CHAPTER-1
MACROECONOMIC SITUATION

In FY 2004-05, the devastating floods combined with political uncertainties, abolition of quota regime of readymade garment industries, abnormal price-hike of imported commodities including oil posed a great challenge for the economy of Bangladesh. Side by side, the inflationary trend across the global economy together with the apprehension of sluggish growth further deepened the challenge. The Government faced the challenge resolutely and maintained the macroeconomic stability. In order to maintain a stable growth momentum by making good colossal flood damage, the Government ensured augmented credit flow to agriculture, SME and export sectors as well as to other productive sectors and discouraged channeling of credit to non-productive ones. Alongside implementation of post-flood infrastructure rehabilitation, Government also implemented subsidy programmes on fertilizer and seeds.

Growth and Investment

Despite massive damage in agriculture sector due to floods and excessive rainfalls, Bangladesh, according to the statistics released by BBS, mainly backed by the growth of industry and service sector will be able to achieve a GDP growth of 5.38 percent in FY2004-05. Bangladesh could well surpass a growth of 6.0 percent projected in medium term macroeconomic framework, had there been no widespread damage in the economy due to natural disaster. It is to be noted that in FY 2003-04 due to stronger performance of agriculture, industry and service sectors, the GDP growth surpassed its preliminary estimate of 5.52 percent and finally stood at 6.27 percent which is one of the highest growth rates achieved so far. Per capita GDP and GNI stood at US$ 445 and US$ 470 respectively. With the creation of investment-friendly climate, the rate of national investment rose to 24.43 percent, which is again the ever highest. The contribution of private sector to this investment is 18.53 percent. This positive change is largely attributable to a set of pragmatic policies pursued by the Government.

Inflation

In current fiscal year, following abnormal price hike of certain commodities including oil in international market, inflation showed an upward trend and stood at 7.35 percent in June 2005. The average inflation in current fiscal year, stood at 6.49 percent. However, Government is pursuing restrained and careful fiscal and monetary policy along with other measures like re-fixation of tariff rates to contain inflation.

Fiscal Sector

Like previous fiscal years, the budget deficit will remain broadly manageable. Most of it will be financed by concessionary foreign loans. The remaining deficit will be met from loans raised

domestically. This prudent step is allowing the private sector to have access to loans from domestic sources. As a result, the contribution of private sector to the economy is increasingly becoming prominent. During current fiscal year, the growth of credit to the private sector during FY 2004-05 stood at 17.02 percent compared to the growth of 14.16 percent during previous fiscal year. On revenue front, it appears that in FY 2004-05, the National Board of Revenue (NBR) collected revenues to the tune of Tk.29,989 crore against the revised target of Tk.30,500 crore which is 14.5 percent higher than the revenue collection of the previous fiscal year. In FY 2003-04, revenue-GDP ratio stood at 10.6 percent and it remained at the same level in FY 2004-05. On expenditure side, 91.6 percent of ADP allocation has been spent during FY 2004-05 against the revised allocation. Expenditure-GDP ratio in FY 2004-05 stood at 14.6 percent, which was 14.2 percent in FY 2003-04.

External Sector

In the current fiscal year, exports increased by 13.83 percent to US$ 8,654.52 million compared to the previous fiscal year. In the total exports, the contribution of readymade garments and knitwear is still higher. Imports posted a growth of 20.58 percent to US$ 13,147 million in FY 2004-05 from US$ 10,903 million during the last fiscal year. Import of capital machinery accounts for the major share of the total import bills. Remittances continued to grow in FY 2004-05. In the current fiscal year, remittance flows grew by 14.13 percent to US$ 3,848 million. Due to implementation of pragmatic export policy and introduction of a range incentive programmes, the remittance flows are on the increase and this has resulted in secular rise of foreign exchange reserve, which stood at US$ 3024 as on 30 June 2005. During FY 2004-05, the current account balance of BoP recorded a deficit but the overall balance remains surplus. Up to June 2005, the overall balance of BoP shows a surplus of US$ 161 million compared to that of US$ 171 during the previous fiscal year.

