

In the Name of Allah, Most Gracious, Most Merciful

Mr. Speaker

1. Today, in order to perform an epoch-making responsibility, I would like to present, with your kind permission, a report on the budget of the current fiscal year before this august House. While presenting the budget of the current fiscal nine months back, we pledged that (1) we would establish transparency and accountability in the budgetary processes and (2) at the mid-fiscal year, we would like to place before the Parliament, a status on budgetary reallocations and possible revisions to make the budgetary implementation process more pragmatic and comprehensive. I am full of pride and delighted for enjoying this opportunity today. Let me commence this speech by extending my best wishes to all the countrymen for tomorrow's birth anniversary of Bangabandhu Sheikh Mujibur Rahman, the Father of the Nation. Under the able leadership of his daughter Sheikh Hasina, the Grand Alliance Government aims to create the Golden Bengal dreamt by him. My report today concentrates on one of the phases of implementation and prospects of that aspired goal.

2. This noble house passed 'Public Moneys and Budget Management Act, 2009' in July 2009. According to the article 15(4) of this act, the Finance Minister has to present a report to the parliament regarding the outcome of the quarterly reviews on revenue collection and expenditure in respect of their targeted amount as stated in the budget. It is further asserted in the article 12(1) of the same act that if necessary, the Finance Minister can also present a revised budget in the month of March.

3. For the first time in the history of Bangladesh, a government is delivering report on the progress of budget implementation before the Hon'ble Members of the Parliament. Let me clarify at the onset that in this report, firstly, we have highlighted revenue collection and expenditure trends against specific targets of the budget. In tandem, we have also provided a comprehensive analysis on reviews and outcomes of revenue income and expenditure, and on actions needed on account of those outcomes. Later, we would reflect on the macroeconomic situation of the country as well as our status in respect of goals and objectives of the budget in the backdrop of global recession.

4. It is necessary to point out that we could not present the report prepared on the basis of the 1st quarter (July-September) data as the parliament was not in session at the time. When the current parliamentary session began, we started to prepare a report for the 2nd quarter. In view of this fact, we decided to present the two reports together. Therefore, I am now presenting a biannual progress report combining reports on the 1st two quarters. Obviously, income-expenditure trends and economic analyses on the two quarters are being presented separately as a part of this report.

5. Taking advantage of presentation of the report on two quarters, I am also appraising the Parliament briefly on matters that could be reallocated in the revised budget of the current fiscal. Alongside, I am presenting a crisp analysis of the latest progresses made in the large sectors of the economy.

Mr. Speaker

6. While I was presenting the budget of FY 2009-10, I mentioned that the budget was the first step toward our journey to realize the dreams of this government enshrined in the

vision. Further, I pointed out that the budget proposals were designed considering three issues. They were: our preparedness to tackle the impact of global recession, analyses of the possible resource constraints, and the capacity for implementation of development programmes. I also referred to the fact that we had to consider the great expectations of the general people. I assured that the budget was not based on passions or high ambitions; rather it was based on practical needs and firm determination to achieve our goals.

- ✓ While presenting now the biannual progress report before this noble parliament, I feel that we have been successful to keep our words.
- ✓ You are aware that after budget is passed, it takes sometime for ministries and subordinate office/directorate/divisions to internalize and prepare for implementation of those activities. Therefore, it is always seen that budget implementation remains at a low intensity at the first quarter. We also noticed in this quarter that the global recession has begun to impact our economy negatively. Our export earnings have declined and imports also suffered. However, remittance flows continued growing progressively though manpower export rate has plummeted. Income and expenditure trends for the 1st quarter and their analyses are shown in the Appendix-1.
- ✓ We noticed in the next quarter that the negative impacts of global recession have lessened to a large extent. At the same time, our domestic economy has gathered momentum. In my budget speech, I mentioned a variety of problems regarding the capacity for budget implementation. But I voiced my expectations that invigorated with fresh vitality, we would overcome those problems. I believe we can claim that our expectations have been fulfilled. We can say that in achieving our budgetary goals we have made adequate progress in major sectors. The 2nd quarter position, the income and expenditure movements and their analyses for October-December is presented in the Appendix-2.

Mr. Speaker

7. At the very outset let us we look at "revenue mobilization against targets set forth in the budget". In the current fiscal year 2009-10, the target for total revenue income is taka 79,481 crore (11.6 percent of GDP), of which NBR tax revenue is taka 61,000 crore (76.6 percent of the total estimated revenue), Non-NBR tax revenue is taka 2,955 crore (3.7 percent of the total estimated revenue) and non-tax revenue is taka 15,506 crore (19.5 percent of the total estimated revenue). Against the target, NBR tax revenue income is taka 12,409 crore, Non-NBR tax revenue is taka 656 crore, and non-tax revenue earning is taka 6,433 crore in the first quarter. Altogether, total revenue mobilization for the first quarter is taka 19,498 crore being 24.5 percent of the total estimated revenue.

8. In the second quarter of the fiscal, NBR tax revenue income was recorded at taka 14,029 crore, Non-NBR tax revenue earnings were taka 623 crore and non-tax revenue earnings were taka 1,403 crore i.e., total revenue income for the 2nd quarter is taka 16,055 crore. Overall total revenue mobilization for the first two quarters of the fiscal is taka 35,553 crore being 15.7 percent higher than that of the last fiscal.

9. During the first 6 months of the current fiscal NBR mobilized 43.3 percent of target tax revenue. Non-NBR tax revenue collection was 43.3 percent and non-tax revenue collection was 50.5 percent against budget target. In total, 44.7 percent revenue has been

mobilized. Though tax revenues earned by NBR and sources other than NBR are slightly lower than the target, I hope by the fiscal end the target will be achieved.

10. The review of the NBR tax revenue status shows that import duty was not collected to the desirable extent due to the global economic recession and reduction of commodity prices in the international market. However, the growth of Value Added Tax at the local level, supplementary duty and income tax are satisfactory. Analysis of the trend of NBR tax revenue collection for the last few years shows that revenue earnings from import dependent sectors have been waning gradually. On the other hand, revenue earnings from the local level remained more or less stable. But, contribution of direct tax to revenue earnings has been increasing comparatively. Nevertheless, the share of direct tax rate is still within 25 percent that needs improving.

