under water supply program shortly.

Supply of Pure and Safe Water
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98. In order to meet the demand for water of 1.3 crore city dwellers of Dhaka city, 195 crore liters of water is being produced daily. In current financial year, installation of 46 deep tube wells and reconstruction of 45 km of water supply line have been done. In FY2010-11, we would like to install another 97 deep tube wells and reconstruct 63 km of water supply line in Dhaka city.

**Water
Requirement of
City Dwellers**

Mr. Speaker

99. As the level of underground water is receding each year, a number of deep tube wells in many parts of the country including Dhaka are going out of order. To overcome this problem, a five year plan has been adopted to bring down the dependency ratio of using ground and surface water to 50:50. Under this plan, in order to supply 22.50 crore liters of water daily, a project named 'Construction of Sayedabad Water Treatment Plant (2nd phase)' has been inaugurated by the Hon'ble Prime Minister, Sheikh Hasina in last April. In addition, the feasibility study of 'Pagla/Keraniganj Water Treatment Plant' project to supply 45 crore liters daily, has been completed. We are also continuing with our efforts to increase water supply in the areas of Chittagong and Khulna City Corporations.

**Enhancing Utilization
of Surface Water**

100. Sanitation for all is another priority program of the Government. Use of sanitary latrines is inextricably linked to health and living standards of the people across the country. We have therefore, started a program to produce and set up around 5 lakh sanitary latrines. Another 1.9 lakh sets of sanitary latrine will be produced and installed in FY2010-2011.

Sanitation

101. We have taken various programs with an aim to raise birth registration to 100 percent. Registration of child birth has been made compulsory. We are introducing a law by which producing of birth certificates would be made a requirement for a citizen to enjoy 16 civic facilities.

102. I mentioned in my previous budget speech that we have to be prudent in using our land considering its scarcity and

Rural Housing

productivity. Installation of various structures in rural areas reduces the availability of arable land. Therefore, we need to construct planned housing centre by making best use of limited land area. We have to take appropriate steps to build housing centers in those rural areas where availability of utility services has been ensured centrally. I urge upon the private investors to come forward for investing in such housing projects. Under these programs, we are mulling over giving incentives in addition to other facilities.

103. I propose to allocate Tk. 10,309 crore, development and non-development budget combined, for rural development and local government in the next fiscal year. This allocation is 18.8 percent higher than that of FY 2009-10.

104. Supply of electricity to rural areas brings about socio-economic development of rural people. Consistent with the increasing demand of electricity and power generation capacity, the number of villages having electricity connection has gone up to total 67 percent with an increase of 2 percent, the number of beneficiaries to total 81,00,000 with an addition of 5,00,000 and total distribution line to 2,21,833 km with an increase of 3,500 km line in the last one year. Currently, the Rural Electrification Board (REB) supplies about 2,000 MW electricity across the country. However, the institutional arrangements and management capacity of REB required to run these operations are not adequate. The management of rural electricity supply system has to be revamped.

Rural Electrification

Food Security

Mr. Speaker

105. In my previous budget speech I stated that we have formulated a food policy and put in place an action plan to ensure food security for the hardcore poor. Meanwhile, the National Food Policy has been updated and Monitoring Report, 2010 on implementation of the action plan is being finalized. The Food and Agriculture Summit 2009, held in Rome has drawn wider attention to the world food security issues. A range of programs are now being considered to ensure food security. These include

irrigation from surface water, improved arrangements for food storage, supply of agriculture inputs at fair price, maintaining minimum reserve for food security and setting up food safety net for the deprived and the hardcore poor. Considering all these factors, we are pursuing our food security activities in earnest.

106. About 16.04 lakh MT food grains have been distributed under the food safety net programs in the current financial year. The total number of beneficiaries of these programs is 2.02 crore. I propose to allocate of 5.5 lakh MT of food grains as VGF, 4 lakh MT as Food for Work, 2.65 lakh MT as VGD, 4.10 lakh MT as Test Relief (TR), 80,000 MT as GR and 75,000 MT for the Chittagong Hill Tracts. VGF and GR are mainly used in times of recessions and disasters. These two schemes play a very supportive role in mitigating hunger and crisis. However, we should be careful about the fact that these schemes should not make the marginalized working people idle and keep them away from work. From that perspective, we are dwelling upon the idea of streamlining these schemes. To face any possible disaster we have targeted to build up a stock of 16 lakh MT of food grains.

Food Security Program

107. I made another commitment that we will take steps to enhance storage capacity for additional 4 lakh MT of food grains. To meet this commitment, 139 food godowns are being constructed to enhance the food storage capacity in northern part of the country. Besides, two projects to build another 333 food godowns across the country having storage capacity of 2.19 lakh MT food grains are awaiting final approval of ECNEC.

Enhancing Food Grain Storage Capacity

Communication Sector

Mr. Speaker

108. In my previous budget speech, I mentioned about the formulation of an Integrated Multimodal Transport Policy (IMTP) required to put in place an integrated communication system. While a lot of expansion was done in the road sector, there was hardly any notable development made in the railway or waterway sectors. Following this, we have formulated a

policy for integrated communication which is being scrutinized for finalization. Once the policy is finalized, there will be a well-balanced and an integrated development in the communication sector. Now, I would like to dwell upon the issues related to the communication sector of the country.

Roads and Bridges

109. I stated that construction of Padma Bridge should be completed on a priority basis. Already, the scheme design for this bridge has been finalized. While preparing the design, effects of climate change were taken into consideration. I am pleased to inform you that we have received confirmation for concessional credit to the tune of US\$ 2.4 billion to meet the probable costs of bridge construction. According to the work plan, construction work will begin in 2010 and be completed by 2013. This is for the first time that a project of such magnitude is being implemented in such a short time.

Padma Bridge

110. Considering the socio-economic development including improvement of communication network for a larger section of population in the south and south-western regions of the country, steps have been taken, in consonance with Government's election pledges, to construct about 6 km long second Padma multipurpose bridge at Paturia-Goalanda point. Moreover, we have taken steps for constructing Bekutia bridge on Kotcha river along the Pirojpur – Jhalkathi road to boost economic activities by establishing direct road link between Barisal and Khulna Division.

Second Padma Bridge and Bekutia Bridge

111. In the previous budget there was another commitment on tackling the ever-increasing traffic jam in Dhaka city, besides, building an environment-friendly city transport system in the capital. In this respect, let me repeat that traffic jam in the city has now become a routine problem causing loss of thousands of working hours everyday. For this, we propose to increase the price of CNG as well as to raise the import duty on cars in the next year. In addition, we have taken steps to erect a 32 km long Elevated Expressway from Uttara to Jatrabari to ease the traffic jams in Dhaka city. Apart from this, construction of flyovers at Bishwa road, Airport road

Easing Traffic Congestion

connecting point and from Mirpur to Airport road and an overpass at the Banani crossing are now underway.

Railways

Mr. Speaker

112. You will agree with me that as a means of public transport, railway is less risky and more cost effective for carrying cargo. Therefore, we have **Railway Reforms** always remained committed to the development of this sector. I mentioned in my previous budget speech that along side reforming Bangladesh Railway to turn it into a state-owned corporate entity, we want to integrate it with the Trans-Asian Railway network. To this end, the task of turning Bangladesh Railway into a state-owned corporate entity is moving ahead as part of the reform agenda. We are actively considering the issue of joining Trans-Asian Railway network and its alternative routes. Besides, a 20-year Railway Master Plan to identify and solve the problems of the Railway sector is now at the final stage of formulation. A master plan for construction of Underground Railway System is also in the offing.

113. The ongoing implementation of 'Bangladesh Railway Sector Improvement Project' for modernizing the railways at a cost of Tk. 3,600 **Railway Expansion** crore is progressing well. As part of this program, roughly TK. 3000 crore worth of restoration work of 686 kilometer rail line for re-establishing sub-regional railway link and construction of double-line rail-track between Tongi-Bhairab Bazar sections have been undertaken. Construction work of railway track connecting Tarakandi to Bangabandu Bridge will be completed within this fiscal. This railway link will ease communication between the western and other regions of the country including the greater Mymensingh region. Though I mentioned in my previous budget speech that Circular Railway would be installed around Dhaka city to reduce pressure of population on the city along with providing transport facilities to people living nearby, very little progress has been achieved in the last year. However, I hope we will be able to make reasonable progress in future.

114. I propose an allocation of TK. 7,549 crore, development and non-development budget combined, for FY 2010-11 for Roads and Railways Division and Bridges Division. This is 26.6 percent higher than the revised budget of the last fiscal.

Water Transportation

Mr. Speaker

115. Waterways in inland transportation system and the development of river ports are extremely important in a riverine country like Bangladesh.

Enhancing Waterways Navigability

It is, therefore, critical to take up an integrated dredging program to increase the navigability of waterways and to develop river ports. As part of this integrated initiative, Bangladesh Inland Water Transport Authority began dredging work with a target for dredging of 48 lakh cubic meter in FY 2009-10 to maintain the navigability of important river routes. Already, dredging is going on in various routes including the nationally important routes of Paturia–Doulatdia, Mawa-Char Janajat, Dhaka-Barisal, Paturia-Baghabari and Bhairab-Chhatak. Once the dredging of these river routes is completed, inland transportation capacity will be significantly enhanced, thereby facilitating economic development.

116. Another commitment that we made is to raise the capacity of Chittagong port and to make Mongla port more efficient. We are keen to

Capacity Enhancement of Chittagong and Mongla Port

meet this commitment. We have already completed construction of New Mooring Container Terminal at a cost of Tk. 500 crore in Chittagong port. In order to augment the facilities of this terminal we have undertaken another project at a cost of Tk. 115 crore. The procurement of cargo handling equipment for Mongla port is progressing. Dredging work is going on in this port for smooth berthing and to ease handling of ships with 9 meter draft. Beside this, we are working on taking up an investment project to develop the Port by constructing a multi-purpose jetty and excavating the Poshur River and the harbor areas.

117. In tandem with the efforts for exploring foreign assistance for building a deep sea port at Sonadia, preparation of a detailed design of the project is continuing. We also agreed to develop and operate 12 land ports under BOT (Build, Operate and Transfer) basis. As part of this program, 5 operators have already been engaged. The process of signing up operators for another 5 ports is going on.

Establishment of Deep Sea Port

118. I also made a pledge in the last budget speech that steps will be taken to strengthen the project for Launching Circular Waterways around Dhaka city to solve water transportation problems and reduce pressure on vehicular traffic on the roads. In the mean time, under this project, dredging is going on in waterways from *Ashulia* to *Demra* and at *Badda*, *Govindapur* and *Rampura*. Dredging has already been completed at *Isapur* and *Baraid*.

Circular Waterways Surrounding Dhaka

Post and Telecommunication: Digital Bangladesh

Mr. Speaker

119. In my half yearly Budget Implementation Progress Report, I mentioned that the Hon'ble Prime Minister Sheikh Hasina while articulating her election commitment dreamt of establishing a Digital Bangladesh which has stimulated the entire nation and it is now engaged under her able leadership to realize that dream. In line with our election pledge, we promised to extend internet network and reduce its charges to ensure the best use of internet and communication technology by the people. We can claim that, we have been greatly successful in implementing our promises.

Expansion of Telephone and Internet Coverage

120. We have made arrangements to bring all upazilas including those of the Hill districts under mobile phone network and internet facilities. We have made good progress in our efforts to bring all upazilas under internet connectivity within next 5 years. Dial-up internet connection has been established in upazilas having digital exchanges. With the objective of installing optical fiber line to facilitate nationwide internet connectivity as

Digital Infrastructure

promised, steps have been taken to extend broadband connections to 200 upazilas by bringing them within the fold of optical fiber network through the Next Generation Network (NGN) based Telecommunication System Project for Bangladesh. Two WiMAX licenses have been issued for providing speedy broadband services. 4409 Union Parishad bhaban will be brought under optical fiber network. Steps have also been taken to establish 1 crore land phone connections across the country and turn 8 thousand rural post offices in phases into Community Information Centres (CIC) within a short span of time.

121. Due to the sincere efforts of the Government, teledensity is increasing rapidly in the country. At present, teledensity has gone up to 38 in every 100 persons and the number of internet users to 6 in every 100 persons. Besides, in the last budget speech we made another pledge to connect Bangladesh with the 2nd sub-marine cable network. For this new sub-marine cable connection, a licensing policy has already been prepared and public opinion has been sought.

Second Sub-marine Cable

Civil Aviation

Mr. Speaker

122. You are aware that after assuming office, we took up diverse activities for the development of civil aviation. Already, a pre-feasibility study has been completed for the construction of **Bangabandhu Sheikh Mujib International Airport** at the outskirts of Dhaka. This Airport will have all the amenities of an international aviation hub.

New and Modern Airport

123. Besides, modernization of Shahjalal International Airport will be completed by FY2011-12. Apart from this, programs undertaken for the development of Cox's Bazar and Barisal Airports will be implemented from the next financial year. Moreover, a feasibility study is underway to upgrade the **Khanjahan Ali STOL Port** into a full-fledged domestic airport.

Development of Existing Airports

124. To turn Bangladesh Biman into a profitable organization, a contract has been concluded with the Boeing Company to purchase 10 new generation air crafts within 2013-2015. Meanwhile, the procurement process for purchasing 2 air crafts has been finalized. Besides, processes have begun to bring air travel and cargo transportation under e-commerce and to automate Bangladesh Customs Department which is inextricably linked with cargo transportation. Simplification of service delivery, close monitoring and strong administration, have largely reduced corruption in Bangladesh Biman. However, Biman is still replete with a range of problems. There is a need to revamp the manpower structure of the entity and to develop professionalism within it.

**Enhancing
Capacity of
Bangladesh Biman**

Human Resources Development

Mr. Speaker

125. 'Human Resource Development' is an integral part of our overall development efforts and in this context, I propose an allocation of TK. 31,562 crore for FY2010-11, development and non-development combined, for the education and technology and the health sectors. This is 23.9 percent of the total budget and 17.7 percent higher than the budget for the current fiscal.

Overall Education Sector

126. Education is a fundamental human right and also a social capital. Our Government has always placed highest emphasis on the education sector adopting it as one of the core strategies for poverty alleviation and development. With this end in view, the Government has already approved the **National Education Policy 2010** with 24 targets, as a step towards introducing a modern employment-oriented education system. Implementation of this education policy will pave the way for introduction of a unified curriculum and syllabus by integrating various systems to establish knowledge-based and technology dependent Digital Bangladesh.

Education Policy

127. Education up to Class VIII has been made free and compulsory. School based assessment has been introduced on a pilot basis to improve the quality of the students. Steps are being taken to establish IT-based madrasahs for modernization of this system of education and also to ensure massive expansion of technical education. Programs have been undertaken to distribute books free of cost at the secondary level and all books prescribed for this level have also been published on the website. We have been able to meet our commitment by distributing text books to the students up to Class IX at the beginning of the year. After lapse of few years, a policy has been framed to begin enlisting of educational institutions under MPO scheme and some such institutions have already been enlisted. Full implementation of the policy will take time and therefore we could not take forward MPO enlisting agenda consistent with the demand. Besides, the activity for setting up the pledged universities at Barishal, Rangamati and Gopalganj has begun.

