

In the name of Allah, Most Gracious, Most Merciful

Mr. Speaker

1. I would like to present, with your kind permission, the Supplementary Budget for the Fiscal Year 2008-09 and the Budget Estimates for the Fiscal Year 2009-10 before this august House.

Introduction and Background

2. At the very outset, I recall with deep reverence, the greatest Bangalee of all times Bangabandhu Sheikh Mujibur Rahman, the Father of the Nation. I wish to pay my profound tributes to the undaunting heroes of our great Liberation War, who embraced martyrdom. At the same time, I recall with a deep sense of respect the supreme sacrifice of the four martyred national leaders and the innumerable martyrs who laid down their lives in the struggle to establish our rights and democracy.

3. On 29 December 2008, the nation gave unequivocal verdict for the revival of democracy and stood against communal evil forces, terrorism and fundamentalism. The Grand Alliance, led by the Awami League was given a huge mandate by the people. This added a glorious chapter to the eventful history of our nation. Being part of that process, I feel honoured and privileged to be able to present the national budget before this House.

4. I wish to express my profound gratitude to our leader Sheikh Hasina, the Hon'ble Prime Minister, for giving this rare opportunity to serve the people as the Finance Minister, at this stage of my life. I also wish to put on record my sincere thanks to those organisations associated with socio-economic activities, various business associations and NGOs, think tanks, researchers and members of the intelligentsia and above all, Hon'ble members of several parliamentary Standing Committees and the Chairpersons of other Standing Committees and also some of the Members of Parliament

for their invaluable advice and inputs on various loopholes in the budget setting process and inconsistencies in taxation regime. During this long and arduous process of budget preparation, various development partners and my colleagues in the Ministry of Finance have demonstrated patience and applied tremendous efforts. I extend my warm thanks to all of them. I recall with gratitude the cooperation extended by both print and electronic news media and journalists to conclude this process on a successful note.

5. In order to take critical decisions during the preparation of budget I sought guidance from the Hon'ble Prime Minister. I wish to register my deep gratitude, once again, to her for her abiding interest, suggestions and above all valuable guidance and also for the time she carved out from her busy schedule. And this in spite of personal bereavement at the sad demise of our beloved and widely acclaimed nuclear scientist Dr. Wazed Miah.

Mr. Speaker

6. Immediately after assumption of Office, the new Government was confronted with the tragic events at the BDR Headquarters at Peelkhana that led to the terrible carnage. The country escaped a looming disaster because of the extraordinary prudence, wisdom and farsight exercised by the Hon'ble Prime Minister. However, this incident turned in to a great tragedy. We lost some of the finest officers of our armed forces who embraced martyrdom at the prime stage of their career. This is an irreparable loss to the nation. While holding those brilliant sons of the soil at the highest esteem we pray for the salvation of their departed souls. I also take this opportunity to offer my deepest condolences to the members of the bereaved families. I would like to firmly state that the present Government would turn this tragedy into strength with manifold force and move ahead unwaveringly overcoming all hurdles to build a happy and affluent Bangladesh.

7. We would like to proceed with a Vision of a happy and prosperous nation rising above all prejudice and parochialism. The year 2021 will mark

<i>Vision for happy and prosperous Bangladesh</i>

the Golden Jubilee of our independence. Again, in 2020 the nation will observe the centenary of the Father of the Nation. Before that a major milestone of UN Millennium Development Goals has to be achieved by 2015. The Vision envisages 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.

8. In the pursuit of achieving our Vision, the targets that we have set for the macro-economy are (a) to secure and sustained level of GDP growth of 10 percent from 2017, (b) to raise the present share of Industry from 28 percent to 40 percent of GDP, (c) to increase life expectancy of citizens to 70 years, (d) to reduce maternal mortality to 1.5 percent and (e) to scale down child mortality to 15 per thousand births. Our target is to reduce the rate of unemployment by 15 percent and also bring down the percentage of disadvantaged people living below the poverty line to 15 percent.

GDP growth 10 percent by 2017

9. The Father of the Nation started rebuilding the nation from the ruins of the Liberation War. In a short time, he was able to remove the scars of war. It was only when he was moving ahead with the aim of building a secular, democratic, exploitation-free and prosperous country, the conspirators of the forces defeated in the Liberation War struck the fatal blow. On 15 August 1975, he was brutally murdered with all the members of his family present. This marked the beginning of a dark era in our history. The country went through a period of protracted

Repression of civil-military autocracy since August 15, 1975

suppression under both military and civil autocracy. This triggered a valiant struggle by the people against the autocratic regimes. The struggle led by our leader Sheikh Hasina culminated in a victory for democratic forces. The Awami League led by Sheikh Hasina won the election held in a free, fair and neutral atmosphere and came to power in 1996 after a lapse of 21 years. That began the making of glorious episodes of success and achievements on many fronts.

10. Within a short span of five years Bangladesh made an impressive turnaround. It achieved self-sufficiency in food production. Prices of essentials remained stabilized and stayed within the purchasing power of the common man. Inflation came down and stood at 1.59 percent in FY 1999-2000. This triggered new dynamics in the development process. Economic growth stayed over the 5 percent mark throughout those five years and reached a high, as per one estimate, of 6.2 percent in FY 2000-01. The effects of East Asian Crisis of 1997-99 were managed with great prudence. The disasters arising from two devastating floods of 1997 and 1998 were managed very efficiently. New and innovative programmes were launched for the poor under a comprehensive social safety-net programme. Extraordinary success was achieved in the communication and physical infrastructure sectors. We managed to obtain a fair share of the Ganges water through an agreement reached with India. We could ultimately achieve a peaceful resolution of the conflict that prevailed over a protracted period of more than two decades in the Chittagong Hill Tracts.

Price stability and high growth in 1996-2001 period

11. Unfortunately, our journey towards progress and prosperity came to a halt in 2001 with the accession of BNP and Jamaat-led alliance to power. During their tenure, unbridled price hike and rampant corruption put the country into shambles making life of the common people miserable. The BNP government left power in 1996 with a deficit of 1 thousand megawatt of electricity and this rose to 2 thousand

Price hike and rampant corruption during Four Party Alliance rule

megawatt when they stepped down in 2006. The progress achieved in terms of the Human Development Index during the tenure of the Awami League government (1996-2001) shrank significantly.

12. The level of deprivation of the majority of the people increased adding to their miseries; unemployment grew remarkably while investment dwindled. The widespread corruption and misrule by of the 4-party alliance government together with the blue-print of election engineering resulted in a state of anarchy which paved the way for the promulgation of Emergency and subsequent accession to

Unelected government put to power through a blueprint

power by a non-elected caretaker government. This government without any valid reason remained in power for almost two years. However, in the ultimate analysis they can be given credit for conducting a free, fair and highly participatory election with the help of a credible voters' list prepared during their regime. By creating a congenial atmosphere for restoration of democracy and smooth transfer of power to the elected representatives, they indeed earned the appreciation from all quarters. It is in this context, the Grand Alliance led by Sheikh Hasina was elected with a charter for change, with a promise to create an environment where people can live with dignity and with determination to build a prosperous and caring Bangladesh.

13. The primary issues of our election pledge were to tackle the impact of global recession, to lower the price level and to keep the prices of commodities stable by increasing production or by ensuring imports of essential commodities in time. I believe that we met this commitment. The fiscal stimulus package announced by the Government to deal with the impact of recession will continue. In future and if needed, we shall provide a package of larger stimulus. At the same time, if required, we shall intervene in the market. We shall ensure increased supply of consumables through international trade and ensure the competitive environment in the market. We shall protect consumers' rights by adopting legal measures. Another, commitment was to resolve the

Present government stabilised prices of commodities

power and energy crisis and to implement a 3-year crash programme. After a while, I shall announce the relevant programme of the Government on this issue. We believe, that we will reach our cherished goal. About two other priority issues i.e. corruption eradication and good governance, I shall something to say at a late stage of my speech.

14. The major sectors of priority for our economic development are agriculture and rural development, human resources development, industry and trade and social safety net. We shall draw

***Increased investment
required for poverty
reduction***

your attention to the programmes that we propose to deliver in these sectors. We have given special attention to these areas because without creating employment opportunities, expanding public expenditure and increasing investment, we cannot make any headway in terms of poverty reduction. Above all, we have to extensively use information and communication technology for accelerated development. Therefore, we are moving ahead with a dream of establishing digital Bangladesh by the year 2021. The transition to digitization process will, on the one hand, help accelerate production and on the other hand, facilitate curbing corruption. Above all, information and communication technology will play a decisive role in generating employment opportunities. We expect that in 2021, employment in ICT sector will rank second only to textiles sector.

15. The budget for FY 2009-10 will be the first step towards our journey to realize the dreams enshrined in our Vision. Through the budget proposals, Mr Speaker, after carefully evaluating our preparedness to tackle the impact of global recession, analyzing the possible resource constraints and taking into account the capacity for implementation of development programmes, I intend to proceed with the budget proposals enshrining our promises to keep for the charter of change.

***Charter for Change
highlighted in the
budget proposal***

Macro-economic Scenario

Mr Speaker

16. I would now like to reflect briefly on the global and domestic economic perspective that would determine our new journey towards building a prosperous and poverty-free Bangladesh.

The Global Perspective

17. The rising growth trend of the global economy that commenced from the year 2002 of this century continued for six years until it encountered a global slowdown that started in 2008. The crisis began with the debacle of sub prime mortgages in the

*Sub-prime mortgage
debacle triggered
global recession*

United States. The contagion of the crisis first spread to Europe including the all the developed economies of the world before engulfing the emerging economies and finally

hitting the developing countries as well with all its wrath.

18. The depth of the global economic recession could not be adequately perceived at the beginning of the crisis. As a result, all international financial institutions including the IMF and the World Bank started to change global growth forecasts frequently. Between 2002 and 2007, the average global economic growth stood at 4.5 percent. In the

*Global growth shrank to
negative 1.3 percent - lowest
since Great Depression*

1990s, this growth was only 3 percent. Before the beginning of the crisis, the global economy registered a growth of 5.2 percent in 2007 which slid to 3.2 percent in 2008. According to the latest forecast the global economic growth will shrink to negative 1.3 percent, which is the lowest growth record in the sixty years since the Great Depression of the 1930s.

The Domestic Perspective

Mr. Speaker

19. Despite the effects of global economic meltdown and the two consecutive floods and super cyclone *Sidr* that hit Bangladesh last year, its economy was able to maintain stability. It is estimated that the economic growth of the current FY 2008-09 will stay around 5.9 percent. In the context of the reality of the global situation where it is forecast that the overall global output growth and the growth of the developed economies will be negative, the expected growth registered by Bangladesh demonstrates the resilience of our economy. However, in the context aftermath of deepening of the crisis and its lingering prospect until the later half of 2010, the upcoming budget year will be a real challenge for our economy. In particular, the first half of the fiscal year will be very critical.

FY 2009-10 challenging for the economy

20. The export growth during July-March period in the current fiscal stood at 14.5 percent which was 12.4 percent during the corresponding period of the previous year. During this period, RMG sector registered a growth of 19.9 percent of which the share of woven garments was 18.4 percent and that of knitwear 21.4 percent. Raw jute, jute products, frozen foods, leather goods, and pharmaceuticals on the other hand registered negative growth.

Slow down in export growth with some sectors in negative territory

21. It is in this context that the export growth will moderate in the last quarter of the current FY. As a result, there is a downward projection of export growth to 12 percent in the current fiscal year. This was 15.9 percent in the previous year.

Export growth may decline to 12 percent

22. About 80 percent of our imports constitute essential commodities, a large part of which are raw and intermediate materials for industrial production. In the first nine months of the current fiscal year, our

Decline in import growth projected

import growth registered a decline to 12.4 percent from 23.9 percent during the corresponding period of the previous fiscal year. This is attributable to the sudden fall of fuel price and the prices of other commodities.

23. However, according to the latest information available remittance growth remains buoyant in the current fiscal year. Up to April 2009 the remittance flow amounted to US\$ 7.9 billion registering a growth of 22.5 percent. The current account surplus has increased from US\$ 435 million in July-March of FY 2007-08 to US\$ 1090 million, which is 1.2 percent of GDP.

Current Account surplus will stand at US\$ 1090 million in FY 2008-09

24. The foreign exchange reserve as on May 3, 2009 stood at US\$ 6.5 billion which is sufficient for meeting 3 months' import bill.

The Supplementary Budget for FY 2008-09 and the Economic Scenario

Mr. Speaker

25. In FY 2008-09, the target for total revenue income was Tk. 69,382 crore which is 11.3 percent of GDP. The revenue collection by the National Board of Revenue did not reach its target due to downward revision of import tariff structure combined with reduced value of commodities as a result of the global recession. However, the buoyancy in non-tax and non-NBR revenues is expected to have a sobering impact on the shortfall of total revenues. We have, therefore, revised our estimates to Tk. 69,180 crore which is 11.2 percent of GDP.

Slightly lower than target revenue income

26. NBR revenue target has been revised to Tk. 53,000 crore from its original target of Tk. 54,500 crore, which is 8.6 percent of GDP. On the other hand, the original target of non-NBR revenues has been scaled up to Tk. 2,526 crore from Tk. 2,289 crore while

that of non-tax revenue has increased to Tk. 13,654 crore from Tk. 12,593 crore.

27. In the original budget, the total expenditure was estimated at Tk. 99,962 crore which was 16.3 percent of GDP. In the revised budget of the current fiscal year this has been reduced to Tk. 94,140

Declining trend in public expenditure

crore, which is 15.3 percent of GDP. The size of the Annual Development Programme (ADP) amounting to Tk. 25,600 crore (4.3 percent of GDP) has been reduced to Tk. 23,000 crore, which is 3.7 percent of GDP. Underutilisation of resources due to capacity constraints resulted in this reduction.

28. Despite providing allocation in the form of additional subsidies for fertilizer, power and exports, the non-development expenditure was revised downward due to collapse in prices of food, fuel and fertilizer in the international market. As a result, the overall budget deficit in the revised budget for FY 2008-09 will stand at 4.1 percent of GDP. Of this, 2.3 percent will be financed from domestic sources and the remaining 1.8 percent from external sources.

Budget deficit reduced to 4.1 percent of GDP in FY 2008-09

29. The total debt stock will decline to 44.8 percent of GDP, which reflects stable and sustainable macroeconomic management.

30. In FY 2007-08, the annual average inflation stood at 9.9 percent. On a point to point basis the inflation of July at current

Inflation declined to 5.4 percent in April 2009

fiscal year was 10.8 percent which declined to 5.4 percent in April 2009. This trend of low inflation is expected to continue due to fall in prices of fuel and other essential commodities and also due to favourable production conditions. In FY 2008-09, the annual average inflation will stay around 7 percent.

31. We are continuing with a cautious monetary policy in the current fiscal year. Up to March the annualized increase of Broad Money supply stood at 19.8 percent. The domestic credit flows registered a growth

Credit flow growth shows satisfactory trend

of 18.7 percent. Private sector credit grew at a rate of 18.2 percent. When the other countries were reeling under the impact of credit crunch, the private sector credit flows in our country did not shrink. Rather, we have witnessed a satisfactory private sector credit growth during the period which will support increased investment in the country.

Mr. Speaker

32. Our currency Taka remains stable against the US dollar. During July to March period of the current fiscal year the average exchange rate against US Dollar was Tk. 68.72. In March 2009, Taka depreciated by only 0.6 percent on a point to point basis. During this period the real effective exchange rate remained stable. As a result Bangladesh could maintain its export competitiveness.

Export competitiveness gained due to taka depreciation

33. Like other sectors, the capital markets of developed and developing countries around the world were also severely hit by the global economic crisis. The share price index and market capitalization of these countries collapsed upto 65 and 262.3 percent. Despite some fluctuation in share price index of the capital market since June 2008, the overall market capitalization went up by 12.8 percent in May 2009. The price index fell 14.3 percent. The recent fluctuation in the capital market, however, did not arise directly from the global economic recession. This instability arose more from a psychological impact of global recession and from the expectation of the investors for making more profit from the narrow capital market.

Little impact on capital market due to global recession

Mr. Speaker

34. Following are the important features of the outgoing fiscal year:

- a. a bumper harvest of wheat and *boro* paddy was secured due to the Government's intervention in the form of reaching agricultural inputs to the doorsteps of the farmers and providing timely generous subsidy;
- b. the Government had to provide more funds and food grains for carrying out various civil works to generate higher employment opportunities;
- c. the Government had to provide grants and allowances at a higher rate and larger number to strengthen the social safety nets;
- d. the Government had to implement a fiscal stimulus package to meet the negative impact of global recession.

Stimulus Package to Counter the Effects of Global Recession

35. The year 2007 witnessed a significant reduction and unprecedented price hike of all commodities including food, fertilizer and fuel. A new crisis ensued in the year 2008 arising from credit crunch. Within a few months, this crisis culminated into a global recession.

36. Due to this economic meltdown, investment across the countries stagnated. It carried in its wake massive retrenchment of workers. Millions of people lost their means of livelihood. To counter this deteriorating situation, countries around the world, both developed and developing, declared fiscal stimulus packages depending on how the respective economies were affected, the depth and dimension of the problems being faced and their affordability to deliver incentives.

***The impact of financial
crisis on the real sector***

37. Since the beginning of the global economic crisis we have been carefully monitoring its impact on our economy. We believe in collective wisdom and joint initiatives of private and public sector. Therefore, immediately after assumption of office we constituted a

Task Force involving all concerned agencies. We then proceeded with declaring a special support and incentive package in a short time. I would like to discuss the initiatives under the stimulus package and the progress in its implementation.

38. The Global Recession impacted our economy in three fronts: export, import and remittance. I mentioned earlier, that except for RMG and domestic textile sector, exports of all other commodities have declined compared to the previous year. The growth of export in RMG and textiles is also going down.

Crisis affected the export, import and remittance sectors directly

39. The growth in import is also dwindling. However, remittance flow still holds a strong position. The Government will have to remain focused on tackling the situation arising from influx of expatriate workers returning home after losing their jobs. We have factored this issue in designing our stimulus package so that more effective use of our scarce resources is ensured. While providing incentives we have adjudged the beneficiaries based on objectivity considering the degree in which the recession has harmed them.

Stimulus package announced to tackle the crisis

40. The Government provides subsidy to 13 items of export. We have increased export subsidy for three worst affected sectors by 2.5 percent. To this end, there is an increase of allocation of Tk. 450 crore in the revised budget. We have simplified the existing procedures for quicker disbursement of cash subsidy to the beneficiaries. We have provided for presumptive payment of 75 percent of claim and settlement of the rest of the claim after due audit scrutiny.

Subsidy increased for three severely affected sectors

41. In the RMG and Textiles sector, there is already a package of incentives in place. This includes:

- bonded warehouse facilities through which the exporters can import fabrics and other raw materials duty free

- duty draw-back facilities which are extended to those who cannot avail bonded warehouse facilities,
- providing 5 percent of the export value to those who use local yarn and fabrics to make their products
- a zero tariff on imports of cotton in the interest of yarn producers

42. Besides these, we have provided certain additional assistance to other sectors including RMG and Textiles:

Brought down the lending rate to 12 to 13 percent

- in certain cases bank interest rate has been lowered to 12 - 13 percent to facilitate import and investment
- the time limit for making down payment in respect of repayment of bank loans for all manufacturers and exporters has been extended up to September 2009. Rescheduling facilities are to be extended on a case by case basis
- an Export Development Fund is in place for financing the import of machinery for plants engaged in manufacturing of exportable items. The size of this fund has been increased. An individual borrower's limit has been increased from US\$ 1 million to US\$ 1.5 million
- steps have been taken to withdraw license/renewal fees payable by the captive power producers
- steps have been taken to implement immediately the planned actions to revamp the sick industries including 270 garment manufacturing units

Export Promotion Fund enhanced by 50 percent

Initiatives for solving the problems of sick industries

Mr. Speaker

43. We know that the Government has an obligation to do more to enhance the capacity of the exporters. To this end we are closely

monitoring the whole situation so that we can take immediate decisions in order to protect the exporters' interests. We will not let the export industry, which is currently undergoing a setback, to go sick.

44. For disbursement of loans to the private sector, we are focusing on a system of risk-based assessment of investment instead of emphasizing on collaterals. Bangladesh Bank has been advised to take appropriate action to maintain an exchange rate regime that looks into the interest of the exporters.

45. In order to keep the negatives of global recession at a minimum level on our remittance flows we have adopted the following strategies:

Steps for expansion of labour market abroad

- rehabilitation and skill development training programme for the returnee expatriate workers who lost their jobs
- diplomatic initiative to prevent retrenchment of workers and to explore new labor markets abroad
- making National Skill Development Council more effective to build a critical mass of skilled workforce to match the requirement of international labor markets.

46. In order to keep the domestic demand buoyant alongside exports, steps have been taken to make the operation of the funds with the Bangladesh Bank more comprehensive, strengthened and effective. These include Equity and Entrepreneurship Fund, Housing Fund, SME Fund and Investment Promotion and Financing Facilities Fund. Housing Fund has been raised from Tk. 300 crore to Tk. 500 crore and SME fund from Tk. 500 to Tk. 600 crore.

