CHAPTER 1

MACROECONOMIC SITUATION

The economy of Bangladesh has reached a sustained growth trajectory with strong macroeconomic fundamentals. The GDP growth over the last five years consistently remained above 6 percent. Despite the losses caused by the two consecutive floods and the cyclone 'Sidr' in 2007 and also the adverse effects arising from unprecedented price hike of crude oil in international market, the economy of Bangladesh showed remarkable resilience. The satisfactory growth of import-export trade, secular increasing trend in the flow of remittance and the favourable balance of the current account kept the external sector stable. Along with managing the macroeconomic front, the Government has also taken pragmatic measures for social sector development.

Growth, Savings and Investment

According to the provisional estimates of Bangladesh Bureau of Statistics (BBS), the GDP growth rate will be 6.2 percent in FY 2007-08. The overall GDP growth rate is estimated slightly lower compared to the previous fiscal year due to slowdown of the growth in agriculture sector particularly in the crops and horticulture sub-sector. Growth in livestock sector is also assumed to decline. The growth rate of the manufacturing sector within the broad industry sector is estimated at 7.42 percent compared to 9.72 percent in FY 2006-07. The total contribution of the broad service sector at constant price is estimated at 49.46 percent for FY 2007-08.

For the first time, the per capita GDP in FY 2007-08 exceeds USD 500. The per capita GDP and GNI are provisionally estimated at USD 554 and USD 599 respectively. Continued rise in savings and investment plays an important role in achieving the high economic growth. According to provisional estimates, the rates of domestic and national savings stand at 20.08 and 29.23 percent of GDP in FY 2007-08. It is to be noted that the rates for FY 2006-07 were 20.35 percent and 28.66 percent respectively. The rate of investment may decline to 24.16 percent for FY 2007-08 which stood at 24.46 percent in the previous year. In the aggregate investment for FY 2007-08, the public sector accounts for 5.01 percent and private sector accounts for 19.15 percent, which were recorded at 5.54 percent and 19.02 percent respectively in FY 2006-07.

Inflation

The rising trend of inflation in FY 2007-08 is not only attributable to the higher prices of oil but also to the unprecedented price increase of some essential imported commodities such as rice, lentils, wheat and soybean oil in the international market. There had been supply constraint due to decline in production of rice, lentils and wheat all over the world. The crisis was further intensified due to use of some agricultural commodities as raw materials for producing fuel by

some developed countries in recent times. The inflation rate, therefore, rose to 9.93 percent in FY 2007-08 compared to 7.22 percent of the previous year. The rate of inflation on point-to-point basis for FY 2007-08 was 10.04 percent in June'08, of which the inflation for food and non-food items stood at 14.10 percent and 3.54 percent respectively. To check this upward trend of inflation, several steps were taken which include, among others, open market sale of the essential commodities, market monitoring, and ban on hoarding. Side by side, the Government tried to keep the inflation at the tolerable level by pursuing accommodative monetary policy.

Fiscal Sector

Sound fiscal policy is fundamental to maintaining macroeconomic stability and fostering economic growth. During FY 2007-08, various steps were taken to rationalise direct and indirect taxes. These were aimed at achieving accelerated pro-poor economic growth, infusing more dynamism in the agriculture sector, expanding export-oriented industries and exports, developing domestic industries, enhancing industrial productivity and creating employment opportunities. The target for total revenue collection for FY 2007-08 was Tk. 57301 crore. The total tax revenue from the various sources of National Board of Revenue (NBR) for FY 2007-08 amounted to Tk. 47289.12 crore which was 27.06 percent higher than the previous fiscal year and 98.5 percent of the target for the fiscal year.

The total tax-GDP ratio stood at 10.58 percent according to the revised budget of 2006-07. In FY 2007-08, this ratio stood at 11.17 percent. According to the revised budget of 2006-07, total public expenditure amounted to 12.79 percent of GDP and this is estimated at 17.27 percent in FY 2007-08. Total ADP utilisation against the revised ADP for FY2006-07 was Tk. 17917 crore which was 83% percent of the allocation. The revised ADP for FY 2007-08 was Tk.22500 crore of which Tk. 18450 crore has been spent in FY 2007-08 which is 82 percent of the revised allocation.

In FY 2006-07, the overall budget deficit without foreign grants stood at 3.7 percent of GDP which was 3.3 percent with foreign grants. In FY 2007-08, it was 6.1 percent and 5.3 percent respectively. Due to assumption of the liabilities of Bangladesh Petroleum Corporation (BPC) the budget deficit increased. In financing the budget deficit in FY 2006-07, net borrowing from foreign and domestic sources stood at 1.8 percent and 1.9 percent of GDP respectively. In FY 2007-08, net foreign and domestic borrowing was 2.4 percent and 3.7 percent of GDP respectively.