**Elimination of
Discrimination and
Quality Enhancement
in Education Sector**

128. The existing laws are not adequate to improve the quality of higher education and to meet the rapidly increasing multi-faceted demand for such education. To this end, for establishing private universities and ensuring their proper management, **Private University Act, 2009** has been placed before Parliament, as promised in the last budget.

**Private
University Act**

129. It is heartening to note that in South Asia except Sri Lanka, only Bangladesh has become successful in eliminating gender disparity and has been able to achieve equality in the ratio of male and female students at primary and secondary level education. In order to increase women's participation in socio-economic activities and also to empower them through expansion of female education, arrangements have been made to distribute stipends to the female students at secondary and higher secondary level and extend financial assistances for purchasing books and payment of fees to take part in public examinations.

**Gender Equality
in Education**

Primary and Mass Education

Mr. Speaker

130. In the last financial year, in order to reduce the teacher-students ratio, we decided to recruit 45 thousands primary school teachers, of which 20 thousands have already been appointed. Recruitment process for the rest is going on. Besides, in order to infuse momentum in the expansion of primary education, a decision has been taken to provide 100 percent salary subvention to the teachers of Registered Non-government and Community Primary Schools – as was promised in the last budget. This is identical to the benefit given to the teachers of government primary schools.

**Reducing the Teacher-
Student Ratio**

131. We made another commitment to ensure 100 percent enrollment of students at the primary level by 2010. Perhaps, it was quite an ambitious target. However, to achieve this target within the shortest possible time, we have undertaken projects like school feeding program in the poverty-stricken areas, stipend for primary education, establishing 1500 primary schools in areas without schools, constructing 40,000 new classrooms (31,650 has already been constructed), starting pre-primary education in the government primary schools and establishing child-friendly teaching centers at char, haor, tea-garden and remote areas. Besides, Government will continue with distribution of stipend amounting TK. 4,035 crore from its own resources till 2013, so that the education of a huge number of primary school going children is not hampered due to poverty. Recently, the coverage of stipend has been widened to 78.17 lakh students.

**All-out Initiatives
for Bringing
Children to School**

132. In this connection, I would like to emphasize that the present Government is making all out efforts to build a corruption-free, transparent, efficient and dynamic education administration. The Government has given top priority to education in terms of allocation of financial resources. Allocation for education under revenue and development budget is being progressively enhanced. I propose to allocate TK. 17,959 crore in the budget for FY2010-11, development and non-

**Allocation in
Education Sector**

development combined, for the Ministry of Education and Ministry of Primary and Mass education. This allocation is 13.5 percent higher than the revised budget of the current fiscal.

Science and Technology: Digital Bangladesh

Mr. Speaker

133. I made a commitment in my last year's budget speech to introduce compulsory computer and technical education at secondary and primary levels by 2013 and 2021 respectively. As part of this program, steps have been taken to establish computer laboratories in 1,200 educational institutions at the Upazila level in 7 divisions and in 200 educational institutions in 6 metropolitan cities. The program for establishing computer laboratories in 1,200 educational institutions at the Upazila level is already at its final stage.

134. In order to materialize another pledge of migrating to e-Governance by 2014, implementation of ICT Road Map designed and adopted by us is well underway. For smooth and effective implementation of e-Governance, steps have been taken to bring all Ministries/Divisions/Directorates/Districts/Upazilas under a public network. The office of the Controller of Certifying Authority (CCA) has been set up and has started functioning to launch **digital signature** for introducing e-commerce by 2012. As a first step to turning manual-based file management to digital file management system, a **Digital-based Filing System** has been introduced in the Ministry of Establishment and its subordinate offices.

ICT Road Map Implementation
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135. Following my pledge for enhancing opportunities for basic research in applied science and technology, the Bangabandhu Fellowship Award has been reintroduced for encouraging Ph.D level research work to produce specialized and competent scientists, technologists, researchers and academicians in various fields of science and information and communication technology. With a view to producing 4000 Computer Engineers and Scientists by 2014 Post Graduate Diploma (PGD) courses have been introduced in 13 public universities. Besides, an ICT Capacity

Enhancing Research Facilities for Science and Technology

Development Company under Bangladesh Computer Council is in the process of being established for producing the desired number of Computer Engineers and Scientists.

136. **National Information and Communication Technology Policy 2009** for the development of information and communication technology **ICT Policy** has already been approved. This policy identifies a total of 306 Action Plans to be implemented over short, medium and long term. These plans once implemented over the next 5 years will broaden the scope for establishing Digital Bangladesh by 2021.

137. Alongside the public sector, we have also put emphasis on private **Information Infrastructure** sector for development of information and communication technology in the country. To this end, we have taken steps to establish **Hi-Tech Parks** and **ICT Villages** within the ambit of National Information and Communication Technology Policy. One such plan is the establishment of IT Village at Mohakhali, Dhaka. We have established **Community E-center** in 133 Upazilas across the country to minimize the digital divide. These centres will ensure easy access of rural population to information technology. Besides, the South Asian Sub-regional Economic Cooperation (SASEC) Information Highway project has been undertaken to strengthen regional cooperation and establish connectivity among India, Nepal, Bhutan and Bangladesh.

138. In last year's non-development budget, Tk. 100 crore was specially allocated for development of ICT sector. Out of that amount, 18 programs worth Tk. 90 crore are being implemented. I propose an allocation of TK. 112 crore in FY2010-11 from non-development budget. Alongside, I propose to allocate another Tk. 200 crore in the existing **Equity and Entrepreneurship Fund** to promote entrepreneurship in the IT sector.

Health and Family Welfare

Mr. Speaker

139. We made a pledge to ensure quality health services for all in last **Community Clinic, Reproductive Health Service and Nutrition Programs** year's budget. We have already

commissioned 9,525 clinics under the program for establishing 13,500 Community Clinics as committed. Out of 45 upazilas included under the Maternal Health Voucher Expansion scheme, delivery of services has already begun in 35 upazilas. An additional 17 upazilas have been identified for extension of this scheme. Meanwhile, in order to facilitate population control and provide reproductive health services, various programs have been undertaken at a cost of Tk. 213 crore for procurement of contraceptives. Expanding the coverage of National Nutrition Program to 123 Upazilas, with the intention of solving malnutrition problems, is ongoing. This program is being implemented at the field level by the NGOs.

140. We expressed our intention to upgrade in phases all upazila and district level hospitals to 50-bed and 250-bed hospitals respectively. In

Increasing the Number of Beds in District and Upazila Hospitals, and Establishment of Medical College and Nursing Institutes

pursuit of this, already a total 142 upazila hospitals have been upgraded to 50 bed; another 144 upazila hospitals are being upgraded. Besides, 9 district hospitals have been upgraded to 250-bed hospitals. Of 5 new medical colleges promised in the previous budget speech, classes have already commenced temporarily in 3 colleges. The construction work of the rest 2 colleges is underway. Similarly, we pledged to establish 5 institutes of Health Technology, out of which 2 institutes have already been built. The construction work of the remaining institutes is ongoing. The construction work of 11 nursing institutes out of 12 has been completed and students have been admitted into these institutes this year. Students will be admitted in the other institutes next year. 3 nursing institutes out of 6 have already been converted into nursing colleges and the conversion of the remaining 3 is underway. The project on Institute of Tropical and Infectious Diseases is scheduled to be completed during the current year. In brief, we are on course to implement our pledges.

141. In addition, according to the pledge made in the previous budget, a plan has been taken up to establish a world class Drug Testing Laboratory as part of the modernization scheme of the Department of Drug Administration. A draft policy on the Patients' Welfare Fund has been prepared. However, we have not yet been able to take any step to update the National Drug Policy 2005. We are taking necessary steps to update it.

142. With a view to providing better health services to the people, recruitment of 6,391 Health Assistants has been completed during the current year and 14,000 more will be recruited very soon under the action plan for manpower recruitment for this sector. Besides, recruitment of 4,133 doctors on ad-hoc basis and 2,627 nurses under the Directorate of Nursing Services has been completed. There is an opportunity for employment of 1 healthcare advisor for each of 13,500 community clinics and 46,000 persons under National Nutrition Program to provide nutrition related services at the field level - which fulfills an important pledge of the present Government's Election Manifesto - creation of employment for at least one member of each family. We will continue our efforts in the next fiscal year to implement our action plans for the health sector.

Increasing the Number of Manpower in the Health Sector

143. I propose to allocate Tk. 8,149 crore for FY 2010-11, development and non-development combined, for the Ministry of Health and Family Welfare.

Housing

Mr. Speaker

144. In our Vision 2021, we expressed our determination to ensure housing for all by 2021. As a preliminary step, Hon'ble Prime Minister Sheikh Hasina inaugurated a project for construction of more than 22,000 flats for middle and lower middle income groups at Uttara extended project area on 21 May 2010. This speaks of the magnitude of importance Government is attaching to the housing sector. Apart from this, construction of 11,000 flats at Mirpur and 1,020 flats at Mohammadpur is well underway. Rajuk is also developing 40,700 plots. Further such programs will be undertaken in future.

Housing for Lower and Middle Class People

145. Beside housing projects, the **Hatir Jheel Project** is under implementation for beautification of Dhaka city, removal of water logging and improving water supply and sewerage system. In order to address the increasing pressure

Integrated Housing

of population growth on the capital city, we are endeavoring to turn Dhaka into a well planned Metropolis by expanding its area. Alongside, top priority has been given to the setting up of four satellite cities with modern amenities around Dhaka. Outside the command area of Rajuk, environment-friendly housing estates with necessary civic amenities will be set up in other parts of the country. To give effect to this program, a set of rules titled **Housing Project's Land Development Rules** is being framed.

146. As per our commitment in the last budget, a revised 'National Housing Policy' is going to be finalized very soon. In this context, let me

Real Estate

draw your kind attention to another important subject. Real Estate is a promising sector in our economy. It has created massive scope for investment and employment generation. Considering the importance of Real Estate sector, a bill titled **the Real Estate Act 2009** has been placed for passage in Parliament. In order to construct environment-friendly, safe and risk-free structures, revision of Bangladesh National Building Code (BNBC) is being carried out.

147. The problems of rural housing are quite different from those of urban housing. In rural areas, housing programs can be facilitated by having a good land use planning. This issue has been already discussed while deliberating on rural development.

Women Empowerment and Children Welfare

Mr. Speaker

148. In this age of globalization, establishing equal opportunity and equal rights for men and women is essential to face the challenges of the

**Women
Empowerment**

21st century. Therefore, we are continuing with our efforts according to the election pledge to establish a progressive society on the basis of equality. Our aim is to integrate women in the main stream of the society and the state. To achieve this, there is no alternative to ensuring women rights, empowerment and creating friendly working atmosphere for women. To this end we are taking steps to update our women development policy.

149. We have adopted plans for implementing new programs to increase women's participation in economic development. Under these

**Expansion of
Working Scopes
for the Women**

plans, steps will be taken to improve the living standards of disadvantaged women and children, introduce formal education for them and provide reproductive health care. We will extend computer training programs to 34 Districts to create employment opportunity for women. As a result, women will get more opportunity for employment in technology-driven jobs. By creating opportunities for training in new areas, efforts will be made to involve the disadvantaged women in income generating activities.

150. In my previous budget speech, I mentioned about taking initiatives

**Resisting Violence
Against Women
and Children**

to stop violence against women and children. We are working to create awareness about the rights of women and children, violence against them and trafficking of women and child. As part of these initiatives, One Stop Crisis Center has already been established in hospitals located in 6 Divisional towns. We will extend this program all over the country in the next financial year. This will ensure provision of emergency and legal assistance to those women and children who are victims of violence.

151. We have formulated **National Child Labor Elimination Policy 2010** to reduce prevalence of child labor. We are continuing with child

**Elimination of
Child Labor**

labor reducing activities to protect children from risky jobs. This will keep 40,000 children away from risky jobs and provide them with non-formal education in the next 3 years. As a result, they will be able to help parents in their work.

152. Our Government is quite conscious about protecting children rights and ensuring children welfare. Programs are being undertaken to assist in

**Setting up Child
Development Centers**

flourishing their latent talents and provide nutrition, education and amusement facilities which will be implemented in the next financial year. We have taken steps to set up 6 Child Development Centers in big cities. Gradually, this program will be expanded.

153. Currently, there are 18 day-care centers in Dhaka for taking care of children of working women. Out of these, 12 are for lower income and 6 for middle income working mothers. Government has decided to establish 10 more day care centers. Out of these, 7 are for lower income and 3 for middle income working mothers.

Day Care centre for Working Mothers

154. We are continually increasing allocation for this sector in order to ensure proportionate share of women in the budget to achieve gender parity. I propose to allocate Tk. 1241 crore, development and non development combined, for the next fiscal including Tk. 125 crore as block allocation against various programs for women empowerment and children welfare. About 25.9 percent (4.4 percent of GDP) of the total proposed expenditure in FY2010-11 will be allocated for ensuring gender parity.

Welfare of Freedom Fighters

Mr. Speaker

155. Freedom fighters are the finest sons of the soil. In my last budget speech, I expressed our strong commitment to the issue of improving socio-economic conditions of the nation's brave sons as well as to preserving the history and memories of our great Liberation War. I am now sharing with this august House the steps we have taken to fulfill this commitment.

156. In the current fiscal year, we enhanced the honoraria of the freedom fighters who received the titles of honor by 40 percent. I, now, propose to increase the allocation for such honoraria to Tk. 61.11 crore for the next fiscal year. We also made a pledge in the last budget to formulate policy guidelines to provide rationing facilities to the families of martyred freedom fighters who were given awards of honor and to those who were wounded. With great pleasure, let me inform this august House that we have begun distributing rations to 25,816 members upon finalization of this policy.

Rationing facilities for freedom fighters

157. In the last fiscal year, we increased the number of insolvent freedom fighters receiving state honoraria from 1, 00,000 to 1, 25,000. In the upcoming fiscal, I propose to raise the number of beneficiaries to 1, 50,000 by adding 25,000 more. At the same time, I am proposing to enhance the rate of honoraria from Tk. 1,500 to Tk. 2,000 per month. Meanwhile, scrutiny for identifying the genuine freedom fighters has already commenced to meet our pledge of last budget to bring all living freedom fighters into the fold of regular allowance system within FY 2010-2011. On completion of this activity, we will start our declared program by formulating a policy.

**Increased Allowances
for Insolvent
Freedom Fighters**

158. Apart from the above program, we are actively considering the issue of raising the rate of grants made to deceased freedom fighters' families, finalization of a policy guideline to provide overseas medical treatment to wounded freedom fighters of Liberation War, extending VIP facilities to the freedom fighters who have received awards of honor and those wounded in the War and giving all freedom fighters opportunity to travel free on trains, buses and launches as honored citizens.

**Providing other facilities
for the Freedom Fighters
and their Family Members**

159. We were, are and will always remain highly committed to the cause of preserving the memories of the freedom fighters and the great Liberation War. Following this commitment, the 1st phase of construction work of the underground museum, plaza, amphitheatre and other structures has been completed as a part of preserving the memories of the great Liberation War at Suhrawardy Udyan in Dhaka. The 2nd phase of construction of Crystal Tower has begun. The construction of the Freedom Fighter Complex building in all districts will begin from FY 2010-11.

