

Overview

Bangladesh's economy recovered rapidly from the COVID-19 pandemic, but the Russia-Ukraine conflict brought new challenges. Intensifying macroeconomic pressures have put our post-pandemic recovery at risk. External pressure has risen because of elevated global commodity prices, while synchronized global monetary policy tightening has raised the cost of external financing. Bangladesh continues to face macroeconomic challenges. Inflation remained elevated and FX pressures continued in FY24. This conflict threatens to emerge as an obstacle in the way of achieving full economic recovery.

In response to this situation, the Government has been borrowing additional amounts as budget support & project support to address the war's adverse situation and finance the economic recovery-related projects and programs out of regular borrowing. Moreover, the scope of mobilization of foreign assistance in concessional terms has become less than in previous years because most of the development partners have already adjusted their financial terms and conditions either by shortening maturity and grace period or by increasing interest rates as Bangladesh graduated to Lower Middle Income Country (LMIC).

On the other hand, borrowing on non-concessional terms from bilateral sources has increased to meet the investment needs, especially for some big and nationally important projects.

Under all these adverse situations, despite a phenomenal increase in external debt, Bangladesh has been comfortably servicing its debt with an impeccable reputation as a 'non-defaulting party' and maintaining a comfortable debt sustainability position in considering the internationally used indicators, because of the prudent borrowing policy pursued by the government.

In FY 2023-24, external resources amounting to US\$ 10.74 billion have been mobilized; out of this, general government services and power & energy have the major allocation amounting to US\$ 3.04 and US\$ 1.70 billion respectively. The other major sectors which have significant allocations are transport & communication (US\$ 1.36 billion), Housing & Community Facilities (US\$ 0.91 billion), Education (US\$ 0.713 billion), Health (US\$ 0.576) and local govt. & rural development (US\$ 1.29 billion), Environment, Climate change & water resources (US\$0.545 billion). External resources, one of the main sources of financing development activities, have been playing a pivotal role. The scenario of realization of committed assistance has been improved compared to the last few years. In FY 2023-24, disbursement crossed the landmark of USD 10 billion for the third consecutive year and the total amount of disbursement was US\$ 10.28 billion which is also the second highest since independence. Compared with 2023, both the commitment and disbursement have increased by 18.39 percent and 2.96 percent respectively.

Despite the increased disbursement of external assistance due to growing pressures on fiscal space in the aftermath of the COVID-19 pandemic, compounded by geopolitical tensions and the ongoing need to address climate change, Bangladesh has been able to maintain a comfortable debt sustainability position in terms of solvency and liquidity. The ratio of the government's external debt stock as of 30.06.2024 to GDP is 17.03% vis-à-vis the threshold limit of 40% revealing the solid solvency position. The external debt stock

excluding the government's guaranteed debt to GDP is 14.99% in the same FY. On the other hand, the ratio of the government's external debt service obligation in FY 2023-24 to the export of goods and services is 8.56% vis-à-vis the threshold limit of 15% mirrors the good liquidity condition of Bangladesh. However, the mobilization of non-concessional loans has decreased than last FY. An amount of US\$ 2.75 billion non-concessional loan has been mobilized in 2023 which stood at 27.86% of total loans committed. On the other, the volatility of exchange rates and the possibility of increasing LIBOR/ SOFR & EURIBOR rates have increased the risks of escalation of borrowing costs in the coming years.

2. This section of the document is organized into the following different parts:

- i. **Part-1** focuses on the objectives of external resources management with a snapshot of Key information of external resource flows and some important macro-economic indicators.
- ii. **Part-2** presents information, analysis, and evaluation of external resource flow into Bangladesh
- iii. **Part-3** highlights the external debt portfolio including changes in external debt stock with currency composition and maturity structure, debt servicing, and other important debt-related issues;

- iv. **Part-4** indicates risks associated with external debt portfolio and debt sustainability status;
- v. **Part-5** describes some steps taken in recent times in the area of aid and debt management

3. Part-1: Objective of External Resource Management and a Snapshot of key Information

3.1 Objectives: The primary objectives of external resource management are:

- (a) to ensure mobilization of the government's external resources in line with national development strategy at the lowest possible cost;
- (b) to contain debt burden in a comfort zone consistent with a prudent degree of risk.

3.2 Snapshot: A snapshot of key information relating to external resource flow such as aid in the pipeline, commitment, disbursement, debt stock, debt servicing, and aid channeled through Non-Government Organization (NGO) of FY 2023-24 are given in the table below. It also captures related macroeconomic indicators which would offer readers an opportunity to have a broad appreciation of the external debt of the country in the context of the overall macro-fiscal situation of the country.