Monetary and Debt Management

Following the accommodative monetary policy pursued over the previous fiscal years, credit to the private sector and import demands expanded in FY 2004-05. Given this scenario, a more cautious approach was adopted to keep inflation within the manageable limit. In the current fiscal year, broad money (M2) growth rose to 16.8 percent compared to 13.8 percent growth during the previous fiscal year. On the other hand, in FY 2004-05 net credit to Government from the banking system registered a growth of 16.78 percent. Credit to private sector grew by 17.02 percent. Government has facilitated increased credit flows to agriculture, industry and trade and commerce sectors by scaling down interest rates. During the current fiscal year, Tk. 4,956.78 crore has been disbursed as agricultural credit, which is 22.44 percent higher than the credit disbursement during the corresponding period of previous fiscal year. Credit disbursement to industry sector during the current fiscal year was also 30.4 percent higher than what was

disbursed during the last fiscal year. It appears from the review of capital market situation that at end June 2005 the market capitalisation of all securities of Dhaka Stock Exchange stood at Tk. 22,461 crore at end June 2005 which is 57.8 percent higher than Tk. 14237 crore stood at end June 2004. During the same period the market capitalisation of Chittagong Stock Exchange also increased by 60.5 percent. The price indices of shares at end June 2005 in Dhaka and Chittagong Stock Exchange stood at 1310.6 and 3347.1, which were 1318.9 and 2329.5 at end June 2004 respectively.

Review of Reforms

Preparation of Full PRSP

Consistent with the UN Millennium Development Goals adopted with an aim to ensure economic growth and to reduce the scale of poverty in developing countries, the Government finalised a 3-year term draft full-PRSP in January 2005 after extensive consultation and exchange of views. The Government is implementing this national plan putting emphasis on four strategic blocks like achieving accelerated economic growth, according priority to growth-oriented sectors like rural farm and non-farm sectors, SMEs, communication and rural electrification sectors, implementation of targetted poverty reduction and social safety-net programmes and augmenting investment in sectors like education, health and nutrition to reduce human poverty.

Fiscal Sector Reforms

Domestic Resource Mobilisation

In order to enhance revenue-GDP ratio by strengthening the revenue mobilisation efforts, the present Government has taken steps to further modernise the tax system. There have been initiatives towards modernizing the customs, VAT and tax administration to prevent leakage and to enhance the quality of service as well as to upgrade the professional skills base of the revenue officials. In order to scale down the leakage of all kinds of revenue, a Central Intelligence Cell and a Large Taxpayers Unit (LTU) have been established. A number of audit firms has been appointed to prevent tax evasion and the rates of non-tax revenues have been enhanced to augment domestic resource mobilisation.

Public Expenditure Management

As part of the implementation of recommendations of Public Expenditure Review Commission, the Government has taken steps to make the budget formulation process more transparent and participatory. As a step towards budget decentralisation, a few selected ministries have prepared their budget for the next year within indicative resource ceilings using medium-term budgetary framework. In order to further improve public expenditure management and to establish internal control in the ministries/divisions and subordinate departments, a Public Expenditure Management Manual and an Internal Control Manual have been prepared. A separate Resource

and Debt Management Wing has been established. Guidelines have been prepared on how to make pro-poor and gender focused budget and steps have been taken to implement the guidelines.

Financial Sector Reforms

Money and Financial Market

In order to enhance the operational capability of Bangladesh Bank, reforms are underway with the support of a technical assistance project funded by World Bank. This would allow application of IT in the activities of the Bank, enhance its monitoring capability, improve internal control and audit and also enhance the capacity of monetary management. A Memorandum of Understanding (MoU) has been signed between the 4 NCBs and Bangladesh Bank to monitor the overall activities of the banks. In order to contain the excess flow of credit, among others, the cash reserve requirement (CRR) has been enhanced from 4 percent to 4.5 percent since March 2005 of current fiscal year. To strengthen discipline in providing loans, the default loans for 90 days or more will be transferred to Special Mention Account. It has been decided that the outstanding interest on those loans will be kept under Interest Suspense Account rather than keeping them under Interest Income Account. A decision has been taken to establish grievance cells at the respective head offices of the commercial banks to settle their irregularities. A Pensioners' Savings Scheme has been introduced for the retired employees of government, semi-government, autonomous and semi-autonomous bodies. With a view to reduce the dependence on call money, the ceiling of receiving credit from call money market by the licensed financial institutions has been fixed maximum 15 percent of net assets. This new arrangement shall take effect from 1 July 2005.