**Protection of
Freedom Fighter's
Monument**

160. Here, I like to draw your attention to another issue. In order to salvage Bangladesh Freedom Fighters Welfare Trust from the precarious state of insolvency due to irregularities piled up over a long period of time, we have, meanwhile, taken steps to provide it a financial support to the tune of Tk. 17.18 crore.

**Re-vitalizing
Freedom Fighter's
Welfare Trust**

Expatriate Welfare and Overseas Employment

Mr. Speaker

161. The Government is attaching highest priority to the manpower export sector at present. Considering this, we made a commitment to establish an Expatriate Welfare Bank in FY 2009-10. We have already formulated a draft Act in this connection and expect to establish a bank very soon. Let me mention at the same time that we will establish, in the private sector, at least one Expatriate Bank with expatriate equity and management in the next fiscal.

Expatriate Welfare Bank

162. While we are on the subject, I like to mention that despite global economic recession, 4,75,000 workers went abroad in 2009. I have mentioned earlier that from their earnings, US\$ 10.7 billion was remitted which is the highest ever remittance flow to the country. Due to global financial crisis, manpower export to Saudi Arabia, Malaysia and Kuwait has declined compared to earlier times. Apart from the traditional labor markets, we have started exporting manpower to other countries like Libya, Lebanon, Sudan, and Algeria. Alongside, potential overseas labor markets are being explored by the Government.

Exploring New and Potential Labor Market

163. It is encouraging that our Hon'ble Prime Minister, herself, has taken a host of initiatives and actions to keep manpower export unrestricted. She has already visited Saudi Arabia, Kuwait, and Qatar and been to Malaysia recently. In addition to Middle East, actions are in progress to export manpower to the labor markets of Europe including New Zealand and Canada. In FY2010-11, the target for manpower export has been set at 5, 77,000 workers.

164. We are emphasizing more on exporting skilled manpower as there is no alternative for survival in this highly competitive market. Keeping this in view, we have created Immigration and Skill Development Fund in the last budget and allocated Tk. 70 crore towards this Fund. This fund will help develop skills of workers willing to go abroad, expatriate

Migration and Skill Development Fund

workers who have returned from abroad and the labor force working within the country and explore new labor markets. A new project has been taken up to establish 30 new Technical Training Centers and 5 new Marine Technology Institutes in 35 districts. This is likely to produce 100,000 new skilled workers each year.

165. Workers are not going abroad in a proportionate rate from different regions of Bangladesh. We are vigilant in ensuring regional parity in work force distribution also. However, in this regard, I would like to mention that the **National Skill Council** under the chair of the Hon'ble Prime Minister can make a significant contribution to manpower development in the overall context of the country and in establishing appropriate coordination among the concerned ministries and divisions.

**Coordination in
Skill Development**

Culture

Mr. Speaker

166. We can boast of a glorious liberal cultural heritage that incessantly inspired us throughout the great Liberation war. In my last budget speech, I spoke about formulating a medium term plan to revive our cultural arena neglected for a long time. Following this, a program titled 'Development of Indigenous Culture' has been undertaken as part of a planned and coordinated initiative. Regional Cultural Centers will be established under this program for spreading the nearly extinct folk cultures and practice of regional cultures. More effective steps will be taken for exploration and conservation of archaeological sites. Assistance will be provided to develop aboriginal and tribal cultures. In addition to recognizing their contribution to cultural development, we will provide financial assistance to the talented and reputed cultural activists in future. We want to promote private initiatives for cultural development. Under this scheme, private initiatives together with public partnership will be enhanced to support the performing arts like theater and *Jatra*.

**Development of
Indigenous Culture**

167. There is no alternative to publicity and promotion of our cultural heritage in order to build a positive image in the

**Broadcasting our
Culture in Abroad**

international arena. For this, along with arranging of cultural fairs in different countries, Cultural Centers will be established in New York and Kolkata. I believe these synchronized efforts will contribute positively to the creation of a congenial atmosphere for all creative pursuits in line with our election pledges.

168. In the previous budget speech I mentioned about formulating a coordinated policy for setting up public libraries and providing books for them. Setting up libraries and their modernization have been included in the programs we have taken this year. We are working on preserving and developing Bangla as well as ethnic languages.

169. In the next year's budget, therefore, I propose to allocate Tk. 314 crore, development and non-development combined, to continue with the existing programs including a special allocation of Tk. 100 crore for development of indigenous culture. This allocation is Tk. 161 crore or 105.3 percent higher than the allocation of the previous fiscal.

Religion

170. I can unequivocally state that Awami League Government believes in harmony among all citizens of different religions, irrespective of their caste, color and community. It is the most tolerant in respecting religious feelings of all religious communities. In our tenure, people of all religions are able to practice their religious customs and rituals independently in a highly secured and tolerant environment. You are aware of the kind of harassment that our pilgrims encounter every year in performing Hajj. Last year, our Government has successfully arranged the Hajj pilgrimage. We have already formulated a National Hajj Policy which, I believe will greatly ease the difficulties faced in performing the pilgrimage. In addition, our government in the last fiscal, provided grants to numerous mosques, temples and Islamic organizations on account of repairs and renovations of religious institutions. Pre-primary education was imparted to about 10,00,000 students, mass education to 96,000 students and the Quranic education to 21,00,000 students under the Mosque-based Child and Mass Education project. Moreover, training was imparted to 8,000 Imams through 7 Imam Training Centers. Under the Temple-based Child and Mass Education project, around 1,67,000 students were given pre-primary education and 5,850 persons were given adult education.

Minority and Backward Communities

Mr. Speaker

171. During our administration like before, we are playing an active role in putting an end, once for all, to terrorism, differential treatment and oppression of minority communities. We have been very firm in guaranteeing political, legal, administrative, and social security for them. We are continuing with our efforts to fully implement Chittagong Hill Tracts Peace Treaty.

172. We have also taken a number of initiatives for the development of backward communities. We are working for the well-being of the nearly extinct industry of pottery. We have established training centers with high quality furnace for them. This will help the potters to excel in their profession and earn profit by producing high quality pottery items.

Development of Potter Community
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173. In the same manner, we have undertaken a project for improving the living conditions of the less advanced **Garó** community of the country.

Improving the living conditions of Garó Community
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By arranging 2,400 income generation training courses and transfer of different resources, the lives and occupations of **Garó** communities of 6 **Garó** inhabited upazilas of 4 districts will be improved.

Development of Youth and Sports

Mr. Speaker

174. Three months ago on 6 March 2010, Hon'ble Prime Minister inaugurated the program of **National Service** in Kurigram District. We have already brought Borguna and Gopalganj districts under this program. The program will be implemented over a period from FY 2009-10 to 2012-13. This is basically a training program and is intended to generate temporary employment for the youth. During this period, 79,452 persons will be trained and provided with temporary employment. Through this

Youth Development

countywide program, our aim is to turn the unemployed and educated youth into skilled workforce through employment or self-employment as well as ensure their contribution in nation building activities.

175. Similar to culture, sports is also one of the key means for developing people's creativity in a country. It is essential to practice and nurture these two pursuits for improving physical capacity and fitness as well as developing intelligence and intellect. Last year, we successfully organized **South Asian Games** in Bangladesh and our sportsmen and women left their mark in various competitions. We achieved this success by being imbued with team spirit which needs to be sustained. Taking advantage of the arrangements required in making the event successful, we took steps to develop sports infrastructures in different districts and to construct multipurpose complexes at the divisional levels for qualitative improvement of indoor and outdoor games. We have upgraded 5 stadiums of the country to ICC World Cup standards. We are determined to make our mark in the arena of international sports. This is why we are giving emphasis on the proper selection and training of sportsmen and sportswomen.

Industry and Trade

Industrialization

Mr. Speaker

176. According to the projections made in our vision, we aim to raise the contribution of the industrial sector to GDP to 40 percent and the level of absorption of the labor force in this sector to 25 percent by 2021. For this purpose, the Ministry of Industry took the initiative to frame a new and updated industrial policy. We have already finalized the draft Industrial Policy 2010 through a consultative process. It will soon be considered by the cabinet. I believe that Government's policy and strategy regarding industrialization will be properly reflected here.

177. I mentioned that as part of our strategy for industrialization, we shall attach priority to the development of agriculture and labor intensive industry. The important sectors

Prioritized Industries

receiving priority will be among others: agro-processing, readymade garments and knitwear, shipbuilding and augmentation of Bangladesh's own merchant fleet, light engineering, pharmaceuticals, jute and leather goods and furniture. Under the new Industrial Policy, export-oriented industries will receive special incentives and support from risk fund as a thrust sector. Priority will be given to foreign direct investment and investment by the non-resident Bangladeshis (NRBs) in installing all kinds of renewable energy based power stations. In addition, incentives will be given for establishing institutions like BSTI in the private sector to test the quality of goods produced.

178. With a view to promoting labor intensive and environment-friendly industrialization, the land development work for the installation of a 200-

Labor intensive and environment-friendly industrialization

acre Leather Industrial City along the *Dhaleshwari* riverside of *Savar-Keranigonj* upazila has already been completed.

Establishment of a central effluent treatment plant and construction of a dumping yard is now underway. A Pharmaceuticals Industrial Park is being built to facilitate growth of factories for production of pharmaceutical raw materials. 25,000 people will find employment here. We have a plan to establish *Shahjalal* Fertilizer Factory with a production capacity of 5.77 lakh MT to increase the production of urea fertilizer in the country. By now, we have taken several measures to modernize and strengthen Bangladesh Standard and Testing Institute (BSTI) to ensure quality control for local products and achieve international standards.

179. The healthy growth of private sector will be the driving force of our economy. However, free market economy will not be sustainable

Facilitating Role of Government in the Development of Private Sector

without conscious government interventions. At the same time, it should not be dependent on government support. Government, therefore, will pursue a supportive and regulatory role to develop and sustain an efficient and dynamic private

sector. We are continuing with the process of establishing new industries and restructuring the existing ones by injecting working capital and industrial term loans through banking and financial institutions. The sick industries will either have to attain efficiency and survive by realigning production system or wind up. In this regard, various initiatives are at the

final stage and we expect an early resolution of this problem. Up to March 2010, Tk. 61,166 crore has been distributed as industrial loans of which Tk. 48,118 crore has been recovered which is 32.53 percent and 20.93 percent higher respectively than that of the previous year during the same period.

Mr. Speaker

180. Jute industry has been playing a very important role in national economic development. Once the golden fiber, jute has again restored the confidence of our farmers. In the current fiscal, in an attempt to revive the jute sector, jute mills under the Bangladesh Jute Mills Corporation (BJMC) have been financed with an allocation of Tk. 1,092 crore from the public exchequer, in the form of cash and bank guarantees. Besides, 10 percent cash incentive has been given from the public exchequer to support export of jute goods. A refinancing fund of Tk. 500 crore has been created for the public jute mills to overcome liquidity crisis. In brief, we are taking all the steps that are economically viable to restore the lost pride of the sector. However, this industry needs to stand on its own feet by competing with the private sector and by freeing itself from the centralized control of BJMC.

181. Tourism is a potential sector in the country. We have given special emphasis on the development of this sector. A law titled **Bangladesh Parjatan Board Act 2010** has already been enacted to facilitate overall development, operation and promotion of the tourism industry and services. Besides, **The Bangladesh Conservation and Preservation of Tourism Areas and Exclusive Tourist Zone Ordinance, 2010** has been promulgated for identifying and preserving potential areas for tourism, declaring exclusive tourist zones, attracting both domestic and foreign investments in these areas and preventing erection of unplanned structures and related operations in the reserved areas. Moreover, we are continuing with the development programs for improving tourism facilities in different parts of Bangladesh.

182. Referring to my previous budget speech, let me reiterate that by suspending privatization and introducing reforms we will make the existing enterprises productive. We have already taken up various training

**Increasing the
Standard of State
Owned Industries**

programs for the workers of nationalized industries to enhance their productivity. 2,430 workers have been trained through 82 training courses organized till now. Sick enterprises having no chance or likelihood of becoming effective and those, which have been sick since 15 years, will be identified and given the option to exit the industrial sector.

Small and Medium Enterprises

Mr. Speaker

183. Considering the SME sector as one of the main agenda of economic development, for the first time in 2010, we have fixed a target of Tk. 23,995 crore as SME loan to be disbursed by the banks and financial Institutions. The banks and financial institutions will distribute loans to the SMEs and women entrepreneurs in accordance with the ascertained target.

Credit Target in SME Sector
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184. Under the ‘SME Re-financing Scheme’ managed by Bangladesh Bank, an amount of Tk.1,541 crore has been refinanced from three funds up to April, 2010 to various banking and non-banking financial institutions. The beneficiary coverage of this scheme is 15,672 SMEs.

SME Refinancing Fund

185. In order to create an equitable and well-organized development of the industrial sector, a directive has been issued to establish a ‘Women Entrepreneur Dedicated Desk’ in each bank and financial institution to ensure better opportunity for the women entrepreneurs to receive loans on easier terms and conditions.

Women Friendly SME Activities
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Trade

186. We have already updated the Import-Export Policies as pledged in my previous budget speech to deal with the global competition induced by free trade of commodities and extensive changes brought in by globalization and impacts of free market economy. I also announced in the last budget about

Expansion of Trade

taking a number of measures to reduce cost of doing business in the country. In this connection, under the **Import Policy Order 2009-12**, some of the important steps taken are – without opening Letter of Credit (L/C), facilities are provided for importing (1) daily essential food stuff (2) machineries and spares for industries established under 100 percent foreign initiatives and (3) raw materials and capital machineries for garment manufacturing industry regardless of price ceilings. The bank interest rates have been lowered to 12 percent and from 15-16 percent for importing daily essential food stuff and to 13 percent in case of other items.

187. We are at the final stage of formulating Competition Act, 2010 with an aim to ensure fair competition in the free market economy by preventing all forms of anti-competitive arrangements and taking necessary steps against such activities. The Competition Commission will be formed and its terms of reference will be determined under this Act.

Ensuring Fair Competition

188. Taking steps to transform the Trading Corporation of Bangladesh (TCB) into an efficient and effective institution to keep the essential food prices stable and within people's purchasing power, is a very well-timed initiative. We have not yet been able to strengthen TCB by providing necessary manpower and ensuring budget allocation as mentioned in my previous budget speech. However, within a very short time, we intend to move ahead with an action plan in this regard.

Transforming TCB into an Effective Organization

189. We have already formed National Consumer Rights Protection Department along with National Consumer Rights Protection Council under the Consumer Rights Protection Council Act, 2009 to protect consumers' interests and ensure supply of quality products at fair prices. Under the Act, Consumer Rights Protection Councils will also be formed at the district level soon.