Mr. Speaker

11. Now we will turn our attention to the expenditure situation. The total budget estimation of expenditure for FY2009-10 is taka 1,13,819 crore (16.6 percent of GDP), of which non-development expenditure is taka 83,319 crore (12.1 percent of GDP) and expenditure for Annual Development Programme is taka 30,500 crore (4.5 percent of GDP). Total expenditure for the 1st quarter is taka 16,419 crore (14.4 percent of GDP), of which non-development expenditure is taka 13,294 crore (16.0 percent of allocation) and expenditure on Annual Development Programme is taka 3,125 crore (10.2 percent of allocation). Total expenditure for the 2nd quarter is 18,188 crore taka, of which non-development expenditure is taka 12,506 crore and expenditure for Annual Development Programme is taka 5,682 crore. Overall, up to December 2009, total expenditure amounted to taka 34,607 crore for the first two quarters which is 30.4 percent of the total budgetary allocation.

12. As I mentioned earlier in the budget speech, the greatest challenge ahead of us is implementation of the Annual Development Programme. From that perspective, analysis of Annual Development Programme expenditure in the 1st half of the fiscal shows, that the total expenditure is taka 8,807 crore being 29 percent of the allocation for Annual Development Programme. On the other hand expenditure for the same time span of previous fiscal year was taka 6,195 crore which was 24 percent of the allocation of the last fiscal. This demonstrates that the initiatives, perseverance and efficient fiscal management of the present government have accelerated the rate of implementation of Annual Development Programme considerably in comparison with previous fiscal years.

13. You are aware that the lion share of our Annual Development Programme is spent by 10 ministries. 76 percent of budget was allocated against these 10 major ministries. Up to December 2009, these ministries spent 31.1 percent of their allocation. The rest 39 ministries spent 21.8 percent of the allocation which is 24 percent of their total allocation. It is apparent that the rate of implementation of Annual Development Programme by these ministries is slower than that of the 10 major ministries. Among the 10 major ministries, Energy and Mineral Resources Division has spent 74 percent, Ministry of Education 40.8 percent, Local Government Division 39.5 percent, Ministry of Primary and Mass Education 38.7 percent and Ministry of Agriculture has spent 37.5 percent of their allocation. To achieve the desired growth and to expedite the pace of poverty alleviation, full implementation of Annual Development Programme as well as quality of expenditure must be ensured.

14. Now let us look at the deficit situation. In the current fiscal year, budget deficit is estimated to be taka 34,358 crore which is 5.0 percent of GDP. There is a plan to mobilize taka 13,803 crore (2.0 percent of GDP) from foreign sources and taka 20,555 crore (3.0 percent of GDP) from domestic sources to finance the deficit. The 1st quarter recorded a surplus of taka 3,079 crore. The 2nd quarter is followed by a deficit of taka 2,133 crore. On the whole, the first two quarters led to a budget surplus of taka 946 crore. The budget deficit was taka 6,129 crore for the same period of the last fiscal year.

15. So far I portrayed the revenue and expenditure progress of fiscal year 2009-10 up to December 2009 which is just a mid year scenario for the current fiscal. I look forward to a brighter picture of progress when the next quarterly statement will be presented in this august House.

Mr. Speaker

16. In our Election Manifesto and Annual Budget Speech, we spoke of establishing such a Bangladesh where the driving forces of the economy would be advanced technology and higher economic growth. It will be a Bangladesh with commodity prices stabilized, income and human poverty brought to a minimum level, health and education for all secured, capacity building combined with creativity enhanced, social justice established, social disparity reduced by ensuring food security for the people, participatory democracy firmly rooted and capacity to tackle the adverse effects of climate change achieved. The country would be branded as *Digital Bangladesh* through enhanced application of information technology. Keeping these in mind, from the very beginning of the fiscal year 2009-10, we are approaching towards our desired goal through our combined efforts and determination.

17. Challenges before us are (1) removing infrastructure bottlenecks especially through faster development of energy and communication sector, (2) upgrading the level of public expenditure 20 percent of GDP through increased revenue collection, (3) massive increase of foreign direct investment (FDI) and domestic private investment, (4) accelerating utilization of available foreign aid and proper implementation of annual development program.

18. We have been able to keep the negative impacts of global economic recession at an effectively tolerable level by foreseeing its probable effects on Bangladesh economy, taking necessary precautionary measures on that basis and providing various incentives through stimulus packages. The success is also attributable to the resilience of Bangladesh economy and the incumbent Government's swift decisions. In fact, our economic resilience has earned great respect among the international community. Bangladesh has posted, even in the crisis period, higher growth rate compared to Malaysia and Vietnam.

19. As we all know, stimulus package geared to offsetting the adverse effects of global economic meltdown is one of the sectors prioritized in the budget speech. To boost the economy of Bangladesh, a Tk. 3,424 crores stimulus package was declared in April, 2009 in the form of monetary and policy support. Under the stimulus package, various incentives were provided for the development of export sector. Beside the monetary and policy supports extended under the first package, 2nd stimulus package was declared on 25th November, 2009 providing various incentives for the development of small and medium size textile industries, ship building industries and crust leather industries.

20. Due to its low integration with foreign investment (only 2.5%), stock markets in Bangladesh met with slight impact, while capital markets of many countries were severely affected by the financial crisis. The capital markets in Bangladesh, in fact, experienced a moderate boom during this period. In the past year, market capitalization increased from 19.3 percent to 30.4 percent of GDP and the number of BO (Beneficiary Owner's) account increased by about 5 lakh. Significant progress has been achieved in the case of general price index and market trading.

Mr. Speaker

21. For FY 2009-10, economic growth has been projected at 6.0 percent in the backdrop of sustainable agricultural development, initiatives undertaken for increasing public and private investment, strengthening social safety nets and global economic turn around from recession. We are advancing towards our cherished goal of achieving 6.0 percent GDP growth through (a) development of Electricity, Gas transmission and Infrastructure, (b) ensuring greater implementation of annual development program, (c) reducing the saving-investment gap by transforming savings into investment and (d) ensuring sustainable agricultural development by providing adequate incentives for this sector.

22. Now I shall talk about inflation. We are vigilant about controlling inflation. On a point to point basis the inflation in July, FY 2008-09 was 10.8 percent which gradually declined to 2.3 percent in June '09. As a result, annual average inflation stood at 6.7 percent which was 9.9 percent in FY 2007-08. Presently, there is an up trend in inflation with international commodity prices showing signs of increase, excess liquidity prevailing in the domestic market, increased flow of remittances and impact on Forex Reserves. Consequently, rate of inflation has increased to 8.5 percent in December '09. Several steps, including ensuring uninterrupted supply of commodities, have already been taken to control inflation.