External Sector

FY 2007-08 witnessed a consistent rising trend in export and import trade. In the export basket RMG shows a continued growth. The export of knitwear and woven garments registered growth at 21.50 percent and 10.94 percent respectively in FY 2007-08 which was 19.30 percent and 14.05 percent in FY 2006-07. Total export earning amounted to USD 12,177.86 million in FY 2006-07 which was 15.69 percent higher than the previous fiscal year. The total export earning for FY 2007-08 amounts to USD 14,110.80 million which is 15.87 percent higher than the previous year.

The total import payments (cif) amounted to USD 17156.80 million in FY 2006-07, which has increased by 16.35 percent compared to the previous year. In FY 2007-08, import payments stood at USD 21,629.00 million which is 26.07 percent higher than the previous fiscal year.

Trade balance recorded a deficit of USD 5,541 million during FY 2007-08 compared to the deficit of USD 3,458 million during FY 2006-07. Despite large service deficit, the current account balance recorded a surplus of USD 672 million during FY 2007-08 against the surplus of USD 936 million over the previous year. The overall balance recorded a surplus of USD 604 million during FY 2007-08 against the surplus of USD 1493 million during FY 2006-07.

In FY 2006-07, the remittances from expatriate Bangladeshi workers stood at USD 5978.47 million reflecting 24.51 percent rise over the previous year. In FY 2007-08, remittances stood at USD 7914.78 million registering 32.39 percent increase over the previous year.

A total of 5 lakh 64 thousand Bangladeshis went abroad for employment in FY 2006-07, which is 51 percent higher than the number registered in the previous year. In 2007-08, the number of manpower export stood at 9 lakh 81 thousand, which is 73.94 percent higher than that of the previous year. Following the export of increasing number of skilled and semi-skilled manpower and the creation of facilities to remit their earnings, the remittances flow has been on the increase. It is anticipated that this trend will continue.

At the first half of FY 2007-08, the supply of USD was less than the surge in the demand of USD for the importation of essential commodities including petroleum at higher prices from the world market. The exchange rate, therefore, faced upward pressures which may have some worsening effect on inflation. Against this backdrop, Bangladesh Bank had to intervene to keep liquidity at an appropriate level.

Money and Credit Development

In FY 2007-08, broad money (M2) supply increased by 17.63 percent compared to 17.0 percent increase of the previous year. During FY 2007-08, domestic credit increased by 20.95 percent compared to the 14.84 percent increase in the previous fiscal year. During this period, credit to private sector increased by 24.94 percent. In FY 2006-07, credit to the private sector increased by 15.0 percent. During this period, credit to other private sector decreased significantly and the net credit to the government increased mainly due to the assumption of BPC liabilities.

Public Debt Management

The Government borrows both from domestic and foreign sources for financing budget deficit arising from the need for meeting social welfare expenditure, unexpected expenditure in emergencies and investment expenditure. In FY 2007-08, net government borrowing from domestic sources stood at Tk. 14103.65 crore which is 55 percent higher than that of the previous year. Of these total government borrowing, Tk.10959.60 crore came from the banking system and Tk.3144.05 crore from the non-bank borrowing source.

Capital Market

The number of securities listed with the Dhaka Stock Exchange (DSE) reached 378 as of June 2008 from 325 as of June 2007. By the end of June 2008, the issued capital of listed securities and debenture stood at Tk. 28438 crore, which is 73.12 percent higher than Tk.16427 crore registered at the end of June 2007. General share price index of the DSE reached 2588.03 at the end of June 2008, which was 2535.96 at the end of June, 2007. The number of securities listed with the Chittagong Stock Exchange (CSE) reached 231 as of June 2008 from 219 as of June 2007. The issued capital of listed securities and debenture of this stock exchange stood at Tk.10222 crore, which is 26.15 percent higher than Tk.8103.29 crore recorded at the end of June 2007. As of June 2007, market capitalisation of securities reached Tk.77774.30 crore. General share price index of the CSE reached 9050.56 at the end of June 2008, which was 7657.06 at the end of June, 2007.

Reform Programmes

In FY 2007-08, a number of reform programmes were undertaken in different areas of macroeconomic management.

Fiscal Sector

- Limit for tax-free income for individual assessees has been increased from Tk. 1,50,000.00 to 1,65,000.00;
- A separate exemption limit of Tk. 1,80,000/- has been introduced for female taxpayers, senior citizens of 70 years and above and for the physically and mentally challenged taxpayers.