Consumer Rights

Climate Change and Environment

Mr. Speaker

190. Now, I am going to discuss the most talked about issue of the time which is also an extremely important issue of concern for the existence of our large population i.e. Climate Change and Environment. We are working persistently to reduce the adverse effects of climate change and environmental disasters. The activities include regular dredging of rivers and canals, strengthening embankments and establishing adequate number of cyclone shelters in coastal areas, reducing the level of air pollution arising from fossil fuel used in vehicles, controlling environmental pollution due to industrialization, protecting bio-diversity, expanding afforestation as well as preserving the limited forest lands of Bangladesh and producing sufficient number of environmental experts.

191. Considering the need to mitigate the effects of disasters and natural calamities due to climate change and to rehabilitate the dislocated people, we allocated Tk.700 crore in the previous budget. In the next year's budget, I also propose to allocate Tk. 700 crore for this purpose. For the rehabilitation of the dislocated population from areas affected by climate change, steps have been taken to construct cyclone resistant dwellings in the Aila-affected districts under Khulna, Barisal and Chittagong division by utilizing this allocation. Recently, a fund titled **Bangladesh Climate Change Resilience Fund (BCCRF)** has been created with an amount of US\$ 110 million.

**Capacity Building in
Disaster Management**

192. Apart from this, a policy titled **Climate Change Trust Fund Policy** has been approved by the cabinet as part of an integrated plan. A law governing this trust fund is awaiting approval. In designing projects by all ministries, environmental priorities are receiving special attention. The Directorate of Environment has taken initiatives to open field offices in every district and to develop a climate change central database in the headquarters.

**Legal and
Administrative Steps
in Coping Disaster**

193. In order to prevent environmental disasters, steps are being taken following last year's pledge to reduce the level of air pollution caused by fuels and vehicles. Monitoring stations have been set up in Khulna and other large cities of the country to monitor the air quality. To prevent industrial pollution, industries are regularly being subjected to enforcement and monitoring activities. As it is mandatory to install effluent treatment plant by the industries causing severe pollution, environmental clearance certificate is issued only to those industries which have installed such plant. A refinancing fund of Tk. 300 crore has been created to facilitate installation of effluent treatment plant by the industries.

**Reducing the Level
of Air and
Industrial Pollution**

194. We have enacted **Medical Waste Management and Administration Act 2010** and framed **Medical Waste Management Rules 2010** to improve management of waste disposal by the government/private hospitals and clinics of Dhaka city by separating conservation and management of domestic and clinical wastes in various hospitals/ clinics. Besides, formulation of 'Solid Waste Management Rules 2010' is now at final stage.

**Waste
Management**

195. To maintain environmental balance and to attain self-reliance in forest resources, there is a plan to bring 20 percent of land of the country under afforestation program through 16 investment projects targeted for launching in the next fiscal. Apart from this, the ongoing social afforestation programs are playing significant role in poverty reduction.

**Maintaining
Environmental Balances**

196. We are continuing our efforts to modernize the forecasting and warning system for climate change effects. By using advanced technology, we have a plan to automate the existing flood-forecast and warning system in the *Brahmaputra* Basin in future. We will soon take necessary actions to forecast the effects of salinity and improve basin management on coastal areas through 'Climate Change Adaptation' and 'Disaster Risk Reduction' programs.

**Modernization of
Early Warning and
Cautionary System**

Chapter III

Public Welfare and Good Governance

Mr. Speaker

197. The traditional role of a state is to safeguard its sovereignty and maintain law and order. Whereas the principal objective of a modern state is to ensure public welfare which requires good governance and robust development activities. Poverty reduction and employment generation are the most important programs to ensure public welfare in Bangladesh.

Poverty Reduction and Employment Generation

Poverty Reduction and Social Security

198. Poverty reduction through acceleration of economic growth has been the principal focus of discussions that I have made so far on various sectors. Ensuring social security of the poor and their empowerment through employment are at the heart of all of our poverty reduction agenda.

199. I mentioned in my previous budget speech that our overall social safety net framework is divided into four categories:

- Provision of special allowances for different underprivileged sections so that the poor and the disadvantaged can face the incidence of poverty to a certain extent
- Employment generation for poverty reduction through micro-credit and different funds/programs
- Food security programs for managing disaster and ensuring food security
- Providing support to the new generation in the areas of education, health, training and vocational competence to enable them to make strides breaking the circle of poverty

200. Keeping these objectives in view, we have already taken several steps. Their coverage will expand further in the upcoming fiscal year:

- The rate of **Old Age allowance** was increased by 35percent in the current fiscal year. The number of beneficiaries was 22,50,000. In the next fiscal year, I propose to widen the beneficiary coverage to 24,75,000 and allocate Tk. 891 crore to support the program.
- Tk. 93.60 crore was disbursed as **allowances for the Insolvent Disabled** persons. In the next fiscal, I would like to increase the number of beneficiaries to 2,86,000 and allocate Tk. 102.96 crore for this purpose.
- In the current fiscal, there was an allocation of Tk. 33.60 crore on account of **allowance for Poor Lactating Mothers**. I propose to allocate Tk. 43.60 crore on this account in the next fiscal year. At the same time, I propose to allocate Tk. 30 crore for allowances for lactating mothers of low income working group in urban areas.
- Moreover, I propose to allocate Tk. 66.40 crore and Tk. 225 crore respectively in the next fiscal, for two programs namely **Maternal Health Voucher Scheme and National Nutrition Program**.
- I propose to allocate Tk. 2 crore for **Acid Burnt Women and Rehabilitation of Physically Disabled and Women Self-employment Fund** for FY 2010-11.
- The number of beneficiaries under **Widow, Divorced, and Distressed Women Allowances Scheme** is 9.2 lakh. I propose to allocate Tk. 331.2 crore in the next fiscal for this purpose.
- In the current financial year, Tk. 63.02 crore was allocated for launching different development **programs for the welfare of street children and orphans**. The total number of beneficiaries was 62,000. I propose to allocate Tk. 73.13 crore for these programs in the next fiscal.

- In the current fiscal, we have introduced a program titled **Disabled Service and Assistance Centers** to provide one-stop service to the disabled persons. We are awarding stipends to the disabled students. We will enhance the amount of grant for **Endowment Fund** for Social Welfare Parishad and Disabled Foundation. I propose to allocate Tk. 33.32 crore for these programs in the next fiscal year.
- **Eradication of begging** as a profession is our election pledge. In order to eradicate begging and to adopt rehabilitation and employment programs, preliminary activities related to conducting a survey on beggars including the processes of appointing NGOs for the survey have already begun. We are confident that we will be able to initiate specific programs for rehabilitation and employment of beggars by FY2010-11.

Eradication of begging profession
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- I have already proposed to distribute various quantities of food stuff under **Food Security** programs such as open market sale of food at low prices, food for work, VGF, VGD, TR (food), GR (food) and food assistance for Chittagong Hill Tracts. In the next financial year, I propose to allocate Tk. 5,726.25 crore for these programs.
- In the current fiscal, Tk.1,176 crore was allocated for the program titled **Employment Generation for the Hard Core Poor**. In the first phase, employment has been generated for about 6, 00,000 people in 16 districts. In the second phase, we have a plan to create employment opportunities for about 17, 00,000 people in 64 districts across the country. I propose to allocate Tk. 1,000 crore for this purpose in FY2010-11.
- At the same time, under ADP in the next fiscal, I propose to allocate Tk. 140 crore for Rural Roads Maintenance Project creating employment for the poor laborers, Tk. 77.69 crore for protection of Government assets and Rural Employment Project, Tk. 68.45 crore for creating employment for the hardcore poor of *Monga* areas and Tk. 3,546.68 crore for raising the living standard together with employment of the people living in *Char* areas and other poverty reduction projects.

201. We have taken steps to develop a database on the beneficiaries of Social Safety Net programs. We want to ensure coordination among delivery of various social services and install appropriate monitoring, surveillance and evaluation mechanism. We are actively considering introduction of a pension insurance scheme in future for the welfare of the disadvantaged and low income groups of people. Our long term goal is to establish a sustainable social safety net system in the country.

Integrating Various Programs and Constructing a Database

202. Ghore Fera (Returning Home) program is one of our major commitments announced in the previous budget as part of ensuring social safety and improving human poverty. To implement this program, a policy has already been formulated and a Ghore Fera Program Cell has been established in the light of this policy. A survey has been conducted on 2,083 families and after scrutiny, 221 families dwelling in slum areas have been selected for rehabilitation. Loans have also been distributed among 120 families. In future, the coverage of this program will be widened.

Program for Returning Home

203. I apprised you earlier about the progress of implementation of **One House, One Farm** program. We have not yet been able to establish coherence among the programs on planned rural housing, employment generation, Adarsha Gram and Ashrayan. However, efforts are underway to achieve this.

204. Alongside the non-government agencies, different government ministries/divisions/agencies are operating micro-credit programs for employment and income generation as well as development of the poor and deprived. Besides, Karma Shangsthan Bank, Palli Karma Shahayak Foundation (PKSF) and Palli Daridro Bimochan Foundation (PDBF) have been continuing with various lending schemes for the underprivileged.

Micro Credit Programs of Different Government Organizations

205. Continuing with all our social safety net and social empowerment programs, I propose to allocate Tk. 19,497 crore which is about 14.8 percent of development and non-development outlays and 2.5 percent of GDP.

Employment Generation

Mr. Speaker

206. According to the latest statistics, our country has a labor force of about 5 crore aged 15 years and above. Of which about 20 lakh are employed in the public sector. Each year about 20 lakh people are entering the labor market. In my previous budget speech, I mentioned that employment generation for the present labor force including those who are unemployed is one of the main election pledges of this Government.

207. In our attempt to create such huge employment opportunity, the line of policies and strategies that we emphasized on in my previous budget speech included - generating employment opportunities in agriculture and rural sector, giving priority to the construction of labor intensive infrastructures, strengthening self-employment opportunities through micro-credit programs, organizing special training programs for sending the workers abroad, providing greater facilities for development of small and medium industries and integrating them with larger industries and helping to create sub-contracting relationship and generating employment opportunities for the hardcore and ultra poor. I have already recounted our plans and progress on employment generation in several sectors while giving my reflection on various sectors.

208. In FY2009-10, through different programs under development and non-development budget, we have created employment opportunities equivalent to 526.7 lakh man months. Under the proposed budget for FY2010-11, an estimated total of 621.6 lakh man months of employment will be created which is 98.4 lakh man months higher than the previous year. These additional man months will provide employment opportunities for 39.5 percent of the unemployed population of the country.

Financial Sector

Mr. Speaker

209. The remarkable aspect of our financial sector is that for the first time, Bangladesh has attracted the attention of two internationally reputed agencies working on sovereign credit rating. Recently, Standard and Poor's (S&P) and Moody have enlisted Bangladesh in their Sovereign Credit Rating system giving us BB- and Ba3 ratings respectively. According to these ratings, Bangladesh has earned the equivalent status of Philippines, Indonesia and Vietnam in terms of loan repayments. Though in South Asia, Bangladesh is behind India, it enjoys a higher status in comparison to Pakistan and Sri Lanka. It is expected that these ratings will facilitate higher foreign direct investment flows, reduce the cost of Letters of Credit (LC) and as a result, imports will be cost effective and exporters will be benefited. It should be mentioned here that inclusion in the rating lists has placed on us much higher responsibility. We will not let our status to go down and strive to reach a better position. I would also like to mention that our industrial and commercial undertakings should also be aware of their own credit ratings and for which we will allow more professional credit rating agencies to work in the country.

Sovereign Credit Rating

210. In my previous budget speech, I mentioned that an efficient financial sector is a prerequisite for economic development. Keeping this in view, we are going to take a number of steps to reform this sector. Significant among these include automation of all activities of Bangladesh Bank in order to enhance its efficiency and to enable it to play a more effective role in the financial sector. As part of this initiative, connectivity has been established among all divisions/offices of Bangladesh Bank to set up inter-bank networking. The Credit Information Bureau of Bangladesh Bank has begun providing online services in order to effectively store data on the clients of banks and financial institutions. This year a new division called Banking and Financial Institutions Division has been created under the Ministry of Finance. Distribution of responsibilities between this division and other regulatory financial institutions (such as Bangladesh Bank, Securities and Exchange Commission (SEC) and Insurance Development

Reforms of Financial Sector

and Regulatory Authority) is an ongoing process. In the next year, the regulatory regime relating to banking and financial institutions will be reformed and rules governing SEC will be revisited in a bid to reform them also. Reforming the Companies Act would be our next agenda.

211. In order to raise the level of efficiency of the banking sector of Bangladesh to international standards by further strengthening of their activities and to make capital reserve more risk-tolerant and stronger, Basel-1 along with Basel-2 are being implemented. However, we have started implementing Basel-2 in its entirety since 1 January 2010. This will establish a direct linkage between risk management and risk-based capital adequacy requirement in the banking sector.

**Strengthening
Banking System**

212. Another remarkable achievements in the banking sector development is establishing Bangladesh Development Bank Ltd. by unifying Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Shangstha (BSRS) as a specialized bank to provide loan facilities to industrial institutions and to assist in setting up new industries in our country.

213. In order to make the program for prevention of money laundering more effective, Money Laundering Prevention Act 2009 and Anti-terrorism Act 2009 have been enacted. By these Acts, Insurance Companies, Money Changers, Companies remitting and transferring money along with banks and financial institutions have been brought under the accountability regime of Bangladesh Bank. A Financial Intelligence Unit (FIU) has been established in Bangladesh Bank under the Money Laundering Prevention Act 2009. Memoranda of Understanding (MOU) have also been signed with seven countries for mutual exchange of information with foreign FIUs on cash smuggling and financial transactions.

**Controlling Money
Laundering**

Mr. Speaker

214. Insurance plays an important role in expanding trade and commerce in a country and reducing the risks-related problems in people's lives. For this purpose,

**Reforms in
Insurance Sector**

a new law titled 'Insurance Act 2010' to update the 'Insurance Act 1938' has been enacted. In order to synchronize the activities of the existing 'Insurance Department' with Insurance Act, to maintain proper control and supervision of the sector, to protect the interests of policy holders and beneficiaries under insurance policies, to strengthen the financial base of insurance sector and to enhance the capacity to manage the sector, a law titled 'Insurance Development and Regulatory Authority Act 2010' has been enacted in Parliament. We will establish an 'Insurance Development and Regulatory Authority' very soon.

215. Although capital markets of different countries of the world, especially New York, Tokyo, London, Mumbai and few others collapsed in the face of global recession, the capital markets of Bangladesh remained quite buoyant at that time. Market capitalization stood at 21.4 percent of GDP following keen interests showed by the investors in the capital market. By the end of April 2010, capitalization rose to 34.2 percent. By the end of April 2010, the number of BO (Beneficiary Owner) accounts has increased to 25,06,000.

**Reforms of
Capital Market**

216. It cannot be denied that given the growing number of ordinary investors in capital markets, limited supply of securities and investors' expectation for more profit at times makes the market volatile. Nevertheless, various steps have been taken to maintain market stability and to establish a transparent and vibrant capital market while deepening it. Market monitoring has been made stronger. Loan-margin has been refixed. Rules regarding the alternative evaluation procedure of shares i.e. Book Building method have been issued. Over-the-counter (OTC) market has been introduced in Dhaka Stock Exchange to transact securities of de-listed companies. Already, off-loading of shares of 5 state-owned companies has been completed. The divesting of shares of 26 companies is under way. A plan has been adopted to establish an institute titled 'Bangladesh Institute of Capital Market' to improve the institutional governance by enhancing capacity of investors, intermediaries and companies.