A. Foreign Aid Flow and Debt

	FY 2023-24	FY 2022-23
1. Flow of Foreign Aid	<i>(In million US\$)</i>	<i>(In million US\$)</i>
(i) Opening Pipeline	43,837	45,173
(ii) Total Commitment	10,739	9,070
Grant	850	683
Loan	9,889	8,387
Projects	10,739	9,070
Non-projects	0	0
(iii) Total Disbursement	10,283	10,013
Grant	773	665
Loan	9,480	9,295
Projects	10,253	9,960
Non-projects	30	53
(iv) Closing Pipeline	42,850	43,837
(v) Foreign grant channeled through NGO		
Amount Approved	841	720
Amount released	655	741
2. External Debt Stock	<i>(In million US\$)</i>	<i>(In million US\$)</i>
Total public sector outstanding debt	78,178	70,767
(a) General Government Debt (Medium & Long Term)	68,822	62,406
Multilateral	40,507	37,249
Bilateral	28,315	25,157
(b) Government's Guaranteed debt	9,356	8,361
Air Craft	169	222
Crude Oil	780	608
Power	4,712	5,239
IMF	2,832	1,336
BTRC	66	84
BCIC	797	872

	FY 2023-24	FY 2022-23
3. External Debt Service	<i>(In million US\$)</i>	<i>(In million US\$)</i>
Total debt servicing	6,078	4,779
(a) Principal	4,166	3,473
General Government (Medium & Long Term)	2,022	1745
Air Craft	54	71
Crude Oil	1,217	1094
Power	453	404
IMF	318	145
BTRC	17	14
BCIC	85	0
(b) Service Charge	1,912	1,306
General Government (Medium & Long Term)	1,350	927
Air Craft	15	15
Crude Oil	43	21
Power	353	275
IMF	134	67
BTRC	2	1
BCIC	15	0

B. Macro Economic Statistics

Macro Economic Statistic	FY 2023-24	FY 2022-23
i. GDP growth rate (Base Year: 2015/16)	5.83 (P)	5.78 (R)
ii. GDP at the current price (Base year: 2015/16 in million US\$)	459,037 (P)	451,534 (R)
iii. GDP as per PPP at Current Int'l Dollar (in million US\$)*	1,692,743 (P)	1,568,544 (R)
iv. Per Capita GDP (Base year: 2015/16 in US\$)	2,675 (P)	2,643 (R)
v. Export of Goods and Services (In Million US\$)	47,099	60,669
Merchandise (FoB)	40,810	52,340
Services	6,289	8,329
v. Import (In Million US\$)	66,725	75,062
Food	2,058	2,599
Capital Machinery	4,144	4,847
vi. Foreign Exchange Reserve (in million US\$)	26,714 (P)	31,203
vii. Remittance (in million US\$)	23,912	21,612
Of the total from UAE	4,636	3,765
USA	2,962	3,522
UK	2,793	3,034

* Reference: World Economic Outlook Database, October 2024 IMF (Calendar Year Value).

4. Part-2: Aid flow, Composition, and Trend

Up to June 30, 2024, a total of about US\$191.26 billion of external assistance was committed. According to the classification by purposes, the share of food aid is US\$7.05 billion, commodity aid is US\$11.07 billion, and project aid is US\$173.14 billion, of which budget support is 13.14 billion of the total commitments.

From independence until June 30, 2024, about US\$132.81 billion of foreign aid was disbursed, of which US\$30.91 billion was granted and US\$101.90 billion was loaned. Of the total amount, US\$7.06 billion was disbursed as food, US\$10.91 billion as a commodity, and US\$114.84 billion as project aid, of which US\$12.31 billion is budget support.