23. During July-December period of the current fiscal, total export income was US dollar 7,274 million which is 6.2 percent lower than the same period of previous year. Nevertheless, new export orders are being received in the RMG sector and it is expected that export situation will improve by the fiscal end. In order to increase income from exports, in FY2009-10, Tk.1800 crore has been allocated as cash incentive/subsidy on export, which is Tk. 300 crore more than the last fiscal. Out of the allocated amount, Tk. 900 crore has already been released as the first installment.

24. In the first six months (July-December) of FY 2009-10, total import costs stood at US dollar 11,158 million which was 5.5 percent lower than that of the same period of previous year. Due to fall in prices of fuel and other items in the international market, import growth was low compared to past few years. But the promising side is, on the basis of LC opening in this period, import of capital machineries have gone up by 37.4 percent - which is a positive sign for the economy.

Mr. Speaker

25. The immigrant workers living abroad are one of the driving forces of our economy. In this context, let me mention that despite the global crisis, about 6,50,000 workers have been

exported in FY 2008-09. In the first six month of the current fiscal year, about 2,24,000 workers have been exported abroad. During this period, an amount of US Dollar 5,536 million was remitted to the country which is about 22.9 percent higher than previous year's flow (4,505 million US dollar). But the rate of export of professional and skilled manpower from Bangladesh is still lower. To broaden the scope of foreign employment, various steps have been taken to increase the standards and opportunities of training. Initiatives have also been adopted to coordinate among the training programs of various training and vocational institutes.

26. The stock of Foreign Exchange Reserve on December 30, 2009 stood at US\$ 10,345 million which is sufficient to foot the import bill for 6 months. It may be mentioned that on December 30, 2008 the stock of Foreign Exchange Reserve stood at US\$ 5,788 million which was equivalent to 3 months' import bill.

27. Let us now look at the monetary management. We are pursuing a growth supportive monetary policy to achieve high growth and to heighten economic activities. At the end of December of FY 2009-10, broad money supply increased to 20.7%, which was 19.2% at the end of previous financial year (end of June '09). During the period, domestic credit growth was 13.7%, which was 16% at the end of last financial year. Of which, private sector credit growth was 19.2%, which was 16% at the end of previous financial year. During this period, despite a decline in the growth of total domestic credit due to decreasing net public sector credit, growing private sector credit flows proved that the country is coming out of the investment sluggishness.

28. Government has given highest priority to agriculture and development of agro-based industries. During this FY, our target is to distribute Tk. 11,512 crore as agricultural loan through banking system, which is Tk. 2133 crore (22.7%) higher than that of the previous fiscal year. Up to December 2009, total Tk. 5,598 crore was distributed as agricultural loan, which is 32.4% (Tk. 4,228 crore) more than the last financial year. To make agricultural loan more accessible to the real beneficiaries, we will take it to their door steps thereby empowering the hands of the farmers as well as strengthening the driving forces of the economy. We are placing equal emphasis on the industrial sector as well. Notwithstanding the negative growth (-0.9%) in distribution of industrial term loan in FY 2008-09, the distribution of industrial term loan has increased 41.1% in the first 6 months (July-December) of current FY compared to that of the same period of previous FY.

Mr. Speaker

29. In the backdrop of global economic meltdown and two consecutive devastating disasters like Sidr and Aila, we said that the budget for FY 2009-10 will be the first step of our journey towards materializing government's vision. We also mentioned that after evaluating our preparedness to tackle the impacts of global recession, analyzing the possible resource constrains and taking into account the capacity for implementation of development programmes, we will be working for the promises to keep i.e. the charter of change and we would begin afresh our journey towards building a prosperous and poverty-free Bangladesh. Keeping in view the global economic perspective, we left no stone unturned in employing our

continuous and sincere efforts during the last few months. We will continue doing so in future also. Consequently, I would now like to reflect on the probable reallocations brought in the revised/supplementary budget.

30. Revenue collection up to December 2009, was satisfactory against the target of total revenue income shown in the budget of current FY 2009-10. Accordingly, the estimated target for NBR tax revenue collection has remained unchanged in the budget. Besides, targets for non-NBR tax and non-tax revenue collection have been slightly raised over the original estimation.

31. In this context, I would like to inform the esteemed parliament that in order to broaden both the tax base as well as the tax net, we are using the print and electronic media to make the people aware of paying tax and also conducting extensive surveys to increase the number of taxpayers. Software is being developed for introducing a universal system of submitting self returns and streamlining the management of TIN. Moreover, necessary reforms are being introduced in Tax Policy preparation, Vat and Income Tax Act and tax administration. We are thinking of shortening the list for tax exemptions. For speedy disposal of revenue cases, with other initiatives we are considering setting up of a Dedicated Bench in the High Court and introducing Alternative Dispute Resolution (ADR) procedures. Hopefully, these programmes once implemented will further augment tax collection activities.

Mr. Speaker

32. Now let us consider the probable changes in the revised budget. In Budget 2009-10, the total expenditure has been estimated at Tk. 1,13819 crore (16.6% of GDP). In revised budget, allocations for 38 Ministries/Divisions may increase by Tk. 11,075 crore and for 18 Ministries/Divisions it may decrease by Tk. 14,371 crore. We are assuming that overall Tk. 3,296 crore will be decreased and revised allocations will stand at Tk. 1,10,523 crore. Of which, estimated revenue budget may be reduced from Tk. 83,419 crore to Tk. 82,024 crore and estimated Annual Development Program (ADP) expenditures may be reduced from Tk. 30,500 crore to Tk. 28,500 crore.

33. Now, I would like to speak on the significant changes that might be brought in the allocations of several ministries. Ministries/divisions that may receive significant increases in budget allocation in the revised budget are: Ministry of Education (Tk. 1,550 crore), Ministry of Agriculture (Tk. 756 crore), Ministry of Defense (Tk. 635 crore), Ministry of Water Resources (Tk. 410 crore), Ministry of Home (Tk. 346 crore), Energy and Mineral Resources Division (Tk. 329 crore), and Ministry of Environment & Forests (Tk. 311 crore). On the other hand, ministries/divisions that may have major reductions in budget allocations are: Finance Division (Tk. 3,924 crore), Power Division (Tk. 1,059 crore), Bridges Division (Tk. 302 crore), Planning Division (Tk. 224 crore), Ministry of Shipping (Tk. 218 crore) and Ministry of Civil Aviation and Tourism (Tk. 216 crore).