Capital Market

In order to develop and expand the capital market a range decisions and steps have been taken. Included among them are: suspension of credit facilities to the stock-brokers, enhancement of stock exchange trade margin, reduction of IP floatation cost and making beneficiaries owners account obligatory.

Reforms in other sectors

To mitigate the perceptible negative impact of the abolition of quota on the economy, the Government has taken an initiative to formulate a strategic programme titled" Post-MFA Action Programme". A National Coordination Council has been formed to resolve the problems in RMG sector on a priority basis. The efficiency of entrepreneurs in SMEs has been enhanced by imparting appropriate training. Three-year Import-Export policies (2003-06) are being implemented. The EPZ Workers Association and Industrial Relations Act 2004 have been introduced to ensure the trade union rights of the workers in EPZs. E-governance and BOI Online Service Tracking System (BOST) have been introduced to ensure transparency and accountability in the activities of BOI.

Sectoral Review

Agriculture

Agriculture has been playing a vital role in socio-economic progress and sustainable development of the agrarian economy of Bangladesh through upliftment of rural economy, ensuring food security by attaining autarky in food grains production, alleviation of poverty and so on. In FY 2004-05, the combined contribution of all sub-sectors of agriculture (crop, livestock, forestry and fisheries) to GDP is about 21.91 percent of which fisheries sub-sector accounts for 5.03 percent and the crop sub-sector alone is projected to contribute 12.10 percent to GDP. Of the total labour force in Bangladesh, 51.7 percent are engaged in agriculture (BBS Labour Force Survey, 2002-2003).

According to the final estimates, the volume of food grains production in 2003-04 was 274.43 lakh metric tons of which Aus accounted for 18.32 lakh metric tons, Aman 115.21 lakh metric tons, Boro 128.37 lakh metric tons and Wheat 12.53 lakh metric tons. Food grains production target for FY 2004-05 has been estimated at 300.49 lakh metric tons of which Aus accounts for 20.45 lakh metric tons, Aman 127.88 lakh metric tons, Boro 137.53 lakh metric tons and wheat 14.63 lakh metric tons.

To fulfill the food and nutritional demand of the growing population of the country and to ensure and sustain dependable food security, special emphasis has been given on building up a modern agricultural system based on appropriate technology. Against this background, various reform measures have been taken which include ensuring the availability of agricultural inputs including fertilizer at the door-steps of the farmers, implementation of the agricultural extension policy, simplification of the disbursement procedures of agricultural credit, creating opportunities for investment in agriculture, modernisation of research methods for quality improvement of agro-products, the utilisation and extension of the integrated technologies derived from research.

An Action Plan is in place for proper implementation of National Agriculture Policy. Included among the objectives of the Action Plan are to: take the extension service to the grass-root level; ensure decentralisation of administration in this sector; mobilise external assistance to strengthen and popularise the trading of agricultural commodities and also to turn it profit making; adopt comprehensive reform programmes to facilitate extension of activities of NGOs and development partners.

Measures have been taken to put in place a more robust and effective national agricultural research arrangements. At the same time, emphasis has been laid on increased coordination between research and extension. Besides, efforts are underway to bring about overall improvement in agriculture by taking a range of steps like protection of ever-increasing erosion of soil, assessing utility of irrigation water, monitoring abuse of land and preventing crop nutrition deficiencies.

During FY 2004-05, a total of Tk. 1315.77 crore has been provisioned for agriculture subsidy on TSP, DAP and MOP fertilizer including Urea as well as for providing other forms of assistance to agriculture sector. In addition, 30 percent cash incentive is being provided to agricultural exports. The Government has waived interest on classified agricultural loan up to Tk. 5000. This is going to make far-reaching contribution towards augmenting agricultural production. The repayment period of principal amount will be extended from 30 March 2005, as fixed earlier, to 30 March 2006. During FY 2004-05, disbursement stood at Tk. 4956.78 crore against the target of Tk 5537.91 crore. In 2003-04, the export earning amounted to Tk.2363.47 crore from the export of 54,141 metric tons of fish and fish products.