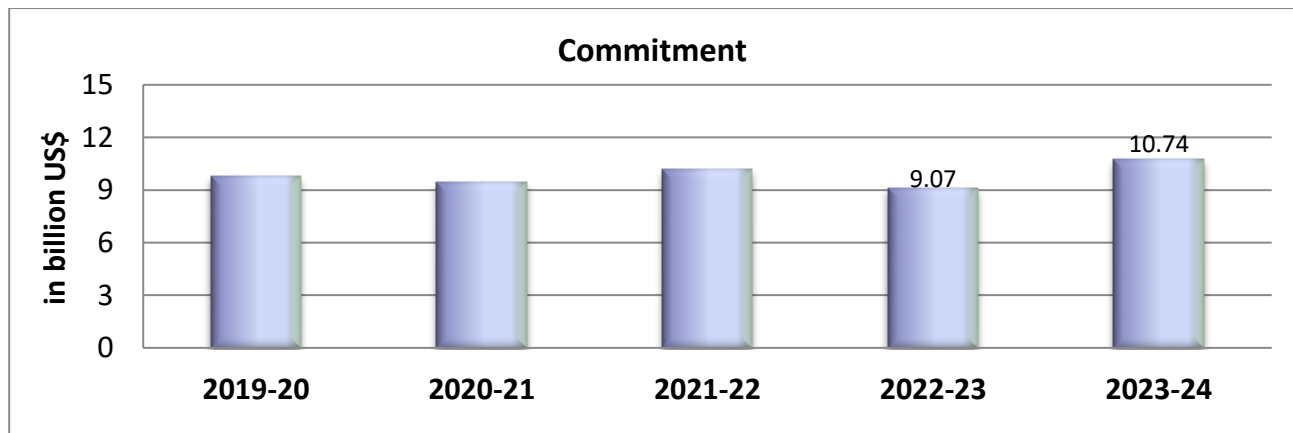
Significant changes have taken place in the case of the total aid package to the country over fifty-two years since independence. The share of grants is declining gradually is-à-vis the share of loans. Considering sources of the total aid flows, multilateral aid has been growing through the years compared to bilateral aid. Vulnerable food

security and shift in global economic power structure have made aid mobilization more difficult than ever before. It is facilitated through a variety of means. Co-ordination with Development Partner (DP) such as holding periodic meetings of the Bangladesh Development Forum, and greater partners has an important bearing on the interaction of the Local Consultative Groups which aims at aid effectiveness and harmony, regular triangular portfolio meetings of ERD, DPs, and project implementing ministries/agencies, etc.

Some key features for the financial year 2023-24 related to external aid are discussed below.

4.1 Commitments:

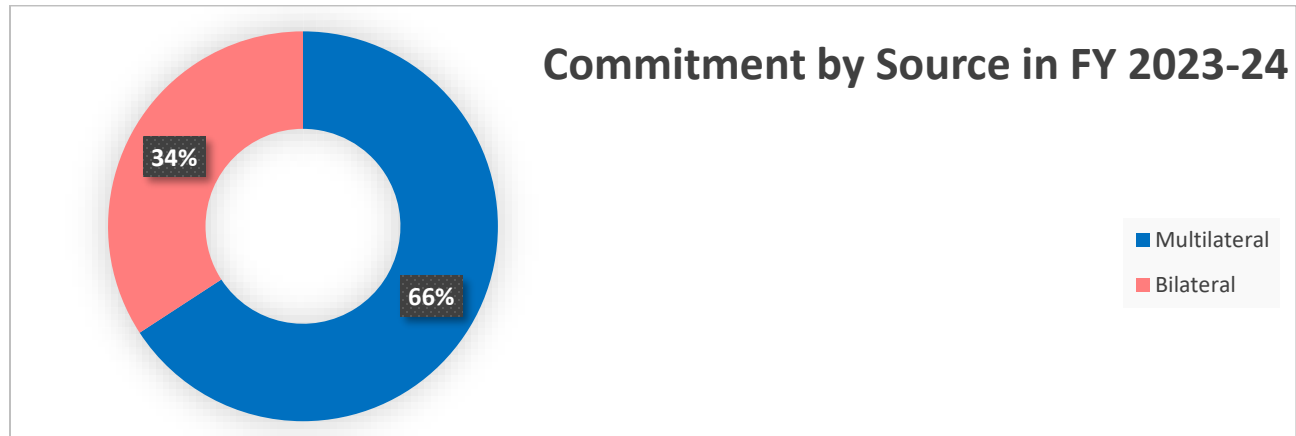
During FY 2023-24, a total of US\$10.74 billion of external assistance was committed. Compared to the last fiscal year, the growth of commitment is 18.41 percent. Graph 1 shows the commitment to foreign assistance for the last five years.



Graph 1

In FY2023-24 project aid constituted the lion's share of the whole amount of commitment. There is no commitment to commodity assistance in this financial year. According to the source of financing, commitment from

multilateral agencies and bilateral sources are US\$ 7,056.97 million and US\$ 3,681.95 million respectively. The composition of commitment is shown for FY2023-24 in Graph 2.

