CHAPTER 1

MACROECONOMIC SITUATION

The economy of Bangladesh continued to demonstrate satisfatory growth performance along with maintaining macroeconomic stability during FY2009-10 despite the global economic recession. The economy was provisionally estimated to have grown at a rate of 5.83 percent, slightly higher than the growth rate (5.74 percent) of FY2008-09. The key feature of the economic performance during FY2009-10 was the sustained growth in agriculture sector coupled with moderate growth in industry and service sector. Bangladesh was affected less by the slowdown in international trade than other emerging Asian Economies and has maintained strong economic fundamentals, including a sound fiscal stance. Since the beginning of the global economic crisis, the Government has been on a high alert and is monitoring its impact on the economy through a Task Force involving the concerned stakeholders from both the public and private sectors. After detailed examination in line with the recommendations of the Task Force, the Government has declared two incentive packages together with fiscal and monetary policy supports. A Technical Committee was also formed by the Ministry of Finance to monitor and analyse the macroeconomic impact of the crisis, and to identify necessary short-term macroeconomic and fiscal measures.

The impact of the global financial crisis on Bangladesh economy was not observed at the beginning of the crisis. However, some weakening in export and import was observed in the last quarter of FY2008-09, which continued through the second quarter of FY2009-10. The export rebounded from the negative growth rate at the beginning of FY2009-10 and year-on-year growth of export gained remarkably since January, 2010. Revenue earnings grew at a satisfactory rate, remittances inflow maintained their steady growth while current account surpluses recorded its highest-ever level of US$ 3.73 billion and foreign exchange reserves crossed US$ 10 billion during FY2009-10. All these factors put the economy on a stronger footing in 2009-10. Agricultural and industrial term loans disbursement increased due to the implementation of various short, medium and long-term policies and strategies by the Government to boost up investment. Along with the increase of private sector credit flow, increase in import of industrial raw materials and capital machinery indicates that the economy is moving towards a positive direction.

Global Economic Scenario

The global recovery is off to a stronger start than anticipated earlier but proceeding at different speeds in different regions of the world. The pace of recovery was relatively vigorous in many emerging and developing economies, as domestic demands were still resilient in these regions. These demands were further boosted by counter-cyclical macroeconomic policies. Global GDP, which contracted by 0.6 percent in 2009, is expected to grow by 4.8 percent in 2010. This results in an upward revision of 1.7 percentage points from the projection of October 2009 World Economic Outlook. Following the deepest global downturn in recent history, economic growth accelerated in the advanced economies in the second half of 2009 and continued to maintain the growth momentum during the first half of 2010. In 2010, advanced economies were expected to grow by 2.7 percent, up from contraction by 3.2 percent. Prospects for developing Asian countries experienced a relatively robust recovery, growing by 9.4 percent in 2010, up from 6.9 percent in 2009.

World trade volumes, which shrank by a staggering 11 percent in 2009, was expected to expand by 11.4 percent in 2010. Exports from the advanced economies fell by 12.4 percent in 2009, while imports also dwindled by 12.7 percent, which were expected to spring back to 11 percent and 10.1 percent respectively in 2010. Emerging and developing economies showed relatively less deceleration in trade volume in 2009 and expected that exports and imports would bounce back and turn to achieve 11.9 percent and 14.3 percent increases respectively in 2010.

Several substantial downside risks remain for the global economy. With large current account deficits in the United States and few other advanced economies as well as big current account surpluses in oil-exporting countries and in emerging Asian economies, especially China, cause the global imbalances. Failure of the countries for taking measures to reduce these imbalances could lead further contraction in economic activities in industrial countries. Poor international policy coordination could delay global financial regulatory reforms. Rapid increase in public debt and deterioration of fiscal balance could be transmitted back to the banking and financial systems.

Bangladesh Economy: Growth, Savings and Investment

Amidst the risk of low export earnings and remittance inflows coupled with the lowering of domestic demand, the economy demonstrated strong growth bolstered by agriculture along with the contributions by industry and services sectors. According to Bangladesh Bureau of Statistics' (BBS) revised provisional estimate, GDP growth (5.83 percent) was contributed by corresponding growths of agriculture, industry and services sectors which grew by 4.67 percent, 6.01 percent and 6.38 percent respectively, indicating satisfactory performances of all the three broad sectors of the economy. The share of services in GDP amounted to 49.88 percent followed by that of industry (29.88 percent) and agriculture (20.24 percent) at constant prices.

On the expenditure side, total consumption as a share of GDP increased significantly to 81.01 percent in FY2009-10 from 79.91 percent in FY2008-09. The rise in consumption is driven by good agriculture output, remittance-induced demand and well-supported budgetary stimulus including higher social safety net spending. Investment gathered increased pace as it reached to 24.96 percent of GDP (20.19 percent for private investment and 4.77 percent for public investment) in FY2009-10, up from 24.37 percent in the previous fiscal year. The reasons for such acceleration are the improvement of business environment, rebound of the slow growth of private sector credit and sluggish import of capital machinery and industrial raw materials from the second quarter of FY2009-10. With a moderate inflow in inward remittances, gross national savings in FY2009-10 fell to 28.75 percent of GDP from 29.57 percent in FY2008-09. The per capita national income (GNI) exceeded US$ 700 mark for the first time. The per capita GNI and GDP stood at US$ 751 and US$ 685 respectively during FY2009-10.

Inflation

With the recovery of global economy, domestic demand is on the increase in many countries. This has resulted in unexpected price escalation in international commodity markets creating upward pressures on inflation in many countries. The price of crude oil, which fell below US$45 per barrel at the beginning of 2009, doubled by June 2010. As a result, inflation was on an upward trajectory since June 2009. The year-on-year inflation reached at 8.70 percent in June 2010 from 2.25 percent in June 2009. The average inflation rate, therefore, rose to 7.31 percent in FY2009-10 compared to 6.66 percent in the previous year. Food inflation rose to 10.88 percent in June, 2010 from 0.25 percent in June 2009, contributing mainly to the rise in overall inflation, while non-food inflation decreased to 5.24 percent from 5.94 percent in June 2009. During FY2009-10, urban inflation (8.57 percent) showed slightly downward trend compared to rural inflation (8.74 percent), mainly due to the price hike of food items.