According to available data, in 2004, there are 112 fish hatcheries in the public sector and 696 hatcheries in the private sector. Altogether 808 hatcheries and farms are there in the country. About 517 crore of fingerlings and 297.78 metric tons of fish spawn were produced from private farm and hatcheries in 2003.

In a bid to develop livestock resources, the government has set up a large number of livestock and poultry farms through implementation of ADP projects. Also in order to alleviate poverty, the Government implemented goat-rearing projects throughout the country on a priority basis. The livestock and poultry farms set up at the self-initiative while making a substantial contribution to this sector, also generating self-employment opportunities for the unemployed youth and attracting huge investment. A total of 8 projects have been taken up by the Department of Livestock (DOL) in 2004-05 for which Tk. 77.04 crore has been allocated and up to June'05 Tk. 67.95 crore has been spent which is 88.20 percent of the total allocation.

Industry

The contribution of industry sector to the Bangladesh economy is extremely critical. Its contribution is on the increase. As percentage of GDP, the contribution of manufacturing sector to the GDP was 14.92 percent in 1998-99, which grew to 16.58 percent having a growth rate of 8.43 percent in FY05. The contribution recorded an increase of 0.42 percent compared to previous fiscal year while the growth rate registered an increase of 1.33 percent. This trend of growth in manufacturing sector has added further momentum to the dynamics of economic development. The driving force that worked behind achieving this growth is ready made garments and knit wear industry. To meet the challenges of free market economy and globalisation, the Government is pursuing a policy of establishing industries under private sector initiative and divesting in phases the state-owned enterprises. The Government has also taken up appropriate rehabilitation programmes by providing training and loans to the retrenched employees.

The Government has declared encouraging policies in respect of establishing industries under private investment and exporting produced commodities. The Government has identified the SMEs as priority sector to accelerate the process of industrialisation. In order to provide strategic

support to establishing SMEs across the country, the Government has taken initiatives to formulate a separate SME Policy. In the current industrial policy, due emphasis has been laid on creating women entrepreneurs and ensuring participation of women entrepreneurs in the process of industrialisation. For rapid expansion of SMEs, the Government, with the assistance of World Bank and ADB, has financed through Bangladesh Bank a total of Tk.123.73 crore up to April 2005 under refinance scheme. This amount has been distributed among 2192 SMEs through 7 banks and 8 financial institutions. It is expected that this would result in much faster growth of SMEs. Industrial term loan disbursed up to June 2005 amounted to Tk. 9114.9 crore implying an increase of 36.53 percent over the same period of the previous fiscal year.

Following the above steps taken by the Government, a congenial investment climate has been created. As a result, a good number of investors, both local and foreign, are demonstrating their interest in investing and establishing industries in Bangladesh. In FY 2004-05, local investment registration with the BOI grew by 3.4 percent. During this period, there is an investment proposal of US$ 2,319 million for 1,469 registered local projects. In addition, 221 industrial enterprises were in operation in 6 EPZs with an investment of US$ 1,548.68 million. Besides, projects for establishing further 108 industrial entities in different EPZs are being implemented.

During FY 2003-04, commodities worth US$ 1354 million have been exported from the EPZ industrial enterprises, which accounts for 18 percent of total national exports. In the current fiscal year, the export target has been fixed at US$1400 million. Given the current level of development continues, the contribution of industrial sector to GDP in the coming decade will be 30-35 percent and the sector will absorb 30 percent of total labour force. In order to achieve this estimated growth in the industrial sector, the industrial policy lays emphasis on strengthening establishment of agro-based and agricultural product processing industries, taking appropriate measures to meet the adverse situation by the export-oriented garment industries, adopting SMEs and cottage industries as the prime movers of industrialisation, establishing economic and export processing zones in different parts of the country, enhancing quality of products and providing support for marketing. This would result in planned expansion of industrialisation, which in turn would help achieving continued and sustained development in industrial sector. All these together will accelerate overall economic growth by reducing poverty, generating employment and improving the quality of life.