- Tax rates for private limited company have been reduced from 40% to 37.5% for public limited company from 30% to 27.5%. Tax rate for mobile phone operator companies and banks, insurance and financial institutions remains unchanged.
- Tax-free income limit for persons having no income other than agricultural income has been raised from Tk.40,000 to Tk.50,000 in addition to the normal tax-free threshold.
- Five-tier duty structures were replaced with four-tier duty structures. The highest duty rate of 25% remained unchanged.
- The use of Electronic Cash Register (ECR) in the medium and large traders and service providers of all the city corporation areas and the district headquarters were made mandatory from the July 01, 2008. However, since the use of ECR is a new concept in Bangladesh, the deadline for compulsory use of ECR in the city corporation areas has been shifted to January 01, 2009 and for the district headquarters to July 01, 2009 instead of July 01, 2008.

Monetary Policy and Monetary Management

The prime objective of the monetary policy stance that the Bangladesh Bank pursued during FY 2007-08 was to ensure prudent use of monetary instruments for achieving the targeted growth of real economy and ensuring a reasonable rate of inflation. Two consecutive floods and a devastating cyclone seriously interrupted overall economic activities, especially in agriculture sector. Besides, persistent rise in international price of essential commodities including oil price exerted significant pressure in the domestic prices. In addition, the unexpected shocks arising from global financial meltdown have put the monetary policy stance under challenge. In this context, the policy stance put emphasis on ensuring the flow of adequate credit to productive sectors, especially agriculture and rural sectors, improving supply situation by accelerating import of essential commodities and thus keeping inflation at a tolerable limit.

Reforms in Banking, Monetary and Credit Policies

Reforms in the Bangladesh Bank

- Implementation of "Central Bank Strengthening Project" is underway which is tasked to formulate and implement a prudent monetary policy, enhance the regulatory capability of Bangladesh Bank to supervise financial institutions, establish banking policies and regulations that conform to international standards and increase operational efficiency of Bangladesh Bank through computerisation.

Reforms in Nationalised Commercial Banks (NCBs)

- Agrani Bank, Janata Bank and Sonali Bank have been allowed to undertake their business operations as Public Limited Companies under the Banking Companies Act 1991. The assets, liabilities and the capital of these banks have been transferred to the newly

constituted Public Limited Companies (PLCs) by vendor's agreements under the Bangladesh Bank (Nationalization) Order, 1972, Section 27A.

- These banks are now named as Sonali Bank Limited, Janata Bank Limited and Agrani Bank Limited.
- The reformed banks have prepared "Three Year Transitional Plans" to revamp their financial position.

Money and Financial Sector Reforms

- To improve and to accelerate the quality of the clientele service and to modernize and update the banking system, Bangladesh Bank issued directives to all commercial banks to introduce online banking facility for the customers to pay the bills, fees of the national, autonomous and semi-autonomous bodies along with the utility bills.
- The Government has introduced 15-year and 20-year Bangladesh Government Treasury Bond (BGTB) in FY 2007-08 in order to create a benchmark yield curve of government securities by attracting the long-term investment fund from the Insurance Companies, Provident Fund, Mutual Fund and so on.
- To strengthen the capital base and to implement Basel-II Accord, the commercial banks have been asked to maintain 10% capital of the risk weighted assets and to maintain core capital at least 5% of their risk weighted assets.
- The interest rate of the import credit of the consumer goods like rice, wheat, sugar, edible oil (refined and raw), onion, spices, etc. has been kept at 12% temporarily to ensure adequate supply and to keep the price level tolerable.

Poverty Reduction Strategy Paper (PRSP)

The objective of preparing Poverty Reduction Strategy Paper (PRSP) is to put in place a well laid out roadmap to realise the vision of '**Poverty free Bangladesh'** within the shortest possible time through achieving higher economic growth. Interim Poverty Reduction Strategy Paper or I-PRSP (FY 2003-05) is the first document of this series which has been replaced by National Strategy for Accelerated Poverty Reduction covering a period from FY 2005-07 and then Extended up to June 2008. The Second PRSP has been prepared which starts from July 2008 for three years. In the 2nd PRSP, the issues associated with the achievement of MDG's targets, economic growth, alleviation of regional disparity, reduction of gender gap and social developments have been emphasised.

Medium Term Macroeconomic Framework (MTMF)

MTMF is an important element of PRSP which basically is a planning for 3-years to inject resources into the prioritised sectors. An effective link of resources has been established among GDP, fiscal sector, monetary sector and external sector in this framework. MTMF has been

updated by Finance Division in order to prepare a Medium Term Budget Framework (MTBF). Some important variables of the macro economy have been projected in 3-years duration considering the recent macroeconomic trends and future possibilities and uncertainties to achieve the target. The trends and projections of key indicators of macroeconomic framework have been shown in table 1.1:

Table 1.1: Medium Term Macroeconomic Framework: Key Indicators

Indicators	Actual		Revised	Estimated		
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Growth Rate of GDP (percent)	6.6	6.5	6	6.5	7	7.2
GDP Deflator	5.2	5.6	8	7.5	6.5	6
Average Inflation (CPI)	7.2	7.2	9	9	7.5	7
Gross Domestic Investment (in percent of GDP)	24.7	24.3	23.7	24.4	26.3	27
Total Revenue	10.3	10.3	11.3	11.3	11.7	11.9
Tax	7.8	7.7	8.6	8.9	9.2	9.4
Non-tax	2.2	2.2	2.3	2	2.1	2.1
Total Expenditure	14	13.5	16.1	16.3	16.1	15.9
Current Expenditure	9.3	9.5	11.9	12.2	12	11.9
Annual Development Programme	4.7	4.1	4.2	4.2	4.1	4
Overall Balance	-3.7	-3.2	-4.8	-5	-4.4	-4
Financing (Net)	3.7	3.2	4.8	5	4.4	4
Domestic Financing	2.1	2.2	2.3	2.8	2.2	2
Banking System	1.4	1.2	1.9	2.2	1.8	1.7
Non-bank Borrowing (Net)	0.7	0.9	0.4	0.6	0.4	0.3
Foreign Financing	1.5	1	2.4	2.1	2.2	2
Money and Credit (end of year; percent change)						
Net domestic asset	19.5	12.6	18.5	17.5	17.3	17.1
Domestic credit	21.1	14.5	21.6	18	18.2	17.9
Credit in private sector	18.3	15.1	16	17	19	19
Broad money (M2)	19.3	17.1	16.5	16.9	15.8	15.3
Balance of payment (percent change)						
Exports (f.o.b)	16.8	17.8	17.9	18.5	19.3	20.3
Imports (f.o.b)	21.5	22.9	24.7	26.7	28.8	31.1
Remittances	7.8	8.8	9.8	10.8	12	13.4
External current account balance (in percent of GDP)	1.3	1.4	-0.6	-0.9	-1.3	-1.7
Balance of payments (in million US dollars)						
Exports (f.o.b)	10.4	12.1	14	16.3	19.1	22.4
Imports (f.o.b)	13.3	15.5	19.4	23.5	28.4	34.4
Remittances	4.8	6	7.5	9.5	12.1	15.5
Gross official reserves (in million US dollars)	3.5	5.1	5.6	6	6.4	6.5

Source: BBS, Bangladesh Bank and CGA data system, Finance Division

Agriculture

In FY 2007-08, the overall contribution of the broad agriculture sector at constant prices is projected at 20.87 percent of GDP against its contribution of 21.37 percent in FY 2006-07. Within the broad agriculture sector, the contribution of agriculture and forestry, and fisheries are estimated at 16.23 percent and 4.64 percent respectively in FY 2007-08. In FY 2006-07, the contributions of these two sectors were 16.64 percent and 4.73 percent respectively. According to BBS, the final estimate for food grains production in FY 2007-08 was 311.21 lakh metric tons (Aus 15.07 lakh metric tons, Aman 63.62 lakh metric tons, Boro 177.62 lakh metric tons and wheat 8.44 lakh metric tons). Budgetary target of domestic food grains procurement for FY 2007-08 was 13.00 lakh metric tons (rice: 12.00 lakh metric tons and wheat: 1.00 lakh metric tons). The actual quantity of rice procured under the domestic procurement programme in this year was 8.68 lakh metric tons as on June 2008. Boro procurement was done in July-September 2007 and again April-June 2008 which stood at 6.02 thousand metric tons. The total quantity of public import of food grains for FY 2007-08 was 5.54 lakh metric tons (rice: 3.77 lakh metric tons and wheat: 1.77 lakh metric tons). Food grains import by the private sector for FY 2007-08 was 29.16 lakh metric tons (rice: 16.81 lakh metric tons and wheat: 12.35 lakh metric tons). The overall import of food grains for FY 2007-08 was 34.70 lakh metric tons (rice: 20.58 lakh metric tons and wheat: 14.12 lakh metric tons).

Agriculture being the engine of growth of the economy, there is no other alternative but to develop agriculture sector for alleviation of poverty by attaining accelerated economic growth. Since provision of food security, improvement of the living standard and generation of employment opportunities of the huge population of the country are directly linked to the development of agriculture, there have been continued efforts by the Government for the overall development of this sector. As part of this, various reform measures have been taken which include ensuring the availability of agricultural inputs including fertiliser at the door steps of the farmers, implementation of the agricultural extension policy, creating opportunities for investment in agriculture, the utilization and extension of the integrated technologies derived from research. In order to alleviate hardcore poverty in monga-stricken areas in the greater Rangpur region, the Government has taken a lot of comprehensive measures and the important of which is the strengthening of research activities to produce HYVs.