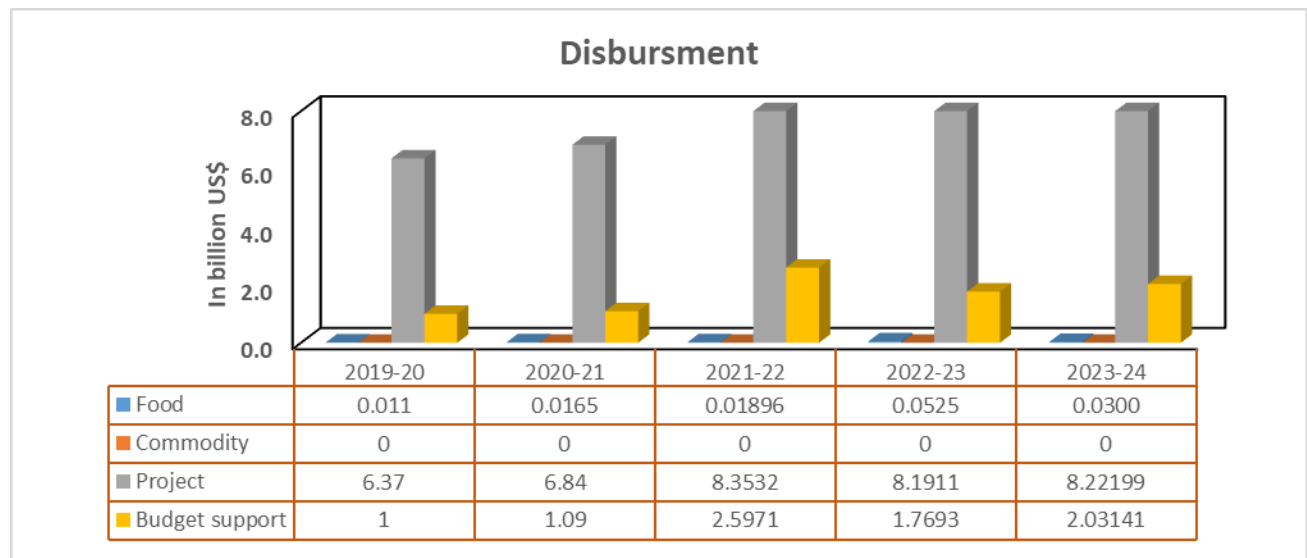


Graph-2

4.2 Disbursement:

In FY2023-24, a total amount of US\$ 10.28 billion was disbursed which registered the 2nd highest disbursement in a single financial year since independence. Disbursement during FY 2023-24 is 2.69 percent higher than the disbursement of the previous year. Of this US\$ 803.19 million is a grant and US\$ 9,480.21 million is loan. Of the total amount, food aid,

and project Aid and budget support are US\$ 30.0 million, US\$ 8,221.99 million, and US\$ 2,031.41 million respectively. Multilateral donors disbursed the lion's share of the total disbursement amounting to US\$ 5,545.86 million and bilateral donors disbursed US\$ 4,737.54 million. Graph - 3 shows a comparison of disbursement by purpose in different years.



Graph-3

Since 1972 on a cumulative basis of aid disbursement, the major multilateral development partner is IDA followed by ADB. On the other hand, Japan ranks as the largest bilateral development partner followed by

China. Disbursement of the top 10 development partners according to their cumulative contribution since independence has been presented in graph-4.



Graph-4

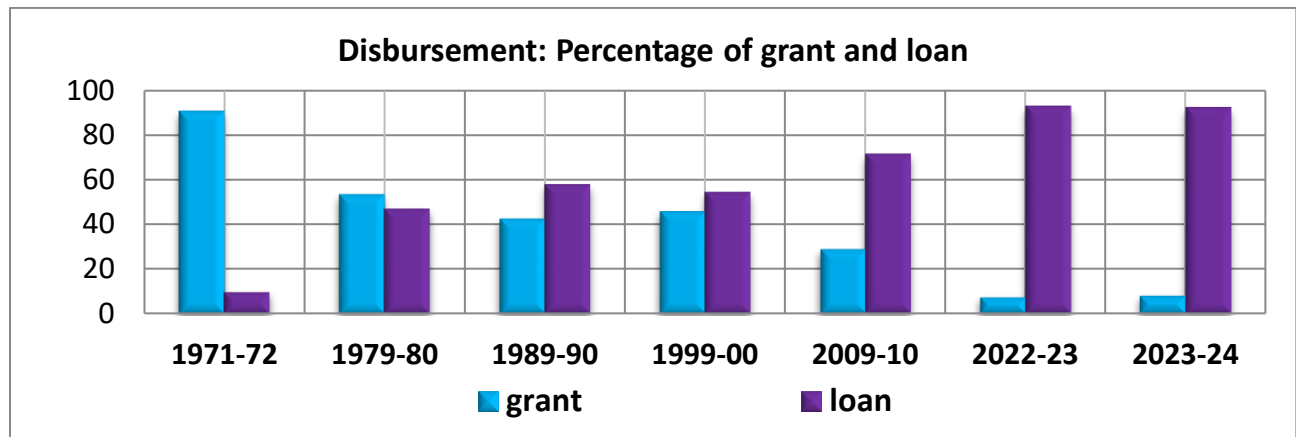
4.3 Changing scenarios in aid composition