34. Now, let me mention briefly the core reasons for enhancing budgetary allocations of different ministries. The revenue expenditure of the Ministry of Education has increased on

account of increased expenditures for implementation of National Pay Scale 2009, for payment of salaries to MPO based private institutes as well as for repair and maintenance costs of those institutes. In addition, inclusion of 23 new projects with stipend project in the secondary level has also increased the level of development expenditure. We are mulling allocation of additional Taka 600 crore as subsidy to provide electricity and diesel used in agriculture and to render fertilizers, seeds and other agricultural inputs more accessible to the farmers. Ten new projects have been included under the Ministry of Agriculture to raise the agricultural outputs through small irrigation and farm mechanization. These initiatives will raise the expenditure of the Ministry of Agriculture.

35. The expenditure under the Ministry of Defense will increase due to rise in expenditure for the vehicles and equipments of UN Peacekeeping Missions and increased ration for the armed forces personnel. Expenditure under the Ministry of Water Resources will rise as 12 new projects on restoration of the Aila-hit embankments, dredging waterways, town protection, irrigation and water management etc. have been included. Increased ration and introduction of risk allowance for the employees of different agencies under the Ministry, introduction of Machine Readable Passports and Machine Readable Visas etc. will increase expenditures under the Ministry of Home Affairs. Addition of 6 new projects for increasing research and exploration capability, expansion of gas transmission network in the south-west region of the country etc. will increase the expenditure of the Ministry of Energy. Moreover, expenditure of the Ministry of Environment and Forest will increase on account of inclusion of 4 new schemes on risk mitigation fund for climate change, maintaining bio-diversity, increasing the opportunity for eco-tourism and setting up of eco-parks.

Mr. Speaker

36. Now, let us look at the Ministries and Divisions where expenditure may diminish considerably. As Finance Division is reallocating its block allocation for payment of salaries and new programs in favour of other ministries and divisions, the allocation for Finance Division will be reduced in the revised budget. In addition, expenditure on domestic interest payment will be reduced by taka 1,216 crore. Few development projects taken under several Ministries including Power Division might not incur any expenditure in this fiscal year due to long tendering and other processes, thereby leading to a reduction of expenditure in these ministries. Upon request from the concerned ministries, additional allocations will be made next year to these projects.

37. Taka 3,100 crore was kept as block allocation in the FY 2009-10 budget to implement the National Pay Scale 2009. According to a government decision, the National Pay Scale 2009 has been made effective from 1st July, 2009. Therefore, the amount is being re-allocated to different ministries to pay the salaries of the government employees, teachers of the MPO based private schools, colleges and madrasahs and retired government pensioners.

38. Taka 1,421 crore was allocated in current FY 2009-10 to implement different programmes under revenue budget. This allocation could be reduced to Taka 1,218 crore in revised budget. In addition, the Annual Development Program (ADP) expenditure has been reduced by Taka 2,000 crore of which, local currency component is Taka 455 crore and the rest Taka 1,545 crore is project aid. It shows that, ADP allocation is shrinking mainly due to reduction in project aid.

39. Sector-wise analysis shows that, the sectors likely to get higher allocations in revised ADP compared to the original ADP are the rural development and rural institutes sector - taka 361 crore, oil, gas and natural resource sector - taka 327 crore, water resources sector - taka 298 crore, education and religion sector - taka 248 crore and agriculture sector - taka 104 crore. On the other hand, ADP allocations may be reduced in power sector by taka 938 crore, in communication sector by taka 793 crore, in physical planning, water supply and housing sector by taka 636 crore and in health and family welfare sector by taka 253 crore.

Mr. Speaker

40. Let me assure in this context that we are doing everything to achieve the full implementation of Annual Development Program. Accordingly, we have simplified and quickened the approval procedures for the ADP projects. Since the assumption of power, the present government has been actively pursuing the quick approval of the development projects. The Hon.ble Prime Minister is presiding over the ECNEC meetings almost every week and a good number of projects are being approved in these meetings. During July-December 2009, a total of 92 projects have been approved in 18 ECNEC meetings.

41. Let us now turn to the revised budget deficit. Budget deficit for FY 2009-10 was originally estimated at taka 34,358 crore (5% of GDP). In the revised budget, this deficit will be reduced to taka 31,039 crore (4.5% of GDP). To meet up this deficit, taka 13,714 crore is likely to be financed from external sources. The domestic borrowing would likely be taka 17,325 crore, of which taka 8,661 crore would come from banking sources and rest taka 8,664 crore from non-bank sources. As the government borrowing through the National Saving Certificates is increasing, borrowing from non-bank sources has exceeded the original estimation. As a result, the target of public borrowing from the banking sources has already been reduced from the original projection.

42. We have prepared the national budget of 2009-10 FY based on the goals of achieving the desired growth and reducing poverty. In this perspective, to propel our advancement towards high performing trajectory, we have given emphasis on agricultural development and employed all our efforts to mitigate existing infrastructural crisis in the power sector. We are also continuing with our strong initiatives in attaining well-balanced national development by minimizing regional disparity, creating ample employment and self-employment opportunities by enhancing allocations in social safety sector. Keeping this in view, I will now draw your attention to progresses made so far in priority programs/issues cited in the budget FY2009-10. In this milieu, I would like to speak briefly on future possible actions:

a) The present government has identified agriculture sector as the highest priority sector in the national budget of 2009-10FY and declared transforming Bangladesh self-sufficient in food by 2012 as one of the most important targets. We experienced a drought this year in different regions during *aman* cultivation after having a bumper harvest of wheat and *boro* crops last year. However, because of some timely interventions to overcome the negative impacts, we were able to harvest *aman* at a satisfactory level. The supply of necessary inputs for wheat and *boro* cultivation is sufficient now. Besides, through various innovative ways, we have ensured the proper distribution of agriculture loan and subsidy to the real farmers. The government is smoothly managing different activities relating to social safety net and food security. Simultaneously, various income generating activities are underway.

b) Steps taken to mitigate gas and power crisis are being implemented as per plan. It will take some time to redress a crisis that has resulted from seven years of neglect in gas extraction and five years' stalemate in development of gas fields and work-over activities. In this regard, I expressed my apprehension in my budget speech before the august House. Yet, the positive side is that 355.85MW power has by now been added to the national grid by government and private sectors. We have also made arrangements to produce 190m cubic feet gas daily. We have drawn the attention of development partners to our requirement for fund of US \$ 9500m to ensure 7000MW power and sufficient gas supply by 2013.