The Government has taken several steps to check this upward trend of inflation and also to keep the prices of essentials within the reach of the consumers. Along with the initiative of augmenting domestic production and ensuring smooth supply of commodities, measures have been taken for market monitoring, open market sale of essential commodities, and ban on hoarding. Side by side, Bangladesh Bank has raised the Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR), two monetary policy instruments, both by 0.5 percent from 5 percent and 18 percent respectively to check inflationary pressure due to excess liquidity in the banking system.

Fiscal Sector

Fiscal performance was stable in FY2009-10 with a satisfactory rise in revenues receipts accompanied by a substantial rise in overall expenditure. In the revised budget of FY2009-10, total revenue receipt was projected to rise by 24 percent (11.51 percent of GDP) over the previous year's revenue earnings. Total public spending was projected to rise by 25.5 percent in FY2009-10, expenditure being 16 percent of GDP, substantially higher (1.68 percent of GDP) than the ratio of FY2008-09. The budget deficit was projected at 4.5 percent of GDP, of which 2.51 percent was to be financed from domestic sources and the remining 1.99 percent from external sources.

Tax revenues from NBR sources increased by 18.33 percent over the previous year, with a small growth (1.52 percent) in customs duties and robust growth in VAT (19.06 percent) and income tax (23.3 percent). Tk.62,157.4 crore of revenues were mobilised from NBR sources against the target of Tk.61,000 crore for FY2009-10 showing actual achievement exceeding the target tax revenues. Non-NBR sources of tax revenue increased by 3.39 percent and amounting to Tk. 2,743 crore in FY2009-10 compared to 14.72 percent growth in FY2008-09. Non-tax revenues grew by 17.41 percent to Tk. 13,186 crore from 11,231 crore in FY2008-09.

According to the Integrated Budget and Accounting System (iBAS) provisional data, the total expenditure increased by 13.46 percent to Tk.1,01,350 crore in FY2009-10 from Tk.89,330 crore in FY2008-09. As percentage of GDP, total expenditure increased to 14.63 percent from 14.53 percent in FY2008-09. However, Annual Development Programme (ADP) expenditure increased by 31.79 percent compared to the 6.57 percent increase in FY2008-09. Revised allocation for ADP of 2009-10 was Tk 28,500 crore

(4.12 percent of GDP) and ADP expenditure during the fiscal year was Tk 25,920 crore (3.74 percent of GDP). This expenditure is 90.94 percent of revised allocation. The overall budget deficit stood at 3.7 percent of GDP, which was 0.42 percent less than what was projected at the beginning of the year.

Monetary and Financial Sector

Monetary Policy Stance

The eighth and ninth issues of Bangladesh's Bank half yearly Monetary Policy Statement (MPS) outlined the monetary policy stances for the first and second half of FY2009-10 respectively. Both the MPSs were designed to support the target of achieving the highest sustainable output growth, while containing inflation at moderate levels. Against the backdrop of recessionary global environment, Bangladesh Bank pursued easy credit condition during FY2009-10 with special emphasis on the sectors like agriculture and small and medium-scale enterprises (SMEs). In addition, downward stickiness of lending interest rates and service charges of financial services of banks are being addressed more directly rather than advisory measures. The intention of Bangladesh Bank’s guidance is to enhance the inclusiveness of financial services to all segments of population with a view to engage them into the productive economic activities.

Money and Credit

The year-on-year growth of broad money during FY2009-10 reached 22.44 percent from 19.71 percent in FY2008-09, mainly driven by the increase of net foreign asset of banking system (41.31 percent), while net domestic assets of banking system decreased by 18.84 percent. Year-on-year growth in domestic credit was 17.89 percent during FY2009-10, up from 16.03 percent during FY2008-09. Private sector credit growth was 24.24 percent in FY2009-10, significantly higher than the year-on-year growth of 14.62 percent during the previous fiscal year. However, net credit to the government sector decreased by 6.52 percent at the end of June 2010 due to higher revenue growth and higher financing from non-bank sources as interest rates on national saving certificates were higher than those on deposits with the banking system. The reserve money recorded year-on-year increase of 16.03 percent in FY2009-10, driven by the 41.52 percent increase of net foreign assets of Bangladesh Bank, while net domestic assets of Bangladesh Bank decreased by 26.13 percent.

Interest Rate

Due to the increase of liquidity in the banking system during the last quarter of FY2008-09 and the first quarter of FY2009-10, Bangladesh Bank resumed reverse repo auction since October 2009. Eventually, the rate on repo (1-2 Day tenure) fell to 4.50 percent in November, 2009 from 8.50 percent in September, 2009 and remained unchanged at 4.50 percent up to June, 2010. On the other hand, rate on reverse repo (1-2 Day tenure) declined to 2.50 percent in October, 2009 from 6.50 percent in March, 2009 and also remained unchanged at 2.50 percent up to June 2010. In line with the trend of liquidity, the inter-bank weighted average call money rate increased to 6.46 percent in June, 2010 from 1.08 percent in July, 2009, with some irregular fluctuations within this period. The weighted average yield on 91-Day treasury bills increased to 2.42 percent in June 2010 from 1.86 percent in July, 2009, while the average yield on Bangladesh Bank bills increased to 2.54 percent in June 2010 from 0.96 percent in August 2009. The weighted average yield on 182-Day treasury bills, 364-Day treasury bills and the long-term Bangladesh Government Treasury Bonds (5-Year, 10-Year, 15-Year and 20-Year BGTB) was broadly stable during the fiscal year particularly from October, 2009.

The weighted average rate of interest on commercial lending decreased to 12.37 percent in June 2010, from 13.61 percent in July 2009 and the deposit rate also decreased to 7.40 percent from 7.93 percent over the same period. Thus the interest rate spread narrowed to 4.97 percent in June 2010 from 5.68 percent in July 2009

Capital Markets

Although capital markets of different countries of the world collapsed in the face of global recession, the capital markets of Bangladesh remained quite buoyant at that time. The market capitalisation and the general index increased remarkably during the period. Market capitalisation of Dhaka Stock Exchange (DSE) rose from 21.4 percent of GDP in June 2009 to 39 percent of GDP in June 2010, thanks to increased public interests in the capital market. By the end of June 2010, the number of BO (Beneficiary Owner) accounts increased to 25.64 lakh from 14.15 lakh at the end of June 2009. The growing number of ordinary investors in capital markets, supply shortages of securities and expectations for inordinate profit made the market volatile at times. Nevertheless, various steps have been taken to maintain market stability and to establish a transparent and vibrant capital market while deepening it. The Government has also started off-loading state-owned companies' shares. Already, off-loading of shares of 5 state-owned companies has been completed. As a result, confidence of local and foreign investors has increased. The Securities and Exchange Commission (SEC) has strengthened its surveillance on securities transactions and supervision on market intermediaries so that market operates in transparent manner.