Over the past several years changes have taken place in the composition of foreign aid disbursement. The share of the grant is declining, and the share of the loan is increasing gradually. The share of grant and loan of disbursed aid was 90.5 percent and 9.5 percent in FY 1971-72 which stood at 7.8 percent and 92.2 percent respectively in FY2023-24. Similarly, multilateral aid has increased over the period. The share of bilateral aid has decreased from 85.7 percent in FY 1971-72 to 46.07 percent in FY 2023-24. On the other hand, the share of multilateral aid has increased from 14.3 percent in FY 1971-72 to 53.93 percent in FY2023-4. However, there is

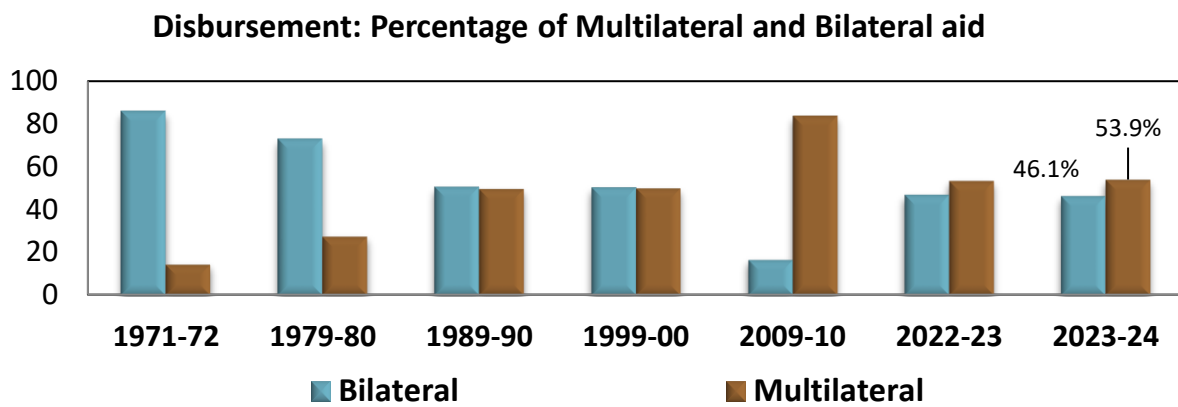
an increasing trend in the share of bilateral aid since FY 2010-11 compared to the past couple of years. Some Bilateral development partners such as China, Russia, and India have become more active in the global aid architecture. Bangladesh, like many other countries, has been mobilizing resources from these countries to fulfill its growing investment needs in large infrastructure projects. Moreover, over time, the flow of food and commodity aid has drastically declined. Food aid, which was 47.9 percent in FY 1971-72, has decreased to 0.29 percent in FY2023-24. Similarly, commodity aid has come down to nil in FY 2023-24 from 50.8 percent in FY 1971-72. On the other hand,

project aid has shot up from 1.3 percent to 99.7 percent during the same period. Changes in