c) The development of communication sector is a big challenge for the present government. The government has placed highest priority on implementing the construction project of Padma Bridge at Mawa-Jajira point on the river Padma to maintain a balanced and integrated communication network with all regions of the country. It is inspiring that we have received commitments from our development partners for an estimated cost of US \$ 2.4b as assistance to construct the bridge. According to our work plan, we are expecting to start the construction work of the bridge in 2010 and to complete it by 2013.

d) In this context, I would like to mention that we have considered the necessity to take special initiatives to involve the private sector under Public Private Partnership (PPP) to meet the probable investment gap in infrastructure development and maintenance alongside the government investment and allocated taka 2500 crore in PPP sector in the national budget of FY2009-10. The challenge before us was to set up an institution for preparation and implementation of PPP budget which would ensure innovative ways, independent operations and accountability of private sector investment planning and budgeting process. This institution will follow the best practices of modern management of both public and private sectors. But I would rather say, according to our plan we have not yet achieved the desired level of progress under PPP project. However, I am optimistic and heartily believe that no good initiative in the world succeeded the first time. I also believe that only through PPP investment can rapidly be increased to support attaining our desired growth. Therefore, the government is trying to fully operationalize the management of PPP and will continue doing so. We are considering allocation of taka 2000 crore for this sector in the revised budget.

e) All new initiatives undertaken in education sector by the present government have shown good performance. After a long time, the impediment to inclusion of new educational institutions under MPO (monthly payment orders) list has been resolved. The final draft of 'National Education Policy, 2009,' featuring 24 objectives aimed at introducing a pragmatic and employment oriented education system that inspires the students with the messages of the great liberation war and a sense of patriotism, is now awaiting approval.

f) The present government, so far, has put in to operation 9525 community clinics to develop human resources by ensuring health services for all. The existing maternal health voucher program to prevent maternal mortality of pregnant women is being expanded. Besides, the process of adhoc recruitment of 4133 doctors is underway. However, the shortage of manpower in health sector is a detrimental impediment and we are trying to find a way out of this.

g) One of the important commitments of the priority list of our budget is to provide self-employment opportunities for the unemployed youth to make them self-confident and self-reliant under National Service programme. We have already identified two districts namely: Barguna and Kurigram and brought them under planned activities and begun surveying the total numbers of unemployed youth in line with specific policies and trying to assess the numbers of possible employment opportunities to be generated in various departments and agencies. The activities on training program including selection of training venues, training modules and finalization of curriculum are underway. The people's leader and the Hon'ble Prime Minister, Sheikh Hasina formally inaugurated the program by giving appointment letters to the unemployed youth of Kurigram district on 06 March 2010. So far, 9950 unemployed youth were appointed in this district. In this backdrop, I would like to mention that we not only want to open up employment opportunities to our ordinary people, we would also like to achieve economic progress by creating ample employment opportunities for the unemployed youth and make them self-reliant.

h) Hon'ble Prime Minister, Sheikh Hasina's commitment for building Digital Bangladesh in election manifesto, is now on progress. As a part of that commitment, all the Districts and Upzilas including the hill tracts districts have been brought under the wide coverage of mobile phone and internet network. Meanwhile the following steps have been implemented: introduction of a single fixed rate all over the country in case of landphone connection, issuance of two WiMAX licences for rendering high speed Broadband services, installation of optical fibre connection throughout 4409 union parishad complexes and conversion of 8000 village post offices into community information centres. Besides, vehicle tax collection system of 60 post offices out of 91 post offices in the country including Dhaka city have been computerised from 1st January, 2009.

i) We know that almost every land owner in this country has faced problems arising out of land disputes. The land management system is not so cumbersome anywhere in the world. We, therefore, have initiated modernisation of the land management system starting from the Dhaka city. To this end, a process of digitisation of Dhaka city survey maps and land records and printing of digital maps incorporating mouza wise data is ongoing. Apart from it, computerisation process for digitisation of International strip map, modernisation of settlement press and map printing press have also been started. Our target is to introduce a digitised land management system to remove the age-old inert one.

j) Reforming Bank and Financial institutions is one of our vital agenda. A new institution under the name and style of Bangladesh Development Bank Limited (BDBL) has been formed through signing a vendors agreement merging and accumulating all the undertakings of the two erstwhile Banks- Bangladesh Silpa Bank and Bangladesh Shilpa Rin Sangstha (BSRS). Hon'ble Prime Minister has approved a draft legislation to establish Probashi Kallayan Bank Limited with a view to ensure easier loan and low cost remittance facilities to the immigrant employees and to extend assistance to the returnees for undertaking income generating projects. This Bank will be in place very soon. We have undertaken steps to reduce bank interests on deposits and loans to strengthen capital market and also commenced necessary actions to establish a Capital Market Institute in this regard.

k) You are aware that our Prime Minister duly pursued, in the international conference held in Copenhagen recently, the pressing much talked about issue of global climate change and its challenges to the very existence of our huge population. She emphasised converging on an international agreement to create a adaptation and mitigation fund for the countries under risk of climate change. Considering the effects of natural disasters occurring due to climate change and consequent damages, we have allocated taka 700 crore in the Budget. Projects involving taka 268 crore have already been approved out of this allocation. The 'Climate change Trust Act, 2009' drafted by the Ministry of Forest and Environment has been approved in principle by the Cabinet. We hope to succeed in addressing the challenges of climate change through the concerted efforts of our undaunted population, Government, NGOs and Development Partners.

l) Freedom fighters are the finest sons of the soil. Considering their socio-economic conditions, we have raised the amount of insolvent freedom fighters' allowances from taka 900 to taka 1500 and undertaken steps to increase the number of such beneficiaries to 150 thousand. The retiring age of the freedom fighters serving in the Government has been extended by two years. Other allowances and state benefits for the national award winners for gallantry, poor and disabled freedom fighters have also been increased. A policy is being formulated to provide the war disabled freedom fighters and martyr's families with ration. Similarly, a policy covering provision of overseas medical treatment to the war disabled freedom fighters is under process of formulation.

m) The Parliament has passed a resolution for the long awaited trial of the war criminals trial recently. The venue for the tribunal has been selected. Taka 10 crore has been allocated in the budget in this regard. With extensive support of our people and cooperation from the international communities, the trial of the war criminals would be held very soon under the International Crimes (Tribunal) Act 1973.