The number of securities (including mutual funds, debentures and government bonds) listed withDhaka Stock Exchange (DSE) increased to 450 by June 2010 from 443 in June 2009. By the end of June 2010, the issued capital of listed securities increased by 32.60 percent compared to the corresponding figure at the end of June 2009. Up to June 2010, market capitalisation of securities stood at 39 percent of GDP which is 105.73 percent higher than that of June 2009. General share price index of DSE stood at 5,111.20 in June 2010, which was 2,520.15 in June 2009.

The number of securities (including mutual funds and debentures) listed with the CSE stood at 232 as of June 2010 which was 245 at the end of June 2009. By the end of June 2010, the issued capital of listed securities increased by 46.35 percent over the capital at the end of June 2009. As of June 2010, market capitalisation of securities reached at 36.6 percent of GDP which is 163.32 percent higher than that of end June 2009. General share price index of CSE reached 18,116.05 as on June 2010, which was 10,477.67 on June 30, 2009.

External Sector

Exports

Exports declined by 6.16 percent in the first-half of FY2009-10, but performed better with an increase of 14.34 percent in the second-half of the fiscal year. On a cumulative basis, export growth in FY2009-10 was 4.11 percent in the context of the contraction of global trade volume, as against 10.31 percent during the previous fiscal year. Despite the downturn in international trade, this increase in export earnings was possible due to robust growth in the exports of jute goods (100.62 percent), petroleum by-products (112.03 percent), engineering products (71.55 percent), raw jute (32.46 percent), leather (30 percent) and footwear (9.18 percent). Export earnings from the ready made garments (RMG) sector increased marginally as woven garments rose by 1.60 percent and knitwear by 0.84 percent, while frozen food, chemical and ceramic products exports showed negative growth during the period.

Imports

During the first half of FY2009-10, imports declined by 5.53 percent over the corresponding period of previous fiscal year but picked up by 17.62 percent in the second half, recording a growth of 5.47 percent over FY2008-09. Based on the settlement of Letters of Credit (LCs) in FY2009-10, import payments of consumer goods increased by 26.35 percent, mainly because of the higher international food prices. Import of intermediate goods and industrial raw materials slipped by 3.42 percent and 3.07 percent respectively compared to those of FY2008-09, while import of capital machinery and machinery for miscellaneous industries increased by 3.95 percent and 25.70 percent respectively. The import of petroleum and petroleum products rose by 12.45 percent during the period.

Expatriate Employment and Remittances

Total remittance receipts during FY2009-10 stood at US$ 10,987.40 million, compared to US$ 9689.16 million in FY2008-09. Due to higher base and the slowdown in job placements abroad, remittance growth dropped to 13.4 percent in FY2009-10 from 22.42 percent in FY2008-09. The number of people leaving Bangladesh for overseas jobs during FY2009-10 was 427 thousands, tumbled by 34.31 percent compared to previous year. The slowdown in the growth of remittance earning reflected the impact of global recession, particularly on the real estate markets in the Middle East, and on industrial labour demand in some South East Asian economies such as Malaysia. Against this backdrop, the government has been taking several initiatives including diplomatic measures to overcome the situations. Moreover, there are potential demands for Bangladeshi workforces in Eastern Europe, South Africa and North American Countries. The Government is also trying to encourage more workers to go to these countries. To sustain overseas labour markets by developing skilled labour force, National Skill Development Council would be strengthened in tandem.

Balance of Payments

Trade balance recorded a deficit of US$ 5152 million in FY2009-10 as compared to the deficit of US$ 4710 million in FY2008-09. However, in FY2009-10, current account recorded its highest-ever surplus level of US$ 3,734 million (3.73 percent of GDP). This is attributable to the surge in remittance inflows

(13.40 percent) and the decline in import growths. The counter cyclic facilities of Asian Development Bank amounting to about US$ 750 also contributed to generate this surplus. The deficit in the capital and financial accounts (US$ 313 million) was attributable to the decrease in foreign direct investments, portfolio investment and trade credits. However, the overall balance showed a larger surplus of US$ 2,855 million against a surplus of US$ 2,058 million in the previous fiscal year.

Foreign Exchange Reserve

Due to decline of import payments and higher current account surplus caused by the growth of remittances and substantial foreign loans, gross official foreign exchange reserves stood at US$ 10,749.74 million as on June 30, 2010, which was 43.89 percent higher than the amount as on June 30, 2009. As on June 30, 2010, the reserve was equivalent to about 5.4 months of import payments.

Exchange Rate

Despite global financial meltdown, the foreign exchange market was stable during most of FY2009-10. Receipts from stronger remittance inflow and moderate growth in import payment helped the foreign exchange market remain stable during this period despite stumpy growth in export in the wake of global recession. The timely measures taken by Bangladesh Bank in the face of ample foreign exchange liquidity helped to contain the appreciation of local currency, ensuring export competitiveness of Bangladeshi products. However, Bangladesh Taka depreciated against US Dollar in FY2009-10, by a modest 0.67 percent, raising the exchange rate to Taka 69.52 at the end of the year compared to that of Taka 69.06 at the beginning of the year. The weighted average exchange rate stood at Taka 69.18 per US Dollar in FY2009-10, which was Taka 68.80 per US Dollar in FY2008-09. Both the Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) indices appreciated during FY2009-10. Although REER based exchange rate increased in June 2010 compared to June 2009, nominal exchange rate is still higher than REER based exchange rate, indicating that Bangladesh still enjoys some export competitiveness.

Medium Term Macroeconomic Framework (MTMF)

Medium Term Macroeconomic Framework is an important policy instrument for effective linking of resources of the four macroeconomic sectors, viz. real sector, fiscal sector, monetary sector and Balance of Payments (BOP). MTMF has been updated by Finance Division in order to prepare budgets using a Medium Term Budget Framework (MTBF).