Refinancing Scheme for increased investment in SME and Housing

47. Emphasis has been laid on agriculture and power sectors so that domestic demand is not hindered due to supply constraints. In the revised budget of

Recapitalization of BKB, RAKUB and Karmasangsthan Bank

the current fiscal year an additional allocation of Tk. 600 crore has been made for providing subsidy to the power sector. An allocation of Tk. 1,500 crore has been provided in the revised budget for the recapitalization of Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank and Karmashanthan Bank in order to revamp the rural economy by increasing credit access, thereby supporting self-employment. Tk. 1,500 crore has been allocated to enhance subsidies for agricultural inputs and irrigation. Bangladesh Bank has allocated Tk. 1,183 crore for refinancing agricultural credit.

48. Merchant banking facilities have been extended to State-owned Commercial Banks (SCBs) to consolidate the capital market.

Initiatives for consolidation of capital market

The Initial Public Offering of Grameen Phone is underway. Steps have been taken to establish a Capital Market Institute to institutionalize capital market research and training.

Mr. Speaker

49. There is a plan to improve the working environment of the industrial and financial sector by way of modernising and restructuring the Bangladesh Standards and Testing Institute, Bangladesh Bureau of Statistics and the Insurance Authority.

50. With respect to the fiscal stimulus package, I would like to emphasise here that the package proposals were designed consistent with our chartered strategies for poverty reduction, economic growth and macro stability. Therefore, may I assure you that programmes under stimulus package would continue to be expanded consistent with the need and within our affordability. A provision of Tk. 5,000 crore has been made in the next year's budget to continue the programme.

Stimulus package to be expanded

51. Against the backdrop of current recession, austerity and belt-tightening have to be exercised in other areas of public expenditure

Austerity measures for reducing public expenditure

to free up resources for creation of jobs, increase of aggregate demand and

implementation of social safety-net and poverty reduction programmes. Necessary directives have been circulated to all ministries, divisions and departments urging them to prevent waste and to observe the standards of financial propriety while procuring goods and services.

52. It is heartening to see that the world community in their response to the crisis has been announcing bail-out packages. The

Positive response in G-20 Summit in favour of global community

London Conference of G-20 countries declared, mainly for emerging economies a huge bail-out package of US\$ 1.1 trillion to overcome the crisis arising

from the recession. A significant share of this package will go to the IMF. I trust Bangladesh will also get its fair share from the increased resources made available to the IMF. The World Bank and the Asian Development Bank in alignment with the initiative of G-20 conference, have taken up various programmes to support the developing countries. Bangladesh is also expected to receive budget support from these programmes. Under the G-20 package, US\$ 250 billion will be used for trade financing of the member states. To qualify for access to this facility by countries such as Bangladesh, it would require policy changes in trade financing by the multilateral institutions. A country that manages its external sector prudently and does not default on any debt must be provided trade financing on liberal terms for importing essential commodities like food, fertilizer and fuel rather than compensation on account of export loss.

Opening of a New Horizon

Planning Concepts and Strategies of the New Government

53. The Government led by the Grand Alliance believes in long-term vision for the development of the country. A long term Perspective Plan helps a nation to have an idea of its goals for a foreseeable future

Finalisation of 3-Year PRSP in two months

and enables it to chart out its course of action to achieve these goals. With this purpose we have briefly outlined our Vision of 2021. In order to realise this Vision we believe that there is a need for a medium-term Five -Year Plan. We have already taken up to work out the details of the Vision 2021 simultaneously begun the work of formulating our 5-Year Plan for 2010-2015. At the same time, we believe that there should be a continuity of Government's activities and all activities directed towards the welfare of people should be pursued vigorously. Here, I would like to share some reflections on our planning concepts:

- First, we have reviewed the already prepared 3-year term PRSP (Moving Ahead 2009-11) in the light of our development philosophy and socio-economic goals. We plan to complete this task in the next two months. Poverty reduction is a fundamental issue where there should not be any laxity. Therefore, we will follow this programme till 2011.
- I mentioned earlier that the work on our Perspective Plan (2010-2021) is in progress. I hope by June next year we will be able to share this planning document with the Hon'ble Members of Parliament.

<i>Preparation of Perspective Plan for 2010-21 in progress</i>
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- Alongside this, we have begun our work on 5-Year Plan for 2010-2015. This planning document will not be a traditional one with sectoral allocations, lists of projects and investment plan. It will project goals and targets, explore alternative strategies for reaching the goals and targets. In a broad sweep, it will contain the projected savings and investment and public expenditure, the role of public and private sectors and the requirement for institutional structure. This medium-term plan will

<i>FYP to Reflect development goals and targets</i>

contribute to the process of implementing our Perspective Plan. In fact, this Plan will be an indicative forecast for the nation reflecting the Government's development philosophy.

- I mentioned earlier that the current PRSP shall remain in force until 2011 and this document will be reviewed each year in normal course. The way the 5-Year plan will influence the annual budget objectives, the PRSP that we are finalizing likewise will affect the budget for the intervening period.
- The annual budget will specify the programmes needed to operationalize the broad directives of the 5-Year Plan. You are all aware that a 3-Year Medium Term Budget Framework (MTBF) is followed by different line ministries in developing their annual budgets. This 3-Year MTBF will be converted into a 5-Year MTBF.
- The two most important aspects of budgeting for us are augmenting government revenue and increasing the rate of investment. Considering the uncertainties due to the global recession, we cannot possibly raise the rates of taxes, but certainly it would not be unjust to widen the tax net. Similarly emphasis may be laid on attracting increased investment from private and foreign sources. We shall definitely support various investment initiatives.

***Redesigning MTBF
as 5-year MTBF***

Public-Private Partnership Budget

Mr. Speaker

54. We need to take our economy to the higher trajectory of growth to take the people of this country out of the vicious cycle of poverty. What is needed to meet this objective is a paradigm shift to

bring qualitative change in the investment strategy that we have been following.

55. As I mentioned earlier, in our Election Manifesto, the growth of GDP has been set at 8 percent to be achieved by the year 2013

Investment deficit of US\$ 28 billion to be financed to achieve 8 percent growth by 2014

and at 10 percent by the year 2017, which would be sustained until 2021.

As a vehicle to attain this higher growth, investment in infrastructure development, especially, power and energy, ports, communication, supply of drinking water and waste management, education and health will be given highest priority. A huge investment is required to achieve this target. In addition to the existing public and private investment programmes, an investment of US\$ 28 billion will be required by FY 2013-14 to achieve the projected growth as per the preliminary estimates.

56. The government alone cannot provide such huge amount of resources. It would be difficult to maintain macroeconomic stability if the government has to finance such huge investment by borrowing from domestic sources. Again, it will not be possible to obtain such funds as concessionary loans from the development partners. Our past

Capacity constraints in domestic financing

experience suggests that it has been difficult to ensure economic use of public resources and the quality of service delivery when Government is involved in infrastructure development and maintenance as its involvement is not determined through a competitive market process. At the same time, direct involvement of the government in project execution process takes away the focus from its basic obligation to provide social and other important services.

57. Since the implementation and funding of any infrastructure development projects is a long drawn process, the investment risk is much higher and at the same time, the investment is not, in many cases, commercially viable. It is therefore, difficult to attract private investment in all projects in this sector.

58. In this context we are going to take **special initiatives to involve the private sector** under Public Private Partnership (PPP) to

Private sector to be involved in financing investment deficit

meet the probable investment gap in infrastructure development and maintenance, alongside the government's investment. We trust that successful application of PPP concept will open up the door for increased flow of investment from both local and foreign investors. This will accelerate economic growth. In fact, PPP in Bangladesh commenced after the adoption of IPP Policy in 1996.

59. Around 50 initiatives in telecommunication, land port and other physical infrastructure projects have been successful. There has been remarkable progress in PPP sector in FY 1998-99 when initiatives were taken to build two mega power

PPP framework to be more transparent and strengthened

plants at Haripur and Meghnaghat with private sector involvement for the first time. The two projects were implemented successfully and helped in mitigating power crisis. I would like to mention that the existing PPP framework and the institutions associated with PPP should be more transparent and should also be strengthened to ensure the success of the PPP sector. At the same time it is essential to ensure the participation of the government in PPP projects.

60. The present government is committed to take timely

Opening of three new budget heads for PPP

measures to attract private investment in the country through PPP. Therefore, I propose to create three new 'expenditure heads' in the FY 2009-10 budget to facilitate new projects under PPP.

61. The first expenditure head will be named as **PPP Technical Assistance** to cover expenditure related to pre-feasibility studies and other preparatory work before asking the private sector to submit their bids for PPP projects. Relevant agencies will be able to

Tk. 100 Crore for PPP technical assistance

receive necessary funds quickly from this head to prepare PPP project documents and to appoint PPP consultants. I propose to allocate Tk. 100 crore for this sector in FY 2009-10.

62. I propose to allocate Tk. 300 crore as **Viability Gap Funding as subsidy or seed money** to attract private initiatives for the construction of power plants, hospitals, schools, roads and highways which are non-profitable but essential for public services.

Tk. 300 Crore for PPP viability Gap Funding

63. I propose to allocate Tk. 2,100 crore in the PPP budget to accelerate the process of investment through PPP. This allocation will be used for setting up an **Infrastructure Investment Fund**. Depending on the type of projects, the Government will provide equity or loan to the private investors to ensure Government's participation. Different financial incentives will be extended from this Fund to encourage investments. We are presenting for the first time a position paper on invigorating investment initiative through PPP.

Tk. 2100 Crore for creating Infrastructure Investment Fund

64. The challenge before us, is to set up an institution for preparation and implementation of PPP budget which will ensure innovative ways, independent operation and accountability of planning and budget process of the private sector. We trust that this body will be able to provide incentives to PPP initiatives in different sectors and expedite project approval process. We believe that this institution will follow the best practices of modern management philosophy of both public and private sectors. According to our plan we hope that the PPP budget management will be fully operational by September next.

Best management practice for PPP Unit

Medium Term Budget Framework

Mr. Speaker

65. The total volume of public expenditure in Bangladesh compared to other countries is

Effective use of public resources

fairly low. At the same time it is evident that with this level of spending, it is not possible to achieve the desired level of output. Most of the public expenditure is not linked with the national and sectoral policies. The probable outcome to be achieved through these resources is not always clearly articulated. In most cases, monitoring and evaluation of budget implementation is not properly carried out. Needless to say, proper utilisation of limited public resources can accelerate the national growth rate and speed up poverty reduction.

66. By now, 20 ministries and divisions have been included in the Medium Term Budget Framework. The purpose of MTBF is to link budget with the Government's policy; resources with the performance indicators of the ministry/department/agency and strengthen the implementation, monitoring and evaluation process. These 20 ministries and divisions spend 53 percent of the total budget and 86 percent of the ADP. In addition, 12 more ministries will be roped in the MTBF budget process very soon.

Linking policies to allocation, allocation to performance

67. We want to bring in all ministries and divisions within this budget framework within the next 2-3 years by linking the Government's declared strategic policies with the budget process.

68. The national budget is not just a statement of income and expenditure of the government. Budget is a vehicle through which we shall ensure growth, poverty reduction and commitment relating to achieving the macroeconomic fundamentals.

Budget as vehicle to implement Charter for Change

69. In the light of our experience in introducing the new budget framework it was felt that the overall budget management at Ministry level requires further strengthening through institutional support. In view of the above these Ministries and Divisions have been asked to create a Budget and Planning Wing or Branch within their organisational structure. It is

Establish Planning and Budget Wing/Branch in each Ministry

hoped, that implementation of this directive will strengthen budget preparation, implementation and the monitoring activities.

70. New initiatives have been taken to examine the entire development project approval process to avoid delay and

Faster approval of projects and strengthened monitoring

complexity. The revised procedure will be made effective some time in the next fiscal year. The activities of ministries

and divisions have been strengthened to monitor and evaluate regularly the implementation progress of development projects. The newly created wings/branches in the ministries and divisions will support this activity.

Unified Budget

Mr. Speaker

71. We want to initiate a few reforms related to budget preparation and execution starting from the next fiscal year. The

dichotomy between non-development and development is essentially artificial. From the perspective of attaining objectives, this becomes

Dichotomy between non-development and development budget is artificial

more evident. For example, construction of schools is under the development budget, but salaries of teachers and other educational inputs are within the purview of non-development budget. The desired outcome will not be achieved through the civil works connected with the construction of schools alone.

72. Besides, if we look at the total resource of the government, we can see that 76 percent of the total budget is spent through non-

Development programmes are also implemented under non-development budget

development budget. There are many development programmes which are now being implemented through the non-development budget. Around 28.8

percent of total resources have been allocated for this purpose in the current fiscal year. However, during the same period only 24 percent of the total budget has been allocated for the ADP.

73. Currently, 14 percent of the total budget has been allocated as interest payments for the funds which were borrowed to finance previous Annual Development Programmes. Another amount of 2.7 percent of the total budget has been allocated for the repair and maintenance of infrastructure which was built under the development projects. A further 3.6 percent of the total budget is spent on salaries for manpower transferred from completed projects to the non-development budget.

Shifting load on non-development budget from development budget

74. Therefore, the national budget should be unified to help achieve the strategic objectives of the government in the short and medium term. It will also help to eliminate duplication and lack of coordination in the budget preparation process. However, the budget allocation needs to be divided as capital expenditure and recurrent expenditure at the disaggregated level to understand the expenditure pattern. A way to manage this will be determined soon in consultation with the Planning Commission.

Initiative for formulating unified budget

Gender Responsive Budget

75. It is one of the priorities of the government to initiate positive steps to ensure gender equity across the economy. We want to bring women in the mainstream of economic development and good governance. We are going to incorporate gender and poverty related disaggregated data in the budget separately through the Medium Term Budget Framework.

Engendering budget

76. It is my great pleasure to inform this august House through you, Mr Speaker, that we tried our best to ensure women's equity in the FY 2009-10 budget. For the first time, I am presenting a separate statement before this Parliament regarding the allocations that have been earmarked for women's advancement for the

Budget related report on women development

Ministries of Education, Social Welfare, Health & Family Welfare and Food & Disaster Management. The share of participation of women in different activities and the level of service they are receiving from the government's activities will be evident from that information. At the same time, with such available information it can be decided whether any affirmative action is required or not to ensure women's rightful position in the society and the economy. We hope to include more information in the coming years.

District Budget

77. As we all know, the national budget is prepared centrally. This does not capture the hopes and aspirations of the people at the grass root level. At the same time, transparency and accountability cannot be ensured, as we cannot say how much resources have been utilised in a particular district. As an initial step we want to prepare a district budget for one district in each division through partial modification and improvement in the classification structure and a few changes in the development project proforma. If it is possible, then the central budget will also be able to illustrate a district wise budgetary break up, which will ensure transparency of public expenditure and accountability in the implementation of programmes. I hope that I will be able to present a **district level budget** in the budget for FY 2010-11 before this august House.

District budget for transparency and accountability

78. Once the process is begun, we shall be able to capture inputs for budgeting and planning from the district level. This initiative is closely linked with decentralisation of our development initiatives. I firmly believe that there will be an epoch making change in the development initiative if budget preparation and implementation at the district level, works as planned.

Use of ICT in Preparation of Budget and Accounts

79. It is my pleasure to inform you that information technology is widely used in the processing and compilation of budget and accounts related data and information. Integrated Budgeting and Accounting System (iBAS) was introduced in FY 2007-08 and with this we can now ensure generation of timely and accurate reports. Currently, 58 District Accounts Offices including the Divisional Accounts Offices are connected through a Wide Area Network. Financial data and information are being sent directly to the capital from remote accounting locations through this system. In future, this information technology will be expanded further to cover all Upazilas across the country. This process will make public spending and use of resources more transparent and will ensure accountability.

Implementing budget through WAN connectivity across country

Budget Framework for Fiscal Year 2009-10

Mr. Speaker

80. At this stage, I would like to reflect on the overall budget framework for FY 2009-10. The next year's budget has been formulated on the basis of certain assumptions contained in the Medium Term Macroeconomic Framework. It has been estimated in this Framework that the economic growth in the next fiscal year will be 5.5 percent considered in the context of the global outlook. However, in the next two years the economy is expected to pick up and post a higher growth rate. Annual inflation will come down to 6.5 percent from 7 percent of fiscal 2009. The shocks emanating from the global recession may negatively impact the export sector. Though the growth of remittance is expected to be slowed down, the total remittance will still cross US\$ 10 billion mark. The revenue

In FY 2009- 10, 5.5 percent growth and 6.5 percent inflation estimated

collection will increase following the expansion of tax and non-tax revenue net.

81. The budget for FY 2009-10 has been formulated bearing in mind the need to maintain macroeconomic stability in the context of current global economic meltdown, achieving desired economic growth to fulfill our election pledge and thereby contribute to poverty reduction. In fulfilment of our strategy for attaining prosperity we have attached priority to massive employment generation, enhancement of social safety net, creation of self-employment, reduction of regional disparity, increasing emphasis on agricultural development, achieving the target of power generation, acceleration of industrialization and building necessary infrastructure for "Digital Bangladesh".

82. In FY 2009-10, the total estimated revenue will be Tk.79,461 crore which is 11.6 percent of GDP. Of this, the share of NBR revenues will be Tk. 61,000 crore (8.9 percent of GDP), Non-tax and Non-NBR revenues will be Tk. 15,506 crore and Tk. 2,955 crore respectively (2.7 percent of GDP).

Growth estimated at 11.5 percent of GDP

83. On the expenditure side, the size of ADP for the FY 2009-10 will be Tk. 30,500 crore (4.4 percent of GDP) and the total expenditure will stand at Tk. 1,13,819 crore, which is 16.5 percent of GDP.

84. The budget deficit is estimated to be within 5 percent of GDP of which 2 percent will be financed from external sources and the remaining 3 percent will be financed from domestic sources. However, efforts will be made to mobilize more resources from external sources. This budget may appear slightly expansionary, but compared with most countries our fiscal deficit is minimal in the context of current global crisis. I consider that our budgetary stance is appropriate in the context of the present domestic and global economic scenario.

Budget deficit estimated as 5% of GDP

85. The large size of the ADP has been proposed keeping in mind the commitment in our election manifesto to regional parity, improved infrastructure and the quality of expenditure. In the proposed estimates 7.8 percent is allocated for overall agriculture sector (agriculture, fisheries and livestock, rural development and water resources), 22.1 percent for local government, 14 percent for power and energy, 15.7 percent for communication (roads, railway, bridges, waterways, airways and telecommunication), 23.5 percent for human development (health, education and science & technology).

29.9 percent of ADP allocated for agriculture and rural development

Mr. Speaker

86. The implementation record of ADP has not been encouraging. Under the MTBF system, planning and budgeting have been largely decentralized but the process has not been working very effectively. I have, therefore, mentioned earlier that strengthening of Budget and Planning wings in ministries and divisions will receive high priority. Only 10 ministries/divisions could implement 78 percent of ADP. I am sure, if monitoring is concentrated on these ministries, their performance should improve further. Though the proposed ADP is quite ambitious we hope to implement it if we ensure effective supervision and monitoring. We have to remember that creation of domestic demand at this stage is extremely important. We have to expand our domestic and regional market for our goods and services by reducing dependence on export.

Monitoring be strengthened in 10 ministries with total ADP utilisation 78 percent

87. I have already presented the allocation structure of ADP for 2009-10. I would now like to briefly discuss the overall expenditure framework, so that one can get a broad understanding about the sector-wise allocation and priorities of the whole budget. According to the allocation of

32.7 percent for social infrastructure, 27.7 percent for physical infrastructure and 22.6 percent for general service proposed

business of various Ministries/Divisions, we may classify them into three broad categories such as, **social infrastructure, physical infrastructure and general services**. About 32.7 percent of the total outlay has been allocated for social infrastructure of which 18.8 percent has been allocated for human development. The physical infrastructure sector will receive an allocation of 27.7 percent of the total outlay, of which 15.5 percent to overall agriculture and rural development sector, 6.5 percent to the broad communication sector, 3.8 percent will go to the power and energy sector. 22.6 percent is earmarked for general services sector of which 9.3 percent has been allocated for newly proposed PPP, for fiscal stimulus package and implementation of the Pay Commission recommendations. Beyond these major three sectors, 17 percent of the total outlay will be spent for interest payment and net lending, of which interest payment accounts for 14 percent. In the proposed budget as we have taken up new and innovative programmes, schemes and projects, to meet our election pledge, so have we taken care that the macroeconomic fundamentals are not destabilized.

88. The major challenge that we shall confront is implementation of Annual Development Programme. ADP implementation has always been deficient. We are particularly concerned about the possible implementation snags because of the ambitious size of ADP for the next fiscal year. We should, therefore, pay due attention to monitoring and evaluation of ADP execution from the first day. About the implementation snags of ADP, I would like to put forward some of my tentative views:

Monitoring and evaluation to be strengthened in ADP utilisation

First, the project approval process is currently time-consuming and complex. We are considering some reforms in this area.

Second, the restrictions laid down in PPA and PPR very often, hinder the procurement process. A serious effort at advance procurement plan might ease the

difficulty to some extent. However, we are considering some amendments in both PPA and PPR.

Third, the efficiency of the Project Director in project implementation plays a crucial role. We are paying close attention in this aspect.

Fourth, we believe that if the programmes of 10 ministries could be brought under special and intensive monitoring arrangement, ADP utilisation would be much better.

Last, we are planning to monitor some of the major projects through Critical Path Method (CPM) process. In this respect a task force will be constituted immediately after approval of the budget by the Parliament.

Some Important Sectors

89. I would now like to discuss in brief some of the sectors. In some cases, my statement may be a little longer for which, Mr. Speaker, I tender my apologies in advance to you, and through you, to the Hon'ble Members of Parliament.