**Measures
Undertaken**

217. While presenting the budget of FY2009-10, I stated that in order to attract foreign investment, we would emphasize on reducing the cost of doing business by ensuring

Investment

administrative reforms and making utility services easily available. I am pleased to inform you that, according to the report titled **Doing Business 2009** published by the World Bank and the IMF, Bangladesh ranked 119th in 'Ease of Doing Business: Global Rank' among 183 countries whereas India ranked 133rd. In the current year, the sign of our sliding from this position is a matter of concern. I express my firm commitment to correct this situation. Moreover, Bangladesh's ranking is 20th in case of protection of investors. In addition, Bangladesh's position is 71st in terms of receiving loans and 89th and 98th in terms of tax payment and business initiation respectively.

218. In my previous budget speech, I expressed my optimism on the issue of establishing Economic Zones in different parts of the country. I am pleased to inform you that for this purpose, we have framed 'Bangladesh Economic Zones Act 2010' which is awaiting approval of the Parliament. Government will encourage entrepreneurs to set up industries in these zones by providing various supports along with development of physical infrastructure.

**Measures in
Attracting
Investment**

Foreign Policy

Mr. Speaker

219. A number of basic perspectives became pronounced in the first year of our Government's foreign policy management. In this year, steps have been taken to restructure the ministry, in terms of both vision and structure, to enable it to face the challenges of new dimensions added and signs of new horizons that have become visible in the arena of 21st century global diplomacy. In the international circle, the image of Bangladesh as a responsible and positively contributing state has become greatly visible. Rather than playing a reactive role, Bangladesh has taken tangible steps to influence the effects of global incidents. Meanwhile, Bangladesh's diplomatic relations with neighboring states have become stronger and closer and her image as a secular and democratic state has been restored in the international arena. Bangladesh has been elected as the Chairperson of

**Regaining the Prestige
of the Country in
International Arena**

UNICEF executive board and as member of the governing boards of UNDP and UNFPA, as member of International Maritime Organization (IMO) Council, Executive Committee of Economic Social Council (ECOSOC) and UNESCO board.

220. Another issue worth mentioning here is that our Hon'ble Prime Minister, herself, is leading from the front to take forward the country's agenda for positive diplomacy. Her historical visits to India, China, Bhutan, Saudi Arabia, Kuwait, Qatar and Sweden have consolidated the interests of Bangladesh and established the country as a reliable, active and effective state in the world.

**Successful
Diplomatic Initiatives**

221. In my previous budget speech, I mentioned that according to our foreign policy designed in the light of our election pledge, we have already identified the areas of cooperation with neighboring countries in order to strengthen diplomatic ties with them. On that basis, in the light of economic diplomacy, we have placed special emphasis on regional and sub-regional cooperation to augment trade and investment. In order to strengthen regional cooperation within SAARC, under the dynamic leadership of our Hon'ble Prime Minister, we have taken active steps to bring the fruits of development to the people of this region by identifying specific areas of cooperation with India, Nepal and Bhutan. At the same time, steps have been taken to extend the areas of cooperation with China and Myanmar.

**Regional and
Sub-regional
Cooperation**

222. I would like to present briefly before this august House the steps taken to materialize the ideas of regional/sub-regional cooperation. These include: removal of tariff and non-tariff barriers between Bangladesh and India; reducing the number of Bangladeshi exportable items in the list of import banned items of India; development of BSTI to ensure acceptance of BSTI (Bangladesh Standard Testing Institute) certificate by India; opening two more land ports at *Ramgar-Sabroom* and *Demagiri-Tegamukh* points between Bangladesh and India; development of the existing land ports and introducing border *hats* experimentally; declaring *Ashuganj* of Bangladesh and *Shilghat* of Tripura as Ports of Call; establishing *Akhaura-Agartala* railway linkage with financial

**Steps Taken in
the area of
Cooperation**

assistance from India; providing India the facility to use Chittagong and Mongla Ports by developing them and thereby, paving the way for their use by Nepal and Bhutan also.

223. Besides this, effective steps have already been taken on issues like obtaining India's consent to use land port at *Banglabandh-Fulbari* border to expand trade with Bhutan and Nepal; use of *Rohanpur-Singabad* rail track between Nepal-Bangladesh and *Biral-Radhikapur* rail track between Bhutan-Bangladesh for commodity transportation; supply of dredgers by India to participate in the river-dredging program of Bangladesh; agreement on sharing of *Teesta* River water and pledge by India that no project detrimental to Bangladesh will be implemented at *Tipamukh*; signing of Memorandum of Understanding for supplying 250MW electricity to Bangladesh from the existing power grid of India as part of long term cooperation in power sector; obtaining long term loan of US\$1 billion i.e. about Tk.7,000 crore from India at a concessional rate as a token of cooperation in investment; obtaining financial assistance from China for developing road communication up to Kunming Province.

Defense

Mr. Speaker

224. I mentioned in my previous budget speech that our Government would like the armed forces to remain above all controversies and to that end, we want to continue to enhance the defense capability of our country by restructuring the defense system. We are continuing with enhancing the facilities of higher training, providing modern military hardware and other benefits for the defense forces while reinforcing our diplomatic initiatives to ensure national security. In this context, I must mention that the members of our defense forces simultaneously with making immense contributions towards improving the image of the country by discharging duties with high reputation in different peace keeping missions. I would like to express my personal gratitude to them.

Modernization of Defence Force

225. I also mentioned in my previous budget speech that steps will be taken to formulate a national defense policy reflecting

Formulation of Defence Policy
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people's expectations. We have already taken an initiative in this regard and expect to finalize the policy in the next financial year.

226. Taking into consideration the overall role of defense services in security and development of the country and their glorious image in the international arena, I propose to allocate Tk.10,695 crore for defense sector in the budget for FY2010-11, which is Tk.1,512 crore higher than the allocation of FY2009-10.

Land Management Development

Mr. Speaker

227. While presenting the half-yearly budget implementation report earlier, I informed the Parliament of the successes achieved by the present

Land Management

 Government in digitizing land management system. I mentioned that our aim is to introduce a digitized system in order to modernize the land management practices and break free from the shackles of the archaic system.

228. Apart from this, I would like to mention that over the last one year, we have taken steps in the area of land registration process, to simplify as well as reduce time and expenditure spent in the

Ensuring Land Related Services

 process and make it possible to deposit all sorts of fees and taxes with a single pay order. Besides, in the case of land registration, prices of land have been refixed. As a result, registration costs have become consistent with prices of land. We have also taken several steps to reduce land-related complications in order to ensure that general public receives better services at the land offices. Directives have been issued to the Deputy Commissioners and Assistant Commissioners (Land) so that mutation process is completed within 30 days, tax received transparently and proper services delivered from the collectorate record rooms. The monitoring mechanism has also been strengthened.

229. Since the present Government assumed office, the Ministry of

Distribution of Khas Land

 Land has completed distribution of 10,227 acres of cultivable khas land among 22,261 landless families.

This will not only help reduce poverty but will also assist in increasing the total agricultural production. During this fiscal, a target has been fixed for distribution of 5,534 acres of cultivable khas land among 34,532 landless families across the country.

230. At present, sand and soil lifting is going on in an unrestrained manner in the country. This is harmful to the environment and at the same

**Management of Sand
and Soil Bodies**

time hinders development as well. Therefore, we are formulating **Balu Mahal and Soil Management Act 2010** to tackle the problems related to leasing of land and *Balu Mahals*, lifting of soil and sand, control and marketing of sand and soil, and to prevent related crimes.

231. As you know that the people of this country are being harassed regularly due to vested property related complications. To stop this kind of

**Removing the
Complicacy Relating
to Vested Property**

harassment and ensure proper management of vested property, steps have been taken to implement **Vested Property Return Act, 2001** and to place the **Vested Property Return (Amendment) Act, 2009** before the Parliament. I hope, on enactment of **Vested Property Return (Amendment) Act, 2009** and implementation of **Vested Property Return Act 2001**, all sorts of vested property related problems will be resolved.

Activities of the National Parliament

Mr. Speaker

232. I mentioned in my previous budget speech that from the very beginning we are exerting our efforts to make the Parliament a strong

**Meaningful National
Parliament**

institution in all respects. In this connection, I like to state that in order to uphold the institutional dignity of parliamentary democracy, the present Ninth Parliament has been working relentlessly to make each session significant and more effective. 48 Standing Committees have been established in the first session to ensure transparency and accountability of all Government activities. Till date, 472 meetings have been held.

233. About 3,000 proposals/recommendations/decisions were made in these meetings. Those recommendations were sent to the concerned ministries/divisions for implementation.

234. Although the opposition members remain absent very often from the parliamentary sessions, the Hon'ble Speaker always extends special privilege to them to ventilate their views whenever they are present. Despite the fact that the opposition party has few seats in the parliament, we feel that they have got to play a special role in establishing good governance. I expect that they will play an active and constructive role by joining the budget session.

Strengthening Local Government

235. Under a decentralized regime, people's participation in development work can be ensured through a strong local government structure. We have already framed necessary laws relating to local government system to enhance the administrative and financial authority of local government institutions, to adopt and implement plans at the grassroots level through active participation of people in a democratic process and to ensure good governance at different levels.

Necessary Legal Reforms

236. Admittedly, upazila and union parishads are not being able to function properly. With the support of 'Local Government Support Project' (LGSP), chairmen, members and secretaries of union parishads are being provided with training. It is expected that this will yield good result. The principal weakness of union parishads lies in serious procrastination in holding elections. We have taken steps to reform upazila parishad legislations and frame its terms of reference. We hope this will infuse dynamism in the activities of upazila parishad in near future.

237. Our Government feels that the local government institutions need to be strengthened to take the benefits of development and service delivery to the people's door steps. The activities affecting larger communities such as education, health, social welfare and rural civil works should be

extensively decentralized and related powers and responsibilities should be devolved. Government also feels that the zila parishads should be restructured to turn them into strong local government institutions. We regret the delay in implementing this agenda. However, I would like to apprise this esteemed House that this is receiving Hon'ble Prime Minister's special attention.

Public Administration Reforms

Mr. Speaker

238. I stated in my previous budget speech that we need to have a modern, efficient, corruption-free and service-oriented public administration to implement the charter for change. To this end, major reforms in public administration have become absolutely necessary. We have taken up the required reform activities.

Building an Efficient Public Administration
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239. Reform interventions are underway in certain areas. For example, Performance Based Evaluation System (PBES) has been introduced in the Ministry of Establishment on pilot-basis. The draft Civil Service Act has been prepared and it is in the process of finalization by holding discussions, workshops and exchange of views with different stakeholders. A number of activities are underway to reform rules of promotion, policies for appointment/transfer, career planning, structural reform of the field administration and clustering of different ministries. Updating and revising the National Training Policy are also taking place to enhance the scope for higher training of public officials. Moreover, the program for initiating digital file management system has already been undertaken.

Performance Based Evaluation System
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240. We had another important commitment to raise the pay scales of government officials according to the recommendations of the Pay Commission. We have fulfilled that promise by awarding an acceptable pay structure to all.

Law and Order and Rule of Law

Mr. Speaker

241. We want to guarantee the rule of law and justice. To this end, we have taken a firm stance against the extreme communal forces and militants. We remain vigilant against militancy across the country. We are taking appropriate steps to expedite the ongoing criminal proceedings and ensure that fair inquiry takes place in each case. By and large, the right to lodge complaints against crimes and misdeeds has been established in the country and the law and order situation in rural areas has greatly improved. In certain cases, there are complaints against extortion and corrupt bidding practices and particularly in Dhaka, the tendency for committing such offences cannot be denied. In this regard, efforts are underway to strengthen the law enforcing agencies. We have put political interference under the leash.

Improving the Law and Order Situation

242. 'Marine Police' and 'Tourism Police' have been formed in order to strengthen the police force of the country. Steps are being taken to form 'Industrial Police'. Restructuring of CID, SB and Highway Police is also going on.

Strengthening the Police Force

243. The present democratic Government has enacted The Code of Criminal Procedure (Amendment) Act, 2009 following the separation of judiciary as stipulated in the Constitution. Consequently, the separation of judiciary has taken firm roots. The number of Judges in the Appellate Division of Bangladesh Supreme Court has been increased. In addition, necessary steps are being taken to introduce Alternative Dispute Resolution (ADR) as a new and effective strategy in both lower and upper courts to accelerate the judicial process. In this regard, I may point out that the present Government is determined to establish the rule of law and ensure good governance. For this purpose, the Legislative and Parliamentary Affairs Division has been created under the Ministry of Law, Justice and Parliamentary Affairs to draft new laws and revise and improve the existing laws.

Law and Justice

244. According to the Articles 27 and 31 of the Constitution of Bangladesh, all citizens are equal in the eye of law and have equal rights to the refuge of law. In order to guarantee this constitutional right, our Government enacted 'Legal Aid Services Act 2000' to offer legal aid to financially insolvent, helpless and persons unable to get justice due to various socio-economic causes.

Rendering Legal Assistance to the Financially Insolvent People

An organization called 'National Legal Aid Organization' has been set up under this Act. Through this organization, the Government is offering legal aid to the helpless litigants. Under this program, 9,241 persons have been provided with legal aid services at government costs in 2009 and 3,180 cases have already been disposed off. I believe the development of modern democracy and people's welfare depends on striking a proper balance among the three organs of the state- Legislature, Judiciary and Executive.

Independence of Mass Media

245. In my previous budget speech, I said that once we can ensure freedom of the media as well as free flow of information, accountability and transparency will be enhanced, corruption will be reduced and good governance will be established. In this connection, let me state that this Government has not meddled with mass media in any way. The journalists can publish news on all of our activities without any interference. However, I would like to request all senior and renowned journalists working in newspapers, electronic media and other institutions of the country to arrange training for their junior colleagues. At times, the level of professionalism in this field falls short of expectations and I feel saddened at the lukewarm efforts of our journalist friends in conducting investigative journalism. In this regard, the senior journalists and the editors can play a positive role. I would request the owners of newspapers to offer decent emoluments to the journalists following the Wage Board Award. I propose to allocate Tk. 3.08 crore in favor of the Press Institute to provide training to the journalists.

Combating Corruption

Mr. Speaker

246. I mentioned that corruption is one of the impediments to development. Good governance cannot be ensured without rooting out

**All-out Cooperation
in Combating
Corruption**

corruption. In this connection, I would like to add that we are not claiming that we have driven away corruption of smaller degree at the lower levels after we assumed office. However, I believe that no one will be able to cite an example of state level corruption. Meanwhile, to ensure effective countrywide prevention of corruption, a number of amendments in the existing Anti-corruption Act have been approved by the cabinet. These proposed amendments are expected to address the shortcomings of the existing Act. At present, it is being compared with the laws of other countries. Moreover, we remain ever vigilant that enforcement of Anti-corruption Act does in no way violate fundamental human rights. We want that Anti-corruption Commission (ACC) stays independent and remains accountable. Ensuring its independence in conducting inquiries is given due importance.