The early recovery of global recession, sustained growth in agriculture sector, strong domestic demand have necessitated some upward revision in the medium-term macroeconomic outlook for Bangladesh economy. The growth outlook envisaged in the Medium-Term Macroeconomic Framework (MTMF) for FY2010-11 is 6.7 percent, which will gradually increase to 8 percent in FY2013-14 and sustain at the same level in FY2014-15. Assuming that growth will gradually reach 8 percent in FY2013-14, MTMF estimated revenue earnings to grow by 2.1 percentage points of GDP over the next four fiscal years on an annual average of 0.5 percent. Side by side, the Annual Development Programme expenditure will be scaled up to 6.1 percent of GDP from the current level of 4.1 percent. Investment target is to scale up to

32 percent of GDP from the current level of 24.6 percent. The key indicators in the MTMF are shown below:

Table 1.1: Medium Term Macroeconomic Framework, 2011-2015: Key Indicators

Indicators	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
	Actual		**Revised**	**Projection**				
Real Sector								
Nominal GDP (Billion Tk)	5458.2	6148.0	6905.7	7802.9	8834.4	10029.7	11406.9	12941.6
Nominal GDP Growth (%)	15.5	12.6	12.3	13.0	13.2	13.5	13.7	13.5
Real GDP Growth (%)	6.2	5.7	6.0	6.7	7.2	7.6	8.0	8.0
CPI Inflation (%)	9.9	6.7	6.5	6.5	6.3	6.1	6.0	6.0
GDP Deflator (% change)	8.8	6.5	6.0	5.9	5.6	5.5	5.3	5.0
Gross Investment (as % of GDP)	24.2	24.4	24.6	26.4	28.4	30.0	31.6	32.0
Fiscal Sector (% of GDP)								
Total Revenue	**10.8**	**10.4**	**11.5**	**11.9**	**12.5**	**13.1**	**13.6**	**14.1**
Tax Revenue	8.8	8.6	9.3	9.7	10.2	10.8	11.3	11.8
Non-Tax Revenue	2.0	1.8	2.2	2.2	2.3	2.3	2.3	2.3
Total Expenditure	**15.9**	**14.3**	**16.0**	**16.9**	**17.2**	**17.4**	**17.8**	**18.1**
Revenue Expenditure	12.6	11.2	11.9	12.0	11.9	11.8	11.7	11.5
Annual Development Programme	3.3	3.1	4.1	4.9	5.3	5.6	6.1	6.6
Overall Balance	**-5.1**	**-3.9**	**-4.5**	**-5.0**	**-4.7**	**-4.3**	**-4.2**	**-4.0**
Financing	5.1	3.9	4.5	5.0	4.7	4.3	4.2	4.0
Domestic Borrowing	3.5	3.1	2.5	3.0	2.6	2.3	2.2	2.1
Borrowing from the Banking System	3.0	2.2	1.3	2.0	1.8	1.7	1.7	1.7
Non-Bank borrowing	0.5	0.9	1.3	1.0	0.8	0.6	0.5	0.4
External Financing (Net)	1.6	0.8	2.0	2.0	2.1	2.0	2.0	1.9
Monetary Scetor (% change)								
Net Domestic Assets	18.1	17.8	13.1	14.8	15.5	15.8	16.5	16.5
Domestic Credit	21.8	15.9	15.8	17.8	18.5	18.5	18.6	18.9
Credit to Private Sector	24.9	14.6	18.0	18.2	18.5	18.5	19.0	19.5
Broad Money	17.6	19.2	15.5	16.2	16.3	15.9	15.8	15.8
External Sector								
Exports (% change)	17.4	10.1	8.0	15.0	16.0	16.5	17.0	17.2
Imports (% change)	25.6	4.2	6.0	16.0	17.5	18.0	18.5	18.7
Remittances (US$ billion)	7.9	9.7	11.5	14.0	17.1	20.8	25.5	31.4
Current Account Balance (% of GDP)	0.9	2.8	3.7	3.6	3.3	3.0	2.7	2.3
Gross Official Reserve (US$ billion)	6.1	7.5	10.4	11.0	12.0	12.5	13.0	14.5
Gross Reserves (Months of Imports)	3.2	3.8	4.9	4.4	4.0	3.5	3.0	2.7

Source: Finance Division

Reform Programmes

The Government has initiated a wide range of policy reforms and programmes for ensuring macroeconomic stability along with overall economic development of the country. Some of the initiatives taken during FY2009-10 are briefly persented below:

Revenue Mobilization

- Undertaking extensive programs to reform VAT process including revision of Income Tax and VAT Act for widening tax-net
- Creating awareness among people and motivating the wealthy section of the society to pay taxes
- Introducing online submission of tax return
- Expanding the automation of revenue administration and revenue collection process

Expenditure Reforms

- A new law titled 'Public Money and Budget Management Act 2009' has been formulated to address a wide range of fiscal issues like containing budget deficit and public debt, ensuring inter-generational equity, improving macroeconomic stability and establishing accountability and transparency in the budget process.
- Up until, 21 Ministries/Divisions have been brought under Medium-Term Budget Framework (MTBF), which will be rolled out to another 12 ministries/divisions by next year. MTBF will empower ministries/divisions to prepare their own budget and monitor the progress of budget implementation against the targets set for them.
- A project titled 'Strengthening Public Expenditure Management Program (SPEMP)' is being implemented for strengthening institutional capacity building, budget management, and accountability mechanisms of the government.

ADP Implementation

- The progress status of ADP implementation of two Ministries/Divisions is being placed for discussion in each ECNEC meeting
- A taskforce for monitoring the ADP implementation of ten major Ministries/Divisions has been constituted
- Progress of implementation of fifty largest foreign aided projects is being reviewed continuously.

Reforms in Banking, Monetary and Credit Policies

Reforms in the Bangladesh Bank

- In order to strengthening the legal framework of the banking sector, review of the existing laws (Bangladesh Bank Order, Bank Company Act, Financial Institution Act) has been completed and Bangladesh Bank authority has already examined the consistency of draft BBO, BCA and FIA
- With a view to introducing automation in the functions of Bangladesh Bank, LAN/WAN infrastructures were placed and connectivity was established between its head office and branch offices.
- For strengthening prudential regulations and supervision activities of Bangladesh Bank, policies on licensing, good governance, accounting (disclosure), loan classification and provisioning, capital adequacy, liquidity risk management and credit risk management have been formulated and adopted.