Expansion of community-based fish culture, use of modern technology has been boosting the inland fish production. The Government has been producing twelve different types of livestock and poultry vaccines to immune livestock and poultry population. For the investment in agriculture sector, the target for agriculture credit disbursement for FY 2007-08 has been set at Tk.8308.55 crore. Out of which Tk.8580.66 crore has been distributed and Tk.6003.70 crore has been recovered during the year.

Industry

According to provisional estimate, in FY 2007-08, the contribution of the manufacturing sector to GDP is 17.77 percent, which is 0.22 percent higher than that of the previous year. In FY 2007-08, the growth rate in the manufacturing sector is estimated at 7.42 percent, which is 2.3 percent lower than that of the previous financial year. This growth was propelled by readymade garments and knitwear industry. The financing capabilities of various financial institutions and banks have been enhanced and up to June, 2008 Bangladesh Bank has disbursed Tk 762.54 crore for refinancing. Out of this, the contribution of IDA and ADB was Tk. 163.46 crore and Tk. 189.68 crore respectively while that of Bangladesh bank was Tk. 409.41 crore. This would result in employment generation in one hand and enhancement of purchasing power of the poor on the other.

The disbursement and recovery of the industrial loan was Tk.60114.31 crore and Tk. 42473.80 crore respectively during FY 2007-08 which is 36.48 percent and 29 percent higher than that of the previous fiscal year. This trend of growth in industrial loan will accelerate the pace of industrialization as well as economic development in Bangladesh.

There are 8 EPZs in Bangladesh namely Chittagong EPZ, Dhaka EPZ, Mongla EPZ, Comilla EPZ, Ishwardi EPZ, Uttara EPZ, Adamjee EPZ and Karnaphuli EPZ. The total investment in the EPZs stands at USD 1434.45 million upto June, 2008. During FY 2007-08, the total investment was USD 302.19 million. Up to FY 2007-08, the EPZs have made exports to the tune of USD 16.333 billion. BEPZA's exports stood at USD 2.825 billion, which exceeded the target for the fiscal year.

As on June 2008, 238 industries are in operation in the EPZs where 23 percent are garments industries and 10.95 percent are textile industries. A total of 218,299 local people were employed in these industries where 60 percent are women. EPZs of Bangladesh are contributing towards promoting foreign investment, export, employment generation and development of backward linkage and supportive industries of the country.

State-Owned Enterprises (SOEs)

State-Owned Enterprises (SOEs) is Bangladesh still make major contribution towards industry, power, gas, transport and communication and service sectors of Bangladesh economy. The contribution of SOEs in GDP, value addition, employment generation and revenue earning is still substantial though privatisation of public enterprises is well in progress to develop the private sector. The annual growth rate of total operating revenue of all existing SOEs during FY 2003-04 to FY 2006-07 was 15.43 percent but value addition of production in FY 2003-04 was Tk. 3839 crore which went down to Tk. 2689 crore in FY 2006-07. According to provisional accounts, the net loss of SOEs during FY 2007-08 stood at Tk. 5637.3 crore. All the SOEs together contributed Tk.62.34 crore to the public exchequer during FY 2006-07 which is estimated at Tk.379.65 crore

in FY 2007-08. In FY 2006-07, Government provided grant/subsidy amounting to Tk.460.69 crore to 16 public entities which has been estimated at Tk 702.76 crore in FY 2007-08. Up to June 2008, the total DSL outstanding against 50 SOEs stood at Tk.48697.39 crore of which Tk. 726.79 crore has been paid. The operating profit on total assets of SOEs was 0.07 crore in 2003-04 but it reached to a negative level of 1.15 crore in FY 2006-07. The net profit on operating revenue was also negative all the years since FY 2003-04. Again this loss decreased to 5.36 percent in 2006-07. On the other hand, the rate of dividend on equity increased to 1.10 in 2006-07 from 0.44 in 2003-04. It appears from the turnover of assets that the efficiency of resource utilization during FY 2006-07 decreased slightly compared to the level of efficiency in the previous fiscal year.

Power and Energy

Power: At present only 44 percent of the total population has got access to electricity and per capita electricity generation is only 174 kWh which is very low compared to other countries. Alongside the public sector, Government has, therefore, involved private sector with power generation so that it can deliver electricity to every household by 2020 in fulfilment of its declared goal. In FY 2007-08, the total installed generation capacity of electricity was 5305 MW including 3809 MW in public sector and 1496 MW in private sector. In the public sector, a good number of generation units have become very old and are being operated at a much-reduced capacity. Besides, the water level of Kaptai Lake has gone down which causes a huge reduction in the power generation. As a result, for the last few years, actual demand could not be met due to shortage of available generation capacity. In FY 2007-08, maximum power generation was recorded 4130 MW of which 2826 MW from PDB and 1304 MW from IPP. In FY 2007-08, out of the total power generation, 86.25 percent was gas-based, 5.57 percent was oil-based and the rest 8.18 percent was hydro and coal-based. 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. During FY 2007-08, the net energy generation was 24,305 MKWh of which public sector accounts for 15,167.29 MKWh and private sector 9137.71 MKWh.