247. We have introduced on-line tendering in order to ensure transparency in all public procurements. Apart from this, we have been maintaining a firm stance against waiver of principal amount while rescheduling of loans as an effective step towards curbing the loan defaulting culture. We hope that these steps will reduce corruption in different sectors.

Chapter IV

Revenue Mobilization Program

Mr. Speaker

248. So far, I have presented the action-plan and the budget allocations for the next fiscal year before this august House. However, this action-plan is not enough to address the myriad of problems that our huge population faces. Given the level of our economic development, the proposed budget activities pose an enormous challenge for us. In FY2008-09, the level of total government expenditure stood at Tk. 88,050 crore which stands at about Tk. 1,10,000 crore in FY2009-10. Conventional wisdom suggests that it is desirable for each of us to strike a balance between income and expenditure. Government, by and large, operates following the similar principle as well. Nonetheless, government has the scope to bridge the gap between its income and expenditure by some other means. Some of the gaps are met from external assistance while some are met through domestic borrowing. In order to strengthen our macroeconomic stability, we are constrained to keep our income-expenditure gap within a certain threshold limit. Considering our vast range of activities, we would like to keep that limit within 5 percent of GDP. The estimates we have prepared for the next fiscal year shows that the government expenditure is going to be 16.9 percent of GDP. Consequently, revenue has to be mobilized to the tune of 11.9 percent of GDP.

**Minimizing the
Overall Income -
Expenditure Deficit**

249. Recently, a section of our society has become remarkably affluent. The government, however, is not receiving due taxes from this section of the society. We need to provide a lot of incentives and motivations to expand our revenue base. For instance, we provide considerable tax exemptions in areas where employment opportunities are created. As export helps increase demand for production, we provide various incentives and tax holidays for exports.

250. Bulk of our government expenditures are classified as revenue expenditure. ADP comprises only 29.1

**Increasing the Coverage
of Annual Development
Program**

percent of the total government expenditure. Once this was a major area of expenditure for the government. ADP contributes towards augmentation of national assets and capital formation. Our revenue expenditure is increasing over time to cover the operations and maintenance of public assets. Our objective is to widen the scope of development programs. However, this should not necessarily claim the major share of government expenditures. We actually need a unified budget. This would create an appropriate balance between capital and revenue expenditure. Besides, a good deal of capital expenditure is also made under the revenue head and currently, various development activities are also being carried out under different programs within the revenue budget.

251. We have worked out a number of strategies to augment government revenue:

- The number of Income Tax, Value Added Tax (VAT) or other types of tax payers is quite limited. We can mobilize more taxes by widening the tax-net. We have initiated this process for both Income Tax and VAT.
- Secondly, many taxpayers indulge in tax evasion due to various fees associated with payment of taxes. We have been quite vigilant to plug these loopholes. This year an extensive program has been undertaken to reform the VAT process. We had a plan to revise the VAT Act, which could not be completed. However, we hope to present the new VAT Act before this Parliament within the first quarter of the next fiscal year. Income Tax Ordinance, on the other hand, did not undergo any major reforms, because, we wanted to revise the entire Income Tax Ordinance, 1984. In this initiative, we would follow a rigorous and comprehensive consultative process.
- Thirdly, we want to create awareness among the people and motivate the wealthy section of the society to pay taxes. We are aware that often our taxpayers avoid paying taxes due to various complications and harassments in government offices. We have already initiated motivation campaigns explaining how regular payment of taxes serves the country and ensures

justice in the society. This campaign would be strengthened further. At the same time, we are taking steps to create a client-friendly environment in our tax offices. Creation of new tax offices is part of this program. In certain cases, we are setting up one-stop service centers. Programs like symposium, seminars and workshops are being organized to exchange views on the ways to expand Income Tax and VAT net. Necessary budget allocation is being made for this purpose. At the same time, steps are being taken to provide efficiency-based incentives to the officers and staff working for NBR and its subordinate offices (income tax, VAT and customs) to enhance the efficiency of tax administration.

- Fourthly, we can introduce special tax rate to woo investment from the private sector in certain cases. Government has already created a fund titled **Bangladesh Infrastructure Finance Fund (BIFF)** for financing physical infrastructures. Bonds under this fund will remain open for investment by individuals and organizations. I propose to offer an opportunity to invest in the bonds issued under the fund up to June 2012 subject to the payment of taxes at 10 percent. These days, financial institutions alongside other organizations operating in the country, are quite aware of their corporate social responsibility. The National Board of Revenue in consultation with Bangladesh Bank has identified some new areas of corporate social responsibility. Steps are being taken to offer tax rebates to different organizations to motivate them to make generous donations towards these recognized areas.
- Fifthly, though tax collection has increased overtime, manpower in tax administration has not increased proportionately. An initiative has been undertaken to increase the manpower of NBR, especially for Income Tax and VAT. There are lots of impediments to recruiting manpower; however, we are trying to overcome those problems as well. We are contemplating to restructure the tax administration. We have to take into account the issue of distribution of responsibilities between Internal Resource Division (IRD) and National Board of Revenue (NBR) and to increase further the

existing manpower. Activities relating to policy formulation, investigation and enquiry and use of IT and supervision by IRD have to be further accelerated and strengthened.

- Another bottleneck in the collection of tax revenue is the complexity arising out of the legal suits filed by the tax payers. Litigations often impede the collection process of Customs Duty, VAT, Income Tax, Land Tax and other taxes. NBR revenue flow amounting Tk. 12,000 crore is now blocked due to litigations. We can improve upon the situation by adopting various means: (i) We are going to reorganize the Tax Appellate tribunal. I pledged this last year, but, it could not be materialized. (ii) I am making an additional commitment to reduce the number of court cases by framing a new legislation for alternative dispute resolution. Consultation with Law Commission is going on in this regard. (iii) We are also trying to create a separate dedicated court to resolve revenue disputes.

252. Currently, a significant part of our revenue income is derived from Customs Duty, Value Added Tax and Supplementary Duty on imported commodities. We know that this base is shrinking steadily. We have been able to achieve considerable growth in mobilizing our tax revenues from domestic sources. This stream of progress has to be taken to the next level. Besides, we need to consider newer sources for mobilizing domestic revenue.

Direct Tax

Income Tax

Mr. Speaker

253. We have not proposed any change this year in terms of individual and corporate tax rate. As many changes were made last year, we consider that there should be a scope to assess the impact of those changes. The present Government is pledge-bound to establish a society based on equity and

**Income Tax Related
Proposals Helpful for
Implementing 'Vision - 2021'**

justice by lessening social disparity. As such, we have sincerely tried to formulate an income tax policy that should help translate our 'Vision-2021' into a reality. Keeping this in view, I have made some proposals shown in the 1st Part of Annex-A.

254. We have a plan to bring at least five lakh new taxpayers into the tax net. Our mission for expanding the tax net is based on the principle of

Expansion of Tax Net

creating a congenial atmosphere for compliant taxpayers and ensuring highest vigilance to bring non-compliant taxpayers under legal jurisdiction.

To implement this, I have made some proposals listed in the 2nd Part of Annex A.

Mr. Speaker

255. Capital market is one of the vital and sensitive areas of economic development. On the eve of assuming office by the present Government,

Capital Market

market capitalization in the stock market stood at Tk. 1042.97 billion which rose to Tk. 2557.47 billion on

31 May 2010. Our government is firmly committed to maintain a steady growth in and development of the capital market. Continuing with the existing provision of keeping income of individual investors free from tax, I have made some proposals for imposition of tax at a lower rate in other cases which have been reflected in the 3rd Part of Annex-A. I would like to make it clear that income earned by individuals through trading of shares of any listed company shall remain out of the purview of taxation.

256. Real estate business has grown tremendously in recent times. It may be presumed that income earned by the real estate developers of this sector is considerably high. But, the revenue collection from this sector is poor. For this reason, some proposals are put forward in the 4th Part of Annex-A to rationalize the rate of tax collection from real estate developers at the time of flat or building registration.

Mr. Speaker

257. Deduction at source is the most popular and modern method of collecting income taxes. This is very convenient to the taxpayers for tax planning purposes and is also a hassle-free

Rationalizing the Rate for Collecting Income Tax at Source

system. The scope and rate of collection of income tax at source in some cases need to be rationalized in due course. In this connection, my proposals are shown in the 5th Part of Annex-A.

Mr. Speaker

258. Formulation of long-term and time-befitting policy as well as establishment of modern and efficient administration is vital for implementing the pledges made in 'Vision 2021'. Reorganization and modernization of income tax department is extremely essential. Alongside taking up effective measures to prevent tax evasion, it is necessary to create awareness among the taxpayers and provide incentives to the honest taxpayers. In this regard, I have made some proposals reflected in the 6th Part of Annex- A.

Reorganizing Income tax Administration and its Modernization

Value Added Tax

Mr. Speaker

259. Establishing Digital Bangladesh is a key priority of the present Government. In order to digitize the taxation system, I propose to introduce online VAT registration and return submission. A specific software (**Bangladesh VAT system, e-VAT**) will be used for this purpose which will be developed by a private firm under the direct supervision of NBR.

Modernization of VAT System

260. In order to impose penalty under the existing VAT Act properly, I propose to add new provisions to this Act to take up judicial proceedings in the court of Special Judges appointed under the Criminal Law Amendment Act 1958. I also propose relevant amendment to the Act to allow the aggrieved tax payers to prefer appeal to the High Court against the verdict of the Appellate Tribunal. Currently, there is no provision in the VAT Act for protection of information provided by the taxpayers. Considering the demands of taxpayers, I propose to insert a new provision in the existing law for protection of information given by the taxpayers.

Reforms in Judicial Process

Mr. Speaker

261. To modernize the VAT system, I now propose to simplify the price declaration procedure and introduce amendments in the law for payment of taxes using various means. At the same time, I propose necessary amendments in VAT Act to impose VAT on e-commerce.

<p>Reforms in VAT System</p>

262. To augment collection of VAT from domestic sources, I propose to adopt the following measures:

- (1) In order to broaden the scope for collection of VAT at source, I propose to include under it any purchase of goods or services through tender by government organizations, semi-government organizations, autonomous bodies, NGO, bank, insurance company or any other financial institutions, limited companies and educational institutions.
- (2) After review of truncated base value in certain cases, I propose to withdraw truncated base value for some services. Besides, I propose to include some goods and services under VAT net. These goods and services are shown in Annex-B.
- (3) In order to standardize VAT system on the basis of tariff value, I propose to increase tariff value in some cases (as shown in Annex-B).
- (4) Taking tobacco related health risks into account, I propose a rational enhancement of price-slab and supplementary duty of cigarettes. Besides, I propose to impose and enhance supplementary duty on few goods at the local manufacturing stage (as shown in Annex-B).
- (5) In 2004, small businesses were given the opportunity to pay VAT at a low fixed rate. This low fixed rate remained unchanged till to date. I propose to enhance the rate of minimum VAT (as shown in Annex-B).

263. With a view to encouraging investors to build heavy industries, I propose to exempt manufacturers of refrigerators, freezers, motor cycles and energy saving bulbs along with its raw materials from VAT.

**Encouraging
Heavy Industry**

264. At present, turnover tax facility is given to small and medium industries (SMEs) up to the limit of Tk. 40 lakh per year at the rate of 4 percent. Considering the role of SMEs in the industrialization of the country, I propose to expand annual turnover limit for turnover tax up to Tk. 60 lakh.

**Expanding the Coverage
of Turnover Tax**

265. I propose to withdraw VAT from plastic and rubber made sandals up to the price limit of Tk. 80 per pair.

Withdrawal of VAT

266. At present, excise duty is imposed on domestic airline ticket per seat for single journey at the rate of Tk. 300. I propose to impose excise duty on international airline ticket per seat for a single journey and also on the deposit balance of any account of leasing and financing organizations as shown in Annex-B. Simultaneously, I propose to withdraw VAT on the services rendered by travel agencies.

**Imposition of
Supplementary Duty**

267. Since, collection of VAT is administered by BCS Customs and Excise cadre, I propose to rename it as BCS (Customs, Excise and Value Added Tax) cadre. To expand VAT net, we are taking steps to set up more VAT offices and to recruit manpower. We are also taking measures to create a small VAT office in each upazila consisting of 1 Inspector, 1 Data Entry Operator and 2 Sepoys as part of restructuring manpower. Newly created outfits (already approved by Ministry of Establishment) like two Customs Houses, two Customs Bond Commissionerates, four Customs, Excise and VAT Commissionerates, one VAT Survey Directorate, one ICT Commissionerate, three Appeal Commissionerates, three new Benches Appellate Tribunal, Customs offices in 10 foreign missions, fifty-six VAT Divisional Offices and one hundred and forty-six VAT Circle and restructured existing offices will start functioning from 1 July 2010.

**Administrative
Reforms**

Import Duty

Mr. Speaker

268. Although Bangladesh has, over the years, continued to gradually reduce the rates of duty and taxes at the import stage as a member of the World Trade Organization, customs revenue still contributes to about 38 percent of the total internal revenue collection in the country. I propose to continue with the four-tier customs tariff structure. However, paying close attention to the issues of facilitating trade, supplying goods to consumers at a fair price, and promoting domestic industries, I now present before this august House the budget proposals relating to import duty for FY 2010-11.

About 38 percent of Domestic Revenue Income Comes from Import Stages

269. With a view to keeping the prices within the reach of the general people, I propose to maintain the 0 percent customs duty rate on commodities like rice, wheat, onion, pulse and edible oil, seeds, fertilizer, medicine and cotton. Considering the sudden exorbitant increase in the world price of milk powder, I propose to reduce import duty from 12 percent to 5 percent and withdraw 5 percent regulatory duty on milk powder.

Maintaining Zero Tariff for Major Food Items, Medicine, Cotton and Fertilizer

270. Against the backdrop of the gradual reduction of trade taxes following WTO guidelines, 5 percent regulatory duty was imposed in the previous budget on all the products with the highest customs duty of 25 percent in order to protect local industries and also to ensure a consistent growth in revenue collection. However, the categories of commodities that attract concessionary duty benefits were kept outside its purview. Responding to the requests of the major trade bodies in the country, I propose to continue that 5 percent regulatory duty for another one year.

Protecting Domestic Industries

271. In order to provide support to the development of local industries, I propose to impose 15 percent VAT on import of CBU/diesel/petrol/CNG buses having 40

Rendering Assistance to Domestic Transport Industry

seats or more. To encourage the growth of the local motor cycle industry, I propose to enhance the supplementary duty rate on both completely built up (CBU) and completely knocked down (CKD) motor cycle from 20 percent to 30 percent.

272. The specific rate of duty on raw sugar was withdrawn last year in response to the sudden price hike of sugar at the world market. However,

**Increased Revenue
Income from Sugar
Industry**

due to a good crop this year, its world price has gone down. Therefore, to ensure higher revenue collection to meet government's developmental needs, I would like to propose to impose specific rate of duty on raw sugar and refined sugar at the rate of Tk. 2,000 and Tk. 4,000 per metric ton respectively.