State Owned Enterprises (SOEs)

Following wide-ranging reforms in SoEs in the scenario of changed world order, while the overall SoE loss has reduced substantially, their contribution to national output, value addition, employment generation and augmentation of revenues have increased. Concomitantly, the operating revenues and the growth of value addition of these enterprises has also increased. In FY2003-04, while the growth of revenues of these entities was 8.25 percent, their value addition

registered an increase of 20.56 percent. In FY 2003-04, these enterprises contributed dividends to the tune of Tk. 202.31 crore to the public exchequer. In FY 2004-05, this has increased by Tk.281.45 crore. In FY 2004-05, the total debt service liabilities of 44 SoEs stood at Tk. 1485.71 crore of which Tk. 778.28 crore has been recovered up to 15 May 2005. Up to June 2005, outstanding bank loan against 44 SoEs stood at Tk. 10,045.07 crore. The rate of operating profit on total assets though runs negative; its volume is, however, reducing.

Power and Energy

Power: Power is the key to development. The demand for power as a source of energy is rising in many spheres starting from industries to day-to-day demand of the general public, agriculture and service sector. In an electrified village, the annual income of an electrified household is Tk.92,963 which is 65 percent higher than the income of a non-electrified household. Alongside the public sector, Government has, therefore, involved private sector with power generation so that it can reach electricity to the doorstep of every household by 2020 in fulfillment of its declared goal. In FY 2004-05, the total installed generation capacity of electricity was 5025 MW. Out of which the public sector accounted for 74.33 percent of total power generation while the private sector's share stood at 25.67 percent. In power generation, the use of natural gas is the highest and it is on the increase. In FY 2004-05 out of the net power generation, 88.22 percent was gas-based, 7.23 percent is oil-based and the rest 4.55 percent was hydro-based. In FY 2004-05, 3751 MW electricity demand has been met. Per capita power generation picked up from 154 kwh hour to 160 kwh hour. Although the organisations like PDB, REB, DESA and DESCO are meeting the electricity demand of the country, the Power Grid Company of Bangladesh (PGCB) is being developed as the sole transmission network entity, which would take over responsibilities like power transmission, use, operation and maintenance including future expansion. Under BPDB system, 33kv and 11kv electricity is distributed across the country. The power distribution line installed in 1991-92 stood at 32,780 kilometres, which was extended to 44,582 kilometres in FY 2004-05. Besides, the number subscribers also grew from 9,03,001 to 18,90,000. While in 1991-92 the system loss (on net generation) was 28.3 percent, it gradually declined to 8.83 percent in FY 2004-05. The Energy Regulatory Commission has been operationalised since April 2004 by inducting two members. Besides, up to June 2005, REB by installing 1,92,037 kilometre distribution line covering 43,949 villages have connected as many as 61,22,669 units of different categories which include 51,72,508 residential, 1,62,536 irrigation, 6,70,542 commercial, 1,03,024 industrial and 14,059 others.

Energy: Although Bangladesh is not rich in mineral resources; her high quality gas is meeting the demand of 70 percent of commercial fuel use. In 22 gas fields across the country, there is a gas deposit of 28.41 TCF. Of which, the extractable deposit stands at 20.51 TCF. Up to June 2004, out of 14.98 TCF net extractable gas, the cumulative gas extraction was in the vicinity of 5.546 TCF. Gas is being produced from 62 wells of 15 gas fields in the country. Besides, the