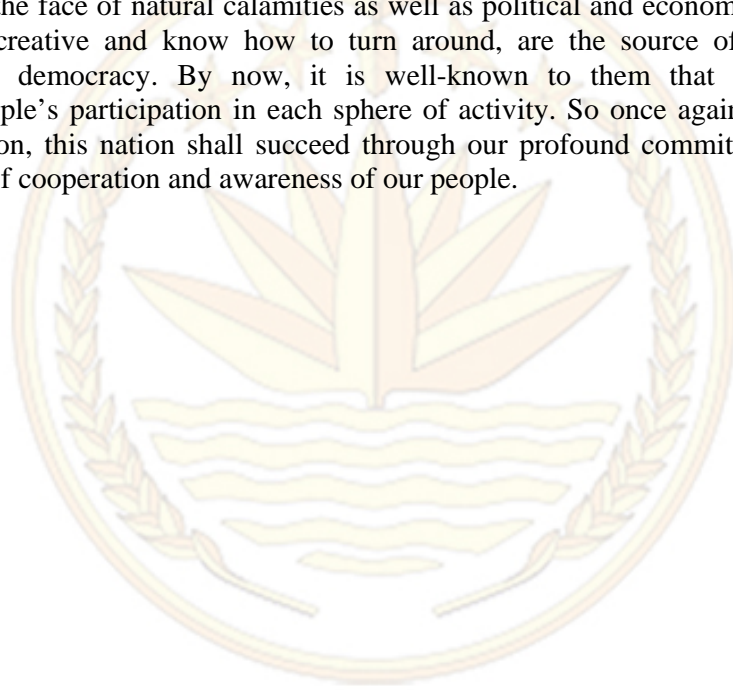
Mr. Speaker

43. The brighter side of overall economic progress that came out of the depiction of sectoral achievements given so far is – our revenue collection position has remained satisfactory throughout. Domestic demand has picked up. Investment is growing, specially increased import of capital machineries has contributed to invigorating investment. This in turn has increased employment opportunities enhancing at the same time economic capability of the mass people. On the other hand, every spheres of rural economy, directly and indirectly linked to the agriculture and rural service sectors, has been energized and become vibrant strengthening the foundation of rural economy. Against this scenario, I can firmly declare that we will secure a 6 percent growth as announced earlier, Insha Allah.

44. The expectation of the people from this democratic government gifted with vast majority is enormous. We have discerned from our evaluation of public opinion on the first year's performance of the government that we have been able to meet the public expectation and this has both encouraged and inspired us. Our entire efforts have been directed towards fulfilling all logical demands of the people. In continuance, our Grand Alliance Government has moved forward in every sphere of activity with earnest aspiration and enterprise. Strengthening every parliamentary committee is an expression of that intention. I believe we

have been able to establish transparency and accountability everywhere. Our citizens will judge its success or failure. But through you, I would like to request all our citizens to appreciate the crises created by unforeseen events and resource constraints against enormous demands for the same to resolve existing problems. And I would like to reiterate that we shall be successful, Insha Allah.

45. Finally I would like to state, we are living within 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 the traditional values and concepts. We welcome these changes. For this reason present government has made the charter of change the main impetus to governing the state. Joining this trend of change that has been taking hold all around the world, we would like to secure the welfare and prosperity of the citizens of this country. This path is difficult and full of thorns, but achievement of the goal is not impossible. Because in striving towards the goal we have with us the unwavering commitment of our people on the one hand and on the other the strong leadership of our popular, innovative and highly proficient Hon'ble Prime Minister. Our people, who are indomitable in the face of natural calamities as well as political and economic setbacks, self-confident and creative and know how to turn around, are the source of our everlasting inspiration and democracy. By now, it is well-known to them that this government emphasizes people's participation in each sphere of activity. So once again I would like to say in conclusion, this nation shall succeed through our profound commitment, hard labor and the power of cooperation and awareness of our people.



**Economic Analysis with Income and Expenditure Trends
of
The first quarter for the Budget of FY 2009-2010
(July-September)
A. Revenue Situation**

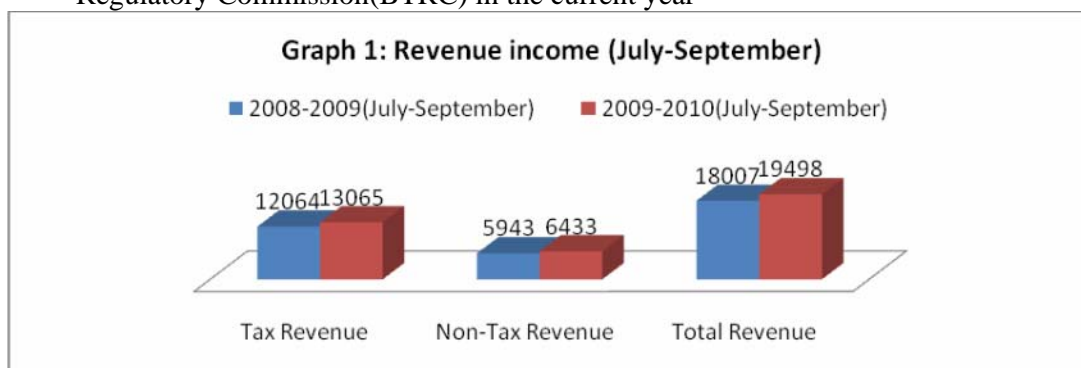
A.1. Revenue Income**Table 1: Revenue Earnings Status**

(in crore Taka)

Items	2009-2010 budget	Income in July- September	2009-10	Performance in relation to target of 2009- 10 fiscal year(%)
		2008-09		
1	1	2	3	4
Total Revenue	79461	18007	19498 (8.3)	24.5
Tax Revenue	63955	12064	13065 (8.3)	20.4
NBR	61000	11370	12409 (9.1)	20.3
Non- NBR	2955	694	656 (-5.5)	22.2
Non- Tax Revenue	15506	5943	6433 (8.2)	41.5

Source: NBR and Finance Division (growth shown in brackets is calculated comparing that of the same period of the previous fiscal)

- In the first quarter, the growth of revenue income is 8.3% having 24.5% achievement of the approved target
- Though NBR tax collection is lower than the target, it is expected that target will be achieved by the year-end
- Collection of non-NBR taxes has fallen due to the decline in land registration succeeding the prior announcement of change in land registration rates in September/2009
- 41.5% of Non- Tax Revenue collection target has been achieved in the first quarter due to the deposit of previous year's surplus profit by Bangladesh Telecom Regulatory Commission(BTRC) in the current year