Agriculture and Rural Development

Agriculture

90. Our economy is agro-based. We have, therefore, given highest priority to overall agriculture and rural development sector.

Top priority on agriculture and rural development

There is no scope in our economy to differentiate between agriculture and rural development. We need to take into account both farm and non-farm sectors. In this sector we have to consider the development of water resources, rural infrastructure, rural works programme, rural electrification, sanitation and housing. We also have to consider land use planning and development of small and medium enterprises in this sector. In our Election Manifesto, the amelioration of the plight of farmers has

received adequate focus along with the development of non-farm activities. We trust that our farmers will survive if agriculture thrives, again if farmers survive the country will prosper. Keeping that in mind the present Government, immediately after assumption of office, paid instant attention to the supply of inputs at reasonable prices for production of paddy and wheat. I have already mentioned the benefits that we have reaped from this intervention.

91. The contribution of our agriculture sector to the economy is 22 percent of GDP. 48 percent of our labour force is engaged in this sector. The primary means to ensure food security for our citizens is to develop our agriculture sector. To meet this objective, we need to achieve self-sufficiency in food by 2012 through increased production.

Self-sufficiency in food production by 2012

92. We have planned several steps for increasing food production. These include expansion of irrigation facility using surface water in southern areas, addressing water logging in the south-western region, expanding cultivable land by improving drainage system in the *haor* areas and by creating opportunities for multiple-cropping. I propose to allocate Tk. 4,000 crore for FY 2009-10 to implement these projects. In next fiscal year, we shall put before you the special initiatives intended to address the problems of *haor* areas.

Multiple crop production by expanding agricultural land

93. It may be recalled that Tk. 4,285 crore was allocated in the budget of 2008-09 as subsidy for fertilizer and other agricultural inputs to help the farmers. Due to abnormal price hike of urea and non-urea fertilizer in the international market around that time, the amount of subsidy was raised by Tk. 1,500 crore to Tk. 5,785 crore for keeping the market price at an affordable level for the farmers. Recently, the price level has come down to one-third of that level in the international market. Against this backdrop, I propose to allocate Tk. 3,600 crore as subsidy in this sector for the next fiscal year.

Subsidy to continue in agriculture sector

94. To increase crop production in FY 2009-10, we have taken 7 programmes and 6 projects for developing high yielding variety seeds at a cost of Tk. 280 crore, to be implemented by BADC and Agricultural Extension Department. Moreover, we are planning to increase the seed storage capacity from 40,000 MT to 100,000 MT.

Increase production and distribution of seeds and capacity for preservation and storing

95. I propose to allocate Tk. 185.21 crore for agricultural research and agricultural rehabilitation assistance for maintaining the growth of crop production. The proceeds from investment of Agriculture Research Endowment Fund, created in FY 2007-08, will be used for agriculture research. I propose to allocate Tk. 5,965 crore, development and non-development combined, for the Ministry of Agriculture in FY 2009-10.

Emphasis on agricultural research and rehabilitation

96. Our target was to distribute Tk. 9,379 crore as agricultural loan in FY 2008-09 through different state-owned, private, specialised banks and financial institutions. Until March 2009, disbursement was Tk. 6,907 crore which is 73.6 percent of the target.

97. In the next FY, we plan to increase the target of agricultural loan from existing Tk. 9,379 crore to Tk. 10,000 crore and continue loan programmes at specially reduced rate of interest in the hill districts.

Agricultural loan of Tk. 10,000 crore targeted

Fisheries and Livestock

Mr. Speaker

98. Attaining self-sufficiency in fish, milk, poultry and meat production is an avowed goal of the present Government. We are continuing our efforts to prevent netting of “Jatka” (small Hilsa fry) and to create sanctuaries to protect the local variety of the species to

Self-reliance in supply of protein

achieve self-sufficiency in fish production. In tandem, we are bringing the water bodies and flood plains under community-based fisheries management. We are also helping to generate alternative employment through micro-credit programme.

99. We are implementing programmes to produce and supply vaccine for cattle and poultry, to ensure supply of pullet and duckling at reduced price and to prevent avian flu for the development of poultry and livestock. As a result, daily per capita availability of fish, meat, milk and egg will go up. We have already started the process of attaching priority to poultry sub-sector.

Per capita availability of fish, meat, milk and egg to be increased

100. In order to increase fish production, we have taken up programmes for releasing fish fries in open water bodies under “Beel Nursery” programme. At the same time, we are strengthening quality control management system at every stage from production point to consumer's end.

Massive programmes for releasing fish fries in open waters

101. We have a plan to provide incentives to 12,000 farmers for increasing milk and meat production. We have also a plan to establish farms for lambs and buffaloes. To implement these programmes I propose to allocate for this sector a total of Tk. 716 crore combining development and non-development budget, which is 19 percent higher than the revised budget of the current year.

Stimulus package for poultry farmers

Water Resources.

Mr. Speaker

102. There is no divergence of opinion about the importance of the optimum use of water resources for the development of an agro-based economy. This requires, for instance, river training, prevention of river erosion, flood control and development of irrigation system. On the whole, we need to ensure equitable,

Optimum utilisation of water resources

sustainable and efficient management of water resources. To this end, we are in the process of framing the **Water Use Act** and also bringing necessary amendments in the **Water Resource Planning Act, 1992**.

103. We would like to bring 15,000 hectares of land under irrigation facility by making 40,000 hectares of land flood-free.

Increasing irrigation facilities by protecting more areas from flood

Besides this, there is a plan to excavate 40 km and re-excavate 65 km of irrigation canal, construct 15 and repair 50 irrigation infrastructures. We trust, our farmers will soon reap the benefits from these initiatives.

104. *We have worked out a plan to invest to protect our land mass, cities and towns and important sites of historical interest from river erosion.*

Augmented irrigation facilities, river protection and reduction of risk of salinity

Flood forecasting system will be automated. In addition, we will take steps to install salinity forecasting system and to

develop basins in coastal areas. The calamity of Cyclone Ayla and the destruction it wrought is indeed a pointer.

105. Water resources development and water transport development are closely linked. The Inland Water Transport Authority is mandated to keep our waterways navigable and safe. The Ministry of Water Resources, on the other hand, wants to ensure appropriate drainage of water and protection from erosion. Therefore, the Ministries of Shipping and Water Resources, should work together to design plans to ensure continuous flow of water through river training, excavation of waterways, loop-cutting, raising embankments and to keep the damage caused by floods within tolerable limits. The Government is committed to attach top priority to dredging programmes. We have a plan to design and implement a medium-term programme for capital and maintenance dredging to ensure development of waterways and

Medium term programme for capital and maintenance dredging

appropriate use of water resources across the country. Our objective is to involve the private agencies in this process as well.

106. Salinity protection program has been implemented in 12.35 lakh hectares of land out of 26.37 hectares threatened by the risk of salinity. We have also taken up a plan to free 17,000 hectares of land from water logging problem. We shall undertake programmes to recover 20,000 hectares of land in the coastal area by making dykes and embankments and to rehabilitate 16 thousand poor families on 11,055 hectares of land.

Work on desalinisation, reclamation of land and rehabilitation of poor to be advanced

107. Due to withdrawal of water from the Ganges at Farakka point salinity has increased in the south-western region, which is jeopardizing the ecological balance in the Sundarbans area. To get out of this situation, a feasibility study is in progress for constructing a barrage on the Ganges. Once the feasibility study is done steps will be taken to construct the barrage as soon as possible. As a result, 23 rivers flowing over the south western region will regain life and ecological balance will also be restored.

Study on construction of barrage on the Ganges for ecological purpose in Sundarbans

108. We have taken up a plan to implement two projects in Kushtia. One for the excavation of the Gorai and the other for the construction of a town protection dam. These two projects will not only increase the navigability of the Gorai but also protect the riverside installations during the rainy season. We shall install a better system of drainage of the vast waters from the Ganges-Bhramaputtra and Meghna basin. At the same time, we shall develop a medium-term integrated Water Resources Development Plan to increase the navigability of the major rivers through capital and maintenance dredging.

Drainage of waters of Ganges, Brahmaputra and Meghna Basins

109. I propose to allocate Tk. 1,483 crore, development and non-development combined, for water resource development in the next fiscal year.

Rural Development

Mr. Speaker

110. Rural development is synonymous to the development of Bangladesh economy. Therefore, one of the important commitments of this Government is to make the rural people self-reliant and to adopt supportive policies to foster the creative energies and innovative drive of rural people. To realize this goal, we shall strengthen micro credit programme, expand ICT network in rural areas, raise agricultural production, protect the environment, improve socio-economic conditions and empower rural women, train people in income generating activities, develop rural human capital and encourage applied research in rural development. At the same time, we plan to cover the sloth in the labour market in industry and manpower export sector by emphasising investment and focusing on rural and agriculture sector.

Generating additional employment by investing in agriculture and rural sectors

to realize this goal, we shall strengthen micro credit programme, expand ICT network in rural areas, raise agricultural

111. In line with our election manifesto, we have undertaken a project “One Household One Farm” to be implemented during July 2009 to June 2014 at an estimated cost of Tk. 1,246 crore. A total of 5,78,400 rural families will be brought under this programme and 29,00,000 people will be benefited from this project, directly or indirectly.

"One House, One Farm" project will generate employment for 29 lakh people and reduce poverty

112. The objectives of this project is to turn every house into an economic unit, ensure village development by creating village based institutions, establish linkage with local government organizations and different nation building departments, ensure the services and

Ensuring overall rural development

economic unit, ensure village development by creating village based institutions, establish linkage with local government organizations and different nation building departments, ensure the services and

support to the beneficiaries and to mobilise and make the best use of local resources.

113. Apart from that, we are going to take up different programmes for the marginalised rural people to extend credit, impart training on social and skill development provide significant activities for women empowerment through PKSF. Alongside this, Bangladesh Rural Development Board (BRDB) has been working for achieving agricultural growth, poverty reduction and human resource development. The number of beneficiaries is above 50 lakh spread over 476 Upazilas. BRDB also provides micro credit to beneficiaries.

Women and deprived people to be empowered through credit & training

Mr. Speaker

114. LGED implements the maximum number of rural **infrastructure** projects in the country. In the next fiscal year 13,700 km. of roads and 54,260 metres of bridges/culverts will be constructed and reconstructed through this Department. To this end an allocation of Tk. 3,575 crore is proposed in ADP.

Safe water for all by 2011

115. The Public Health Department makes special contribution towards rural sanitation and supply of safe drinking water. Besides, the Government will construct 6,114 arsenic-free water sources in FY 2009-10. Tests will also be conducted on a further 20,000 water sources. About 88 percent families are now using sanitary latrines. By next year we shall try to raise the use to 100 percent.

Sources of arsenic-free water to be secured. Sanitary latrine close to 100 percent by next year

116. I propose to allocate Tk.8,321 crore, development and non-development combined, for rural development and local government in the next fiscal year. This is 24 percent higher than the allocation of last fiscal year. Most of this allocation is use in rural development.

Rural Electrification

Mr. Speaker

117. Under the coverage of Rural Electrification Programme 48,745 villages have been provided with electricity connection up to April 2009. The number of beneficiaries will exceed 7,600,000 and

Macro-vision achievable through rural electrification

the total distribution line is 2,18,350 kilometres. We are facing, at the moment, problems with additional

power transmission, distribution and allocation. We have, therefore, identified rural electrification programmes as one of our priority programmes considering the importance of rural development. The Rural Electrification Board, with Government support, has taken up a programme for providing renewable energy to the households in remote areas where power cannot be supplied from the national grid line. We consider rural electrification as one of the tools for realizing our vision and therefore, we want to bring in dynamism in the entire sector.

Food Security

Mr. Speaker

118. Access to food is a fundamental right. About 40 percent of our population are poor. Of this, 20 percent languish under abject

Developing food security system

poverty. Under such socio-economic conditions, we have taken steps to implement National Food Policy Capacity Strengthening Programme at a

cost of Tk. 73.44 crore with a view to adopt an appropriate food policy, run efficient food management, and establish a reliable food security system. Already we have finalised a work plan by adopting a food policy under this programme. The progress of work plan is being monitored by 11 concerned ministries.

119. The objective of food management of the Government is to ensure adequate food stock,

Keeping food price at a tolerable level and ensuring fair price for farmers

to make food available at a reasonable price and to ensure fair price to the farmers for their produces. To this end, we provided adequate subsidy for fertilizer to augment crop production. We have taken steps to procure *boro* paddy at fair prices. The procurement target for FY 2009-10 is 16 lakh MT, which is the highest during the last five years. We consider that because of negligence towards maintenance and expansion of food godowns over the past two decades, our food storage capacity remains insufficient compared with our requirement. To this end, we are preparing an integrated programme comprising food procurement, storage and distribution. We would also like to take up the task of expanding the capacity of the food godowns.

120. Aside from ensuring adequate food stock, we have taken sufficient measures for smooth distribution of food. I propose to allocate 4 lakh MT of food grains as Test Relief (TR), 5.5 lakh MT as VGF, 3.75 lakh MT as Food for Work (FFW) and 2.65 lakh MT as VGD to secure access to food and generate employment. To face any possible disaster we have targetted a stock of 14 lakh MT of food grains.

Ensuring availability of food and expansion of food safety-net

121. At various strategic locations in the northern region of the country we have constructed 137 new food godowns having storage capacity of 1.1 lakh MT and 333 godowns, having capacity to store 2.54 lakh across the country.

Enhancing storage capacity for additional 4 lakh MT of food-grain

Repair and maintenance of old and damaged godowns will continue. There is no alternative to raising the storage capacity to ensure good storage conditions for retaining the quality of food. Already necessary steps have been taken in this regard.

Power and Energy

Mr. Speaker

122. Our development efforts are severely constrained by the dismal

Proper planning for tackling the prevailing situation in power and energy

state of the energy and power sector. We were aware that there was a huge gap between demand and supply in this sector but we did not know that the snag is not only in the supply of gas and generation of power but also in the transmission of power as well. Not only is there a huge lag in the exploration of new gas fields, there has in fact, been serious neglect in taking up new work in known gas fields in order to augment gas supply as well. We are now compelled to set up expensive dual-fuel power plants that can use diesel or furnace oil and also gas. Energy and power sector demands a comprehensive plan for ordering of power plants, increasing supply of gas and other feed stock, strengthening of power transmission and distribution facilities, rationing of gas supply to competing demands, finalization of a coal policy and a long term sectoral master plan.

123. We are all in agreement that power deficit is the principal impediment to our overall development including industrialization.

Much lower per capita consumption of electricity than most other SAARC countries

We are committed to get rid of this impediment. Only 45 percent of our entire population has access to power. Currently our per capita power consumption is only 172 kwh, which is 325 kwh in Sri Lanka, 408 kwh in Pakistan and 665 kwh in India.

124. At present, our average power demand is about 5,000 MW, against which as of now the existing power plants can only generate 3800 MW of electricity. We are determined to take appropriate steps to increase power generation assuming its demand to be 20,000

Private sector in power generation is involved

MW by 2021. It is not possible on the part of the Government alone to finance huge investment that is dearly needed for targeted power generation. We have, therefore, embarked upon involving the private sector in short, medium and long term plans. We want to reach a position to fulfill the minimum electricity demand by 2011.

125. In the year 2008, there has been an additional power generation of 307 MW in the private sector. In 2009, 500 MW of

Addition of 5000 MW power to the national grid by June 2013

additional power will be generated through 4 projects under the public sector and 440 MW will be added from 11 projects under the private sector. The bidding process for the construction of a 450 MW Bibiyana Power Plant is underway. If we go ahead as planned, we hope that by 2013, 2,810 MW of power will be produced through 13 projects under public sector and another 1,350 MW, under 3 projects of private sector including Bibiyana. Besides, we are continuing dialogue with our neighbouring countries to import power for mitigating the power crisis on a short term basis.

126. Alongside increase in the production of power, efforts are under way to ensure efficiency enhancement of management and efficient use of the power produced.

Saving of 350 MW of electricity by using energy saving bulbs

During the last Boro season 300 MW of power could be saved through power load management. The diversion of this saved power towards irrigation helped the achievement of a bumper Boro production this year. We have also taken up a project at a cost of Tk. 105 crore to produce energy saving bulbs. Once this project is implemented there will be a saving of 350 MW of electricity.

127. To overcome the problems of transmission and distribution of power, we have taken steps to distribute the net addition of power in the next 3 years across the country. For this an additional 837 kilometres of power grid line, 17 sub-stations and 15,000 kilometres of distribution line will be constructed.

Additional lines for transmission and distribution of electricity

128. I have already given my views on rural electrification. In our opinion, the development of rural electrification will play a vital role in our rural economy.

129. It would not be advisable to avoid power generation using nuclear technology despite the element of risk of accidents involved.

Establishment of nuclear power plant being considered

We have begun the preparatory work on this matter. However, we cannot make any definite statement as to when

the nuclear power generation will commence. We are now considering setting up a GOB-financed nuclear power project at Roopur with a capacity of 1,000 MW.

130. We are now producing about 20 MW of electricity by using renewable energy. We are encouraging the production of renewable

All possible sources to be explored for power generation

energy by providing various financial incentives through both public and private channels. Besides, we have also taken the initiative to conduct a feasibility study for setting up small hydro-electricity projects. So far, the use of solar and bio-gas as sources of energy has mainly been tried in rural areas. We are taking initiatives to use this technology in population concentration areas in cities also.

131. We have to seriously consider using coal along with gas for power generation. We shall set up coal-fired power plant using environment friendly technology for extraction of coal. If required coal may be imported to run these power plants.

Coal-fired power plant to be established

132. Gas production per day in January 2009, stood at 1, 800 MMCF. Up to April 2009 another 115 MMCF has been added. Of

Gas exploration to be commenced at the coastal belt

the total production 970 MMCF per day is produced by international oil companies. In the next nine months another 100 MMCF can be produced. In 2009-11 period there is a plan to drill five development wells, 4 work-over wells and 4 production wells. This will provide an additional supply of 208 MMCF. Very soon exploration of offshore areas will commence. In order to cope with the current shortage of gas supply the power plants that will be ordered now will have to be also suitable for using diesel or fuel oil as feedstock. Pipelines will have to be expanded or constructed on an urgent basis to transmit gas from various gas fields.

133. The importance of energy in economic development can hardly be

85 percent of electricity generation depends on gas

over emphasised. With socio economic development of the country, demand for energy is on the increase. About 73 percent of our total commercial energy demand is met from our natural gas. There is a huge demand for natural gas from industries, power plants, automobiles and households. Besides, gas is used as the major raw material for the production of fertilizer. At present, 42 percent of the produced gas is used for power generation and 15 percent for fertilizer production. About 85 percent of power generation is dependent on gas.

134. The gas reserve in the country is depleting. At present, the proven reserve of gas is 7.3 TCF while the probable reserve is 5.5

Gas Development Fund to be created for enhancing the capacity of BAPEX

TCF. Unless new gas fields are discovered, the supply of gas *vis-a-vis* its demand will start diminishing from 2011.

It is, therefore, important to take up the task of on-shore and off-shore exploration to increase the gas reserve. We have taken up a number of projects to assess the actual reserve in gas fields already discovered and to turn the probable reserve into proven reserve. I am pleased to let you know that we are extracting 45 million cubic feet of gas daily from two wells at the Shahbajpur gas field in the district of Bhola. This gas will be supplied to a 250- MW power plant to be constructed at Bhola. Setting up a **Gas Development Fund** to enhance the capacity of BAPEX for exploration of oil and gas is under active consideration of the Government.

135. Research and development has been strengthened to ensure economically viable extraction of coal at deeper layers. A time-befitting Energy and Coal Policy is nearing finalisation.

Energy and coal policy updated

136. We are actively considering the issue of importing environment friendly energy technology in the context of current level of environmental degradation. We have taken initiatives to import gas

Importation of coal and gas to meet energy demand, if necessary.

from the neighbouring countries through pipelines on the basis of mutual cooperation. In tandem, in order to ensure energy security we have started the preliminary work for a three-fold increase in the refining capacity of the country, either by BMRE of the only oil-refinery i.e., the Eastern Oil Refinery, or by setting up a new plant..

137. The use of CNG in the automobiles as environment friendly fuel is increasing fast. An increasingly large number diesel-powered

Financial incentives for CNG and LPG to continue

buses and trucks are using CNG as fuel along with smaller automobiles.

In this case the financial benefits extended earlier will continue. We have increased the supply of LPG used for cooking and also reduced its price by 15 percent to bring it within the purchasing power of the common people.

138. In the next fiscal year, I propose an allocation of Tk. 4,310 crore, non development and development combined, for the power and energy sector which is 48 percent higher than the revised budget.

Industrialisation

Mr. Speaker

139. At the beginning of my statement on the industrial sector, I would like to mention that currently the contribution of this sector to GDP is 28 percent. We aim to raise this contribution to 40 percent by the year 2021. We also have set a target to raise the level of absorption of our labour force in this sector to 25

New Industrial Policy to reflect election commitment

percent from the present level of 16 percent. We believe that the large unemployed population of Bangladesh has to seek employment that can only be provided by the expansion of the industrial sector. Therefore, we are in the process of revisiting the industrial policy to adopt a new one that will follow the pledge of our Election Manifesto. The people's creative energy and ingenuity will play a vital role in our industrialisation process.