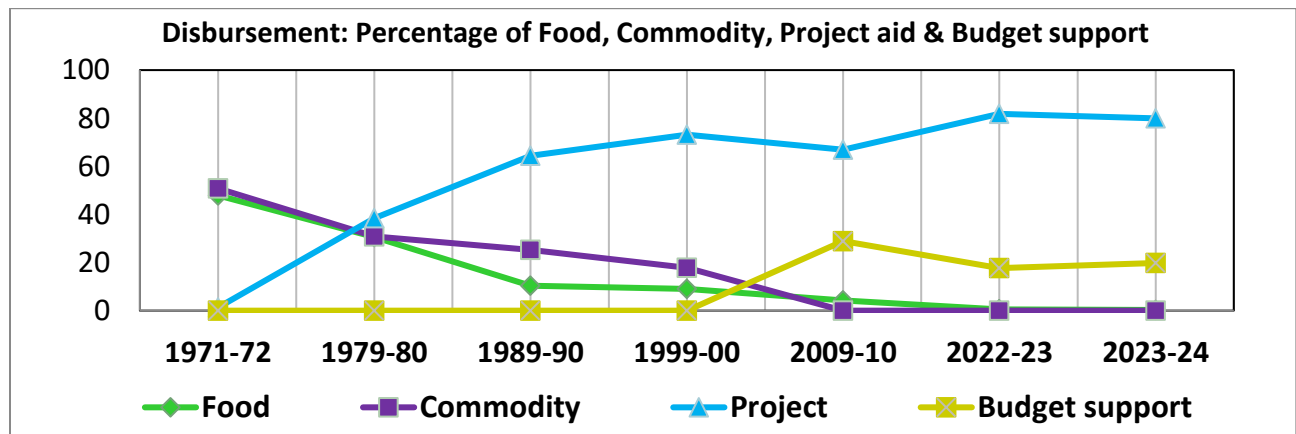
disbursement pattern over the years can be seen in Graphs -5, 6 and 7.



Graph -5



Graph -6

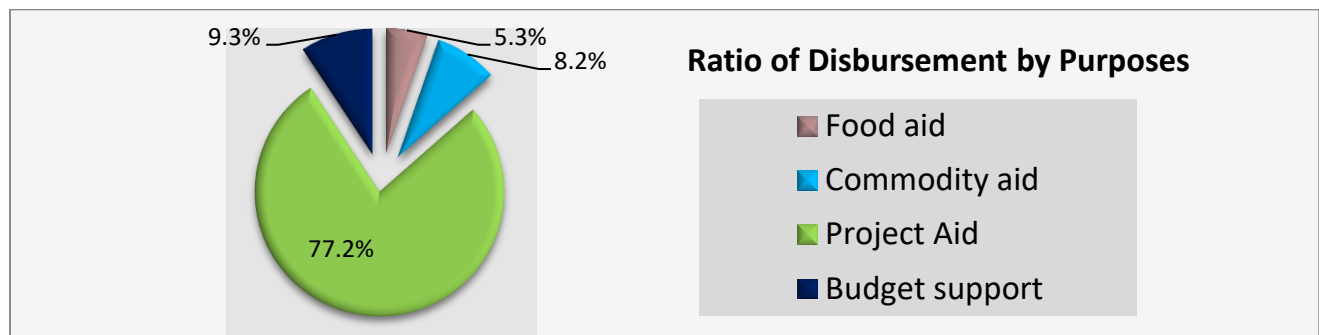


Graph -7

4.4 Aid Utilization:

Aid utilization is in a state of a critical juncture. This arises from the slow implementation of projects. Over time, food aid and commodity aid have lost their place as important constituents of the total aid package. On the other hand, project aid has become a more and more popular and important mode of assistance considering the purpose of assistance. From independence to June 30, 2024, a total of US\$ 132.81 billion of foreign aid was disbursed on a cumulative basis. As a

policy, the development partners reduced commodity and food assistance as a young nation matured over the years. Food and commodity aid are generally replaced by more and more project aid. The bilateral assistance gives way to more multilateral concessional loans. The share of total food assistance, commodity assistance, budget support, and project assistance have been shown in the following pie chart.