A.2. NBR Tax Revenue Collection

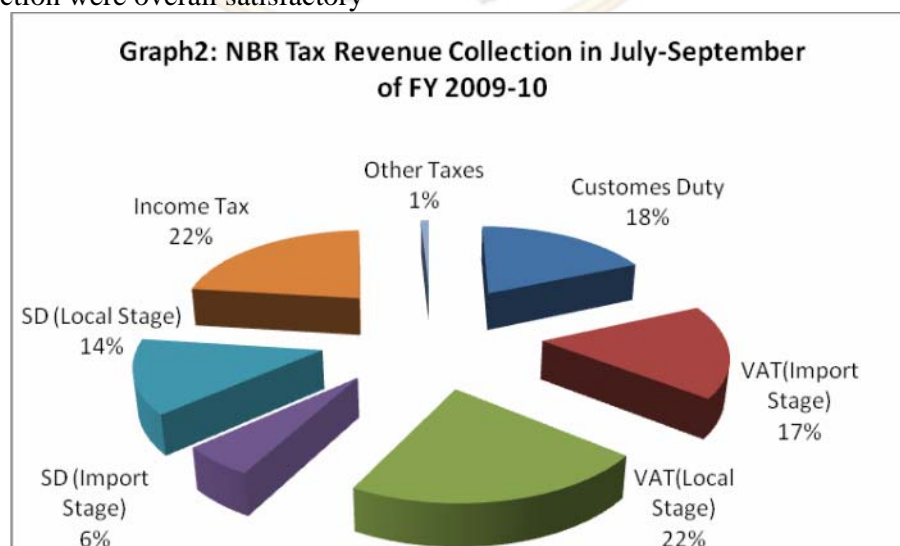
Table-2: NBR Tax Revenue Collection Status

(In crore Taka)

Items	July-September (Actual)		July-September Growth (%)	
	2008-09	2009-2010	2008-2009	2009-2010
1	2	3	4	5
Customs Duty	2335.4	2282.9	17.0	-2.2
VAT (Import Stage)	2336.7	2134.4	37.9	-8.7
VAT (Local Stage)	2365.0	2762.5	27.8	14.3
SD (Import Stage)	570.5	686.2	40.0	20.3
SD (Local Stage)	1479.0	1688.9	8.3	12.8
Income Tax	2186.2	2752.8	12.2	25.3
Other Taxes	96.6	100.9	-30.3	4.2
Total	11369.5	12408.4	20.9	9.1

Source: National Board of Revenue (NBR)

- Though the growth of NBR Tax Revenue collection was 21% in the first quarter of the previous fiscal, it subsequently declined in the next quarters due to global economic recession and overall growth came down to 10.7% by the end of the year
- The growth of Customs duty and VAT at import stage was negative due to global economic recession and fall in prices of commodities in international market
- The growth of both VAT and Supplementary Duty at local stage and Income Tax collection were overall satisfactory



B. Public Expenditure Situation

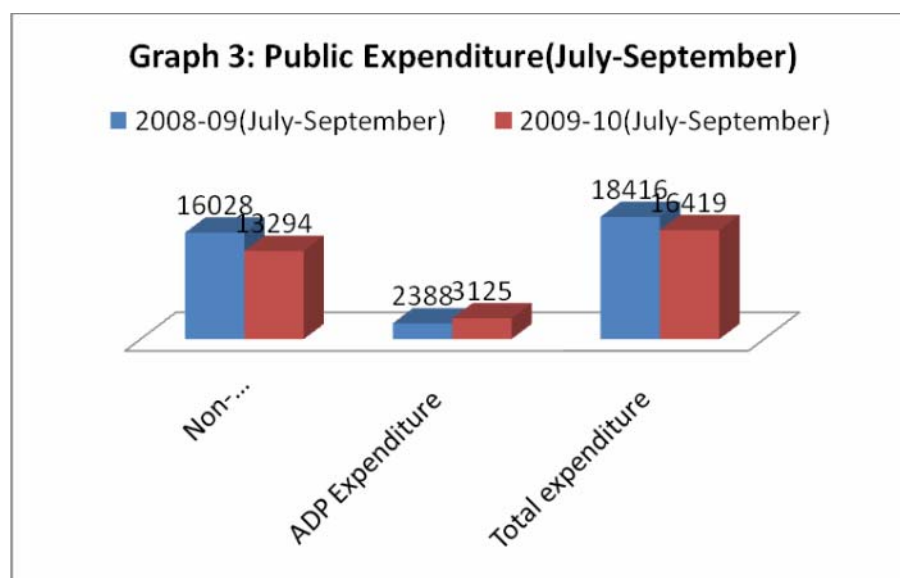
B. 1. Public Expenditure

Table 3: Public Expenditure Status

Sectors	Budget of FY 2009-10 (Percentage of GDP)	Expenditure in July- September(Crore taka)		Expenditure in July-September compared to Budget (%)	
		2008- 09	2009-10	2008-09	2009-10
1	2	3	4	5	6
Non- developmen t	83319 (12.1)	16028	13294	21.6	16.0
ADP	30500 (4.5)	2388	3125	9.3	10.2
Total	113819 (16.6)	18416	16419	18.4	14.4

Source: IMED and Finance Division

- In the first quarter of FY 2008-09, Tk 1500 crore and Tk 1200 crore respectively were disbursed to BPC for fuel and as agricultural subsidy for fertilizer. Since there was no such expenditure in the same period of the current FY 2009-10, public expenditure has been less.
- The rate of implementation of Annual Development Programme has increased in the first quarter of the current fiscal compared to the corresponding period of the previous FY.