Reforms in State-owned Commercial Banks (SCBs)

- The Government has already corporatized 3 SCBs (*Sonali* Bank Ltd., *Janata* Bank Ltd. and *Agrani* Bank Ltd.) for improving the soundness and efficiency of the banking sector. Meanwhile, *Rupali* Bank Limited has submitted a 'Recapitalization and Progressive 3 Years Transitional Plan' which is in the process of finalization stage. Furthermore, the overall progress of these four banks are continued to be monitored and reviewed under the Memorandum of Understanding (MOU) signed by the respective banks at the beginning of the year 2010 while decision has been taken to include and review their performances in terms of financial indicators as well as agricultural and SME loans disbursement, Corporate Social Responsibility under the MOU. On the other hand, the preparation of MOU for *Bangladesh Krishi* Bank and *Rajshahi Krishi Unnayan* Bank for the FY2010-11 is under process.

Money and Financial Market Reforms

- To comply with international best practices and to make the bank's capital more resilient as well as to build the banking industry more risk sensitive, shock absorbent and stable, Bangladesh Bank commenced implementation of Basel-II capital adequacy framework from January 2010 by making it a regulatory compliance for banks.
- In order to strengthen the capital base of the banks as required by Basel-II accord, guidelines for risk based capital adequacy for the banks have been issued and as per the guidelines, commercial banks will calculate their Minimum Capital Requirement (MCR) against Credit Risk, Market Risk and Operational Risk
- Apart from these three risks, banks will determine their adequate capital against comprehensive risk under their Supervisory Review Process (SRP)
- Bangladesh Bank has fixed up minimum required Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR) at 8 percent or more for January 2010 to June 2010, 9 percent or more for July 2010 to June 2011 and 10 percent or more for July 2011 and onwards
- Banks will now have to have paid up capital and reserves (at least Tk. 200.00 crore as paid up capital) of at least Tk.400.00 crore by 11 August 2011
- Banks having subsidiaries i.e. merchant bank, securities brokerage have been instructed to make the financial statement consolidated/solo basis for the purpose of calculating CAR. If it is prepared on solo basis, the deduction for such investment will be 50 percent from Tire-1 capital and 50 percent from Tire-2 capital. The asset representing the investments in subsidiary companies whose capital had been deducted from that of the parent company would not be included in total assets for the purpose of computing the CAR
- Bangladesh Automated Clearing House (BACH) has started functioning to make payment and settlement systems more effective, efficient, economic and secure.

Reforms in Insurance Sector

- Considering the expansion of trade and commerce in the country and for reducing risk related problems in people's life, a new law titled "Insurance Act 2010' has been enacted to update the provisions of 'Insurance Act, 1938'.

- ‘Insurance Development and Regulatory Authority Act 2010’ has also been formulated with a view to synchronizing the functions of the existing Insurance Department with the spirit of newly enacted Insurance Act, 2010 to maintain proper control and supervision of the sector and protect the interests of policy holders and beneficiaries under the insurance policy.

Agriculture

Against the backdrops of global recession, commodity price hikes and food shortages, measures have been taken to meet the increasing food demand by increasing domestic production. Special emphasis has been given to build up a modern agricultural system, introduction of new technologies and expansion of opportunities for agricultural research. Furthermore, measures for increasing subsidy on inputs to agriculture, expanding irrigation and making agricultural inputs more available, preserving the harvest and ensuring fair price of crops and agro-products have been taken with an aim to increase agricultural productivity. The target of agricultural credit disbursement in FY2009-10 was fixed at Tk. 11,512.30 crore of which Tk.11,116.88 crore was disbursed, achieving 96.57 percent of the target.

According to BBS final estimate, the total food grains production in FY 2009-10 was 341.13 lakh metric tonnes of which *Boro* accounted for 183.41 lakh metric tonnes. Steps were taken by the government to reduce the price of non-urea fertilizers, cash incentives in diesel etc. The favourable impacts of those steps in turn contributed to the increase in *Boro* production from 178.09 lakh metric tonnes in FY 2008-09 to 183.41 lakh metric tonnes in FY 2009-10.

In FY 2009-10 the total import of food grains was 3.45 million metric tonnes (rice .087 million metric tonnes, wheat 3.36 million metric tonnes). The target for food grains distribution through public food distribution system for FY 2009-10 was 26.80 lakh metric tonnes. Total quantities distributed were 19.64 lakh metric tonnes (Rice: 6.53 lakh metric tonnes and Wheat: 13.11 lakh metric tonness).

For the development of Livestock sector, present Government took various steps, such as production and distribution of vaccines, supply of duckling and chicks at a cheaper price, expansion of artificial insemination programme, prevention and control of avian influenza etc. with the aim to achieve self-sufficiency in milk, poultry and livestock production and meet the protein demand of the nation. Different projects and programmes have been undertaken to enhance protein supply through increased fish production. Government took steps to rehabilitate and provide alternate livelihoods to the poor *Jatka* fishing community under the “Conservation Programme for *jatka*” with the aim to protect *jatka*. As a result, Hilsa production rose from 1.99 lakh metric tonnes in FY 2003-04 to 3.12 lakh metric tonnes in FY 2009-10.

Industry

In order to accelerate the pace of industrialization, the draft ‘Industrial Policy, 2009’ has been formulated. The draft policy has laid special emphasis on modernisation of the economy, infrastructural transformation, diversification of the economic base, accelerated economic growth by increasing productivity, technological development and employment generation. The draft policy will be finalised by undertaking wider consultations with varied groups of stakeholders. The strategies mentioned in the draft industrial policy are expected to help ensuring planned expansion of industrialisation in the country and sustainable and continued growth of the industry sector.

The government has taken up programmes to provide financial assistance through commercial banks to expand SMEs. Alongside the disbursement of loans, Bangladesh Bank has widened its' refinancing scheme of Tk.100 crore with an enhanced allocation of Tk.600 crore. Up to June 2010, Tk.1,041.67 crore has been disbursed among different scheduled banks and financial institutions for refinancing potential entrepreneurs. In addition, IDA has provided US$10 million and the Government has provided Tk.116 crore through 'Enterprises Growth and Bank Modernisation Project (EGBMP)'. ADB has also provided an additional US$30 million to Bangladesh Bank. All these financing measures are expected to play a pivotal role in the development of SME sector as well as generating employments and boosting purchasing powers of low-income people.