whole country has divided into 23 blocks for rapid exploration of gas. In these blocks, as a consequence of allowing foreign investment under production sharing contract (PSC), 10 PSCs have signed for 12 blocks up to June 2005. Of which, with the termination of 2 PSCs currently 8 PSCs are in force. In order to control pollution arising from the use of fuel oil in the vehicles, the process of converting all vehicles into CNG is being encouraged. So far, 100 CNG filling stations have been established. The task of establishing 26 filling stations under ADB financed" Dhaka Cleaning Fuel Project" has been taken up. Under this project, there is a provision to import 10,000 conversion kits in order to convert the petrol-driven vehicles of Government, semi-government and autonomous bodies. Besides, a programme has been taken up to set up a CNG conversion workshop and a CNG repair workshop and to lay 100- kilometre gas distribution pipeline in order to ensure gas supply. If the Baropukuria Coal Mine Project scheduled for completion in current year were completed, it would facilitate extracting 1 million metric tons of coal annually. Of 7 lakh metric tons of coal will be used for Barapukuria Coal Mine and the remaining 3 lakh metric tons will be marketed for meeting domestic demand. BPC is now engaged in developing and expanding fuel stock system in different places across the country. It is also entrusted with the task of installing original distillation column in the Eastern Refinery, the lone refinery of international standard in the country. Bangladesh Geological Survey Directorate is engaged in mineral exploration, discovery, assessment and research. This has resulted in the discovery of coals at Barapukuria, Digharpara in Dinajpur District and Khalaspir in Rangpur District.

Transport and Communication

The transport and communication network in Bangladesh has evolved around road, rail and air transport system including post, telecommunication and information technology. The contribution of this sector to GDP at constant price in FY 2004-05 is 10.01 percent. In terms of passenger and goods transportation, relative to other modes of transport, road transport is most widely used. The responsibility of overall management and supervision of this vast sector rests with the Department of Roads and Highways and the Local Government Engineering Department. The regulatory responsibility of road transport, however, lies with the Bangladesh Road Transport Authority, which has already set up Road Safety Cell, withdrawn two stroke three wheelers to control pollution and encouraged the use of CNG motor vehicles. Besides, flyovers and modern traffic signal systems have been introduced to ease up the traffic jam. At the same time, Jamuna Bridge Authority is constructing bridges in different places for a sound and organised transport system. Bangladesh Railway is regarded as a cheap and eco-friendly mode of transport. In maritime-trade, the Chittagong Sea Port plays a major role. Besides, the role of Mongla Sea Port and Bangladesh Inland Water Transport Authority is also important in transporting passengers and freights. Bangladesh Shipping Corporation is working to provide efficient shipping facilities on international water-route. The Department of Shipping performs its regulatory role by

enforcing relevant maritime laws and also protects the interest of the crews. Public and private initiative is continuing in the infrastructure development of the land ports established near the border areas of the country. Civil Aviation Authority is responsible for establishment and development of the infrastructure necessary for aircraft operation and at present, it is maintaining 3 international and 5 domestic airports. Bangladesh Telecommunication Regulatory Commission is engaged in ensuring development of telecommunication service in Bangladesh and to regulate it all over the country. Bangladesh Telephone and Telecommunication Board is the only Government telecommunication system and the Postal Department is the only Government Department providing postal services. In the context of globalisation and market economy, the present government, realising the importance of development of information technology, has taken a number of steps for the development of this sector.

Human Development

The cardinal objective of all development efforts is to ensure continued improvement of the quality of life. The UN Millennium Development Goals therefore lays special emphasis on human welfare. Consistent with MDG, in our country also, special emphasis has been given on medium-term PRSP and human development. To bring about human development, priority has been attached to education, in particular primary education, poverty reduction, health services and social welfare activities. In order to ensure human development, the Government is pursuing pro-poor growth strategy and increasingly allocating more resources to social sectors. In FY 2004-05, Government has allocated 24 percent of total public spending to the social sectors of different ministries. In order to bring about further improvement in health sector by sustaining the successes already achieved in this sector, Government, for the first time, has started implementing an integrated Health, Nutrition and Population Sector Programme (HNPSP-2003-2006)). Following the strengthened activities in health sector, already maternal and child death rate has reduced remarkably and the average life expectancy is on the increase. As a vital ingredient for human development, top most importance has been attached to education. Under the Act formulated for the purpose, compulsory universal primary education has been introduced since 1993. A scheme for awarding stipends to the female students up to higher secondary level has been introduced for the spread of female education. As a consequence, the ratio of male-female students at the primary level has now risen to 50:50. With the introduction of new recruitment rules provisioning 60 percent quota for female teachers, the proportion of female teachers has now gone up to 38 percent from 21 percent in 1990. Besides, with a view to enhance the quality of education, a comprehensive programme has been taken up to stop adopting unfair means and to augment infrastructural facilities. An elaborate programme has been taken up with the initiative of different ministries including the Ministry of Women and Children Affairs to remove gender disparity and to bring the womenfolk into the mainstream of developmental activities. Women empowerment has further improved with the introduction of the system of inclusion of mother's