273. In order to discourage tobacco cultivation in agricultural land, I propose to impose 10 percent export duty on un-manufactured tobacco.

274. I would like to propose to continue the benefits of duty-tax exemptions given earlier to encourage investment in power and energy

**Tariff Reduction
Facilities for Some
Items of Electricity
and Power Sector**

sectors in the country. In this budget, I present for consideration of this House the proposals of reducing customs duty for energy saving four products in the power sector and three products in the energy sector (Annex B-8).

275. The mandatory pre-shipment inspection (PSI) system was introduced in the country in year 2000. Services of various PSI agencies were occasionally taken even before that. Again, a government department

**Expansion of the
Time Period for
PSI System**

named Supply and Inspection Department used to conduct some form of pre-shipment inspection activities. One of the principal objectives behind the introduction of the PSI system was that we would strengthen the capacity of our workforce in the customs department through training from PSI agencies, and that we would ultimately replace them by taking up the responsibility of conducting such activities. However, the PSI system has continued for more than 10 years. Recently we have taken a decision that we will withdraw the PSI system in December 2010. To that end, capacity building in the customs department is now going on in full swing. Recruitment of new officers is also

underway and the department is currently undergoing an expansion. Meanwhile, as part of the capacity building efforts of customs officials, I propose to narrow down the scope of PSI system for a few categories of products that carry little revenue risk (Annex B-9).

276. Our current plan is that we will appoint trained customs officials in some important countries in order to conduct PSI activities. Besides, in some cases we will aim to build up centrally organized capacity of conducting PSI. Again, in some cases we will continue to take assistance from the PSI agencies occasionally. In order to implement this plan, we propose to continue the PSI system until December 31, 2011. The process of appointment of new PSI agencies will start soon.

Mr. Speaker

277. Let me draw the kind attention of this august House to the following proposals:

1. With a view to encouraging local paper manufacturing industry, I propose to extend the customs duty and value added tax exemption facilities granted earlier to the import of de-inking chemical and waste paper respectively for another year.
2. To ensure proper revenue collection through preventing under-invoicing, I propose to impose tariff value for the assessment of scratch card, optical frame (both metal and plastic) and cracker biscuit.
3. Regulatory duty has been imposed during the current fiscal year on a number of products, such as CR coil, GP sheet, and chlorinated paraffin wax. I now propose to adjust them with customs duty or supplementary duty as appropriate and to create new HS Codes where necessary. Again, I propose to amend descriptions or HS Codes or statistical units for six categories of product.
4. I would like to propose to withdraw duty and taxes on various stationary items and communication equipment

imported by the foreign airlines operating in Bangladesh for their own use. I also propose to simplify the baggage rules to facilitate clearance of the baggage of wage earners. Again, I propose to amend two licensing rules relating to freight forwarders and customs agents (both C&F and shipping).

Mr. Speaker

278. Again, measures have been proposed for simplification, rationalization, harmonization, withdrawal, reduction, and enhancement of customs duty and supplementary duty on a number of products. Reasons for undertaking such measures and the nature of changes proposed have been illustrated in various tables in Annex C.

279. Considering persistent traffic jams causing innumerable sufferings to city dwellers, I propose to revise the rates of supplementary duty and reclassify motor cars and micro buses based on cylinder capacity (cc) [Annex C-1]. I also propose to continue the flat rate-based depreciation system imposed in the last year's budget and to reduce the consolidated rate of depreciation from 40 percent to 35 percent making it applicable only for cars of up to 4 years old. In order to prevent misdeclaration in the customs valuation of new motor cars, I propose to make it mandatory for the submission of price certificate from the manufacturer or from the trading agent with at least 30 percent ownership of the manufacturer.

Restructuring the Tariff Rates for Discouraging the Import of Motor Vehicles

Mr. Speaker

280. The transshipment and transit activities are increasingly gaining importance in international trade. In order to facilitate customs formalities of such goods in Bangladesh and to determine related transshipment or transit fee, I propose to promulgate a new SRO.

281. Following the pledge made in the last budget to modernize customs procedures, rationalize tariff etc., a Tariff Rationalization Committee was formed. The committee has submitted its recommendations for simplification of customs procedures,

Correction of the First Schedule of the Customs Act for Simplifying Customs Procedure

elimination of tariff anomalies and removal of scopes for misdeclaration. Reviewing the recommendations, I propose to revise the First Schedule of the Customs Act, 1969 by having changes in 677 HS Codes including elimination of 328 unnecessary Codes.

282. I would like to propose to amend a number of sections of the Customs Act, 1969 and to insert some new sections in order to streamline the customs administration. Detailed proposals are shown in sections 3 to 17 of the Finance Bill 2010.

283. Currently, work on complete automation of customs procedures is proceeding in full swing. Sufficient numbers of computer hardware and software have been supplied to all the customs houses. I hope that we will be able to install ASYCUDA⁺⁺ software-based assessment system in all the important land customs stations within the next financial year. I also expect that with the recruitment of new revenue officers soon, the customs department will be able to achieve a qualitative improvement in its services. I am firmly believe that with close monitoring and well-concerted efforts of all concerned, the government will be able to achieve its customs revenue collection target for the next financial year.

Chapter V

Conclusion

Mr. Speaker

284. You are aware of the circumstances in which we assumed our office under a free and fair election. The world economy was at the point of collapse due to global economic meltdown at the time. Large financial institutions in USA and other developed countries went bankrupt under heavy burden of debts. Millions of people lost their jobs. The contagion of crisis spread to our country. Apart from this, natural disasters like *Sidr* and *Aila* almost slogged our social and economic sectors. In addition, unbridled corruption of the BNP Government led to a stagnant agricultural sector, disorderly and rampant fraud-ridden financial sector, unaccountable and non-transparent administration, dependence on food import, frustrated private sector and extreme deterioration of law and order situation and serious stagnation in power generation over a period of five years. All of these elements shattered the economy of the country. Afterwards, some imprudent activities of the Caretaker Government made the situation all the more complex. Against this backdrop, we obtained people's huge mandate in favor of our charter for change. After assuming office, we have been striving for the last 17 months with good intentions and efforts to take the country on a higher trajectory of development while ensuring democracy, peace and prosperity to live up to the expectations of the people. I would like to conclude my budget speech with the following reflections.

**Charter for
Change**

285. The lifelong dream of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman was to ensure welfare and prosperity of the people of this country by achieving economic emancipation. Inspired by his dream, we have been striving relentlessly with strong dedication under the dynamic leadership of Hon'ble Prime Minister, Sheikh Hasina to implement the vision of taking Bangladesh to the height of prosperity by 2021. We are aware that the road to 'Vision 2021' is not

**Dreams of our Father of
the Nation, Our Vision
and the Able Leadership
of our Prime Minister**

strewn with roses. Thousands of obstacles are persistently impeding our journey towards reaching that aspired vision. In spite of all these odds, we have never deviated from our resolute determination. In the last 17 months, we have proved ourselves as an inherently flexible nation. Though our economy is not strong and robust, its resilience towards meeting the challenges proved to be extraordinary. We have been moving forward by working out objective solutions to meet our commitments. By triumphing over all the hurdles, we have once again proved that in the interests of the nation we can make the impossible possible. Now, our goal is to reach the aspired destination at any cost. In our journey towards this destination, we have with us our people of all strata - who are full of life with endless capacity for hard work, indomitable in the face of calamities, unruffled at the time of crises, inspired by the dreams of taking the country forward.

286. We sincerely believe that the people's endless faith on us would make the implementation of 'Vision 2021' unhindered and take us to that destination where we would find a generation, free from poverty and frustration, and immersed in a relentless pursuit for creating a dignified place for our dear motherland in the comity of nations as a happy, prosperous and responsive Bangladesh. Come, let us unite in harmony and friendship to ensure achievement of the goals enshrined in 'Vision 2021'. May Allah help us!

**Frustration and Poverty
Free Generation, and
Happy, Prosperous and
Responsive Bangladesh**

**Joy Bangla,
Joy Bangabandhu,
Long Live Bangladesh.**

Annexes

Annex-A
Income Tax & Corporate Tax

1st Part

- (1) To provide tax holiday for industries engaged in manufacturing solar panel, energy saving bulb and contraceptives (barrier contraceptive or rubber latex);
- (2) To make provision for allowing infrastructure depreciation allowance on physical infrastructure like bridge, road, fly over, or any infrastructure to be built under Private Public Partnership (PPP) initiative;
- (3) To introduce provision for investment in bonds issued under Bangladesh Infrastructure Finance Fund up to June 2012 upon payment of tax at a rate of 10% with a view to developing physical infrastructure;
- (4) To introduce tax rebate on any assistance made to schools and colleges under MPO for improving computer and English education and on donations made to conduct camps for voluntary sterilization with a view to encourage Corporate Social Responsibility (CSR) activities.

2nd Part

- (1) To introduce spot assessment system for assessment of income and payment of tax through one stop service in case of small new taxpayers and a simple two-page income tax return for them;
- (2) To expand the coverage of on-going survey to net new taxpayers through outsourcing;
- (3) To make TIN mandatory while taking connection for gas and electricity for commercial purposes, and also while registering or renewing fitness of bus, truck etc. plying on hire basis;
- (4) To introduce stringent measures such as imposition of penalty in case of using fake TIN;
- (5) To establish e-linkage with data base of National ID project with a view to verifying information given and modernising TIN management;

- (6) Exemption is yet another sensitive area of income tax law. Since promulgation of Finance Act, 2009, we have been continuously trying to widen the existing tax net and to expand the tax base by gradually withdrawing exemptions and imposing tax on those at a concessionary rate. The existing provisions for exemptions will be revisited by early next fiscal year.

3rd Part

- (1) To impose tax at a concessionary rate of 10% on income of a company earned from trading of shares of listed companies in any stock exchange;
- (2) To impose tax at a concessionary rate of 5% on income of sponsor shareholders or directors of a company listed with any stock exchange; and
- (3) To impose tax at a rate of 3% on the premium value of shares of companies being sold at a premium value.

4th Part

Tax to be collected at source from real estate developers at the time of registration of flat or building at the following rate-

- (1) Taka 2,000/- per square meter for a building or apartment situated at Gulshan Model Town, Banani, Baridhara, DOHS, Dhanmondi, Lalmatia, Uttara, Basundhara, Motijheel, Dilkusha, Dhaka Cantonment and Karwan Bazar of Dhaka and Khulshi, Agrabad and Panchlaish of Chittagong.
- (2) Taka 800/- per square meter for all other areas.

5th Part

- (1) Minimum ceiling of bill received for deduction of tax at source and the rate thereon without affecting small contractors and suppliers;
- (2) Rate of deduction at source from import of goods other than essential commodities and capital machinery to safeguard the interest of local industries producing finished or semi-finished goods;

- (3) Amount of presumptive tax payable over ownership of car, microbus, jeep and vehicles which are plying on hire, such as air-conditioned minibus and luxury bus, and rate of collection of tax at source in case of producing bricks;
- (4) Rate of deduction at source on commission received by the members of the stock exchange;
- (5) Rate of collection of tax at source from the value of export by exporters considering the changing scenario over the global economic recession.

6th Part

- (1) We are contemplating on working out some reforms in the National Board of Revenue (NBR). NBR formulates policy on one hand, and on the other, it carries out administrative jobs to implement those policies. For this, capacity building and strengthening of NBR has become absolutely essential.
- (2) Income tax offices located in Dhaka will be automated by next year. E-filing of income tax returns has already been implemented on a pilot basis in a tax zone, which will be offered on a limited basis from the coming fiscal year;
- (3) Tax calculator software will be installed on the website of National Board of Revenue to facilitate calculation of tax by taxpayers;
- (4) A team of experts will be formed to make the existing income tax laws and regulations time befitting. Restructuring of manpower and other facilities of income tax department will be finalized by the first quarter of the next fiscal year;
- (5) Measures will be taken to upgrade the post of Director General of Central Intelligence Cell to Grade II with a view to intensifying prevention of tax evasion;

- (6) National Board of Revenue will take initiatives on a priority basis to undertake programmes through print and electronic media to educate taxpayers and publish bulletin to build awareness regarding income tax and dispel fear. I propose for an allocation of taka six crore to implement motivational programmes for taxpayers of income tax and VAT;
- (7) Steps will be taken to provide a limited number of the highest taxpayers with tax card, to invite them in state programmes, to allow them preferential treatment in admission into government hospital, and journey by air or any other mode of public transportation providing VIP status;
- (8) Steps will be taken to establish a Large Taxpayers Unit (LTU) in Chittagong by the next fiscal year.

Annex-B

Proposal for Value Added Tax (Local stage) in the budget for 2010-2011

Amendments to the Value Added Tax Act, 1991

- (1) Amendment of the definition of 'Input (উপকরণ)', 'Input tax (উপকরণ কর)', 'Person (ব্যক্তি)', 'Supply (সরবরাহ)', 'Deemed export (রপ্তানীকৃত বলিয়া গণ্য)' and Insertion of the definition of 'Special Judge (স্পেশাল জজ)' in section 2 of the Value Added Tax Act, 1991.
- (2) Amendment of sub-section (3) of section 3 and insertion in sub-section (3) of section 4 to include import of service in the Act.
- (3) Deletion of the first condition of sub-section (2) of section 5 and amendment of sub-section (1) of section 9 to simplify declaration of price in VAT system.
- (4) Amendment of section 6 to rationalize structure of the law.
- (5) Insertion of six new sub-sections (4aa), (4b), (4c), (4d), (4e) and (4f) in section 6 to broaden and rationalize deduction of VAT at source.
- (6) Amendment of sub-section (1) of section 9 to rationalize input tax credit system.
- (7) Amendment of section 19 to rationalize cancellation procedure of VAT registered and turn over listed person.
- (8) Amendment of section 20 to rationalize existing inconsistency in recruitment system of VAT officers.
- (9) Insertion of a clause in section 24 to empower VAT officers for collection of information.

- (10) Amendment of section 26 to ensure fair investigation by VAT officers.
- (11) Amendment of section 33 to increase time limit of 6 years for preservation of VAT documents by registered persons.
- (12) Amendment of section 37 and insertion of section 37A and 37B to make provision for trial in the court of special judge instead of the Court of Magistrate in case of major evasion of VAT.
- (13) Amendment of sub-section (3) of section 37 for making provision of imposing interest in case of non- payment of VAT within stipulated time.
- (14) Amendment of section 42 by inserting a provision for appeal in the High court division against the decision of Appellate Tribunal.
- (15) Amendment of section 55 to remove inconsistency in this section in case of less paid and unpaid VAT.
- (16) Amendment of section 56 to make provision for selling detained perishable goods by auction .
- (17) Insertion of a new section 62A for protection of information of taxpayers.
- (18) Amendment of section 71A related with write off provision of government dues.
- (19) Insertion of new section 70A for conducting VAT registration and data processing by private organization.
- (20) Replacement of First Schedule of VAT Act, 1991 due to splitting, deleting and merging H.S Code.
- (21) Replacement of Second Schedule of VAT Act, 1991 due to withdrawal of VAT exemption from some services.