In FY2009-10, disbursement and recovery of industrial loans stood at Tk. 8,5047.61 crore and Tk. 64,214.45 crore respectively which were 30.84 percent and 21.39 percent higher than the amounts of the previous fiscal year. Recovery of working capital and term loan also increased by 23.59 percent and 16.44 percent respectively as compared to the previous year.

There are eight EPZs in Bangladesh. The total investment in the EPZs upto June, 2010 stands at US$ 1,804.46 million. Exports from the EPZs are holding out bright prospect over the past few years. Export from the EPZs have already crossed US$ 2 billion mark. In FY2009-10 the EPZs enterprises made an export of US$ 2,1737.28 million. Upto June, 2010, 262,757 permanent new employments have been created in the EPZs for Bangladeshi Nationals of whom 64 percent are women. Presently, 333 industries are in operation in the EPZs. By the end of FY2009-10, a total of 33 countries have had invested in these EPZ's. In addition to FDI promotion, export development and employment generation, Bangladeshi EPZs have also been making special contribution to the development of backward linkage and supportive industries of the country.

State-Owned Enterprises (SOEs)

State-Owned Enterprises (SOEs) have been making significant contributions to industry, power, gas, transport, 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 in FY 2008-09 was 10.71 percent but value addition of production in FY 2005-06 was Tk. 1654 crore which went up to Tk. 11,055 crore in FY 2008-09. According to provisional accounts, the net profit of SOEs was Tk. 4,840.85 crore in FY 2008-09. All the SOEs together contributed Tk.198.29 crore to the public exchequer during FY 2008-09. This contribution is expected to rise to Tk. 478.53 crore in FY 2009-10. In FY 2008-09, Government provided grant/subsidy amounting to Tk.961.19 crore to 12 public entities with an estimated increase to Tk 1,226.39 crore in FY 2009-10. Up to June 2010, the total Debt Service Liability (DSL) outstanding against 69 SOEs stood at Tk.78,071.62 crore and total borrowing of 19 SOEs from the state-owned commercial banks at Tk. 20,213.54 crore in which classified loan amount was Tk. 1,130.97 crore. The operating profit on total assets of SOEs was -1.95 percent in 2005-06, but it reached 3.70 percent in FY 2008-09. The net profit on operating revenue was-7.75 percent in FY 2005-06 but it stood at 7.95 percent in FY 2008-09. On the other hand, the rate of dividend on equity decreased to 0.65 percent in 2008-09 from 0.97 percent in 2007-08.

Power and Energy

The maximum power generation was 4606 MW in 2009-10, while it was 4162 MW in 2008-09. Presently only 48.5 percent of the total population has access to electricity and per capita generation is only 200 kwh, which is very low compared to the developing countries even. Government has given highest priority to the Power Sector development and is committed to ensure availability of electricity to all by 2021.

The Government has been preparing Power System Master Plan 2010 to realise the goal to provide electricity for all. According to the initial findings of Power System Master Plan, 2010 study, the maximum demand including captive power in 2015, 2021 and 2030 would be about 12,000, 20,000 and 36,000 MW respectively.

To meet the demand with reasonable reliability, installed capacity will be increased to 23,000 MW and 37,000 MW by the year 2021 and 2030 respectively. To fulfill the growing demand of electricity, various short, medium and long term generations, distribution and transmission projects are at different stages of implementation. According to the existing generation expansion program, a total of 11,456 MW of new generation will be added to the national grid by the end of FY 2015.

In addition to power generation, initiatives has also be taken to build new transmission and distribution infrastructures along with renovation and maintenance of the existing ones for reliable and quality power transmission and distribution networks to ensure regular and uninterrupted power supply to the consumers.

Up to June 2010, a total of 8,322 circuit kilometer transmission lines and about 2,70,000 kilometers of distribution lines with necessary infrastructures were energized. To ensure transmission of power from new power plants, another 3,500 circuit kilometer transmission lines and about 60,000 kilometer of distribution lines will also need to be constructed by 2015.

Transport and Communication

A total of 119 development (or investment) projects including 6 JDCF projects were included in the Annual Development Program (ADP) of Roads and Highways Department for FY2009-10. An amount of Tk.2,308.21 crore was allocated for 119 investment projects. Since its inception until the current fiscal year, LGRD has constructed a total of 1,35,313 km. (64,691 km unpaved roads and 70,622 km paved roads) upazila and union roads and 9,82,658 meter bridges/culverts.

Bangabandhu Bridge has been playing a vital role in road transport system and economy of the country by linking the north-west with the eastern part. Revenue from toll collection from Bangabandhu Bridge during FY 1997-98 recorded Tk.0.99 crore which stood at Tk. 241.37 crore during FY 2009-10. Construction of a bridge over the mighty river Padma has been among the highest priorities of the present Government since assumption of the office in 2009. The construction works of 6.15 km long Padma Bridge is expected to commence in July/August 2011 after signing of loan agreements with the co-financiers and finalisation of appointment of contractors. At an estimated cost of about US$ 2.97 billion, the construction of the bridge is likely to be completed within December 2013. Construction of 26 km. long Elevated Expressway in Dhaka City on Public Private Partnership initiative and 1.50 km long Tunnel from Zahangir gate to Rokeya Sharani will play an important role in reducing the traffic congestion of the capital.

With the assistance of Asian Development Bank, "Bangladesh Railway Sector Improvement Project" has been undertaken to modernise Bangladesh Railway. The objective of this project is to support the country's economic growth by improving the railway sector.

Chittagong Port, the biggest sea port of Bangladesh, facilitates about 92 percent of the country's maritime trade. The growth rate of the volume of imports and exports through Chittagong port is about 10-14 percent. Mongla, the second largest seaport, handles about 8 percent of the country's maritime trade. To provide efficient shipping services in order to facilitate international sea trade between Bangladesh and the rest of the world, Bangladesh Shipping Corporation (BSC) acquired 38 sea-bound vessels under the patronage of the Government since its inception. There are another 189 vessels under Bangladesh Inland Water Transport Corporation (BIWTC).