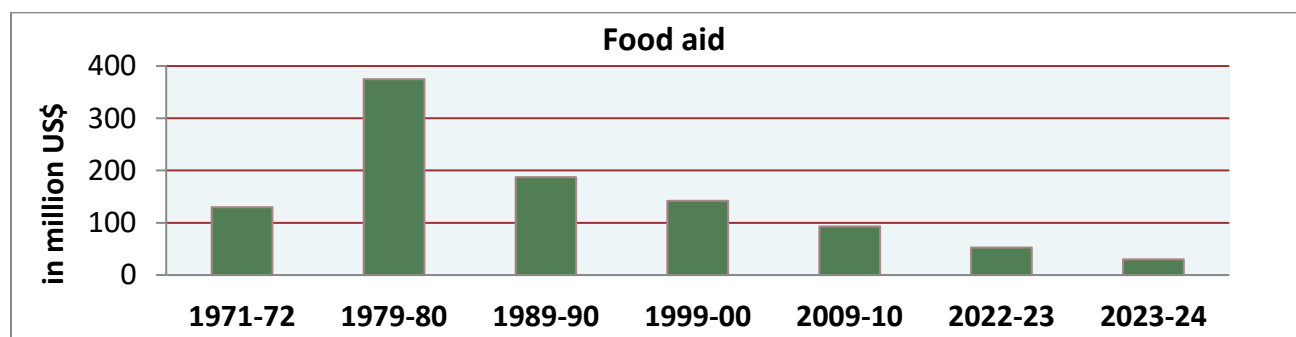


Graph-8

4.4.1 Food aid:

Food aid is now availed of in reduced volumes and occasionally received in larger amounts to support natural calamities like floods, cyclones, and unfavorable weather conditions. This is because self-sufficiency has been nearly achieved in recent years with increased food

production. Although, a persistent level of food aid is essential to assist the poorest section of the population and to run the targeted safety net programs like VGD and FFW. The share of food aid has gradually declined over the years which is presented in the bar chart below.

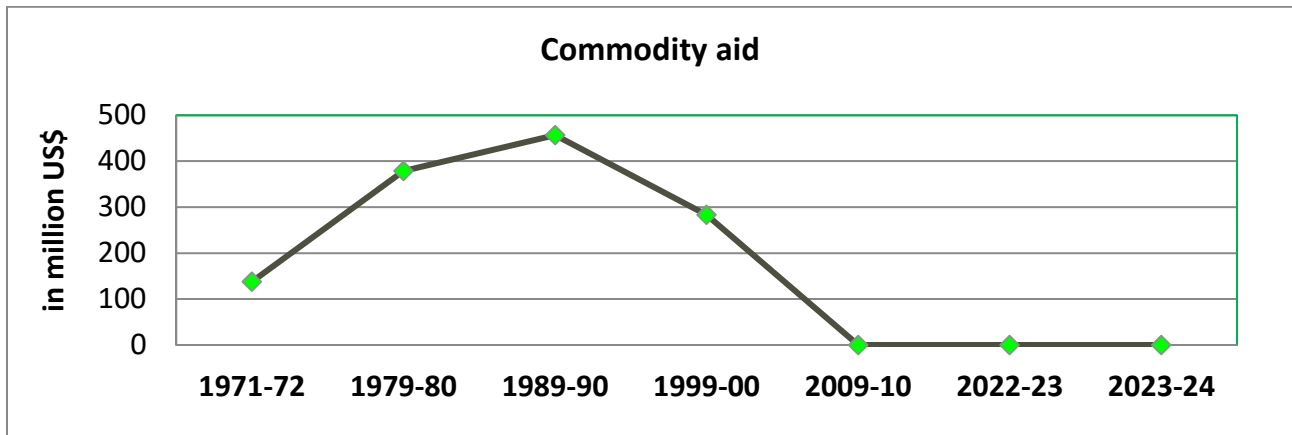


Graph-9

4.4.2 Commodity aid:

Generally, commodity aid is offered for the acquisition of intermediate inputs and raw materials and thus, provides a cushion to the balance of payments. Increasing export volume, tax revenue growth, and consistent

increased flow of foreign remittance have eased the balance of payment deficit from own resources. In the process, the share of commodity assistance has declined gradually and zeroed from FY2003-04.