- (22) Replacement of Third Schedule of VAT Act, 1991 due to splitting, deleting and merging H.S Code and imposing and changing the rate of supplementary duty on certain goods.

Amendments of the Value Added Tax Rules, 1991

- (1) Amendment of sub-rule (1a) and (2a) and insertion of new sub-rule (1d) and (1e) in rule 3 to simplify declaration of price in VAT system.
- (2) Enhancement of annual turnover threshold to Taka 60 lac for enjoying greater turnover tax facility by amending rule 4, rule 9 and rule 15.
- (3) Amendment of rule 7 to remove inconsistency in the provisions for inspection, search and seizure at the place of production or services or residence and vehicles.
- (4) Insertion of new rule 18A, 18B, 18C and 18D for collection, accounting and issuance of certificate in the case of VAT deduction at source.
- (5) Insertion of new rule 34B to adjust refund with the amount due from government.

Value Added Tax related S.R.Os :

- (1) Exemption of VAT from meal of maize, plastic and rubber made sandal up to Tk 80 price limit per pair (manufacturing stage), Travel agency and manpower exporter (service stage).
- (2) Withdrawal of VAT exemption from hand made biscuits and cake (manufacturing stage), Raw rubber and metalized flat yarn (import and manufacturing stage), Silver bullion and Gold bullion (import stage), Private universities and Social and sports club (service stage).
- (3) Creation of 7 new service codes for private university,

leaser of land and building, stock and security broker, social and sports club, tour operator, branded readymade garments sales centre and miscellaneous service code and amendment of explanation of services of Izarader, Air-conditioned bus service, English medium school.

- (4) Exclusion of Chanachur, Juice, energy drink, Cigarette, Bidi, Gul, Zarda and M.S products from cottage industries facilities.
- (5) Amendment of provision about deduction of VAT at source at import stage for commercial importers and fixation of VAT deductible at source at the rate of 3%.
- (6) To protect public health enhancement of supplementary duty and re-fixation of price-slab of cigarette and enhancement of supplementary duty of Zarda, Gul, ceramics, stones, tiles and mosaic, ceramic made bath tub and Jacuzzi, sink, basin, etc., shampoo and imposition of supplementary duty on aluminum profile, juice and fruit drink, particle board and laminated board, filament bulb, mineral water (up to 3 liter), paints and reduction of supplementary duty of coconut oil and withdrawal of supplementary duty from skimmed milk powder in local stage.
- (7) To impose vat at actual rate, withdrawal of truncated base value from the services provided by dockyard, advertising agency, printing press, courier service, consultancy and supervisory firm, audit and accounting firm, architect and interior designer, graphic designer, picnic and shooting spot, amusement and theme park and air-conditioned restaurant and revision of truncated base value at actual value addition for the services provided by commercial importer and businessmen (3%), construction firm (5%), furniture manufacturer (6%), furniture seller (3%) and procurement provider(4%).

- (8) Coconut oil, fruit jam and jelly, juice, medicine, paints, cosmetics, soap, match, mosquito coil, PVC pipe, shoe and sandal, brick, goods made of ceramic and porcelain, MS products, electrical fan, dry-cell battery and storage battery, electrical bulb, rubber and plastic foam manufacturing unit and services provided by indenting firm, community centre, event management firm, human resource supplier and management firm and leaser of land and building have been brought under compulsory VAT registration irrespective of annual turn over.
- (9) Withdrawal of VAT from manufacturers of refrigerator, freezer, motor cycle for 4 years to protect local industries and to provide incentive for complete manufacturing industries instead of assembling industries.
- (10) Withdrawal of VAT from manufacturers of energy saving lamp along with its raw materials for 5 years to protect local industries and to provide incentive for complete manufacturing industries instead of assembling industries.
- (11) VAT exemption on waste paper at import stage will be continued till 30 June, 2011.
- (12) Explanation of the services for determining scope and limit of taxable services.
- (13) Revision of VAT at very low fixed rate for small businessmen for Metropolitan cities of Dhaka and Chittagong at the rate of 6000 taka, for all other Metropolitan cities at the rate of 4800 taka, for all other district towns at the rate of 3600 taka and for other parts of the country at the rate of 1800 taka.

Value Added Tax Related orders:

- (1) Order to withdraw tariff value of yogurt drink, chocolate milk, mango milk, cotton yarn waste, yarn made of artificial fiber and

other fibers, ferromanganese and silico manganese alloy, chiller, CNG auto rickshaw, tempu, human hawler to standardize VAT system and to enhance tariff value of tomato paste, white ruled paper, white printing paper, brick, machine made brick, MS products, bitumen, tower and steel structure, electric pole, tarkata (screw), blade, diesel engine, chassis of bus and truck and scrap.

- (2) Directive order for usage stamp/banderol and payment VAT and Supplementary duty to implement decisions of enhancing price-slab and Supplementary duty of cigarette under HS code 2402.20.00 enhancement of the price slab of cigarette.
- (3) Directive order for initiatives to be taken in field offices for the case of fixation of tariff value for Bidi with filter.
- (4) Cancellation order of 42 invalid orders which become ineffective due to amendments to the VAT Act,1991 and of the VAT Rules,1991.

List of the VAT related S.R.O.s and Orders to implement the budget proposals, 2010-2011 :

S.R.O.s

- (A) SRO No. 198-Law/2010/547-VAT, Date: 10.06.2010
- (B) SRO No. 199-LAW/2010/548-VAT, Date: 10.06.2010
- (C) SRO No. 200-LAW/2010/549-VAT, Date: 10.06.2010
- (D) SRO No. 201-LAW/2010/550-VAT, Date: 10.06.2010
- (E) SRO No. 202-LAW/2010/551-VAT, Date: 10.06.2010
- (F) SRO No. 203-LAW/2010/552-VAT, Date: 10.06.2010
- (G) SRO No. 204-LAW/2010/553-VAT, Date: 10.06.2010
- (H) SRO No. 205-LAW/2010/554-VAT, Date: 10.06.2010
- (I) SRO No. 206-LAW/2010/555-VAT, Date: 10.06.2010
- (J) SRO No. 207-LAW/2010/556-VAT, Date: 10.06.2010
- (K) SRO No. 208-LAW/2010/557-VAT, Date: 10.06.2010
- (L) SRO No. 209-LAW/2010/558-VAT, Date: 10.06.2010
- (M) SRO No. 210-LAW/2010/559-VAT, Date: 10.06.2010
- (N) SRO No. 211-LAW/2010/560-VAT, Date: 10.06.2010
- (O) SRO No. 212-LAW/2010/561-VAT, Date: 10.06.2010
- (P) SRO No. 213-LAW/2010/562-VAT, Date: 10.06.2010
- (Q) SRO No. 214-LAW/2010/563-VAT, Date: 10.06.2010
- (R) SRO No. 215-LAW/2010/303-Excise, Date: 10.06.2010
- (S) SRO No. 216-LAW/2010/304-Excise, Date: 10.06.2010

Orders

- (A) NBR's Order No. 17/VAT/2010, Date: 10.06.2010
- (B) NBR's Order No. 18/VAT/2010, Date: 10.06.2010
- (C) NBR's Order No. 19/VAT/2010, Date: 10.06.2010
- (D) NBR's Order No. 20/VAT/2010, Date: 10.06.2010

Imposition of Excise Duty under the Excises and Salt Act, 1944

Imposition of excise duty on deposit account of financing and leasing organization as well as bank and imposition of excise duty on international airline ticket per seat for a single journey at the rate of 300.00 taka for SAARC countries, 500.00 taka for other countries of asia and 1,000.00 taka for rest of the world.

Annex-C

Table-1 (Rationalizing duty-taxes for motor cars)

Description of motor car (Proposed)		SD (Present)	SD (Proposed)
(1)	Cylinder capacity upto 1000 cc	30%	30%
(2)	Cylinder capacity - (1) From 1001 cc to 1500 cc (2) From 1501 cc to 1650 cc	30% 100%	45%
(3)	Cylinder capacity 1651 cc to 2000 cc	100%	100%
(4)	Cylinder capacity 2001 cc to 2750 cc	250%	250%
(5)	Cylinder capacity 2751 cc to 4000 cc	350%	350%
(6)	Cylinder capacity 4001 and above	500%	500%
(7)	Microbus with cylinder capacity upto 1800 cc	20%	30%
(8)	Microbus with cylinder capacity from 1801 cc to 2000 cc	60%	60%
(9)	CKD motor car, jeep and station wagon (excluding three wheeler)	30%	45%

Table-2 (Amendment of capital machinery SRO)

Sl. No	Description of goods	Inclusion/ Exclusion in table	Existing Duty Rate (%)	Proposed Duty Rate (%)
1	Vacuum Cleaner (Industrial)	Inclusion	25	3
2	Overhead Cleaner/Dust Collector/Cyclone	Inclusion	25	3
3	Laminar air flow equipment, industrial type	Inclusion	25	3
4	Air Filtering System/Industrial Filter	Inclusion	25	3
5	Kiln furniture	Inclusion	25	3
6	Ceramic roller	Inclusion	12	3
7	Printer (H.S. Code 8443.32.90, 8443.39.90)	Inclusion	12	3
8	Sandwich panel with cold room facility imported by agro-processing industry (9406.00.10)	Inclusion	12	3
9	Parts imported by commercial importers	Exclusion	CD-3 VAT-0 AIT-0	CD-3 VAT-15 AIT-3

Sl. No	Description of goods	Inclusion/ Exclusion in table	Existing Duty Rate (%)	Proposed Duty Rate (%)
10	Copper tube/Copper pipe	Exclusion	3	5
11	Toothless saw blade	Exclusion	3	12
12	Formed Core	Exclusion	3	25
13	Parts of Kilowatt-hour meter	Exclusion	3	12
14	Paper Bobbin/Cone (HS Code 4822.10.00 & 4822.90.00)	Exclusion	3	5

Table-3 (Amendment of textile machinery SRO)

Sl. No	Description of goods	Inclusion/ Exclusion in table	Existing Duty Rate (%)	Proposed Duty Rate (%)
1	Plotter	Inclusion	12	1
2	Fibre Depositing plant	Inclusion	25	1
3	Paper Bobbin/Cone (HS Code 4822.10.00 & 4822.90.00)	Exclusion	1	5

Table-4 (Reducing duty rates for industrial raw materials)

Sl. No	Description of goods	Duty/Tax	Existing Duty Rate (%)	Proposed Duty Rate (%)
1	Paraformaldehyde	CD	12	5
2	LCD/LED panel	CD	25	12
3	SIM Module	CD	12	5
4	Unbleached kraft liner paper	CD	25	12
5	Color photo paper	CD	25	12
6	Silica sand	CD	12	5
7	Plastic lense	CD	12	5
8	Cellulose acetate sheet	CD	25	12
9	Tin plated can for aerosol products	CD	25	12
10	Agar	CD	12	5
11	Non-grain oriented silicon electrical steel sheet	CD	12	5
12	Used sweater (for blanket manufacturers)	CD	25	5
13	Octanol (2-ethyle hexanol)	CD	12	5
14	Wire of iron or non alloy steel plated or coated with Zinc	CD	25	12

Sl. No	Description of goods	Duty/Tax	Existing Duty Rate (%)	Proposed Duty Rate (%)
15	Rosin size	CD	25	12
16	Leucocyte filter	CD	25	5
17	Neonatal scale with spring	CD	12	5
18	Medium density board	SD	20	0

Table-5 (Enhancing duty-taxes to discourage import)

Sl. No	Description of goods	Duty/ Tax	Existing Duty Rate (%)	Proposed Duty Rate (%)
1	Glass tube	CD	12	25
2	Urea resin	CD	5	12
3	Maize starch	CD	5	12
4	Cast poly propylene film	CD	12	25
5	Fly ash	CD	12	25
6	Paper / paper backed aluminum foil	SD	20	30
7	Surface colored paper/paper board	SD	20	30

Table-6 (Duty tax rationalization to prevent misdeclaration)

Sl. No	Description of goods	Duty/Tax	Existing Duty Rate (%)	Proposed Duty Rate (%)
1	Self tapping screws imported by other than VAT regd. pre-fab building ind.	CD	12	25
2	Plastic plate, sheet, film etc under heading 39.20 (3920.62.90, 3920.99.90)	SD	0	20
3	Printed PVC sheet (3920.49.20)	SD	0	20
4	Dinonyl orthophthalate (DINP)	SD	0	20
5	Other esters of orthophthalic acid	SD	0	20
6	Coconut (Copra) oil & its fractions other than crude (1513.19.00)	SD	20	30

Sl. No	Description of goods	Duty/Tax	Existing Duty Rate (%)	Proposed Duty Rate (%)
7	Preparations for use on the hair (33.05)	SD	20	60
8	Other plasticizer	SD	0	20
9	Woven fabrics (5407.10.00)	SD	0	20
10	Chenile fabrics (5801.36.00)	SD	0	20
11	Knitted fabrics (6006.22.00, 6006.23.00, 6006.24.00, 6006.32.00, 6006.33.00, 6006.34.00, 6006.42.00, 6006.43.00, 6006.44.00)	SD	0	20
12	Glass beads	SD	0	20
13	Furniture designed to receive refrigerating or freezing equipment	SD	0	30
14	Air conditioner parts imported by VAT regd. ind.	SD	45	20
15	Television parts imported by commercial firms	SD	0	20
16	Remote control for electronic apparatus	CD	5	25

Table-7 (Duty tax rationalization to remove tariff discrimination)

Sl. No	Description of goods	Duty/Tax	Existing Duty Rate (%)	Proposed Duty Rate (%)
1	Airtight storage bags with zipper and Preserving jars of glass	CD	5	12
2	Monofilament rods, sticks, profile for door window and photo frame	CD	5	12
3	Parts of KWH meter	CD	3	12

Table-8 (Duty tax reduction in electricity and energy sector)

Sl. No	Description of goods	Duty/Tax	Existing Duty Rate (%)	Proposed Duty Rate (%)
1	Parts for energy saving lamps imported by VAT Regd. Ind.	CD	0	0
2	Parts for energy saving lamps imported by commercial firms	CD	0	12
3	Solar operated storage water heater	CD	25	12
4	Pressure regulator/valve for LPG	CD	25	5
5	Safety or relief valve for LPG	CD	25	5
6	Submerge welding flux	CD	12	5
7	Energy saving light with blast & fittings	SD	60	0

Table-9 (List of less risky products eligible for PSI exemption)

<p>(a) Goods/class of goods which get concessionary benefit under various SROs, but do not enjoy PSI exemption benefit.</p> <p>(b) Goods for which various sectors and industries have applied for PSI exemption.</p> <p>(c) Products on which duty has been made 0% by SROs.</p> <p>(d) Products for which there are specific rates of duty or tariff values.</p> <p>(e) Consignments with assessable value of a maximum of 1000 US dollar (samples, parts of machinery, essential import goods).</p> <p>(f) Goods of some headings of chapters 84, 85, 87, 90 and 94 of First Schedule.</p> <p>(g) All products that attract 5% customs duty. But the PSI system will be applicable for those consignments of 5% customs duty whose importers desire it.</p>