The Civil Aviation Authority of Bangladesh (CAAB) is putting in place necessary infrastructural facilities for movement of domestic and international aircrafts. The national flag carrier Biman Bangladesh Airlines Limited makes significant contribution towards establishing air links within the country and with other countries. There are 12 aircrafts in Biman's Fleet, which consists of one 777-200ER, four DC 10-30, three A310-300, two 737-800 and two F28-4000 aircraft.

Bangladesh Telecommunication Company Limited (BTCL) is striving to provide advanced telecommunication services to its valuable subscribers and intends to extend latest telecom facilities to increase revenue earning and to boost up economic growth by setting-up nationwide and international high speed communication. BTCL earned Tk. 1,283.65 crore and spent Tk. 1,371 crore in FY2009-10. Bangladesh Submarine Cable Company Limited (BSCCL) is the sole provider of Bandwidth service through Submarine Cable (under the SEA-ME-WE-4 Consortium) in Bangladesh and is contributing to the revenue earnings of the Government. Bangladesh Telecommunication Regulatory Commission (BTRC) regulates telecommunication service providers.

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 and IT service companies in Bangladesh are developing software which meet an important part of domestic demand and are also exported to different countries. On the whole, the Government, through its policies and actions, is working to create conducive environment for the growth of the IT industry.

Human Resource Development

The development agenda of the present Government reflects its commitment to human welfare. It is continuing its development efforts for improving the living standards of people keeping in view of the United Nations Millennium Development Goals (MDGs). Education, health, social welfare programmes and poverty alleviation, as the basis for human resource development, have been identified as priority areas and accordingly over 20 percent of the total public outlay is being spent on these social sectors.

The Government has initiated a wide range of programmes in conformity with the goal of ‘education for all’. The Government is committed to ensure primary education for all by 2015. Accordingly it has been making increased allocation of resources to this sector. Several programmes and initiatives have been undertaken such as waiver of the tuition fee for female students up to class twelve, free books distribution, stipend for female students at secondary and higher secondary levels. Thus the ratio of male–female students stood at about 50:50; ratio of female and male teachers in government primary school was 52.74 : 47.26; number of stipend beneficiaries increased from 48.16 lakh to 78 lakh. Government is also committed to enhance quality of education. With a view to implementing the Election Manifesto 2008, Vision 2021 and Digital Bangladesh, Education Policy 2010 has been adopted.

During the last decade, remarkable progress has been made in health sector. To improve the health standards of the population, the Government is implementing the second sector wide programme titled “Health, Nutrition and Population Sector Programme (HNPSP)”. Because of massive investment in health sector the nation experienced reduction in Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR), success in preventing communicable diseases, raising nutritional status and life expectancy at birth and also descend in population growth rate. For the Family Planning services the Total Fertility Rate (TFR) has declined from 6.3 in 1971-75 to 2.7 in 2007 (BDHS-2007).

To empower women, stop repression, prevent trafficking of women, develop socio-economic condition including ensuring full participation in mainstream development activities, protect children rights, the Ministry of Women and Children Affairs has undertaken numerous programmes. The Ministry of Social Welfare is working for poverty reduction, human resource development as well as for the rehabilitation of destitute population. Department of Youth Development has imparted skill development training to 34.30 lakh male and female youth since its year of inception (1981) to June 2010. Government is providing sports infrastructures and facilities and has relentless efforts to preserve, promote and conserve the rich cultural heritage of Bangladesh. The Ministry of Labour and Employment has been implementing projects to develop skilled manpower by creating training facilities.

Poverty Alleviation

Poverty still remains the biggest challenge for the development of Bangladesh though it is on gradual decrease. Human development Report (HDR) 2010 of UNDP reveals that Bangladesh ranked 129th in HDI with Multidimensional Poverty Index (MPI) of 0.291. The present Government aims at reducing poverty rate from 25 to 15 within 2021 and achieving the targets of the Millennium Development Goals (MDGs) by 2017. Bangladesh has made progress in addressing'poverty and hunger' as set out in MDG 1. To achieve the targets, Government has allocated TK 6,1808 crore.55.92 percent of the total budget) in the programmes directly or indirectly aimed at poverty alleviation in FY 2009-10. Reduction of poverty has been given due importance in all planning strategies and documents as well as in the upcoming Sixth Five Year Plan (SFYP) 2011-2015.

According to Household Income and Expenditure Survey (HIES) 2005, the incidence of poverty at national level declined from 48.9 percent in 2000 to 40 percent in 2005 as calculated using the Cost of Basic Needs (CBN) method. According to DCI (Direct Calorie Intake) method, the incidence of absolute poverty was 44.3 percent in 2000 at the national level which went down to 40.4 percent in 2005. During this period, incidence of absolute poverty also showed downward trend. At the Divisional levels, Barisal Division has the highest incidence of poverty with a score of 35.6 percent calculated using Head Count Ratio (HCR) in the lower poverty line while Chittagong Division has the lowest with a score of 16.1 percent followed by Dhaka and Sylhet Divisions. Using the upper poverty line, the incidence of poverty has also significantly decreased at national level in head count ratio. The monthly household nominal income was estimated at Tk.7,203 at national level. The average monthly household expenditure was estimated at Tk. 6,134 at national level, Tk. 5,319 in the rural area and Tk. 8,533 in the urban area. Per capita nominal expenditure in 2005 at national level was Tk.5,964 which was Tk. 5,165 in rural area and Tk. 8,315 in urban area.

Government has been implementing a number of programmes for employment and income generation. Social safety net programme, cash transfers programme, food security programmes, micro-credit programmes are a few important ones. Under cash transfer programme, allocation for old-age allowance was Tk. 810 crore with a beneficiary coverage of 22.5 lakh in FY 2009-10. Under 'Allowance Programme for Widowed, Deserted and Destitute Women', a total of Tk. 331.20 crore was distributed among 9 lakh women. 1.25 lakh insolvent freedom fighters were provided with a monthly grant of Tk. 1500 and total allocation for this purpose was Tk. 225 crore. *'Ekti bari ekti khamar'*, receiving an allocation of Tk. 1,197 crore, and 'Gharey Fera' are two important initiatives of the Government for poverty alleviation. To fulfill the commitment of the present Government, 'Ashrayan' Project has been reinstated at a cost Tk. 715.98 crore and Ashrayan-2 (July 2010-June 2014) has been undertaken at a cost of Tk. 1,169.17 crore. The principal objective of these projects is to rehabilitate 50 thousand homeless, landless and rootless families.