Under BPDB system, 33 kV, 11 kV and 0.4 kV electricity is distributed across the country. The power distribution line installed in FY 1996-97 stood at 37,011 kilometres, which was extended to 47,808 kilometres in FY 2007-08. Besides, the number of subscribers also grew from 11,56,672 to 17,83,295 during the same period. While in FY 1995-96 the system loss (on net generation) was 17.0 percent, it gradually declined to 6.92 percent in FY 2007-08. Accounts receivable is a significant problem to BPDB. In FY 2007-08, it stood at Tk. 3919.60 crore, which was equivalent to 8.79 months' bill of the receivable.

Energy: Although Bangladesh is not rich in mineral resources; her high quality gas is meeting the demand of 73 percent of commercial fuel use. In 23 gas fields across the country, the estimated proven recoverable gas reserve was 20.631 TCF. Up to June 2008, a total of 7.722 TCF gas has been produced leaving only 12.909 TCF recoverable. Gas is being produced from 79 wells of 17 gas fields in the country. Besides, the whole country has been 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 been signed for 12 blocks up to June 2007 of which, with the termination of 2 PSCs currently 8 PSCs are operating in 10 blocks. 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. To facilitate CNG use, 250 CNG re-fuelling stations and 121 conversion workshops have been set-up to meet the requirements of 1,37,987 CNG vehicles run in the country as of June 2008. Installation of 14 more CNG re-fuelling stations in various regions of the country is under way. The task of establishing further 26 filling stations under ADB financed "Dhaka Clean Fuel Project" has been taken up. The Government has liberalized the conditions relating to importation of CNG conversion kits so that private entrepreneurs come forward.

In the mineral sector, Baropukuria Coal Mine has produced about 13,68,390 metric tons of coal upto June 2008. It is expected that coal will be extracted with full targeted capacity within a very short period. Bangladesh Petroleum Corporation (BPC) is now engaged in developing and expanding fuel stock system in different places across the country. In FY 2007-08, BPC imported 11.40 lakh metric ton crude petroleum products and 22.83 lakh metric ton refinery petroleum products. Geological Survey (GSB) of Bangladesh is engaged in mineral exploration, discovery and evaluation of mineral deposits, and research in different discipline of geosciences. This has resulted in the discovery of coal deposits at Baropukuria, Digharpara in Dinajpur district and Khalaspir in Rangpur district. Currently, GSB is implementing three development projects on geo-scientific activities, geological exploration and modernization of drilling equipment.

Transport and Communication

In the current context of globalisation and market economy, there is a critical need for evolving a developed and well-knit transport and communication system that should be able to integrate Bangladesh with the international transport and communication network. The transport and communication network in Bangladesh has evolved around road, rail and air transport system including post, telecommunication and information technology. In FY 2007-08, the total allocation in non-development and development budget together was Tk. 5533.96 crore for the Communication Ministry. The contribution of this sector to GDP at constant price in FY 2007-08 is 10.18 percent. A total of 134 development/investment projects including 2 technical assistance projects have been included in the RADP of Roads and Highways Department for FY 2007-08.

Tk.1852.29 crore has been allocated for a total of 134 investment projects, of which GoB component recorded at Tk. 1428.43 crore and project aid recorded at Tk. 423.86 crore. There is a network of 20865 km. roads under the jurisdiction of Roads and Highways Department.

For infrastructure development of urban and rural areas, LGED is implementing a series of programmes with foreign and local funding. During FY 1991-92 to FY 2007-08 a total of 1,16,398 km. (64,691 km dirt road and 51,707 km paved road, upazila road and union road) and 6,02,058 meter bridge/culverts have been constructed.

The Jamuna Bridge is playing a vital role in road transport system. The bridge has made the communication between eastern and northern region of the country much easier, and is inducing enhanced production. Besides, with the establishment of the Jamuna Bridge, the economic activities in the north-west zone augmented manifold. Revenue from toll collection at the Jamuna Bridge during FY 1997-98 was Tk.0.99 crore which stood at Tk. 199.55 crore during FY 2007-08. The Government has taken up the project for construction of a 5.58 km-bridge over the Padma. The total cost of the bridge has been estimated at Tk.10,161.75 crore. Subject to the availability of funds from the development partners, the actual construction of the bridge is expected to commence in 2008-09 and it will take about five years to complete the project. In FY 2007-08, an allocation of Tk. 265.87 crore has been made in the ADP for implementing 08 projects of BTTB. To provide high speed data communication and broadband Internet service, Digital Data Network (DDN) nodes have been established at 71 places in 41 districts.