name alongside father's name in the academic certificate at the end of academic session at various levels and in the citizenship certificates and also authorising mothers to draw stipends for the primary students. Programmes are underway to provide vocational training and credit to the unemployed youth to turn them into an efficient and productive force. Besides, a range of programmes has been taken up to ameliorate the lot of destitute freedom fighters and the unprivileged section of the society including the tribal people. There has been strengthening of activities directed at enhancing the quality in the sphere of sports and culture. These measures resulted in significant progress in human resource development and Bangladesh, according to UNDP Human Development Reports, could occupy the rank of medium level human development category of countries in two consecutive years in 2003 and 2004.

Poverty Alleviation

Since independence, the Government and the NGOs have been working in unison for poverty alleviation in Bangladesh. According to the statistics of Poverty Monitoring Survey Report 2004, released by Bangladesh Bureau of Statistics, the rate of poverty in 1999, calculated using the direct calorie intake (DCI) method was 46.2 percent, which declined to 40.9 percent in 2004. Using the same method the hardcore poverty at national level in 1999 stood at 24.9 percent, which came down to 18.7 percent in 2004. It would be observed from this survey that in the case of Division wise poverty situation, Rajshahi Division has the highest incidence of poverty scoring 61.6 percent while the Sylhet Division has the lowest incidence of poverty of 28.4 percent. According to family size, at the national level, families having the size of 1-2 members have the lowest incidence of poverty (26.4 percent) while families consisting of 7-8 members have the highest incidence of poverty (46.3 percent). In the case of monthly per capita income, in 1999 monthly per capita income at the national level was Tk. 948, which grew to Tk. 1114 in 2004. There is an overall improvement in health services during 1999-2004. In 1999, the rate of sick population was 18.4 percent, which has rapidly declined to 15.8 percent in 2004. To bring about overall improvement of the lot of the poor, a range of employment and income generating programmes is being implemented both at governmental and non-governmental level. In particular, in order to create employment opportunities for the ultra-poor and the unprivileged class of the rural population and to alleviate poverty directly, social safety-net programmes are continuing. Included among them are: cash assistance programme, food assistance programmes, special programmes for poverty alleviation and micro-credit programmes for self-employment generation. Under these programmes, there are a number of beneficiaries receiving direct financial assistance. Among them, in the case old-age allowance programme the number of beneficiaries is 12 lakh, in the case of widowed and women deserted by their husbands allowance programme the beneficiary coverage is 6 lakh and in the case of honorarium for insolvent freedom fighters the number of beneficiaries is 60 thousand. Besides these, the primary stipend programme 53 lakh ultra-poor children, above 40 lakh girl students within the financial assistance

programmes for the girl students at secondary level and 42 thousand women under the rural maintenance programme. Under the Abashan Prokalpa (Poverty Alleviation and Rehabilitation Project) 65 thousand landless, homeless and rootless families are receiving the benefits of health and family welfare services and other facilities including income-generating activities. Up to June 2005, major nine NGOs of the country disbursed micro-credit to the tune of 34,124.79 crore. Up to June 2005, Grameen Bank, PKSF and BRDB disbursed credit amounting Tk. 23,504.92 crore, Tk.2,212.42 crore and 3,207.16 crore respectively. During the same period, the scheduled banks disbursed Tk. 10,765.81 crore while other specialised commercial banks disbursed Tk. 9,983.94 crore. The administrative departments of the Government disbursed credits amounting Tk. 6,067.05 crore up to December 2004.