Special initiatives are being undertaken to increase the flow of micro-credit and investment fund to different organizations. During FY 2009-10, allocations for micro credit programmes of PKSF and SDF were increased from 185 crore to 195 crore and 92.7 crore to 200 crore respectively. To create income generating activities for the unemployed, *Karmasangsthan* Bank, a state owned financial institution, disbursed Tk. 680.42 crore among 15,3102 borrowers till June 2010.

Palli Daridra Bimochon Foundation (PDBF), disbursed a total of Tk. 508.86 crore as loan to its members as of June, 2010. Till June 2010, PKSF disbursed as micro-credit to the tune of Tk. 9,426.14 crore to its 262 partner organisations, while Bangladesh Rural Development Board (BRDB) disbursed Tk.8,154.76 crore among 5,338,528 beneficiaries. During the same period, the scheduled banks disbursed Tk. 23,545.17 crore while other specialised commercial banks disbursed Tk. 7,264.08 crore.

NGOs are also working hand in hand with the Government in implementing different programmes. According to, Micro-credit Regulatory Authority (MRA) statistics, Grameen Bank and 4 large Micro Finance Institutions (MFIs: BRAC, ASA, TMSS, BURO TANGAIL) have disbursed Tk. 252.94 crore with a recovery rate of 90.8 percent until June 2010. Around 3 crore poor people are benefited by the activities of MFIs. Further, Credit and Development Foundation (CDF) statistics reveals that up to December 2009, the total number of active members of 745 MFIs (including Grameen Bank) was 35.71 crore, almost twice the number (18.79) in 2005. The cumulative disbursement of micro-credit among 66.88 crore borrowers (61.50 crore are women) was Tk. 173,146.55 crore and the recoverey stood at Tk. 155,575.64 crore, which is 89.85 percent of disbursement.

The Government has also been allocating funds for implementation of micro-credit programmes for poverty alleviation by different administrative Ministries/Divisions/Departments. The cumulative credit disbursement till June 2010 stood at Tk. 66,232.31 crore and the recovery being Tk. 63,258.08 crore.

Private Sector Development

Private sector's contribution to the total investment in Bangladesh economy is remarkable. The contribution of private investment in the national economy recorded at 20.19 percent of GDP in FY2009-10 which was 19.67 percent in FY2008-09. Government has brought reforms in the privatisation scheme to give momentum to the privatisation process and also put in place necessary institutions and infrastructures to create a private sector investment-friendly environment. In addition, it has formulated an outline of draft Industrial Policy 2009 to realise the goals of Vision 2021. The major goals of the proposed Industrial Policy are to revamp the small and medium enterprises, create employment generation and expand information technology to attain the planned trajectory of growth.

The number of subscribers of the 6 cellular mobile companies in the country was about 6.18 crore as of June 2010. Currently, a total of 43 privately owned general insurance companies and 17 life insurance companies are operating in the country. As of June 2010, there were 398 cotton and synthetic spinning mills in the country of which 375 units belonged to private sector. Moreover, 1,110 weaving (large, medium and small weaving units), handlooms 148,342, knitting and knit-dyeing 1,200 woven dyeing-finishing 320 and about 2000 local hosiery units exist in the country. 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.

At present, there are 80 Jute mills, including 38 denationalized ones, under Bangladesh Jute Mills Association (BJMA). In the private sector, production and export activities of jute mills are being run by Bangladesh Jute Mills Association (BJMA). Out of 38 denationalized mills, 14 mills are in operation, 17 mills are partially in operation and 7 mills are closed. Out of 42 mills, 3 mills are closed and the remaining ones are in operation.

Private sector participation in health and medical services is gradually increasing. To encourage private investments, the Government is offering various incentives including financial assistances. At present, there are 40 private medical colleges, 11 dental colleges, 2,114 private hospitals and clinics having 33,727 beds. Alongside 4,509 modern diagnostic centres are operating in the private sector. Private sector participation in pharmaceutical sector is quite significant. More than 97 percent of the total domestic requirements are met by local production. At present, Bangladesh is exporting 182 different brands of medicines to 73 countries worldwide including UK and USA.

Environment and Development

Environment and development are inextricately linked. The global environment has been changing gradually and has become a serious concern for the world community. The global environment is facing many threats due to various human activities such as industrialisation, exponential population growth, tremendous increase in the number of automobiles and indiscriminate felling of trees. Bangladesh is recognized to be the worst sufferer of global warming and climate change impacts. The Government is laying special emphasis on conservation of environment and development. The Government has undertaken integrated policy and plan to protect the country from the impact of global warming, build pollution-free environment, and protect the water resources consistent with the pledges made in the election manifesto.

Clean Development Mechanism (CDM) was established under the auspices of Kyoto Protocol with a view to reduce the emission of GHG along with adaptation mechanism. A Two-tier National Designated Authority (NDA) has been formed to approve CDM projects in Bangladesh in order to implement the Clean Development Mechanism (CDM). The first tier of NDA is the National CDM Board that comprises five members, the Principal Secretary to the Prime Minister being the Chairperson. The second tier is 22-members National CDM Committee chaired by the Secretary, Ministry of Environment and Forests

An agreement known as "Copenhagen Accord" was signed in the Conference on Climate Change held in December, 2009 in Copenhagen, Denmark. It has been mentioned in the accord that the Least Developed

Countries, Small Island Developing States and Africa are in most vulnerable position. In the context of meaningful mitigation actions and transparency on implementation, developed countries are committed to a goal of mobilizing jointly an amount of US$ 100 billion a year by 2020 to address the needs of developing countries.

The government is aware of the fact that Bangladesh is at risk of being the worst victim of worldwide climate change. As a result, Climate Change Strategy and Action Plan (BCCSAP) 2009 has been prepared, Climate Change Trust Fund Policy has been formulated and Climate Trust Fund has been established. The Ministry of Environment and Forest has already set up a Climate Change Unit in order to streamline and coordinate overall climate change activities. The Climate Change Fund, created with the Government's own resources, has been approved by the cabinet in principle. In FY 2009-10, Tk 700 crore was allocated to finance 134 programmes under six thematic areas viz. (1) Food security, social protection and health (2) Comprehensive disaster management.3) Infrastructure to ensure protection of existing assets (4) Research and knowledge management (5) Mitigation and carbon emission and (6) Capacity building and institutional strengthening.