To modernize the telecommunication system up to upazila level, the former BTTB installed digital exchange throughout the country under the programme of “Asset Acquisition” and other running projects. Up to June 2008, a total of 397 upazila/growth centres were equipped with digital exchange under this programmes.

Implementation of “10 lakhs T &T Mobile” project by former BTTB was completed in June, 2008 and the mobile phone services had been launched through a Public Limited. According to BTRC’s database up to June 2008, the total number of subscribers of six cell phone operator companies is 43.7 million and teledensity is 30 percent. The Government within its limited resources has already taken initiatives to introduce e-governance in the country. Major Ministries, Divisions and Departments have already launched their websites. Currently, software & IT service companies in Bangladesh are exporting software and their services to different countries which includes USA, UK, Australia, Canada, Denmark, KSA, Japan, Sweden, UAE, Germany, Italy, Netherlands, Norway, Switzerland, France, and Nepal. Several users of Bangladeshi software include Nokia, JAPAN Airlines, World Bank, HP, US Postal Department, and US Department of Agriculture.

Human Development

The prime objective of all development efforts is to ensure continued improvement of the quality of life of the people. The UN Millennium Development Goals (MDGs) therefore lays special emphasis on human development. The Government of Bangladesh has taken initiatives to achieve eight goals of MDGs by 2015. To bring about human development, priority has been given on education, in particular primary education, poverty reduction, health services and social welfare activities. In order to bring about further improvement in health sector by sustaining the successes already achieved in this sector, the Government has been implementing an integrated Health, Nutrition and Population Sector Programme.

Following the implementation of several programmes in the health sector, maternal and child mortality rate has already reduced remarkably. Also there is an upward trend of average life expectancy following measures preventing the communicable diseases and raising the nutritional status. To ensure universal primary education by 2010, the Government has undertaken various measures in the line with PRSP. 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 result, 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 44 percent from 21 percent in 1991. 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 at the initiative of different ministries including the Ministry of Women and Children Affairs to remove gender disparity and to bring the women 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 insolvent freedom fighters and the unprivileged segment 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.

Poverty Alleviation

According to the Household Income and Expenditure Survey (HIES) 2005, the incidence of poverty at the national level declined from 48.9 percent in 2000 to 40.0 percent in 2005 in the Cost of Basic Needs (CBN) method. According to DCI method used in this survey, the incidence of absolute poverty was 44.3 percent in 2000 at the national level which went down to 40.4 percent in 2005. It would be observed from this survey that in the case of Division wise poverty

situation, Barisal Division has the highest incidence of poverty scoring 35.6 percent while the Chittagong Division has the lowest incidence of poverty of 16.1 percent followed by Dhaka and Sylhet Divisions using the lower poverty line. Using the upper poverty line, the incidence of poverty has also significantly decreased at the national level in head count ratio. The incidence of poverty in rural areas of Dhaka Division declined from 55.9 percent in 2000 to 39.0 percent in 2005. The reduction of HCR is also significant in the urban area. It came down to 20.2 percent in 2005 from 28.2 percent in 2000 in the urban area. The incidence of poverty slightly increased in Khulna Division in FY 2005 from FY 2000. In 2005, the estimates of incidence of poverty by ownership of land using the upper poverty line were found to be 46.3 percent for landless households, 56.4 percent for owners of less than 0.05 acre. Examining the monthly household nominal income, expenditure and consumption, it is seen that it has an increasing trend in the previous years. The monthly household nominal income was estimated at Tk.7203 at the national level, where as it was estimated at Tk. 6096 in the rural area and Tk. 10463 in the urban area. The average monthly household expenditure was estimated at Tk. 6134 at the national level, where as it was Tk. 5319 in the rural area and Tk. 8533 in the urban area. Per capita nominal expenditure in 2005 at the national level was Tk.5964 whereas it was Tk. 5165 in the rural area and Tk. 8315 in the urban area. Both the government and non-government organisations have been implementing a number of programmes for employment and income generation for the upliftment of the poor. Specially, social safety net programme for alleviating poverty directly and programmes for income generation in the rural area are continuing. Cash transfers programme, Food security programme, special programmes for poverty alleviation and micro-credit programmes for self-employment are worth mentioning among them. Under these programmes, 17 lakh beneficiaries in old-age allowance programme, 7 lakh 50 thousand beneficiaries for the widowed and women deserted by their husbands allowance programme and 1 lakh beneficiaries in insolvent freedom fighters' honorarium are receiving financial assistance directly. Under the Abashan 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. Till June 2008 PKSF and BRDB disbursed micro-credit to the tune of Tk. 5664.91 crore and Tk. 6789.07 crore respectively. During the same period, the scheduled banks disbursed Tk. 14114.82 crore while other specialised commercial banks disbursed Tk. 69183.77 crore. The administrative departments of the Government disbursed credits amounting Tk. 10226.16 crore up to June 2008.