140. As part of our strategy for industrialization, we shall attach priority to the development of agriculture and labour intensive industry, where feasible. The important sectors that need special attention are agro-processing, garments and knitwear and the linked textile sector, leather goods, toys, furniture, consumer durables, drugs and pharmaceuticals, ship building, light engineering goods and information and communication technology. We shall adopt the strategies for development of sustainable technology-based agro-rural industries as well as ICT-driven ones as the means for reducing poverty and generating employment. We hope that this will lay a strong foundation for industrialisation by the year 2021.

Agricultural and labour intensive industries to be given priority

141. We shall create an investment-friendly environment to attract increasing number of local and foreign investors and expatriate Bangladeshis to invest in the country. We shall ensure development of tourism sector, increased manpower export and productive investment of foreign remittance. We believe that competitive and productive investment by the private sector is the driving force for the economy. In a labour-surplus country like ours, small and medium enterprises, cottage industries, self-employment and self-motivated economic activities will be the key fundamentals to our overall development. We are committed to provide all possible incentives to support those activities.

Private sector-led growth to be pursued

142. Laws, rules and procedures relating to the setting up of industries both for local and foreign investments will be further simplified. Transparency will be brought in all spheres including the Board of Investment. One-Stop service facility will be made

Simplification of investment related laws & regulation

effective. The cost of doing business in Bangladesh is still very high. The Bangladesh Business Forum, constituted by the Caretaker Government, is giving special attention to this issue. This forum will be reconstituted to make it more effective. We feel that creativity, ingenuity and drive of the private sector play a decisive role in the development of the country. However, very often, our private sector tends to be too dependent on the support from government. The number of sick industries is very large. Diversification and upgrading of production process in established industry do not always make good progress. Bankruptcy in a dynamic industrial sector is a normal process and salvaging is routine. Unfortunately, this is absent in our country. We are providing incentives and facilities that would be available for the promotion of private sector, but I would also like to ask for a change needed in the traditional paradigm of dependency on the Government for industrialisation.

143. The recent trends of the world economy amply testify that free-market economy without any conscious state-intervention cannot be sustainable. The Government will, therefore, play the role

No divestment of SoEs without securing alternative jobs for the displaced workers.

of a close observer in the area of trade and industry and come forward only to tackle crises, when required. The industries affected by the economic melt-down will be given various support packages on a case-to-case basis to keep them afloat and in competition. Bangladesh Bank has already issued necessary directives in this regard. Private sector promotion is our motto. Here I would like to mention that in the next fiscal year it may not be possible to disinvest any SOE considering the uncertain environment. Also I

would like to add that until alternative arrangements are made for the likely displaced workers an SOE will not be closed.

Small and Medium Enterprises

Mr. Speaker

144. We are committed to the development of the small and medium enterprises (SME). Because SMEs can make important contribution to the economy by ensuring local value addition and producing exportable surpluses and helping employment generation in a big way. In the non-farm SMEs of the rural economy, which are largely financed by personal and family savings, the banks and financial institutions are now getting involved. We are committed to motivate DMEs through provision of credit and training.

Credit and training to be provided to SME entrepreneurs

145. In order to bring dynamism in this initiative, Bangladesh Bank has created three funds with the seed money of Tk. 1,000 crore to provide refinancing facilities against loans disbursed by the commercial banks and other financial institutions. Already 19 banks and 23 non-bank institutions are receiving the refinancing facilities from the Bangladesh Bank. A new investment financial institution, dedicated for industrialisation, will be set up in the next fiscal year by the merger of Bangladesh Shilpa bank and Bangladesh Shilpa Rin Shanghta.

Funds to continue refinancing SME sector

146. All banks and financial institutions have been allowed to open SME service centre for further expansion of this sector. Bangladesh Bank has already declared the policy in this regard. Women entrepreneurs will receive priority in this area. At least 15 percent of the allocation will be earmarked for them and the rate of interest to be applied will be only 10 percent.

Women entrepreneurs being given priority in providing credit

Communication Sector

Roads and Bridges

Mr. Speaker

147. The physical infrastructure as well as the communication sectors are still to go a long way to meet our needs. The communication network that has been built combining roads, railways, waterways and airways is neither integrated nor consistent with the socio-economic realities of the country. Since our independence we have persistently witnessed significant expansion of our road network but there has been no discernible improvement either in railways or in waterways. In order to remove these inconsistencies, the Government has worked out an integrated Multi Model Transport Policy. Once finalised and implemented, this policy will help sustain an integrated communication network in the country.

148. We need to mobilise resources and make all-out efforts for completion of projects in our communication sector. I have already shared with you the strategies needed for attracting the participation of private sector in areas like transport, road construction, housing, port development under the PPP concept.

Emphasis on PPP for development of transportation and communication

149. Steps have been taken to implement the construction of Padma Bridge Project at Mawa and the construction of Karnafuli Hanging Bridge projects on a priority basis. Feasibility studies for construction of the four-lane Dhaka-Chittagong Expressway are well underway.

Priority for Padma Bridge construction

150. It is important to build a communication network surrounding each growth centre, hat-bazaar, schools and colleges and health centres at all Union Parishads of the country. We want to

Linking growth centres to District Headquarters

connect each union with the Upazila headquarters and all Upazilas with the district headquarters through metalled roads.

151. The Government has approved a Strategic Transport Plan for Dhaka. A feasibility study project for the construction of an elevated expressway and a tunnel between Tejgaon and the Airport is under consideration. All alternatives to reduce traffic jam need to be explored carefully. Steps have been taken to construct the Dhaka Eastern bypass.

Environment friendly transport system in the capital city

152. We would like to take an integrated approach to tackle the problems arising from increasing traffic jam, deteriorating water supply and drainage system and environmental pollution.

Integrated initiatives for solving problems of large cities including Dhaka

Railways

Mr. Speaker

153. As the means of public transport, railway is less expensive and much safer. However, because of persistent neglect for a long period, this sector has gradually become weak and risky. In order to modernise our railways a reform project called Bangladesh Railway Sector Improvement at a cost of about Tk 3,601 crore is being implemented.

154. Through this project, to be completed by 2014, a double-line rail track between Tongi and Bhairab Bazaar with signalling system will be constructed. As part of the reforms, there is a component to turn Bangladesh Railway into a state-owned corporate entity. A feasibility study project has been taken up for construction of underground railway system.

Bangladesh Railway to be corporatised

155. The problems identified in the railway transportation sector are being addressed through a 20-year Railway Master Plan.

156. There is a plan to commission electricity-powered railway transportation system, construction of double-track railway line between Dhaka and Chittagong, restructuring Bangladesh Railway network to accommodate the plan for facilitating long distance travelling by reducing the number of local railway stations, expansion of Railway system depending on cargo and passenger traffic and construction of circular railway around Dhaka to ease the pressure of increasing population.

Railway network to be restructured for long distance journeys.

157. Meanwhile, we have taken up a plan to open the Bangladesh Railways network for regional and international rail traffic. Steps have been taken to revamp the capacity of Bangladesh Railway through institutional reforms. The Government has already signed an agreement to integrate Bangladesh with Trans-Asian railway system. According to our new policy we will consider development of both metre-gauge and broad-gauge in the same tract while designing programmes for development and change in Bangladesh Railway.

Bangladesh Railway to be linked to Trans-Asian Railways

158. I propose an allocation of Tk. 6,100 crore, development and non-development combined, for FY 2009-10 for Roads and Railways Division and Bridges Division. This is 34 percent higher than the allocation of last fiscal.

Water Transportation

Mr. Speaker

159. The importance of waterways in inland transportation cannot be over emphasised in a riverine country like Bangladesh. To reduce accidents and to exercise increased surveillance we are strengthening the security system in inland waterways. We are taking up an integrated dredging programme to increase the navigability of waterways, develop river ports and to make the riverways safer. While dwelling upon water resources development,

Dredging of waterways emphasised

I have already mentioned about an integrated programme, involving all relevant agencies.

160. In order to solve the problems of public transportation system in Dhaka city and to ease the traffic jam, an existing project for circular river ways around the city will be strengthened and made effective.

161. The construction of New Mooring Container Terminal on Supply, Operate and Transfer basis is well underway to enhance the capacity of Chittagong Port. Plans for setting up a deep seaport at *Sonadia* is well in progress.

Establishing of deep-sea-port being expedited

162. A project for procurement of cargo handling equipment and capital dredging for *Mongla* Port is being implemented. With a view to modernising the *Mongla* Port, we have taken up a plan to construct a multi-purpose jetty with highly sophisticated facilities and to excavate the *Poshur* river and the harbour areas. Two incomplete jetties at the *Mongla* Port will be developed in the long term..

Mongla port to be made more operative

163. A decision has been taken to operate 12 land ports under the Bangladesh Land Port Authority on a BOT basis retaining only one at *Benapole* under the management of the Government.

Land Ports to be developed under BOT

Post and Tele-communication

Mr. Speaker

164. In order to realise the vision of building Digital Bangladesh we have to extend ICT facilities to those who are living in rural areas. To this end, we have to ensure internet connectivity and opportunities for the best use of information and communication technology. We have a plan to bring the least advantaged communities under the coverage of telephone and internet connectivity by extending its network and reducing the charges. We

Internet facilities to be extended to rural areas

are well on the way in bringing all Upazilas within internet coverage in the next five years.

165. In order to have secured connectivity with the information super highway there is an initiative to connect Bangladesh with the Second Submarine Cable Network.

Linking with the Second Submarine Cable initiated

166. Commissioning of digital exchange at Upazilla and growth centres has largely been completed. The remaining ones will be commissioned in the next year. To facilitate internet connectivity across the country, laying of fibre optical line will be completed in the next year. At the same time, an access network will be built covering 23 districts including 6 divisional headquarters.

Installation of optical-fibre connection across the country

167. I am pleased to let you know that the teledensity in the country has increased to 32 per hundred from 28 per hundred in the last year. While the internet user density has increased from 3 per hundred to 4 per hundred.

168. To make Bangladesh Telephone and Telegraph Board commercially viable, it has been turned into Bangladesh Telecommunication Company Limited (BTCL), a 100 percent government-owned public limited company. Another such company called Bangladesh Submarine Cable Company has been launched to ensure accountability and transparency in telecommunication sector.

The telecommunication sector made more accountable and transparent.

Civil Aviation and Tourism

Mr. Speaker

169. Efforts are continuing to make Bangladesh Biman

The Capetown Convention signed to facilitate early and cheaper procurement

commercially viable. Meanwhile in 2008, Bangladesh Biman has signed an MOU with US-based Boeing Company to purchase 10 new generation aircrafts by year 2015. The Government has signed the Capetown Convention in order to make it convenient to purchase and lease aircrafts at a reduced cost. This convention has become effective from April 2009. In order to keep the service operational during the intervening period, aircrafts of 777 and 737 models have been added to Biman fleet through a leasing arrangement.

170. We will give special attention to rationalise the manpower of

Emphasis being given on improving the management of Biman

Bangladesh Biman and enhance their efficiency and quality of service through regular training. A culture of indiscipline and lack of accountability in Bangladesh

Biman is tarnishing our image in aviation industry. Unless this culture is changed, it would be difficult to turn Biman into a profitable entity. We shall seriously consider a strategic alliance with any reputable carrier.

171. Bangladesh Biman has earned International Air Transport Association (IATA) Certificate of Operational Safety Audit (IOSA), 2008. The Handling Department of Bangladesh Biman has been converted into a subsidiary to provide improved service to the customers. All transactions relating to travel by passengers and cargo handling of Bangladesh Biman will be brought under e-commerce immediately.

Housing

Mr. Speaker

172. In our Vision 2021 we have committed that our Government shall provide accommodation for all by 2021. We will set up rural

Housing for all by 2021

housing around the growth centres in each union and upazila and housing with modern facilities in the urban areas. As a preliminary step, the Ministry of Housing and Public Works has worked out a plan to

develop 22,800 plots and construct 26,000 apartments in the next 3 years for the lower and middle income groups.

173. Considering the density of population, we are planning to formulate a Land Use Policy. Instead of scattered and unplanned building of homesteads, compact townships would be developed at union centres, growth centres, growing villages, mufassil towns and suburbs of Metropolitan Cities. This will free up land for agriculture and other purposes. Government is contemplating to provide civic amenities and other incentives to attract private initiatives in the areas identified for building townships.

Planned Township to be established for best use of land

174. We have taken steps to revise the National Housing Policy, 1999. We have also taken up the task of reforming Bangladesh National Building Code 1993, to make our housing and construction activities safer, sustainable and streamlined.

Steps taken for reforming the Building Code

175. We have also taken up an initiative to provide accommodation for the insolvent freedom fighters and build shelter-homes for the floating population in the urban areas. This will also create employment opportunities.

Accommodation for insolvent freedom fighters to be arranged

Human Resources Development

Mr. Speaker

176. Human resource development is an integral part of our total development planning. Keeping this in view, the present Government has identified health, education and technology as the priority areas for human resource development and has attached the highest priority in terms of allocation of resources. For this purpose, I propose to allocate Tk.

Special importance given to Human Resource Sector Development

21,367 crore, development and non-development combined, for health, education and technology for FY 2009-10. This allocation forms 19 percent of the total budget which is 14 percent higher than the revised budget of FY 2008-09.

Education

177. Education, on the one hand, is a fundamental human right and on the other hand, it is a social capital. Education, by establishing human capacity for choice paves the way for development. Proper fostering of human capital and integrating it with development activities would generate momentum for overall national development, which in turn will accelerate poverty alleviation. We have given the highest allocation for education and we are committed to ensure its effective use.

Highest allocation given to Education Sector

178. Taking into consideration the report of Dr. Qudrat-e-Khuda Commission, an Expert Committee has already been formed to formulate a complete education policy which will modernise the education system keeping focus on employment-oriented education. Based on the report of the the Committee, a new education policy will be put into effect very soon.

An Expert Committee constituted for formulation of Education Policy

179. The new programmes of the present Government in education sector include: free education by phases up to graduation level, continuing the stipend to female students, introducing stipend to male students, reduction of backlog of sessions, modernisation of *Madrasha* education and enhancement of science-related study and research work.

Opportunities for science education and research to be augmented

180. Establishing equal access to opportunities for all in every sphere of education, removing inequalities in

Highest importance for achieving quality education

rural and urban education and upgrading the standard of education are essential for overall development of education. Although huge resources have been spent in the past few years towards building physical infrastructure of educational institutions, effective measures have not been taken for the development of quality education. As a result, optimum outcome from education has not been achieved as yet. We are emphasising on achieving excellence in education.

181. In the current fiscal year, the Government has taken up a project to construct a model school with all modern equipment and amenities in each of 306 selected upazilas - which will require Tk. 466 crore. We are committed to ensure regional parity in education by establishing standard educational institutions in all localities according to their needs.

Educational institutions to be established per entitlement

182. We are also committed to ensure 100 percent enrolment at the primary level by 2010 and to prevent dropouts. We are determined to bring down the teacher-student ratio from 1:50 to 1:40 by 2011-12 in order to remove illiteracy from the country within 2017. From next year, we are targetting to recruit a minimum of five teachers for each primary school in the shortest possible time.

Ensure 100 percent enrollment at primary level by 2010

183. In traditional primary education system, there are three types of primary schools, namely, Government Primary School, Registered Non-Government School and Community Primary School. In order to generate momentum in the primary education system, we have decided to provide grants for the Registered and Community Primary school teachers in the form of pay equivalent to the initial pay of Government Primary School teachers subject to their being qualified for the job.

100 percent subvention to registered and primary community school teachers in deserving cases

184. We have distributed 4.77 crore text-books free of cost

Programmes for free distribution of books, school construction and providing stipends to students.

among the primary students in 2009. We have a future programme to distribute 100 percent text-books free of cost to the students of primary level. Our programme will also include reconstruction of 370 primary schools which were wast away and/or damaged by flood and river erosion and also constructing 1500 new primary schools in less served areas. We are providing stipend to 48.25 lakh students in near future and the number is expected to increase up to 79 lakh in the next fiscal year.

185. We have taken up a priority programme to increase the percentage of stipend beneficiaries from 40 percent to 100 percent in

School-feeding programmes to be introduced in poverty-prone areas

poverty-stricken Monga and slum areas and areas affected by river erosion and cyclone. We will also initiate school feeding program in selected extreme

poverty-stricken areas. By incorporating the life-sketch of the Father of the Nation and the history of liberation war appropriately in the curriculum, we are committed to remove distortions and develop primary education curriculum as pragmatic and suitable for the modern education.

186. I propose to allocate Tk. 300 crore in the next fiscal year for free distribution of text-books at the secondary level in order to achieve the target of removing illiteracy from the country by 2014. I would expect that

Free distribution of books at secondary level also

those parents who are well-off and also those who enjoy amenities of urban areas would refrain spontaneously from receiving books to be distributed free of cost for the poor. To attain the desired standard of education in non-government educational institutions, Government is planning to link assistance provided with the academic results. We have developed a medium term programme for recruitment of science teachers and setting up laboratories in each secondary school for the development of science education.

187. We are planning to introduce appropriate recruitment procedures to appoint qualified and

New educational institutions to be brought under MPO system

trained teachers in educational institutions. We have proposed Tk. 3,904 crore for disbursing monthly payment orders (MPO) to non-government teachers. This covers 62 percent of the revenue budget of Ministry of Education. Now, I propose to allocate Tk. 112 crore for additional MPO subvention to non-government institutions for FY 2009-10. I hope the entire MPO listing system will be reviewed to identify fake institutions (institutions without teachers or students). I am seriously reconsidering continuation of this facility in affluent neighborhoods and shall ensure that inclusion of new institutions in MPO list will be as per established criteria set for inclusion.

188. Only 3-4 percent of the total students are currently enrolled in technical and vocational education at secondary and higher secondary levels. We want to engage our youth more in vocational education and to that end we have introduced vocational and technical courses at secondary and higher secondary levels. Therefore, I propose to allocate Tk. 322 crore, development and non-development combined, for FY 2009-10, which constitutes an increase of 56.3 percent over the allocation of current fiscal year.

Emphasis on expansion of technical education

189. We are planning to establish one technical institute at each Upazila in phases. We are examining the opportunities for establishing these institutes under private-public partnership. Technical trade courses suitable for local and foreign employment markets will shortly be introduced on a larger scale shortly.

Technical institutes to be set up in each Upazila

190. The present Government is aware of the need for development and expansion of tertiary level education. In FY 2008-09, the Government approved 9 projects at a total cost of Tk. 1,915 crore for establishing new universities and upgrading the existing infrastructural

Opportunities and facilities of higher education to be increased

facilities. With a view to narrowing regional disparity in higher education, three universities in Jessore, Pabna and Rangpur are operational now.

191. Besides, we have planned to establish a university each in Barisal, Rangamati and Gopalganj. In response to increasing demand for diversified and improved quality of higher education and proper management of Universities, the Government has been preparing **Private University Act, 2009**.

Science & technology: Digital Bangladesh

Mr. Speaker

192. There is a need to encourage science and technology education to keep pace with global and technological advances. In order to build digital Bangladesh, we have to develop a ICT-skill work force. We are, therefore, committed to introduce compulsory computer and technical education at secondary and primary levels by 2013 and 2021 respectively.

Mandatory computer education in stages

193. We are now working on a detailed work plan on the ICT Policy of the Government. We want to transform to e-governance by 2014 and initiate e-commerce by 2012. We have associated Bangladesh Computer Association and Bangladesh Association for Software Information Services (BASIS) for preparing a specific work plan. We plan to introduce computerized system in every government office during our term of office and target a benchmark of 4000 computer engineers and scientists graduating each year from the last year of our tenure.

e-governance by 2014

194. To render better and efficient services to the people traditional file-based administrative work in the public sector needs to be transformed into e-government/digital government. The national ICT Road Map is being worked out to achieve this goal. Top priority is given for exporting computer software and

File-based administration to be turned into digital administration

developing IT-skilled human resources in the service sector. We will enhance incentives for software industries and also promote the use of indigenous software in government and non-government sectors. I have already mentioned that we have taken necessary measures to expand internet services in remote areas and charges for such internet services have been reduced to make it affordable to the users.

195. Beyond these, enhancement of opportunities for basic research relating to science and technology will be one of the most important activities in this area. We are preparing a comprehensive programme for helping reputed researchers to undertake their research work and scholarly work in science. We have doubled the allocation made on research work in mathematics, life-science and physical science. The allocation for this sector will increase further.

Opportunities for pursuit of science and technological research

196. I propose to allocate Tk. 100 crore to meet the emergency expenditure in the ICT sector. I am also proposing to enhance the amount of the existing Equity Entrepreneurship Fund relating to ICT-promotion from Tk. 100 crore to Tk. 200 crore.

Rural health care through community clinics

Health and Family Welfare

Mr. Speaker

197. Ensuring adequate health services for all is one of the principal commitments of our Government. In accordance with our current need, we have started reviewing the 'Health Policy'. The 4-party alliance government undermined our community clinic system but we have decided to restore them. With a ratio of one community clinic for each 6,000 people in the rural area, a total of 13,500 community clinics will be established across the country. Primary health care services, mother

Maternal Healthcare Voucher Scheme to be expanded

and child care, family planning services, sanitation, cleanliness, prevention of diarrhoea, balanced food, nutrition and venereal disease related services will be provided and awareness created among rural people through these clinics.

198. Existing maternal health voucher programme will be expanded to 45 upazilas for ensuring health services to the poor and

Reproductive healthcare and population control to be ensured

helpless would-be mothers by preventing maternal mortality and developing maternal health. It was mentioned earlier that our target is to reduce the child mortality rate from 52 to 15 per thousand and maternal mortality rate from 2.9 percent to 1.5 percent by 2021. Insha-Allah, I hope this will help in stretching the life expectancy to 70 years by 2021.