Private Sector Development

Out of total 24.43 percent investment in the provisionally estimated GDP of FY 2004-05, the share of private investment has been computed to be 18.53 per cent. Currently 76 percent of total investment in the national economy is coming from the private sector, which clearly demonstrates the boisterous presence of a strong private sector in the economy. While at the outset of the 90's private sector contribution to total investment was about 60 percent, at present 76 percent of the total investment in the national economy comes from the private sector. Government is resolved to privatise the state-owned entities in a fast and transparent manner, with a caring approach towards the welfare of labourers - employees. Besides the traditional sectors, Government is persistently encouraging private sector involvement in various service sectors including power, energy, mining, transport and communication, education and healthcare. Formation of the Board of Investment and the Privatisation Commission, and implementation of extensive reform measures in the capital market are conspicuous moves in this direction. Since the inception of the Privatisation Board (now called Privatisation Commission) in 1993, a total of 61 enterprises have so far been privatised. Of those, 41 have been privatised through direct sale, and twenty through the sale of shares. In FY 1991-92, the value of registered private project proposals amounted to about US$116 million which, during FY 2004-05 stood at US$ 3,204 million. To facilitate the use of CNG in vehicles, about 87 filling stations (of which 5 are government-owned and 87 private) have been built up to March 2005. About 22,706 vehicles have so far been converted to CNG as of June 2005. To attract foreign investment in the ICT sector, work to formulate an appropriate law is proceeding at the initiative of the Ministry of Information and Communication Technology. The number of subscribers of the 5 cellular mobile companies in the country was about 61.06 lakhs as of June 2005. Following the Privatisation Policy, Civil Aviation Authority has planned to privatise the non-regulatory works of the airport. The commercial service part of the activities in 46 mail/express and local trains has been privatised as of February 2005. Additionally, on-board catering and related services in 10 intercity trains are being provided by private companies. Currently, there are a total of 40 privately owned, including 10 foreign banks

in the country. Out of 60 private insurance companies, 43 are general and the remaining 17 are life-insurance companies. Of 17 life-insurance companies, one is of foreign origin. In addition, there are 28 non-bank financial institutions now in operation. As a part of the programme for banking reforms, another NCB (Rupali bank) is in the process of being privatised. Improvement in the quality of management of the remaining 3 NCBs has also been initiated. Now there are 24 registered private medical colleges, 7 private dental colleges, and 1,055 private hospitals and 1,311 clinics with a total of 16,595 beds in the country. Along with these, many modern diagnostic centers and specialised hospitals are making remarkable contribution to the health sector. The major share of the textile sector is in private sector. At present, there are 220 spinning mills in the country of which 195 are privately owned. The Jute Spinners Association represents the jute spinning industry in Bangladesh, which consists of 49 spinning mills under private sector. This industry produces heavy, medium and fine quality of jute yarn and twine.

Environment and Development

Environmental problem is now an economic problem and therefore, economic and environment related activities should not be looked at in an isolated way. In order to protect environment and also to ensure development, Government is taking steps having legal compulsions including sensitising people of all strata. With this end in view, a number of policies and similar other instruments like national land use policy, national water policy, national environmental policy, national environment law and rules, national forest policy and national agriculture policy have been formulated. Side by side with these, Government, in order to protect and develop environment, is implementing the conventions and protocols signed at international and regional level.

The Government is implementing a range of programmes, which are playing a critical role in protecting and developing environment. Included among them are: making compulsory the use of catalytic converter, oxidation catalyst and diesel particulate filter in the petrol, diesel and gas driven vehicles; encouraging introduction of environment-friendly block bricks; making compulsory the use of installing chimney of 120 feet high in traditional brick fields; taking action against illegal cutting of hills; issuing certificates in favour of the industrial enterprises giving assurance that the level of pollution from these industries remains within the reasonable limit; issuing certificates in favour of the industrial enterprises that create severe pollution after the installation of effluent treatment plant. Besides these, creating reserved area for protecting bio-diversity, taking actions leading to drawing up national strategy to face the climatic change, reducing the annual use of ozone depleting substance (ODS) to 60 percent, taking initiative to frame laws to manage biomedical waste, introducing training for managing clinical waste, inclusion of environment education in the course curriculum of primary and secondary level etc are contributing towards creating environmental and ecological balance. In order to bring about overall development of forest resources a master plan of 20 years (1995-2015) have been

prepared. Under this master plan, a 20-year investment programme has been drawn up. In addition, the activities of the Forest Department that include forest management, afforestation, preservation of wildlife, management of reserved areas, development of government parks etc. are contributing towards preservation of bio-diversity and development of environment.