Private Sector Development

Private sector's contribution to the total investment in Bangladesh economy is remarkable. Of the total 24.16 percent investment in the provisionally estimated GDP of FY 2007-08, the share of private investment has been computed to be 19.15 percent. Government has brought reforms in the privatisation scheme to strengthen, galvanise and modernise the privatisation process. Government has put in place necessary institutions and infrastructure to create a private

investment-friendly environment. Government has formulated Bangladesh Private Sector Infrastructure Guidelines to foster private sector participation in the projects for the development of infrastructure of the country. Detailed description of procedures for undertaking infrastructure projects in various sub-sectors on private initiative has been provided in the guidelines. The number of subscribers of the 6 cellular mobile companies in the country was about 4.37 crore as of June 2008. In 2001, the mobile teledensity recorded 0.58 percent which rose to 30.00 in June 2008. Currently, a total of 43 privately owned general insurance companies and 17 life insurance companies are operating in the country. Premiums realised by the state-owned Sadharan Bima and 43 private general insurance companies together stood at Tk.1404.33 crore in 2007 compared to Tk. 907.17 crore in 2006. Participation of private sector in health services continues to rise. Presently, 26 registered private medical colleges, 8 dental colleges, 2,114 private hospitals and clinics are operating with 33,727 beds. The contributions of NGOs in providing health services are also remarkable. As of June 2007, the number of textile units in different sub-sectors were, spinning 299, weaving 1,422 (large, medium & small weaving units), handlooms 148,342, knitting and knit-dyeing 800, woven dyeing-finishing 303 and about 2000 local hosiery units in the country. Majority of the textile industry of the country mainly belongs to the private sector. Only 23 old textile mills are now under public sector (BTMC), some of which have been put into operation by the private entrepreneurs under Service Charge System. In the FY 2007-08, 4 (four) mills such as Chittaranjam Cotton Mills, Tangail Cotton, Magura Textile Mills and Rangamati Textile Mills have been listed with the Privatization Commission for disposal. Currently, there are 28 Jute mills under BJMC (3 non-jute mills and 4 closed Mills). In the private sector, the production and export activities of jute mills are being run by Bangladesh Jute Mills Association (BJMA). At present, there are 80 mills under BJMA. Besides, there are 52 mills under Bangladesh Jute Spinners Association (BJSA).

Environment and Development

In order to protect environment and also to ensure development, the Government is taking steps having legal compulsions including sensitising people of all strata. With this end in view, a number of policies 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, the Government is implementing the conventions and protocols signed at international and regional levels in order to protect and develop environment.

The Government has been 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; 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 install effluent treatment plants. Besides these, creating reserved area for protecting bio-diversity, taking actions leading to drawing up national strategy to face the climatic change, 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 to create awareness about the environmental and ecological balance.

Bangladesh Forest Department has initiated Nishorgo project to save the nature and natural forests through 'Co-management' system. In this system, people living in and around natural forests and the department work together for protection of natural forests and nature.

Besides these, it is now mandatory to mention about environmental impact of a proposed project in the development project documents. The activities of the forest department and the department of environment that deal with environment pollution, forest management, aforestation, preservation of wildlife, management of reserved areas, establishment of eco-parks etc. are contributing towards preservation of bio-diversity and enrichment of depleted forest resources, to ensure supply of raw materials to wood-based industries, to expand eco-tourism for the recreational facilities of the people and development of environment.

Global Financial Crisis

The global financial crisis, brewing for a while, really started to show its effects in the middle of 2007 and into 2008. Around the world stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems. On the one hand many people are concerned that those responsible for the financial problems are the ones being bailed out, while on the other hand, a global financial meltdown will affect the livelihoods of almost everyone in an increasingly inter-connected world.

Countries in Asia are increasingly worried about what is happening in the West. A number of nations urged the US to provide meaningful assurances and bailout packages for the US economy, as that would have a knock-on effect of reassuring foreign investors and helping ease concerns in other parts of the world.

Many believed Asia was sufficiently decoupled from the Western financial systems. Asia has not had a sub prime mortgage crisis like many nations in the West have, for example. Many Asian nations have witnessed rapid growth and wealth creation in recent years. This leads to enormous investment in the Western countries. In addition, there was increased foreign investment in Asia, mostly from the West.

However, this crisis has shown that in an increasingly inter-connected world there are always knock-on effects and as a result, Asia has had more exposure to problems stemming from the West. Many Asian countries have seen their stock markets suffer and currency values going on a downward trend. Asian products and services are also global, and a slowdown in wealthy countries means increased chances of a slowdown in Asia and the risk of job losses and associated problems such as social unrest.