199. Overpopulation is an acute problem in our country. With a view to addressing this problem, it is required to frame a pragmatic population policy which will ensure population control and reproductive health services. The fundamental weakness of

Nutritional demand of all citizens to be met

family planning is lack of adequate manpower and government's failure to meet the demands of the people. We are taking emergency programmes to address these twin-weaknesses. Our aim is to increase the contraceptive prevalence rate upto 80 percent by 2021 and for this, we are introducing specific programmes. Beyond this, I also propose to earmark Tk. 498 crore, development and non-development combined, for the procurement of birth control related materials and equipment.

200. We want to ensure the quality nutritional demands for 85 percent of the population by 2021. To solve the problem of

Healthcare infrastructure to be expanded

malnutrition, National Nutrition Programme will be extended to 123 upazilas by the next fiscal year and later all upazilas of the country will be brought under this programme in phases.

201. All hospitals at upazila and district-levels will be modernised and upgraded to 50-bed and 250-bed hospitals respectively to render better hospital-based services to the patients. 5 new medical colleges and 6 health technology institutes will be established by next fiscal year. 6 nursing institutes will be upgraded to nursing colleges and the establishment of 12 new nursing institutes will be undertaken. Reconstruction and modernisation of old and dilapidated medical colleges and hospitals will be a priority programmes to ensure proper utilisation of resources and to enhance the quality of services.

202. An *Institute of Tropical and Infectious Diseases* with 100-bed hospital will be established in Chittagong in order to eradicate all types of infectious and communicable diseases by 2021, and conduct research for the control of those diseases.

203. We would turn the pharmaceutical sector into a viable export-oriented one by attaining self-sufficiency in producing quality medicine for domestic needs and a surplus to enhance export earnings. To fulfill this objective we shall make the 'Drug Policy 2005' more pragmatic. At the same time, the Department of Drug Administration would be modernised.

Drug Policy 2005 to be updated

204. We have initiated the process of formulating policies on patient's welfare fund, maintenance of digital pass card, determination of user fees and collection and distribution of user fees. At the same time, government and non-government efforts will be taken to undertake training programmes for paramedics, nurses and midwives.

Efficiency of ancillary health services to be enhanced.

Poverty Reduction and Employment Generation

Mr. Speaker

205. The central theme of the discussion that I made so far was

Protecting poor people from all impacts of crisis

poverty reduction. Social security and empowerment, and employment generation are indispensable elements of a poverty reduction programme. Now, I would like to discuss some of the specific programmes and their goals in brief.

Social Safety and Empowerment

206. As I said earlier, a strong and expanded Social Safety net is the main emphasis of our vision - which will protect the poor from all sorts of social, economic and natural shocks. Poverty will certainly reduce through social empowerment. We have started our work to bring down the **poverty rate by 15 percent within 2021**. Overall Social Safety Net Framework is divided into four categories-

- Providing of special allowances for the different underprivileged section so that poor and disadvantaged people can tackle the poverty incidence with some effects;
- Employment generation for poverty reduction through micro-credit and different fund management programmes;
- Food security based activities in order to better manage the consequences of disaster;
- Providing education, health, training and technical assistance to make the new generation capable and self-reliant.

207. Here, I would like to place before you, and account of different allowances in brief. We propose to enhance the monthly

Enhancement of old age allowance by 35 percent

rate of **Old Age Allowance** from Tk. 250 to Tk. 300 and widen the beneficiary coverage from 20 lakh to 22.50 lakh.

This will increase the allocation from existing Tk. 600 crore in FY 2008-09 to Tk. 810 crore in the budget for FY 2009-10.

208. At the same time, **Allowances for the Destitute Women** will be Tk. 300 per person. I propose to raise the allocation to Tk. 331.20 crore in the next fiscal year from Tk. 61.20 crore from the current fiscal year.

209. We are recommending increase in monthly rate of allowances for the **Insolvent Freedom Fighters** from Tk. 900 to Tk. 1,500. I propose the number of beneficiaries from 1 lakh to 1.25 lakh. On that basis, I propose to allocate Tk. 225 crore for this purpose. This is an increase of Tk. 117 crore from the allocation made in the last fiscal year.

Enhancement of allowances for insolvent freedom fighters by 67 percent

210. We propose a monthly allowance of Tk. 300 for the Insolvent-Disabled and also increase the number of beneficiaries from 2 lakh to 2 lakh 60 thousand. For this purpose, Tk. 93.6 crore 60 thousand will be required in the fiscal year 2009-10.

Rate enhancement of allowance for insolvent disabled and expansion of its coverage

Mr. Speaker

211. We are proposing an increase in the **Allowance for Poor Lactating Mothers** by Tk. 50 to Tk. 350. This will require an allocation Tk. 33.60 crore which is Tk. 11.1 crore higher than last year.

Rate enhancement of allowances for poor and low income working mothers

At the same time, we are proposing to allocate Tk. 25 crore for launching a similar programme namely '**Allowance for Lactating Low Income Working Mothers in Urban Areas**'.

212. We are proposing to increase the allocation for **the capitation grant** to the tune of Tk. 6 core 19 lakh for 16 thousand orphan children in public orphanages. Thus the total allocation will stand at Tk. 23 crore 39 lakh. In addition, 45 thousand private orphanages and 48 thousand Orphan Children will also be given **Capitation Grant**. For this purpose, the allocation will increase by Tk. 2.52 crore and the total allocation will stand at Tk. 40.32 crore. Another Tk. 5.67 crore will be spent for the welfare of the shelterless street children.

Increased allocation for the welfare of orphans and street children proposed

213. In order to tackle any possible disaster, Tk. 133.20 crore will be earmarked for different sectors.

Mr. Speaker

214. Micro-credit is also an important vehicle to reduce poverty. Different ministries/divisions are involved in this process. An

Micro-credit funds be made more operational and accountable

initiative will be taken to design an integrated policy for fund management. Our main task will be to make different existing fund management authorities

accountable.

215. We are proposing to allocate Tk. 20 crore for the **Women and Freedom Fighters Self-employment Fund**, Tk. 2 crore for the **Acid Burnt Women and Rehabilitation of Physically Challenged/Disabled** and Tk. 100 crore for **Assistance to Poultry Farms**.

216. Our election commitment is to take special measures to provide education and generate employment opportunities to make the disabled persons socially rehabilitated. To fulfill this commitment, our Government is taking an initiative to establish a One-Stop Service to provide health service and ancillary facilities to the disabled persons. For this purpose, Tk. 5.41 crore has been allocated in the budget for FY 2009-10 for launching a new programme titled **'Disabled Service and Assistance Centre'**.

Service and support centers for the physically challenged people.

217. Besides, **Palli Karma Shahayak Foundation** will distribute Tk. 200 crore received from foreign sources in the next fiscal year as micro credit.

218. In order to alleviate poverty and enhance social empowerment we will add several new dimensions along with the existing programmes in the next fiscal year.

219. Through *Ghare Fera* (**Returning Home**) Programme, initiative will be taken to bring the poor people from the urban areas

to their own address. They will be provided with houses to live and with credit and training for earning livelihood. *Khas* land will be provided where possible. For this purpose, a policy will be in place to integrate *Khas* Land Distribution, Housing, Employment Facilities, *Adarsha Gram* and *Asrayan*. We propose to allocate Tk. 92 crore for implementation of the **One Household, One Farm Programme**.

Back home and One Home, One Farm programmes to be resumed

220. I propose to allocate Tk. 1,176 crore for a major programme titled **Employment Generation for the Hard Core Poor**. We expect that with efficient leadership and management of this programme, the rural economy will become vibrant. On the other hand, we will also be successful in tackling seasonal and local poverty like *monga*.

Employments to be generated for the ultra-poor

221. Our election pledge was to stop begging as a profession. To this end, a survey will be conducted next year. For now, we believe that begging in rural areas can be tackled easily. We seek assistance from various voluntary organisations to work out multi-faceted programmes to stop begging profession in urban areas. Rehabilitation of beggars, providing them with proper training to make them self reliant and generating employment opportunity for them are the major elements of the proposed programmes.

Eradication of begging by generating employment

222. We are proposing a special allocation of Tk. 20 crore in the next fiscal year for the training to enhance professional efficiency of the youth having educational qualification of Higher Secondary School Certificate or its equivalent. In this area work will begin in Borguna and Kurigram Districts on a pilot basis. Later on it will be expanded in phases, and the youth will be equipped to meet the challenges of the employment market both at home and abroad. I wish to name this programme as '**National Service**'. A total of 125 youth training centers will

National Service to be introduced for the unemployed youths

organise training under the Ministry of Youth and Sports. After 3 months' training they will be provided with employment for two years in different fields in line with the training imparted to them.

223. At the same time, I propose to allocate Tk. 170 crore for the **Rural Roads Maintenance Project** which employs poor working people, Tk. 76 crore for the rural employment facilities for the

On-going programmes for the rural poor to be strengthened

protection of Government assets Tk. 12.85 crore for Employment Generation in the Northern Region for Hard Core Poor Of *Monga* area, Tk. 75.60 crore for

the *Char* areas, Rehabilitation Package for the Poor and Tk. 57.83 crore for the Economic Empowerment of the Poor will be allocated. It may be mentioned here that in these projects most of the workers will be women.

Mr. Speaker

224. We propose to allocate Tk. 1,137.50 crore for the Stipend Programme at different levels under the social safety net programmes. Besides, Tk. 9.80 crore will be allocated for the Disabled Students and for their schools.

225. We propose to allocate Tk. 70 crore for the **Maternity Health Voucher Scheme** and Tk. 173 crore for **National Nutrition Program** for next fiscal year. Tk. 8.67 crore will be allocated to the National Social Welfare Council for distribution as grants.

226. Alongside the operation of open market sales, we propose to allocate Tk. 5,877 crore under the non-development budget for the Food for Works Programme, VGF, VGD, TR (Food), GR (Food) and also for the food assistance in the form of food security programmes for the Chittagong Hill Tracts.

227. Taking the advantage of the technology used for preparation of National Identity Card, we will prepare a comprehensive list of hardcore poor, deprived elderly citizens, disabled and freedom fighters to provide them with

Beneficiary list of various programme to be prepared using database of National ID card

increased assistance. We will consider distressed women while preparing this list.

228. On this issue finally, I would like to say that almost 15.2 percent of total non-development and development budget which is almost 2.5 percent of GDP will be allocated for the social safety net and social empowerment programmes.

Employment Generation

Mr. Speaker

229. Our election manifesto specifies the main elements of our policy for employment generation. We will create employment opportunities in agriculture and rural sectors. Construction of labour-

Employment is a must for poverty reduction

intensive infrastructures will receive top priorities. We will strengthen self-employment opportunities through micro-credit programmes. Special training programmes will be organised for the workers to be sent abroad. Greater facilities will be provided for the development of small and medium industries and integrate them with larger industries. We shall incentivise professional individuals and groups dealing with technology. We will make efforts to create employment opportunities in all spheres particularly in the area of information and communication technology. Eventually we will go for industrialisation in targeted sectors. We shall not close any industrial or commercial enterprise until alternative arrangements have been made for the displaced workers. We believe that creating employment opportunities is a pre-condition for poverty alleviation and building a dignified nation.

230. The present government is pledge-bound to provide employment to at least one member of each family by 2014.

According to BBS estimates, the total labour force in our country is 5 crore, out of which only 20 lakh are

Special emphasis for generating employment for the ultra-poor

employed in the public sector. Every year a similar number of labour force enters into our labour market. Employment generation is,

therefore, high on our development agenda. In the proposed budget, we are attaching the highest priority to employment generation for the hardcore poor living in acute poverty-prone areas.

231. In FY 2008-09, in order to protect the purchasing power of the rural poor from sliding down, a 100-Day Employment Generation Programme was launched, and was partially implemented. Having reviewed the problems and policy weaknesses of that programme during implementation stage, we are proposing to implement a changed programme titled **Employment Generation for the Hardcore Poor** in FY 2009-10. This will create employment for 49 lakh man-months.

Employment for 49 lakh man months for the hardcore poor

232. Test Relief (TR), Food for Work (FFW), and such other programmes being implemented from the revenue budget will create an employment of 2.87 crore man months, which is 10 percent (27.3 lakh man-months) more than that of the revised budget of FY 2008-09.

233. Under the Annual Development Programme, employment for 264.8 lakh man-months of work will be created, which is 23.2 percent (49.76 lakh man-months) more than that of the revised budget of FY 2008-09.

234. In FY 2009-10, an additional employment of 77 lakh (6.4 lakh for the whole year) man-months will be created under non-development and development budget over that of the previous year. According to BBS data (compiled in 2005-06) 21 lakh people above the age of 15 years are unemployed. In the next fiscal year employment opportunity for 32.57 percent of this unemployed population will be created.

Employment opportunities for 7 lakh people to be created in FY 2009-10

Women Empowerment and Children Welfare

Mr. Speaker

235. As per Articles 10 and 28 of the Constitution, the present Government is committed to establish equal rights and status for men and women and ensure participation of women in all spheres. We will reinstate **Women Development Policy** formulated by the Awami League Government in 1997, which is consistent with the UN declaration on Women Rights and empowerment and declaration made in the World Women Convention in Beijing. We want women to have abundant opportunities to participate in national development, policy decision making and political, administrative, economic, social and cultural activities.

Ensuring participation of women in all spheres

236. The number of reserved seats for the women in Parliament will be increased to 100. Direct election will be held against these seats. In the meantime, we have started working to ensure recruitment, promotion and placement of women in top management of the administration, law and order forces, armed forces, autonomous bodies and educational institutions as well as in judicial service.

Women being placed in high positions

237. In order to encourage women entrepreneurship, we will ensure separate banking arrangement, loan and technical facilities women entrepreneurs. We wish to permanently empower women rather than adopting ad-hoc arrangements through micro credit interventions. Meanwhile, we have started patronising prospective women entrepreneurs capable of making major investments.

Empowerment of women on permanent basis

Mr. Speaker

238. We will take necessary steps to stop repression on women, violence against women and

Steps for stopping discriminatory treatment towards woman and children on the card

children, acid terrorism, women and child-trafficking and discrimination against women and we will provide legal assistance to the affected persons. We plan to expand female education and protect women in their working place by creating maternity facilities and day-care centres for breast feeding children of working women. Hostels for working women will be constructed at district headquarters as necessary.

239. We will take necessary legal and administrative measures to protect child labour. By reviewing the Child Law of 1974, measures will be taken to ensure child rights and their welfare. Initially, six **Child Development Centres** will be set up in big cities to provide security and shelter and offer opportunity to grow up as worthy citizens. This will ensure shelter for 1,500 street children.

Children's rights and welfare to be ensured

Climate Change: Disaster Management and Environment

Mr. Speaker

240. The natural disaster and environmental degradation arising from the world-wide climate change is a much talked about issue.

Climate change impacts on Agriculture, fisheries and bio-diversity

The super cyclone Sidr and the two consecutive floods of 2007 severely affected lives of the people. The cyclone *Aila* which ravaged many parts of South-

western Bangladesh last month once again reminded us how risk-prone we are to natural calamities. The rise of sea water level due to the melting of ice from the Himalayas and North Pole, is causing saline water intrusion through our estuaries in the coastal areas. The adverse effect of climate change is directly affecting our agriculture, fisheries and bio-diversity.

241. The disaster and calamity due to climate change cannot be reversed. Therefore, we should aim to mitigate

Review of Action Plan and Strategy to address the climate change related effects

dislocation and sufferings, and to build the capacity to adapt lives and livelihoods in the coastal areas. As part of this aim, we shall complete soon the review of medium and long term strategies that have been prepared to prevent the disasters relating to climate change. The rehabilitation of the displaced people of the affected areas is of prime importance because nearly 2 crore people will be displaced by 2050 due to climate change. Hence, as a basic strategy, we may put forward the demand to establish our rights in obtaining the status of **global citizen** for our affected people.

242. The creation of a Multi-Donor Trust Fund with support from donors is in progress. The proposed Fund received a commitment of

International cooperation and Government's own initiative to manage disasters from climate change

US\$ 97.9 million from the Governments of UK and Denmark. **Japan International Cooperation Agency** (JICA) has proposed to provide Tk. 490 crore as budgetary

support during the next three years, to cope with the environment related disasters. At the same time, Japan has proposed to contribute Tk. 700 crore from their **Japan Debt Cancellation Fund** (JDCF) facility in managing the risk due to climate change.

243. The Climate Change Fund constituted with the Government's own resources has been approved by the Cabinet in principle. To

Larger fund required to face disasters

counter the impending disaster we need much larger fund. I, therefore, propose an allocation of Tk. 700 crore in FY 2009-10 towards that

Fund.

244. We are committed to prepare a detailed action plan designed to face the disasters due to climate change. The main focus of our activities would be to carry out regular dredging of rivers and canals, strengthening the embankments along

Main thrust on reduction of environmental pollution

coastal areas and establishing adequate number of cyclone shelters, reduce air pollution caused by diesel-run vehicles, control environment pollution due to industrialisation, extend and preserve

forestry and develop sufficient environmental experts. A special initiative will shortly be taken to save the *Buriganga* from pollution. Adequate arrangements are not available in various industrial sites to prevent environment pollution. We want the management of industrial units to take appropriate measures to properly dispose toxic industrial waste. We will provide loans to them on easy term for this purpose. But they have to complete this task within stipulated time. No new industrial units will be allowed to be set in the area without putting in place an appropriate waste disposal system. At the same time, all hospital authorities will also take similar measures for disposing their clinical waste.

245. There is a plan to bring 20 percent of our land under afforestation programmes by 2015 to attain self-sufficiency in forest resources. We have a target to bring 4,314 hectares of land under afforestation programme, create strip gardens over an area of 2,355 kilometres and plant 23 lakh saplings.

Plan for afforestation to cover 20 percent of land by 2015

Under the social forestry programme, we are implementing projects on protection of biodiversity and poverty reduction and a scheme for creating green-belt in greater Rajshahi and Kushtia districts. A development programme has been taken up for maintaining ecological balance and biodiversity in Sudarban area at a cost of Tk. 650 crore.

Freedom Fighters

Mr.Speaker

246. It was our election pledge to restore and uphold the dignity of the freedom fighters who are the finest sons of the soil. The Government shall attach top priority to improve socio-economic status of the freedom fighters and to preserve the history and memory of our Liberation War. The freedom fighters aged 65 and above will be given facilities like free travelling in

Freedom fighters' dignity would be upheld

trains, buses and launches as honoured citizens. Meanwhile, the Government has taken steps to update and publish the list of genuine freedom fighters.

247. The honoraria for the freedom fighters who received awards of honour and listed by Mukti Joddha Kallayn Trust has been

All living freedom fighters would be brought under regular allowance programme

enhanced by 40 percent. I, therefore, propose to allocate Tk. 59.16 crore in FY 2009-10. Besides this, another Tk. 2 crore is proposed for meeting

the medical expenses of freedom fighters wounded during the Liberation War. We are shortly framing a policy guidelines to introduce rationing system for the freedom fighters. In FY 2009-10, we are widening the coverage of fighters receiving allowance will be increased from 1,00,000 to 1,25,000. The number of living freedom fighters is continuously decreasing. It is our aim to bring all the living freedom fighters into the fold of regular allowance system by next year.

248. It was the Awami League government that introduced allowance for the insolvent freedom fighters in FY 2000-01. I have already proposed to increase the monthly honoraria for insolvent freedom fighters by 67 percent in FY 2009-10.

Monthly Honoraria for insolvent freedom fighters enhanced by 67 percent

249. Our Government has initiated the process of trial of war criminals under the existing laws. This is a unique initiative in

Unidentified mass grave to be identified

demonstrating our respect to the freedom fighters also for mitigation of their grievances.

At the same time, we would like to demonstrate our highest respect to the martyrs of the liberation war by identifying the thousands of mass graves in places where they have not been identified.

Youth, Sports and Culture

Mr. Speaker

250. Over the last few decades, too much emphasis was laid on sectors related to economic development, which resulted in little

A Medium Term Plan for aesthetic pursuit and development of sports

attention provided in the areas of culture and sports. Archaeology, museum, fine arts, creative literature and all aesthetic pursuits did not receive its due share of

attention. The Government could not make a notable contribution on development of various games and sports countrywide. Proper training facilities in these areas were also inadequate when the development activities of our country were widely dependent on foreign assistance. We will formulate a medium term plan in the next fiscal year focus attention on this neglected area. We are yet to attain a desired level regarding exploration of archeological sites and maintenance of our archeological resources. Development of football, which is most widely played in our country, has been on the decline. This cycle of negligence needs to be broken.

251. Youth are the most creative and productive segment of our population. Much of our development and prosperity depends on appropriate use of the faculty of our youth population. It is our election pledge to turn unemployed youth into a useful workforce

Youth force, the key driver for development

and thereby involve them in the mainstream development process. I have already mentioned about the formation of a National Service with the youth and also proposed budget allocation for this purpose. Aside from this, we will take all necessary steps to continue other programmes and projects, currently being implemented and complete them successfully.

252. We will take all necessary initiatives to raise the current

Sports infrastructure and training to be expanded

profile of our sports arena to an international standard . We would like to see our sports free from politics. We will

take planned initiatives to extend infrastructure and training facilities in the domain of sports.

253. I propose an allocation of Tk. 217.55 crore, development and non-development combined, in the next year's budget for the development of youth and sports.