B.2. Budget Expenditure of 10 large Ministries

Table 4 : Budget Expenditure Situation of 10 large Ministries

(In crore Taka)

Ministry	2009-10 Budget	Share of total Budget (%)	2009-10(July-September)	
			Expenditure	Share of allocation(%)
1	2	3	4	5
Ministry of Primary and Mass education	6611	5.8	1466	22.2
Ministry of Education	7395	6.5	1945	26.3
Ministry of Health and Family Welfare	6980	6.1	999	14.3
Ministry of Agriculture	5965	5.2	535	9.0
Ministry of Water Resources	1483	1.3	28	1.9
Local Government Division	7932	7.0	1205	15.2
Ministry of Housing and Works	1248	1.1	89	7.1
Energy and Mineral Resources Division	732	0.6	134	18.3
Power Division	3578	3.1	353	9.9
Ministry of Communication	5297	4.7	549	10.4
Total: 10 large Ministries	47221	41.5	7303	15.5
Other Ministries and	48501	42.6	5212	10.7

Divisions				
Total Programme Expenditure	95722	84.1	12513	13.1
Other Expenditure	18097	15.9	3906	21.6
Total Expenditure	113819	100.0	16419	14.4

Source: Finance Division and IMED

Note: **Programme Expenditure**=(**Total Expenditure**)-(Interest Payment+**Structural Adjustment Expenditure** +**Net Food Accounts** +**Net Debt and Advance**)

- In the Budget of 2009-10
 - 41.5% of the Budget is allocated against 10 Ministries
 - 42.6% of the Budget is allocated against other Ministries/Divisions
- The share of Programme Expenditure in FY 2009-10 is 84.1% of the total Budget
- The total expenditure of the first quarter of FY 2009-10 is 14.4% of the total Budget
 - The expenditure of the 10 large Ministries is 15.5%
 - The expenditure of the Other Ministries/Divisions is 10.7%

B 3 . Annual Development Programme Expenditure of 10 large Ministries

Table 5 : Implementation Status of Annual Development Programme of 10 large Ministries

(in crore Taka)

Ministry	2009-10: Allocation (No. of Projects)	Share of total ADP (%)	2009-10:ADP (July-September)	
			Expenditure	Percentage of Expenditure (%)
1	2	3	4	5
Local Government Division	6513.8 (126)	21.4	994.9	15.3
Ministry of Communication	3699 (125)	12.1	272.2	7.4
Power Division	3133.2 (42)	10.3	351.8	11.2
Ministry of Health and Family Welfare	3063.8 (18)	10.0	219.7	7.2
Ministry of Primary and Mass education	2828.4 (9)	9.3	476.7	16.9
Ministry of Education	947.5 (53)	3.1	150.9	15.9
Ministry of Water Resource	892.0 (48)	2.9	23.6	2.6

Ministry of Agriculture	860.7 (49)	2.8	153.9	17.9
Energy and Mineral Resources Division	683.9 (27)	2.2	127.3	18.6
Ministry of Housing and Works	544.6 (14)	1.8	8.0	1.5
Total	23167.3 (511)	76.0	2779.0	12.0
Other Ministries and Divisions	7332.7 (375)	24.0	346.0	4.7
Total	30500.0 (886)	100	3125.0	10.2

Source: IMED

- 76% of the total ADP is allocated for 10 large Ministries
- Total expenditure of these 10 Ministries is 12% in the first quarter
- The expenditure of remaining 39 Ministries is only 4.7% of their allocated 24%

C. Fiscal Balance and Financing

C.1. Fiscal Balance and Financing

Table 6: Fiscal Balance and Financing

(in croreTaka)

Items	2009-10 Budget (%GDP)	Fiscal Balance in July-September Quarter	
		2008-09	2009-10
1	2	3	4
Fiscal Balance	-34358 (-5.0)	-409	3079
Financing	34358	409	-3079
External (net)	13803 (2.0)	219	-170
Domestic (net)	20555 (3.0)	190	-2909
Bank	16755 (2.4)	-537	-5622
Non-Bank	3800 (0.6)	727	2713

Source: Finance Division

- There was revenue surplus in the first quarter of the current FY, on account of more revenue earnings over expenditure
- In the first quarter, financing from Non-Banking sources has increased significantly compared to the same period of the previous FY

C.2. Foreign Assistance Situation

Table 7: Foreign Assistance Situation

(in croreTaka)

Items	Budget 2009-10	Receipt in July-September Quarter	
		2008-09	2009-10
1	2	3	4
Total	13803	219	-170
Project Aid	12845	793	767
Budget support	3500	345	0
Others	2000	0	0
Loan Payment	-4542	-919	-937

Source: Economic Relations Division, Finance Division

In the first quarter of the previous FY Taka 345 crore was received as budget support (Social Safety Net and Food Aid). For this, the amount of foreign aid received was higher in previous FY.

C.3.Public Debt (domestic)

Table 8: Public Debt Situation (domestic)

(in crore Taka)

Sources	2009-10 Budget Estimation	July-September Quarter	
		2008-09	2009-10
1	2	3	4
Bank (Treasury Bill & Bonds)	16755	-537	-5622
Non-Bank (National Saving projects)	3277	727	2713
Total	20032	190	-2909

Source: Finance Division

- Since interest rates on Saving Certificates were higher than that of the Banking sectors, the receipt from Non-Banking sector was large. As a result, borrowing from the banking sector was negative.

D. Money and Credit Situation

D .1. Currency and Credit Flow

Table 9. Currency and Credit Situation

(End Year, % of annualized change)

Items	September '08	June'09	September '09
1	2	3	4
Broad Money	23.5	19.2	16.9
Domestic Credit	24.6	16.0	12.4
Private sector Credit	26.6	14.6	13.7

Source: Bangladesh Bank

- In spite of declining currency and credit growth in September '09 compared to September '08, the trend of gradually diminishing rate of Private sector Credit is improving

D .2. Reserve Money and its Principal Components

Table 10. Reserve Money and its Principal Components
(End Year, % of annualized change)

Items	September '08	June'09	September '09
1	2	3	4
Net Foreign Asset	10.2	29.6	57.6
Net Domestic Asset	74.8	34.6	-17.2
Reserve Money	31.5	31.5	24.8

Source: Bangladesh Bank

- Though in September '09 Net Foreign Asset increased in comparison with the same in September '08 due to large growth in remittance flow and fall in import prices, Net Domestic Asset declined by 17.2%. As a result, overall Reserve Money growth has decreased during this period.

D .3. Distribution of Agricultural and Industrial Credit

Table 11. Distribution of Agricultural and Industrial Credit
(in crore Taka)

Sector	July-September Quarter			
	2008-09		2009-10	
	Distribution	Growth (%)	Distribution	Growth(%)
1	2	3	4	5
Agricultural Credit	1498	23.5	1912	27.7
Industrial Credit	4951	30.8	5403	9.1

Source: Bangladesh Bank

- The growth of Agricultural Credit increased significantly in the first quarter of the current FY
- The growth rate of Industrial Credit stood at 9.1%

E. External Sector

E .1. Export and Import Situation

Table 12. Export and Import Trends

Sector	July-September Quarter			
	2008-09		2009-10	
	million US\$	Growth(%)	million US\$	Growth(%)