254. It is our election pledge to create a congenial atmosphere for the pursuit of culture across the country.

Assistance for insolvent cultural workers

We will provide financial assistance to those poor and insolvent people, who are dedicated to the pursuit of culture. We will set up public libraries everywhere to develop the reading habit of the youth and formulate an integrated policy for the supply of books to those libraries.

255. I propose for this purpose an allocation of Tk. 148.55 crore, development and non-development combined, for the next fiscal year.

Minorities, People from Less Advanced Regions and Less Advantaged Community

Mr. Speaker

256. We believe in harmony among the different religions, castes, groups and communities. We want the end of differential treatment and oppression on minority population.

We will guarantee political, administrative, legal and social security for them. We will take stern punitive

Abolition of all kinds of discrimination against backward communities

measures against communal violence and also take special measures to protect the traditional rights of the aboriginal community in the hill areas. Special provision will be made for the ethnic minorities and aborigines in terms of providing them education and employment opportunities.

257. We will fully implement the Chittagong Hill Tracts Peace Treaty. Extended facilities will be created for the less developed

areas. Recognition will be given to the rights of the small groups, aboriginal people and other castes. We will preserve the separate identity of their life, language, culture, literature and develop specific programmes for their balanced development.

Identity of life and culture of ethnic minorities to be preserved

Defence

Mr Speaker

258. Our armed forces have earned for us unparalleled dignity and honour through their extraordinary role in defending our sovereignty and in the United Nation Peace Keeping Force. The present Government would like to keep the defence forces above all controversies. We want to restructure our defence system to ensure security of the country and the people and continue to enhance our defence capability. At the same time, we have to reinforce diplomatic initiatives to ensure national security. Enhanced provision in terms of higher training, modern military hardware and other facilities for the army, navy, air force and border security forces will be provided, so that they are fully prepared to face the challenges of the 21st century.

Defense capability to be enhanced

259. Currently, we do not have any codified defence policy. The Government will follow a participatory approach in formulating a National Defence Policy.

260. As part of the initiative for modernising the Armed Forces, National Defence College, Military Institute for Science and Technology and Armed Forces Medical College were established during the tenure of the Awami League Government (1996-01).

Modernisation of Armed Forces

The present Government will also continue this modernisation programme. Considering the role of the Defense and other inter-service organisations, I propose to increase the original allocation of

Tk. 7,967 crore in the current fiscal year to Tk. 8,196 crore in the revised budget for FY 2008-09 and allocate Tk. 8,382 crore in the budget for FY 2009-10.

Foreign Policy

Mr. Speaker

261. The basis of our foreign policy is to protect our independence and national interest, and follow the principle of friendship to all, malice to none. According to our foreign policy, designed in the light of our election pledge, we have identified the areas of cooperation with the neighbouring countries. Economic diplomacy will be the central strategy to all our diplomatic initiatives.

262. There has been substantial progress on the initiatives taken on bilateral and multilateral issues relating to the promotion of trade and investment with India and Nepal. As a sequel to this process, discussion at the technical level on demarcation of maritime boundary with India and Myanmar has resumed after long two decades. Side by side, China has given assurance to provide necessary cooperation in education, agriculture and human resource development and also in infrastructure development. Meanwhile, several issue-based initiatives for sustainable development with the SAARC, BIMSTEC and D-8 countries have been strengthened.

Fruitful conclusion of bilateral and multilateral trade initiatives

263. Recently Hon'ble Prime Minister visited Saudi Arabia to improve the mutual relationship and cooperation with the Muslim World. As the coordinating country of the LDCs, Bangladesh continues to play a notable role in forums like G-20, World Health Organisation, European Union and other international bodies. To combat international and regional terrorism, "SAARC Ministerial Declaration on Cooperation in Combating Terrorism" has been adopted by the SAARC Council of Ministers at Colombo, Srilanka.

Effective defense against international terrorism

Besides this, a Memorandum of Understanding has already been signed with the Philippines, Indonesia, Malaysia and Nepal to bring back money transferred illegally to those countries.

Expatriate Welfare

Mr. Speaker

264. I wish to reiterate the Hon'ble Prime Minister's commitment to immediately implement the system of voting by the expatriate Bangladeshi citizens. Secondly, I wish to state that an effective arrangement should be in place so that the expatriates are not subject to any harassment at any point during their visits to Bangladesh.

265. Remittance from expatriate Bangladeshis are contributing in a large way to the economy. In recognition to this, the Government *Welfare desks at the airports for expatriates* has adopted various welfare programmes for them. I would like to mention here a few of such programmes. Expatriate Welfare Desks have been established at Airports. Expatriates are being provided with necessary legal assistance. Commercially Important Persons (CIP) are now being selected from among the highest remitters. Compensation for the expatriate workers who die abroad has been increased. Grants are being provided for the injured due to accidents and for burial or cremations of expatriates overseas.

266. Besides these, Government will take up in future a number of additional welfare programmes for the expatriate workers. To ensure prompt delivery of remittance to the recipients, directives have been given to make special arrangements in financial institutions. An Expatriate Welfare Bank would be established for *Expatriate Welfare Bank to be established* providing better service to the expatriates. Through this Bank loans will be provided to the expatriate workers and also a Welfare Association, to address their problems. In addition, expatriate Bangladeshis would be provided opportunities to set up scheduled commercial banks. Pragmatic steps will be taken to expand labour

market to generate further employment abroad. The laws and regulations relating to manpower export will be reformed.

267. To protect Bangladeshi workers abroad from being retrenched by their employers in the backdrop of global recession, we have strengthened our diplomatic efforts. We are also exploring new labour markets.

268. I propose to allocate Tk. 70 crore towards the Skill Development Fund, to be created for retention and expansion of labour market abroad, research for exploring new labour markets, for conducting training for the prospective workers and re-training for the expatriate workers who returned home loosing their jobs. I trust that the programmes to be undertaken under the proposed fund could be delivered on a Public Private Partnership basis.

*Skill Development
Fund proposed*

Some Fundamental Issues

Investment

Mr. Speaker

269. I repeatedly mentioned that massive expansion of investment is required in our country. We would like to increase our revenue collection to an extent that leaves us with an investible surplus. I shall deal with it while talking about revenue mobilization later. Reforms in financial sector is of great importance as this sector can play an invaluable role in boosting up investment. By strengthening the capital market, we would like to obtain equity finance for investment. At the same time, we wish to attract domestic and foreign investment. We are introducing the PPP budget to provide incentive for both domestic and foreign investment. We have taken some initiative to reduce the cost of doing business in order to attract investment. We also like to strengthen ADP implementation to increase investment.

*A reformed Financial
Sector to supports
investment initiative*

Financial Sector Reforms

270. An efficient financial sector is one of the pre-requisites for economic development. Keeping this in view, a number of reform programmes have been taken up in this sector.

271. The overall activities of Bangladesh Bank is being brought under automation. Its supervisory functions have been further strengthened compared with previous years. In order to avoid concentration of credit to any individual or an institution/enterprise or a group of companies, there is a restriction on loan limit of upto 35 percent of any bank's paid up capital.

Surveillance by Bangladesh Bank strengthened

272. The power and accountability of the Boards of Directors of SCBs have been enhanced. A 5-year strategic business plan has been prepared for the banks. These reforms brought in enhanced quality of service and dynamism in banking operation.

State-owned banks is being operated under 5-year business plan

273. There is a plan to merge Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Shangstha and create a wholly government-owned public limited company to strengthen the operation of a unified investment bank. The risk of large loans by individual banks has been minimised by effectively using the system of syndication arrangement.

274. I have already mentioned that we have recapitalised Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnayan Bank (RAKUB) and Karmashangstan Bank in order to augment agricultural loans programmes and micro credit. This will ensure increased investment in socio-economic activities.

BKB, RAKUB and Karmasangsthan Bank recapitalised

275. In order to effectively prevent money laundering activities, the Money Laundering Prevention Act 2009 has been enacted. Through this Act, the banks, financial institutions,

Other Financial institutions also made accountable

money changers and insurance companies have been brought under accountability regime of Bangladesh Bank.

276. Sovereign credit rating plays a supporting role in mobilising capital from international capital market at a reduced cost and at favourable terms. I am happy to inform you that Bangladesh Bank has taken steps to execute an agreement with two international rating agency. This may expedite foreign investment and open up alternative ways of mobilising capital.

Sovereign Credit Rating to be introduced

Capital Market Reforms

Mr. Speaker

277. An efficient and transparent capital market complements the banking sector in industrialisation of a country. Before 2006 development of Bangladesh capital market was suffering from sloth. The share price indices of Dhaka and Chittagong Stock Exchanges, their daily transactions and market capitalisation has significantly improved following some major initiatives like off-loading of shares of some of the Government owned companies, increasing the number of mutual funds and involving reliable market intermediaries in the capital market.

Capital market remains buoyant

278. Recently some additional market supportive programmes have been taken for capital market development. New merchant banks have been registered. Bangladesh Institute of Capital Market has been set up to train the investors and the officials working in the intermediary agencies. Steps have been taken to enhance the capacity of Securities and Exchange Commission.

Steps taken to deepen capital market

279. I believe these steps taken by the Government will further encourage both local and foreign investors to invest in our capital market, which in its turn will enable the capital market to play its due role in mobilising long term capital.

Resource mobilisation from capital market being emphasised

We are stressing on finding resources from the capital market rather than borrowing from the banking system.

Local and Foreign Investment

280. We stand committed to attracting more FDI and our focus will be on reducing the cost of business through administrative reforms and easier provisioning of utility services. The Better Business Forum constituted during the tenure of the Caretaker Government will continue to function.

BBF to continue

281. Once we are out of the present economic crisis we shall continue with trade liberalisation. We are pleased to note the interest of several foreign investors even at this uncertain period of crisis.

282. In future we plan to establish special Economic Zones in different parts of the country. EPZs or BSCIC Industrial Estates will not be opened any more. The Economic zones will offer opportunities to under-developed backward regions as well as regions with potential for industrial growth. To this end, the physical infrastructure of the economic zones will be developed; in particular communication and power and energy supply will be improved. The existing EPZs and BSCIC Industrial Estates will continue for the time being. However, in order get all the facilities presently assured, all participating production units must commence production within a specified period. The framework of the proposed Economic Zones is being finalised. Along with finalisation of this strategy, decision will also be taken about the existing facilities available in the EPZs.

Development of Special Economic Zones

Commerce

Mr. Speaker

283. The trade policy of Bangladesh is liberal and largely open trade is the rule. We are working hard to have greater access to foreign markets for export

Import-export policies to be updated

products of Bangladesh and for our labour force for overseas employment. In recent years major changes have taken place in international trade regime following globalisation and free movement of goods and services. This has triggered fierce competition in international trade. Therefore, we are revising import and export policies applicable for a fresh term (2009-12). We know that commodity trading is bound to be open at a certain point of time. In that direction, we have taken certain steps in this critical fiscal year as well.

284. Our Government is actively considering the issue of strengthening the Trading Corporation of Bangladesh (TCB) to keep the prices of essential commodities stable. At the beginning of FY 2009-10, edible oil, pulses, sugar and onions will be sold through TCB outlets at fair price. In order to protect the consumer interest and to ensure supply of quality commodities at fair price, we have enacted Consumers' Rights Protection Act 2009 at the first session of the ninth Parliament.

Prices to be stabilised and consumers rights protected

Independence of Mass Media and Free Flow of Information

Mr. Speaker

285. It was an election pledge of the present government to avoid discriminatory policies in distribution of advertisement to the newspapers and to provide support for the development of newspaper industry. We believe that access to information is an integral part of freedom of thinking, conscience and speech. The Access to Information Act 2009, has been enacted at the first session of this Parliament.

Right to information will be ensured

286. We also believe that once we ensure freedom of mass media and free flow of information, accountability and transparency will be enhanced, corruption reduced and good governance established.

287. We shall take measures to modernise the institutions like the Bangladesh Shangbad Shanghta, Press Council and Press Institute.

Public Administration Reforms

288. 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. Meanwhile though, sporadic reforms in certain areas have been initiated, which, however, are not comprehensive. We have to build such an administration which will welcome and support change and provide effective and efficient service to the clientele. I would like to state that we are determined to ensure regular recruitment in the civil service.

Need for reform in public administration

Further Simplification of Pension

289. In order to mitigate the harassment of pensioners, the Government has recently issued a directive to further simplify the procedures relating to sanction and disbursement of pension. If the directive is followed it is expected that processing, approval and disposal of pension cases will be expedited.

Pension system simplified

Pay Commission

290. We would like to see improved living standards and better working conditions of government officials and we would like to provide them with opportunities to live honest and dignified life. I am pleased to inform that the Pay Commission appointed by the Caretaker Government has recently submitted their report with recommendations to make the pay structure of the government officials consistent with their living standards. Considering the

Pay Commission's recommendations to be implemented in phases from July 2009

resource position of the Government we are analysing those recommendations and we intend to implement them in phases from July 2009. Those Government officials who proceeded on LPR from July 1, 2008, will also be entitled to receive benefits arising from the change in the pay structure.

Land Management Reforms

Mr. Speaker

291. The Government is conscious about the existing limitations of land management. It is undoubtedly difficult to ensure adequate housing, good communication, sufficient agricultural output and good infrastructure for industrialisation in our limited land space, while maintaining environmental balance. We shall face this spatial constraint through planned and integrated initiatives.

292. The rates and fees for land registration and land related matters are much higher than those of other Asian countries. The time consumed for land registration and such other matters is also high. In order to mitigate the sufferings of the people, we have scaled down the land registration rates and fees by almost half to 6 percent in the case of rural areas and 8 percent in the case of urban areas.

Measures to simplify land registration system

293. We would reduce the time limit for delivery of registered original documents, except for certain areas, to 15 days and in the near future. We are expecting to bring the time limit further down to 2 to 7 days.

294. We would like to integrate land survey, land records and land management and bring the whole land administration under digital management. Once this initiative becomes successful, we shall be able to resolve many complex issues surrounding

Land survey and management to be digitised

land administration, which will realise our goal of building a "Digital Bangladesh".

Good Governance

Strengthening Parliamentary System

Mr. Speaker

295. We feel proud that from day one we have been exerting our efforts to make the Parliament a strong institution. The finest example here is that all the Parliamentary Standing Committees were set up in the 1st session of the new Parliament. Meanwhile, the Parliamentary Committees have started functioning and they are contributing towards ensuring accountability and transparency of the Government. We would like to bring all important policy issues for discussion in the Parliament.

All Parliamentary Standing Committees formed in the first session

296. In 39 working days of the first session of the Parliament, we enacted 32 Ordinances promulgated during the tenure of the Caretaker Government. As our commitment to good governance we passed the Right to Information Act, the Anti-terrorism Act, the Anti-Money Laundering Act in order to curb corruption and suppress terrorism. In the last Parliamentary session, maximum time was allocated to the opposition bench to participate in the assembly proceedings.

32 Ordinances converted to Acts in the first session

Law and Order

Mr. Speaker

297. We want to guarantee the rule of law, justice and equity in the country by establishing good governance. We also want to ensure the democratic culture in all spheres of the state and the society. By

involving people we seek to evolve an accountable, responsive and efficient civil administration above any partisan interest.

298. Meanwhile we have taken necessary steps to stop all types of terrorism, extortion, illegal occupation of property, hijacking of

Legal steps against the extremists and militants

people and property and such other crimes on a priority basis. We have taken strong measures to protect the citizens from

extremism and militancy. In the meantime, a number of militants have been arrested by the law enforcing agencies. Legal actions will be taken against those who support and protect the extremists.

299. In order to conduct the much awaited trial of the war criminals, the Office of the Prosecutor under the **International Crimes (Tribunal) Act 1973**, has been set up. With support from the

Ensuring trial of war criminals

general mass and also assistance of the international community, the present Government is committed to ensure this trial.

300. We are giving a great deal of importance to completion of trial of the killers of the Father of the Nation and our four great

Trial of Killing of Bangabandhu and 4 national leaders to be completed soon

leaders. In order to establish rule of law in the country, these trials have to be completed fairly. We are reviewing the 5th amendment of the

Constitution and based on that review we are planning necessary measures, including possible amendment of the Constitution.

301. We shall in no way tolerate any extra judicial killing. All such incidents will be subject to judicial investigation.

302. Efficiency of the law enforcing agencies has to be enhanced if we have to establish the rule of law in the country. Their concern about food and security and other facilities are very pertinent.

Meanwhile, we have enhanced ration facilities to a total of 1,91,780 members of staff of the Police,

Support for enhancing efficiency of the law enforcing agencies

Ansar & VDP, Directorate of Prison, Bangladesh Rifles, Fire Service & Civil Defense and Directorate of National Security

Intelligence. This will require an additional allocation of Tk. 124 crore. Besides, minimum daily allowances for the members of Ansar force, working in different projects and organisations, have been enhanced.

303. Fundamental reforms are necessary to develop a professionally competent law enforcing agency totally free from any political influence. The Government is actively considering the issues of decentralising the Police administration and setting up a Public Representative Board to supervise and oversee the forces..

Development of professionalism in law enforcing agencies

304. I propose to allocate Tk. 5,801 crore in the budget for FY 2009-10 for the Ministry of Home Affairs to enhance its capacity and strengthen its control over the law and order situation of the country.

Combating Corruption

Mr. Speaker

305. Corruption is one of the major impediments to development. We can never ensure good governance without rooting out corruption. Ensuring the independent role of the Anti-corruption Commission is our commitment and we shall extend all-out cooperation for building it as a truly neutral and strong institution.

Strengthening Anti-Corruption drive

306. Our Government has announced zero-tolerance for corruption. Meanwhile, we have proposed some amendments to the Anti-Corruption Commission Act. We hope that a bill effecting these amendments will be placed before the Parliament soon. The proposed amendments will address the loopholes in the existing law.

Fundamental rights to be upheld

We are, however, cautious about the fact that enforcement of the Anti-corruption Act does not impinge the fundamental rights.

307. In order to curb corruption and remove inefficiency, accountability and transparency will be strengthened in the

procurement process, selection of projects, determination of project costs, bidding process and evaluating the quality of completed projects. We are committed to bring in reforms in these areas and ensure application of information technology, wherever possible and required. Besides, effective steps will be taken to get rid of the credit default culture. We shall closely monitor rescheduling of loans in the private sector so that repayment of the principal amount is never waived. At the same time we shall continue to improve our monitoring mechanism and project evaluation method. We hope that these steps will help in combating corruption

*Transparency and accountability
in all govt. activities including
public procurement*

308. We trust that the use of ICT in government operations will largely reduce the level of corruption particularly in Police, Land Administration and Tax Administration.

Independence of Judiciary

Mr. Speaker

309. We strongly believe in the independence of judiciary and also of the other constitutional bodies. We also believe that establishing the rule of law, accountability and transparency would only be possible if these institutions discharge their responsibilities without any fear or favour.

*Faith in the independence
of judiciary and
constitutional bodies*

Strengthening of Local Government

310. One of the preconditions for establishing a development-oriented sound governance structure is decentralising power by strengthening local government. In a decentralised regime, the local government institutions would be the focal point for development

Local govt. institutions to be the focal points for development

activities. We are committed to ensure participation of the people at the grass root level in the governance of the

state. To empower people and to decentralise the power of the central government, the Union and Upazila Parishads will be vested with additional powers. All Union headquarters will be turned into planned rural townships enjoying most municipal amenities to make them the focal points of local developmental, socio-economic and administrative activities.

311. All Upazila headquarters and flourishing centres of trade and industry will be converted into Pourashavas (municipalities) with modern amenities and will also be developed as the planned townships. Necessary legal framework to realise this vision is already in place.

Planned towns or townships to be established

312. We would like to ensure increased administrative and financial delegation to the local government institutions. We are also committed to prepare and implement our plans with the spontaneous

Planning through participation of people at the grass root level

participation of the people. The Cabinet has approved in principle, the Local Government (Union Parishad) Act 2009 designed to ensure good governance at different levels of Government. The Parliament has also passed Upazila Parishad(Reintroduction of Rescinded Act and Amendment) Act 2009 to carry out social and development activities at Upazilas smoothly. The Local Government (Pourashava) Act 2009 is awaiting approval from Parliament. The Local Government (City Corporation) Act 2009 that seeks to make the 6 city corporations more dynamic and effective has been tabled.

313. We shall try to seek a balance in the duties and powers of the Hon'ble Members of Parliament vis-a-vis the Upazila Chairmen. In order to devolve administration to local level we shall, however, transfer the functions listed in the law to the Upazilas and also provide budget allocations for them.

Subjects to be transferred to Upazilas to be made effective

Revenue Mobilization Programme (NBR)

Mr. Speaker,

314. I have spoken for quite a while on the global and domestic economic situation and the government's policies and objectives on the economic, social, and political fronts. Then I went on to outlining the budget proposals for Fiscal 2009-10. Further, I was briefly narrating the priority issues in our socio-economic development programmes. Finally, I was discussing the proposed sectoral allocations and expenditure plans for Fiscal 2009-10 and elaborating on their impact on our socio-economic development objectives. We stand firmly committed to good governance, development of physical infrastructure including energy supply, increase in investment and production, job creation and poverty alleviation. Now I would like to place before the house our programmes for resource mobilization for meeting the demands of the budget allocations for fiscal 2009-10. How do we propose to finance the proposed expenditures?

315. Tax-revenue is the major source of mobilizing domestic resources. For various reasons, raising resources from the domestic sector would become our prime source in the coming days. For this reason the importance of mobilizing tax-revenue needs no reiteration. An appropriate and sustainable revenue policy is what we need urgently. But formulation of such a revenue policy and its implementation is a daunting task for a developing country

Basic goals of revenue mobilisation programme

like ours. This is because it requires coordination of views of many groups having conflicting interests and consideration of many issues prevailing in domestic and international arena. Considering all possible socio-economic aspects and in the light of our election manifesto for change and our commitment to the people, it appears that the goals and objectives of revenue raising for the budget of fiscal 2009-10 should be as follows:

1. Establish social justice and equity;
2. Provide reasonable protection to domestic industries;
3. Support growth of agriculture and rural economy and patronize small and medium enterprises;
4. Attract more investment and increase employment opportunities;
5. Develop human resources through increased investment in education and health sectors;
6. Introduce automated system of tax collection based on modern technology in order to build Digital Bangladesh; and
7. Augment revenue collection through broadening the tax base, establishing transparency and accountability in tax management and increasing efficiency in tax administration.

316. Developed countries collect most of their revenue from domestic sources. Contrary to this, the bulk of our total revenue is collected from import trade. In the interest of development of our

Augmenting revenue mobilisation at the local level

local industries, we need to reduce the import duties on capital machinery and industrial raw materials. On the other hand, we need to reduce duties on finished goods and consumable items gradually to be in conformity with the policy of liberalization of global trade. The revenue gap emanating from reductions in import tariffs needs to be bridged by strengthening the revenue mobilization efforts from domestic sources. In simple terms, our collection of income tax and value added tax (VAT) has to be

enhanced. One way for enabling the system to be operationally equipped to take on the responsibility the entire Income & Corporate Tax and VAT management system must be brought under complete automation process.

317. Our tax system is highly exemption-ridden and a considerable part of our economy remains outside the tax-net. Moreover, many

Withdrawal of irrational exemption of taxes

taxable areas are enjoying various exemptions. For example, we offer tax holiday in income tax, zero rate and other special exemptions for imports, truncated base for VAT etc. These exemptions, given in the interest of individuals and groups, have created distortions in our tax system and reduced the base for tax collection. We have to come out of this vicious exemption cycle gradually.

318. If we want to be dignified and self-reliant as a nation, our development endeavour, underpinned by our own resources, must be strengthened. For this, domestic resource mobilization effort must be fortified.

Increase in tax-GDP ratio

Currently, our tax-GDP ratio is about 8.5%, which is significantly low even amongst our South Asian neighbours. This is quite undesirable in a country of 150 million people. Weak tax management and absence of a healthy tax-paying culture is the reason behind this. Revenue mobilization must be augmented to raise tax-GDP ratio.

319. For development with self-reliance we need to harness domestic resources. We need to augment our tax revenue collection

Widening tax net rather than increasing tax rates

as this is the main source of public income. We have two alternatives for increased revenue collection. First, imposition of new taxes or increase in tax collection under existing rate of taxes. Second, radical reforms in tax collection system and overall improvement in the system. We are not in favour of increasing our tax revenue by increasing the tax burden for middle and lower income groups. Rather we want to enable them to pay higher taxes in

future. That is why we would like to raise tax-GDP ratio to a desirable level by ensuring transparency, accountability and efficiency in the revenue administration through identifying taxable areas and implementing meaningful reforms.

320. We want to popularize universal self-assessment in tax payment system. We intend to come out of the tradition of tax evasion. We want to drastically cut the discretionary powers in enforcement of tax laws. We want to collect revenue through a decentralized process. We want to relieve the people of the procedural complexities and affliction of tax payment. Above all, we want to make comprehensive use of information and communication technology in the tax management system. To this end, I urge everyone through you, Mr Speaker, to build an ideal taxpaying culture. I present now the proposals on revenue mobilization programmes for Fiscal 2009-10.

Direct Taxes

Income Tax

Mr. Speaker

321. I have already mentioned that revenue from imports is going down significantly for various reasons. In this backdrop, there is no alternative to increasing revenue from income tax. It is imperative to undertake automation of income tax department, its organizational restructuring and expansion, to create a tax-friendly environment by simplification of tax law and to expand tax base in order to achieve the set target for income tax revenue. I am setting out below some of the salient measures that would be undertaken:

***Tax-payer-friendly
income tax regime***

1. Lower the age bar from 70 years to 65 years to help reduce the personal income tax burden on senior Bangladeshi citizens;

2. Reduce the corporate tax rate for mobile phone operators to 35% subject to the condition that they are listed in the stock exchange as a publicly traded company and at least 10% share of the company's paid up capital is transferred (of which Pre Initial Public Offering Placement cannot exceed 5%);

<i>Lower rate of tax on mobile telephone companies going for IPO</i>
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3. Adopt certain measures to broaden the tax base and tax net and bring discipline in the management of the Taxpayers Identification Number (TIN);
4. Subject to the full implementation of the government's decision on the system of registration of land transfer, I propose to reduce the tax rate for deductions of income tax at source against capital gain from the sale of land within the areas under city corporations, municipalities and cantonment boards, to 2% from 5% and for other areas where the price of non-agricultural land exceeds Tk. one lakh, the rate will be slashed to 1% from the existing 5%.

<i>Reduction of tax deducted at source in land registration</i>

5. I also propose to keep income emanating from Pensioners' Savings Certificates tax free;
6. To implement the dream of building a Digital Bangladesh I propose to provide facilities for (i) submitting online returns for income tax, (ii) for easier availability of computers and laptops and (iii) development of software industry;
7. Existing infrastructure and manpower of the Income Tax Department are not adequate to meet the increasing demand for more revenue collection. In 1992-93 the last exercise was made on manpower and structure of this Department and since then revenue from income tax has

<i>Restructuring tax department for expansion of tax net at Upazila level</i>

gone up seven times. I propose to increase manpower and expand organizational structure by increasing Member positions, territorial zones and appeal zones of income tax department and establishing the Tax Information Management and Research Center.

Mr. Speaker

322. We would like to open up opportunities for employment for the common man and attain economic prosperity. There are many potential sectors of our economy where investments could carry forward our efforts for change. To this end, I would like to propose acceptance of undisclosed money without any question during the period from 1 July 2009 to 30 June 2012 provided that a payment of 10% tax is made and it is invested in (1) certain new industries and also BMRE of units in the same industries and provision of physical infrastructure facilities (Annex A) (2) shares of listed companies of stock exchange.

Investment facility for undisclosed income in capital market

323. I feel that it would be more appropriate to replace existing tax holidays with provisions for payment of taxes at a reduced rate to create an enabling environment for industrialization, investment and job creation in the country. Tax holiday acts as an impediment to the taxpaying culture. So, this existing system of tax holiday, which remains in force until 2012, shall not be extended any further. Under this scheme, I propose to offer reduced tax rate for certain sectors. The rate would vary for newly established industries from location to location as follows:

Industry and service sectors listed under reduced tax facilities

1. In Dhaka Division and Chittagong Division (barring Rangamati, Bandorbon and Kharachori districts) for first and second year 5%, for third and fourth year 10% and for fifth year 15%;
2. In Rajshahi, Khulna, Sylhet, Barisal divisions and Rangamati, Bandorbon and Kharachori districts of

Chittagong Division for first, second and third year 5%, for fourth, fifth and sixth year 10% and for seventh year 15%.

324. Housing is a fundamental right of the people. This government considers ensuring housing facility to people as an important task. People invest their long saved money for buying flats or construction of own house, which they subsequently find it difficult to explain to the income tax department. To address this housing problem without much pain I propose to accept the investment incurred for the purchase of flat or construction of house without any question by paying a tax at a specific rate according to the measurement of the flat/house.

Payment of tax for flats /houses at specified rates

325. Generally, the affluent section of the society owns vehicles for their personal use. Despite using vehicles many do not pay taxes. Therefore, I propose to impose taxes on vehicle at a specific rate on the basis of their engine capacity (CC).

Imposition of tax for personal cars

326. In the backdrop of global recession and its negative impact on our export sector, I think necessary steps should be taken to protect the interest of this sector. Besides, I also propose to consider the deduction of taxes at source against certain exports to be their final liability.

Incentives for export sector

327. To help ensure fair trial of cases for taxpayers, I propose to form a National Tax Tribunal to dispose of cases related to income tax, VAT and customs.

Proposal for setting up a National Tax Tribunal

328. To broaden the tax net upto upazila level and identify new tax payers, I propose to conduct surveys in Uttara, Nikunja, Bonosri, Basundhara-Baridhara Project Area, Savar, Dohar, Nowabganj, Keraniganj of Dhaka district, Louhojong of Munshiganj district, Patia, Sitakunda,

Widening of income tax base and identification of new tax payer

Satkania, Hathajari, Mirershawrai of Chittagong district and Bianibazar of Sylhet district. I also propose to continue this survey in other important business centers and places of the country in phases.

Indirect Taxes

Import Duty

Mr. Speaker

329. Until now import duties constitute nearly 42% of the total tax revenue. The revenue from this head may go down even more as a result of global recession. But to offer protection to our local industries and retain our export market, we need to change our import tariff in certain areas. I would like to propose the following measures:

42 percent of internal revenue collected at import stage

result of global recession. But to offer protection to our local industries and retain our export market, we need to

(a) In Fiscal 2008-09, import duty structure comprised 3% on capital machinery and parts, 7% on basic industrial raw materials, 12% on intermediate raw materials and 25% on finished products. In Fiscal 2009-10, I propose to reduce the duty on basic raw materials from 7% to 5% in order to make our local industries more competitive both in local and international market. However, other slabs of 3%, 12% and 25% would remain unchanged.

(b) We have no alternatives to increasing agricultural production to attain food autarky. Our government has declared agriculture as the top priority sector. I propose to continue with the zero tariff on imports of fertilizer, seeds and major foodgrains

Zero-rate tax will continue for major food items and fertilisers

along with medicine and raw cotton. I propose to withdraw VAT on the imports of raw materials to produce pesticides to keep pesticides easily available for farmers.

- (c) Government is pledge bound to discourage imports of luxury items and products detrimental to public health. In view of that, I propose to impose 5% regulatory duty against tariff lines with 25% customs duty.

Proposal for imposition of 5 percent regulatory duty only on luxury items falling under 25 percent slab of duty

- (d) To augment revenue collection and to discourage imports of luxury vehicles, I propose to increase supplementary duty on the imports of luxury vehicles and restructuring of duty slabs.

Increase of duty on expensive vehicles to discourage their import

- (e) I propose to fix the consolidated rate of depreciation at 30% for old, used and reconditioned vehicles not exceeding five years. Dealers' commission for deduction from the value of such vehicles shall be 10% instead of existing 20%.

- (f) In order to offer exemption from supplementary duty against import of hybrid motorcars, which is fuel efficient, I propose to create a new HS code for separate classification.

- (g) To enable importation of durable and standard vehicles to be used as taxicab, I propose to attach the conditions of minimum engine capacity of 1500 CC and import of at least 10 vehicles in one consignment by any taxicab company. I also propose to waive all customs duty in excess of 20% and all supplementary duty and regulatory duty for taxi cabs fulfilling the above conditions.

- (h) I propose to impose 25% customs duty on mobile phone sets on an ad valorem basis instead of existing specific duty of Tk. 300/set applied irrespective of quality and waive all existing VAT, supplementary duty and AIT. This would entail higher duty on high priced sets and lower duty on low priced sets. *25 percent duty ad valorem against mobile phone import*
- (i) To redress the prevailing power crisis, I propose to reduce the customs duty on solar panel which is the prime component for generating solar power, a renewable energy source, from existing 3% to 0%. I also propose to fully exempt parts of energy saving lamps from the existing customs duty of 7% and VAT to facilitate industries producing energy saving lamps to be more competitive.
- (j) To overcome the slump in the registration of ocean going vessels in the country, I propose to withdraw the existing 7% customs duty on ocean going vessels having a capacity of 3000 metric tons or more.
- (k) For protecting the interest of the local paper manufacturing industries, I propose to impose only 5% customs duty on the import of newsprint to be used in the newspaper industry. Moreover, I propose to withdraw the VAT applicable for importation of pulp that is a virtual raw material for this industry.
- (l) Currently all text books enjoy zero tariff while other books (e.g. fiction, novel etc.) attract 12% customs duty. Since these books help develop creativity and imagination, I propose to reduce the duty rate on other books from existing 12% to 5%.
- (m) To offer protection to the local dairy industry, I propose to impose 5% regulatory duty in addition to 12% customs duty on milk powder imported in bulk.

Mr. Speaker

330. Our local industries are seriously hurt due to significant decline in prices in the international market. So, to offer protection to the local industries producing footwear, ceramic tiles, tableware, sanitary ware and other ceramic items, I propose to raise supplementary duty from existing 20% to 45% and impose 20% supplementary duty on the imports of particle board, hard board,

Increase of duty on shoes, tiles, sanitary ware, particle board, biscuits, suitcases, imitation jewellery etc.

medium density fibre (MDF) board, plywood, leather goods, such as bag, suitcase, vanity bag etc., mosquito coil, imitation jewelry and corrugated cartons. Moreover, I propose to

impose 45% supplementary duty on imported tooth brush. Similarly, to protect local biscuit factories I propose to impose 100% supplementary duty in place of existing 60%. Besides, to prevent valuation fraud in importation of biscuits and dry cell batteries, I propose to fix tariff value on these items. Likewise, to protect local liquid glucose, dextrose producing plants, I propose to impose 20% supplementary duty on their imports.

331. In Bangladesh, air-conditioners are still used by the affluent section of the society for their homes and offices. The use of this product entails huge electricity consumption. Besides, our power generation is still lagging behind its demand. Under the circumstances, I propose to increase the supplementary duty on importation of air-conditioner to 60% from 20% and impose 45% supplementary duty on its parts. I also propose to enhance the supplementary duty on refrigerators from 20% to 30% and increase supplementary duty on luxury light fittings and fixtures from 20% to 60%.

Increase in Supplementary duty on air-conditioners

332. Currently, import duty on fertilizer is zero. Phosphoric Acid, a raw material to produce Di Ammonium Phosphate (DAP), bears 12% customs duty and 15% VAT which do not help the

Exemption of duty from phosphoric acid used for fertiliser production

fertilizer factories producing DAP to sell their produce at a lower rate to farmers. Consequently, sub-standard and adulterated DAP fertilizers find their way into the local market through smuggling. To facilitate the producers of DAP to sell their products to farmers at a cheaper rate, I propose to issue a notification for importation of Phosphoric Acid free of customs duty and VAT by the fertilizer factory as their own raw material subject to fulfillment of certain conditions.

333. Import of milk based food preparations (HS Code 1901.90.10) in bulk is subject to 20% supplementary duty. As there is no difference in duty structure between locally packed products and products packed outside, the local packaging industries are affected. I, therefore, propose to withdraw 20% supplementary duty on the import of this item in bulk.

334. Although Dioctyl Orthophthalates (DOP) is an industrial raw material, it has 25% customs duty, 20% supplementary duty and 15% VAT. DOP of pharmaceutical grade is used in pharmaceutical industries to produce saline bags and infusion sets. But local DOP industries do not produce the pharmaceutical grade. Therefore, I propose to create a separate HS code for DOP of pharmaceutical grade, withdraw 20% supplementary duty and in order to reduce customs duty from 25% to 15%, I propose to insert this HS Code in Table 2 of the Pharmaceuticals raw materials related notification.

<p><i>Reduction of duty on pharmaceutical grade DOP and compound plasticizer</i></p>
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335. I propose to reduce the customs duty on sulphur, titanium based pigments, compound plasticizer used in rubber industries from 12% to 5% being basic raw materials and to rationalize tariff structure and to offer protection for local industries raw materials to produce brake lining of asbestos (HS Code 6813.20.00) to be split into two HS lines as “finished” and “unfinished” and customs duty for only unfinished raw material to reduce to 12% instead of 25%.

336. All types of taps, cocks, valves and similar products are imported at the concessional rate applicable for capital machineries

(customs duty 3%). For maintaining the concessional rates on such items which are exclusively used in industries, I propose to create a new HS code for other taps, cocks and valves having a diameter of one inch or less used for household purposes and impose customs duty at 25%. To avoid complications in customs assessment and prevent tendency to evade duties, I propose to delete the HS Code 3921.90.30 of multilayer extruded sheet.

337. To protect domestic lid cap industries, I propose to increase the customs duty on lid cap from 7% to 12% and to rationalize the duty structure of various HS Codes for zylenes, I propose to increase the customs duty from 7% to 12%.

338. Manganese Ore, raw material to produce Ferro Manganese and Silicon Manganese, is subject to customs duty of 7% and VAT 15%. In view of the hardship of domestic manufacturers of Ferro Manganese and Silicon Manganese, I propose to withdraw 15% VAT against import of Manganese Ore.

Exemption of VAT on manganese ore at import stage

339. Nearly 80% of the total import-export trade of Bangladesh is conducted through Chittagong Port. There are many domestic and export oriented industrial units located in Chittagong including the EPZ. But owing absence of a full-fledged Bond Commissionerate and any bench of Customs Appellate Tribunal, businessmen in Chittagong often need to rush to Dhaka for decisions on their trade related issues. In meeting the long-

Proposal for unification of Chittagong Customs House and establishment of full-blown Bond Commissionerate

felt demand of the business community of Chittagong, I propose to establish a full-fledged Bond Commissionerate and one bench of Appellate Tribunal in Chittagong. The bifurcation Chittagong Custom House into Import and Export has resulted in lack of coordination in export-import trade and other complications. Under the circumstances I propose to unify these two custom houses and convert it into one custom house as before.

340. To promote domestic industries and provide protection for a fixed period, I would like to undertake an action plan in the coming year to carry out an overall review of tariff anomalies and put up recommendations for rationalization. To correct the inconsistencies, omissions and distortions in the application of duties and taxes, it is essential to reform customs management.

341. The First Schedule of the Customs Act, 1969 has been amended to incorporate certain corrections for more clarity in the descriptions of goods and split of HS codes or creation of new codes. I propose to append and amend certain sections in the Customs Act to bring about more dynamism in customs administration. (**Annex-'B'**)

Amendment of First Schedule of Customs Act

descriptions of goods and split of HS codes or creation of new codes. I propose to append and amend certain

Value Added Tax

Mr. Speaker

342. VAT has been quite instrumental in gradually mobilizing more domestic resources in line with the growth trend in economic development. Having been so hugely elected by people our government's prime objective is to fulfill the aspirations of the people. With that goal in mind, I now propose certain measures to be undertaken in VAT system.

343. I propose to withdraw VAT imposed on the services of specialist doctors to keep the medical services accessible to the common people. In order to help ameliorate the condition of cancer patients, I propose to withdraw VAT on domestic production of drugs for preventing cancer.

Exemption of VAT from physician's fees and from pharmaceutical production

specialist doctors to keep the medical services accessible to the common people. In order to help ameliorate the condition of cancer patients, I propose to

344. To protect the interest of the domestic dairy industries, I propose to withdraw 2.5% supplementary duty

VAT exemption for rural small industries, agriculture and dairy industry

applicable on the processing of liquid milk to convert into powdered milk. Moreover, to make the VAT more bearable, I propose to fix tariff value for powder milk at Tk. 100/kg. This would result in only Tk. 15/kg as VAT instead of current Tk. 50/kg. I have already put forward my proposals to protect this industry while presenting the proposals on Import Duty. I hope this should expedite the development of dairy industry.

345. To offer incentives for complete manufacturing units, which create more value addition and generate more employment opportunities, I propose to offer VAT exemption for the next one year for complete manufacturers of refrigerators and motorcycles. Besides, I propose to withdraw VAT on local production of **hard board**.

Tax incentives for 100 percent production oriented industries

346. As an incentive to small savers, I propose to raise the threshold level for imposing excise duty on bank deposits to Tk. 20,000 instead of existing Tk. 10,000.

Widening of exemption of excise duty on bank deposits

Mr. Speaker

347. I propose to withdraw VAT on the internet services used in the educational institutions to keep this service within the reach of students and also to signify our commitment towards Digital Bangladesh.

Withdrawal of VAT from internet use in educational institutions

348. To promote development of good films, I propose to withdraw VAT and supplementary duty on the screening of Bangladesh made films awarded national or international prizes and films produced with the assistance of government grants.

349. It is observed from the experiences of various countries that a modern tax administration aims at increasing its revenue by raising the level of voluntary compliance of its tax regulations through expansion of self assessment system. One way to raise the compliance level is by reducing the cost of compliance for taxpayers. To attain this objective, it is imperative to simplify the existing tax laws for making the tax collection process transparent and accountable, simplify various tax forms and bring down the number of retainable documents to a minimum. Government is initiating various measures in this budget to attain this objective in the VAT system. To this end, I propose to amend certain provisions of VAT Act, 1991 and VAT Rules, 1991.

Simplification of VAT system and reduction of cost of compliance

350. Currently, cottage industries are exempted from VAT. One of the main eligibility criteria for cottage industry is that the value of the plants and machineries shall not exceed Tk. 15 lac. I propose to lift this threshold by 67% to Tk. 25 lakhs.

Special privilege for small and cottage industries

Besides, I propose to withdraw the condition of barring subcontracting for VAT registered units for cottage industry. Moreover, I propose to increase the limit of turnover for cottage industry to Tk. 40 lakh from existing Tk. 24 lakh.

351. At the moment penalty for evasion of VAT or supplementary duty is minimum 25% and maximum 75% of the tax amount. Some taxpayers find it more lucrative to escape the tax payment and pay the penalty using the dividend derived from reinvestment of the taxed money. Therefore, to safeguard revenue, I propose to re-fix the penalty limit to “minimum equivalent amount to maximum two and half times the tax amount”.

Mr. Speaker

352. In 2000-01, contribution of VAT in total revenue was 27.11% which became 33.34% in 2007-08. It is essential to broaden the tax base for VAT to ensure progression of this tax over time. Besides, to ensure a more equitable

Widening of VAT jurisdiction

tax system, existing exemptions should be phased out gradually. For this and in the interest of the revenue augmentation, I propose to bring the services of event management, human resources supply or management, inspection and certification service provision, floor space rental for commercial purposes, plants & equipment lease for any particular period under the purview of VAT. I also propose to withdraw the VAT exemption facility enjoyed by travel agents, indenting firms, manpower exporters, manufacturers of utensils, sanitary ware and other kitchenware made of aluminium and enamel, homeopathic, ayurvedic, unani and herbal medicine and plastic furniture.

353. VAT is primarily a credit based system. Since the scope of document based recorded transactions is quite limited in Bangladesh, many registered units of VAT are unable to take input credit facility.

Truncated base for certain services including restaurants to reduce tax incidence

To remove this problem, VAT is applied on many services on a truncated base. I propose to extend this facility of truncated base to the

services of event management (30%), human resources supply and management (30%) and manpower export (30%). Likewise, I propose to fix the VAT base for local restaurants at 60% of the sale instead of gross VAT of 15%.

354. Considering the power crisis of the country, I propose to withdraw VAT on domestic generation of power along with domestically produced/assembled generators.

And as an inducement for the use of alternative energy, I propose to exempt Solar

VAT exemption in power production

Panel from all VAT at stages of import, domestic production and supply.

355. VAT is the highest contributor to the domestic tax revenue. Therefore, to meet the growing demand for domestic revenue, I propose to enhance the rate of ATV to 2.25% from the existing 1.5%.

356. Considering the demand from various anti-smoking campaigners including Ministry of Health and Family Welfare, I propose to increase the price slab for cigarettes and tariff value for domestic production of *bidi* alongside imposition of 10% supplementary duty on *Zarda* and *Gul*. Besides, I propose to increase the rate of supplementary duty applicable on the domestic production of beverages, polished and unpolished stones, tiles, mosaic, ceramic bathtub & jacuzzi, sink, basin, commode, bathroom fittings and impose 10% supplementary duty on local production of glass sheet.

Increase of tax in the local production of tobacco products and other luxurious products

Mr. Speaker

357. To ensure equity among various classes of taxpayers, I propose to bring the manufacturers of lozenges, energy drinks and juice, *chanachur*, cosmetics, items of hair treatment, all pharmaceutical industries producing homeopathic, ayurvedic, unani and herbal medicines, biscuits under the purview of VAT irrespective of turnover level.

358. Many products and services are paying VAT on the basis of tariff value. To protect the interest of local industries, I propose to fix tariff value for VAT imposition on CR coil, GP sheet, CI sheet, stainless steel, razor blade produced from carbon steel strip and electric transformer having capacity between 5-75 KVA. Similarly, I propose to increase the tariff value of white paper in line with the existing market price produced domestically.

359. Customs Duty and VAT are the major sources of our domestic revenue. In the last one and half decade, import-export trade went up by some two and half times while the domestic trading increased by 29 times. To meet the demand of time, face challenges of global trade and create a tax-friendly environment to augment revenue, there is no alternative but to expand the customs and VAT departments. For this purpose, I propose creation of VAT Divisional Office in each district and necessary circle offices, along with elevating the status of existing customs stations at Tamabil, Sheola,

Teknaf, Akhaura, Bhomra, Sonamosjid, Hili, Burimari and Banglabandha to a full Customs Divisional Office, creation of three new VAT Commissionerate at greater Dhaka and Chittagong, one Appeal Commissionerate, two Bond Commissionerate at Dhaka and Chittagong, converting the Kamalapur ICD into a full-fledged Custom House, creation of two new custom houses at Pangaon of Munshigonj and Rajshahi, new VAT Survey Directorate, two Appellate benches, increase manpower, logistics and transports for various field offices of Customs and VAT including the Airport. Besides, I propose to create separate ICT wing of NBR along with an ICT Commissionerate towards building Digital Bangladesh. Moreover, positions of Member under Customs and VAT Administration will be increased and the number of officers and staff working in different field offices administering customs and VAT will be increased. This expansion plan will also cater for the phasing out of the mandatory PSI system in the future. Moreover, I propose to create ten positions for Representative on Customs Matters in ten overseas missions of Bangladesh having commercial importance. (Annex-'C')

360. The revenue target for Fiscal 2008-09 was set at Tk. 54,500 crore. Subsequently, after careful scrutiny of the overall revenue flow during the past several months, the revised target has been set at Tk. 53,000 crore. I hope this target would be achieved by the end of this fiscal year. Considering the trends in revenue collection, growth of nominal GDP and administrative capacity and limitations for revenue collection, the revenue target for the Fiscal 2009-10 has been set at BDT 61,000 crore from NBR sources. This target is higher by 15% compared to the revised target of Fiscal 2008-09. The target comprises Tk. 16,560 crore for Income Tax, Tk. 23,236 for Duties and Taxes at Import stage and Tk. 20,735 crore for domestic VAT and supplementary duty and Tk. 469 crore for other duties and taxes. If the programmes envisaged in the budget can be implemented and conditions remain unchanged, this target could not only be achieved but also be surpassed considerably.

Conclusion

Mr. Speaker

361. The expectation of the people from this democratic government is sky high. This has grown even further especially as we started discussing and preparing for this budget. This is nothing irrational. All our efforts are directed towards the fulfillment of the logical demands of the people. But it would be appropriate to remind that Rome was not built in a day and hence a reasonable time should be allowed to to this government to fulfill its commitment. Through you, Hon'ble Speaker, I would like to request all our citizens to appreciate the limitations of our resources against the enormous demands to resolve all existing problems and crisis created by unforeseen events and also inherited by us as a liability. In formulating the budget we have taken note of the ground reality and the demand of the present time and tried to dispassionately follow the right economic principles rather than emotion or over-ambition. I can assure you that this budget is only the beginning of the positive actions of the government.

362. We are firmly committed to use the opportunity that the landslide mandate of the people has given us to improve the lot of common man. We tried to unlock the potential for action created by a congenial atmosphere in setting out this budget. Our entrepreneurs should be able to use the incentives offered in this budget under the direct and indirect taxation proposals to create an enabling ground for investment and employment creation. I firmly believe that if we continue our collective efforts with genuine patriotism, honesty, sincerity and a sense of sacrifice, we can build a happy and prosperous Bangladesh free from poverty and corruption within a very short span of time.

363. The dreams of our valiant freedom fighters who took arms and made the supreme sacrifice thirty eight years back with a smiling face could not be materialized due to our collective failure.

We have been stumbling time and again due to pervasive corruption and misrule. But our people have the potential reflected in our resilience and strength to stand up as a proud and self-respecting nation. They have brought this nation back from the precipice of colossal misrule and corruption of the recent past to the path of good governance. Now, it is time only to go forward leaving behind all failures and indignities.

364. We are now living in such a world order where everything is changing very fast. In all disciplines such as, economics, politics, social sciences, culture and technology, the wave of change is breaking all traditional values and concepts. We welcome these changes. For this reason we have made our charter of change as the commitment of the government in managing the development and administration of the country. We would like to join this trend of change that has been taking hold all around the world. Our goal is to secure the welfare and prosperity of the people of this country. The road to the goal is difficult and full of thorns, but reaching it is not impossible. Because in striving for the goal we have with us the unflinching dedication of our people. They are indomitable in the face of natural calamities as well as political and economic setbacks. They know how to turn around and their self confidence and creativity is the source of our everlasting inspiration.

365. I am confident that we would be able to reach our destination overcoming all odds with the support of our people. We can build a Bangladesh where there will be harmony and unity, the deprived and the hopeless will find solace and prosperity and the new generation will find the inspiration to meet the challenges of the future and move towards greater prosperity and happiness. Come and let us use our endless capacity for work, deep patriotism and the innate

limitless power for unlocking the door to immense possibilities to build a developed and prosperous Bangladesh. Let us take our place in the comity of nations of the world as a proud nation. I firmly believe that this as a step towards executing the charter of change will go a long way to build the Golden Bengal as dreamed by the Father of our Nation Bangabandhu Sheikh Mujibur Rahman and to turn the vision of the Honorable Prime Minister Sheikh Hasina for Digital Bangladesh into reality.



Heads of Investment by undisclosed income:

New industry: Agro processing industry (fruits processing, baby corn packeting, fruit juice producing and rubber industry), textiles, spinning, textile machinery, garments, leather goods, toys, furniture, information technology enabled services (ITES), drugs and pharmaceuticals, light engineering, melamine, plastic products, ceramics, sanitary ware, steel, MS rod and CI sheet from iron ore, fertilizer, insecticide, pesticide, computer hardware, petro chemicals, agricultural machinery, boilers, basic raw materials of drugs, chemicals and pharmaceuticals, compressors, ship building, diamond cutting industry, shrimp processing industry, milk processing industry, accumulator and battery industry, tour operators, energy saving bulb producing industry, jute goods producing industry, recycling industry, herbal medicine, basic chemicals and dyes, cosmetics and toiletries, tourism industry, foot wear, MS billet and any other category of industry as the government may by notification in the official gazette specify.

Physical Infrastructure facility: River or sea-port, container terminals, internal container depot, container freight station, Liquefied Natural Gas (LNG) terminal and transmission line, Compressed Natural Gas(CNG) terminal and transmission line, gas pipe line, flyover, elevated road, mono-rail, underground rail, telecommunication other than mobile phone, large water treatment plant and supply through pipe line, waste treatment plant, solar energy plant and any other category of industry as the government may by notification in the official gazette specify."

Annex-'B'

Customs Act, 1969 (Act IV of 1969)-এর সংশোধন

১। **Act IV of 1969 এর section 3 এর সংশোধন**।- Customs Act, 1969 (Act IV of 1969), অতঃপর উক্ত Act বলিয়া উল্লিখিত, এর section 3 এর clause (f) এর পরিবর্তে নিম্নরূপ clause (f) প্রতিস্থাপিত হইবে, যথাঃ-

“(f) a Director General (Audit, Intelligence and Investigation, Value Added Tax);”।

২। **Act IV of 1969 এর section 98 এর সংশোধন**।- উক্ত Act এর section 98 এর sub-section (2) এর পর নিম্নরূপ নূতন sub-section (2A) সন্নিবেশিত হইবে, যথাঃ-

“(2A) Notwithstanding anything contained in sub-section (1) and (2), goods imported and warehoused by a hundred percent export oriented ship building industry, may remain in such warehouse for a period not exceeding forty eight months from the date of warehousing.”।

৩। **Act IV of 1969 এর section 179 এর সংশোধন**।- উক্ত Act এর section 179 এর sub-section (1) এর TABLE এর ক্রমিক নং I এর column (1) এর বিপরীতে column (2) এর ক্রমিক নং (1) এর পরিবর্তে নিম্নরূপ ক্রমিক নং (1) প্রতিস্থাপিত হইবে, যথা ঃ-

“(1) Commissioner of Customs or Commissioner of Customs (Bond) or Director General (Duty Exemption and Drawback).”।

৪। **Act IV of 1969 এর FIRST SCHEDULE এর প্রতিস্থাপন**।- উক্ত Act এর “FIRST SCHEDULE” এর পরিবর্তে এই আইনের তফসিল-১ এ উল্লিখিত “FIRST SCHEDULE” প্রতিস্থাপিত হইবে (আলাদাভাবে মুদ্রিত)।

VAT wing (Budget speech annexure)

Proposal for Value Added Tax (Local Stage) on the Budget 2009-10

Amendments of the Value Added Tax Act, 1991

- (1) The definition of Tax is included in the rules. But the word 'Tax' has been referred in the Act in different places. So the definition of 'Tax' has been included in the Act instead of the rules.
- (2) The word 'পণ্যের' was wrongfully mentioned in the clause (খখ) and (খখখখ) of Section 2 under Finance Act 2004. These has been replaced by the word "পণ্যের"
- (3) VAT is currently applicable in all stage of the trade. So, in order to include the 'trade' under the definition of Supply, clause (সড়) of section 2 has been amended.
- (4) Insertion of the definition "রপ্তানিকৃত বা রপ্তানিকৃত বলিয়া গণ্য" in section 2 of the Value Added Tax Act, 1991.
- (5) Insertion of a new sub-clause (অঅ) under sub-section (2) of Section 3 to offset the claim of export for domestic use of goods and services delivered in foreign currency.
- (6) Insertion of a provision in the Act to accommodate the decision of the Government to provide VAT exemption under international treaty/MoU.
- (7) In order to keep the commodity price under control, the provision to accept the price of some goods and services fixed by other Government agencies has been incorporated in the Act.
- (8) Insertion of a new provision in the Act to empower the board to fix and collect VAT & supplementary duty (if any) on a minimum value even if the service provider deliver service free of charge for its own business benefit.

- (9) Insertion of a specific time limit in the Act for the aggrieved person regarding appeal against the decision of the value added tax officer to disallow the unlawful credit.
- (10) There is no clear provision in the VAT Act regarding the cancellation of the Central registration. Since the order of central registration is issued by the board, a new provision has been inserted in the Act that the cancellation of the Central registration should also be initiated from the board.
- (11) The name of the 'Rapid Action Battalion (RAB)' has been included in the list of the agencies to assist the Value Added tax authority.
- (12) A provision has been included in the Act to prepare an authentic English text of the Value Added Tax Act, 1991 and the Value Added Tax, Ryles, 1991.
- (13) The provision of the existing fine penalty limit for tax evasion i.e. minimum 25% to 75% of the evaded tax has been re-fixed to minimum 100% to maximum 250% of the evaded tax.
- (14) The existing provisions of section 40 i.e. “পণ্য বা সেবা বাজেয়াপ্তকরণ এবং কর ফাঁকি সংক্রান্ত অর্থদণ্ড আরোপ” has been replaced by “পণ্য বা সেবা বাজেয়াপ্তকরণ এবং কর ফাঁকি অথবা বাজেয়াপ্তকরণ বা করফাঁকি সংক্রান্ত অর্থদণ্ড আরোপ” to deny the misinterpretation.
- (15) To remove the ambiguity in calculation of time for appeal, the time limit for appeal under section 42 has been changed from 3 months to 90 days.
- (16) Sub-section (ka), (kha) and (ga) of Section 42 has been clarify by inserting the provision that, 10% of the Tax evaded amount has to be deposit to the appeal authority for tax evaded case and 10% of the penalty amount has to be deposit to the appeal authority for such cases where there is no evasion.
- (17) A new provision has been inserted in the Section 55 to clarify that the 3 (three) years time limit to raise a demand by the Value added Tax officer will not be applicable for the cases related to tax evasion.

Amendment of the Value Added Tax Rules, 1991

- (1) Inclusion of two new Mushak form for the price declaration of the traders and manufacturers who produces both exempted/exported and VATable goods.
- (2) Insertion of a new provision to exempt any particular sector from submission of price declaration.
- (3) Increase of Annual turnover threshold from Tk 25 lakh ro Tk. 40 lakh.
- (4) Restructuring the sub-rule (2) and (2ka) under rule 19 to clarify the credit system for the service provider.
- (5) Amendment of the rule 25 to rationalize the provision in line with the sub-section (4) of section 36 of the VAT act.

Changes of Value Added Tax related S.R.Os

- (1) Electricity (Manufacturing stage), Cancer preventive drugs (Manufacturing stage), hard board (Manufacturing stage), Electric generator (Manufacturing stage), Refrigerator (Manufacturing stage), Motor cycle (Manufacturing stage), Solar panel (Manufacturing stage), goods carrier Trailer (Manufacturing stage), Internet service (only service provided to educational institution), Specialized doctor (Service) and Maize (corn) seeds (Trade stage) has been exempted from VAT.
- (2) Existing VAT exemption has been withdrawn from Homeopathic, Ayurvedic, Uniny and herbal medicine (Manufacturing stage), Plastic furniture (Manufacturing stage), Kitchen ware made of aluminum and enamel (Manufacturing stage), Indenting (service stage), Travel agency (service stage) and manpower exported organization (service stage).

- (3) The S.R.O related to cottage industry has been amended in the following way:
- (a) The investment limit behind plant and machinery has been increased from Tk. 15 lakh to Tk. 25 lakh;
 - (b) Annual turnover threshold has been increased from Tk. 24 lakh to Tk. 40 lakh;
 - (c) Condition of barring the cottage industry from sub-contracting has been withdrawn.
- (4) Lozenge, Energy drink, juice, Chaanachur, Cosmetics, Heir care item, Medicine (including Homeopathic, Ayurvedic, Uniny and herbal medicine) and Biscuits manufacturing units has been brought under compulsory VAT registration irrespective of annual turnover.
- (5) The provision regarding monthly submission of return has been increased to three months for the 100% exported oriented garment industries as well as 100% deemed exported accessories industries.
- (6) Decorators & caterers, Auctioneer, Courier & express mail service, Architect, interior designer, interior decorator, Graphic designer, Travel agent and chartered plane & helicopter rental organization has been included in the list of services on which the Government, Semi government, Autonomous body, private organization, Bank, insurance company or limited company has been given the power to collect VAT at source and deposit the same to the government exchequer.
- (7) Supplementary duty on local manufacturing stage on powder milk from liquid milk has been withdrawn. On top of that, 10% supplementary duty on Jarda, gul and glass sheet has been imposed and the existing supplementary duty on soft drinks, Ceramic tiles, mosaic, and bathroom fittings has been increased.

- (8) The rate of ATV (Advance Trade VAT) has been increased from 1.5% to 2.25%.
- (9) Supplementary duty and VAT has been exempted from internationally awarded Bangladeshi cinema, nationally awarded Bangladeshi cinema and cinema made of government grant.
- (10) In order to protect the fully manufacturing industry (local) the VAT has been exempted from Refrigerator and Motor cycle for the next one year.
- (11) The exemption level for excise duty on bank deposit has been increased from Tk. 10,000 to Tk. 20,000 and the duty rate for the higher deposit range has been increased. Simultaneously, the existing excise duty rate on domestic air ticket has been increased from Tk. 200 to Tk. 300.

Value Added Tax Related orders;

- (1) Order to fix the tariff value for powder milk, C.R. coil, G.P. sheet, C.I. sheet, razor blade made up of stainless steel/carbon steel strip and 5-75 KVA electric transformer has been made. On the other hand the existing tariff value of white paper has been increased.
- (2) The VAT exemption limit for Sample medicine export has been increased from Tk. 20,000 to Tk. 30,000.
- (3) The price slab of cigarette and the tariff value of Bidi has been increased.

**List of VAT related S.R.Os and orders to implement
the budget proposals, 2009-2010:**

S.R.O.s

- (a) NBR's S.R.O No. 103-Law/2009/511-VAT, dated: 11.06.2009
- (b) IRD's S.R.O No. 104-Law/2009/512-VAT, dated: 11.06.2009
- (c) NBR's S.R.O No. 105-Law/2009/513-VAT, dated: 11.06.2009
- (d) IRD's S.R.O No. 106-Law/2009/514-VAT, dated: 11.06.2009
- (e) NBR's S.R.O No. 107-Law/2009/515-VAT, dated: 11.06.2009
- (f) IRD's S.R.O No. 108-Law/2009/516-VAT, dated: 11.06.2009
- (g) NBR's S.R.O No. 109-Law/2009/517-VAT, dated: 11.06.2009
- (h) NBR's S.R.O No. 110-Law/2009/518-VAT, dated: 11.06.2009
- (i) IRD's S.R.O No. 111-Law/2009/519-VAT, dated: 11.06.2009
- (j) IRD's S.R.O No. 112-Law/2009/520-VAT, dated: 11.06.2009
- (k) IRD's S.R.O No. 113-Law/2009/521-VAT, dated: 11.06.2009
- (l) NBR's S.R.O No. 114-Law/2009/522-VAT, dated: 11.06.2009
- (m) NBR's S.R.O No. 115-Law/2009/523-VAT, dated: 11.06.2009
- (n) IRD's S.R.O No. 116-Law/2009/524-VAT, dated: 11.06.2009
- (o) IRD's S.R.O No. 117-Law/2009/525-VAT, dated: 11.06.2009
- (p) IRD's S.R.O No. 118-Law/2009/526-VAT, dated: 11.06.2009
- (q) IRD's S.R.O No. 119-Law/2009/302-Excise, dated: 11.06.2009

Orders

- (a) NBR's Order No. 05/VAT/2009, dated: 11.06.2009
- (b) NBR's Order No. 06/VAT/2009, dated: 11.06.2009
- (c) NBR's Order No. 07/VAT/2009, dated: 11.06.2009
- (d) NBR's Order No. 08/VAT/2009, dated: 11.06.2009
- (e) NBR's Order No. 09/VAT/2009, dated: 11.06.2009
- (f) NBR's Order No. 10/VAT/2009, dated: 11.06.2009
- (g) NBR's Order No. 11/VAT/2009, dated: 11.06.2009
- (h) NBR's Order No. 12/VAT/2009, dated: 11.06.2009
- (i) NBR's Order No. 13/VAT/2009, dated: 11.06.2009
- (j) NBR's Order No. 14/VAT/2009, dated: 11.06.2009