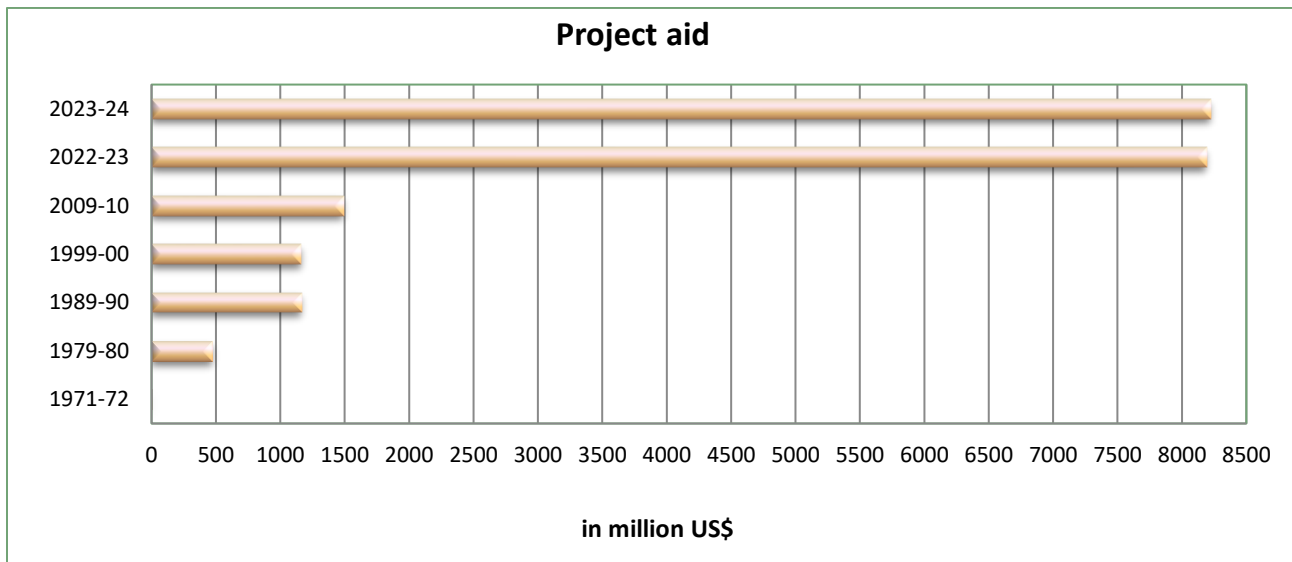


Graph-10

4.4.3 Project aid:

The largest share of foreign assistance comprises project aid. It is extended by the development partners primarily to finance

projects included in the Annual Development Program (ADP). The share of project aid excluding budget support has increased over the years as shown in graph 11.

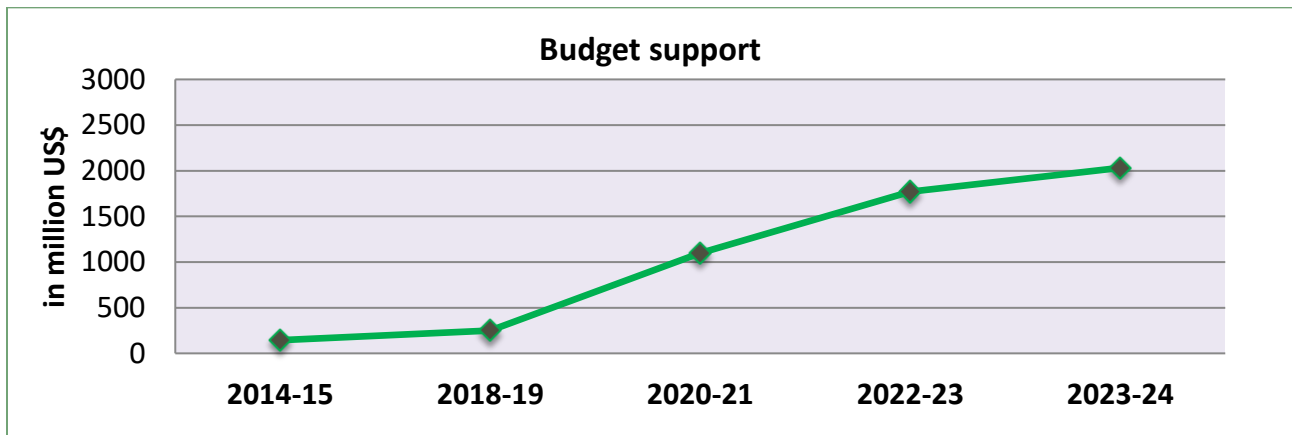


Graph-11

4.4.4 Budget support

Budget support is extended in single or multi-tranche to undertake different priority programs. The payments against budget support are triggered on fulfillment of certain agreed policy objectives between the recipient country and Multilateral Financial Institutions. It gives the recipient country more flexibility to align assistance spending with national priorities in comparison to project aid. Therefore, budget support is

becoming a more popular form of receiving external assistance. However, budget support does not come by very frequently. It is usually offered sparingly on occasions where development partners trigger payment only after recipient countries achieve previously agreed benchmarks. Disbursement under the budget support scheme for the last couple of years including US\$ 2031.41 million in FY 2023-24 as shown in graph-12.



Graph-12

4.5 Aid in the pipeline

FY 2023-24 began with an opening pipeline of about US\$ 43.84 billion on July 1, 2023. The new commitment during the period amounted to US\$ 10.74 billion and total disbursement during FY 2023-24 amounted to US\$ 10.28 billion. The closing pipeline as of 30th June 2024 stood at about US\$ 42.85 billion after the cancellation /adjustment which is 2.26 percent lower than that of the previous year. The disbursement of foreign aid during FY 2023-24 as a percentage of the pipeline opening balance is 23.45

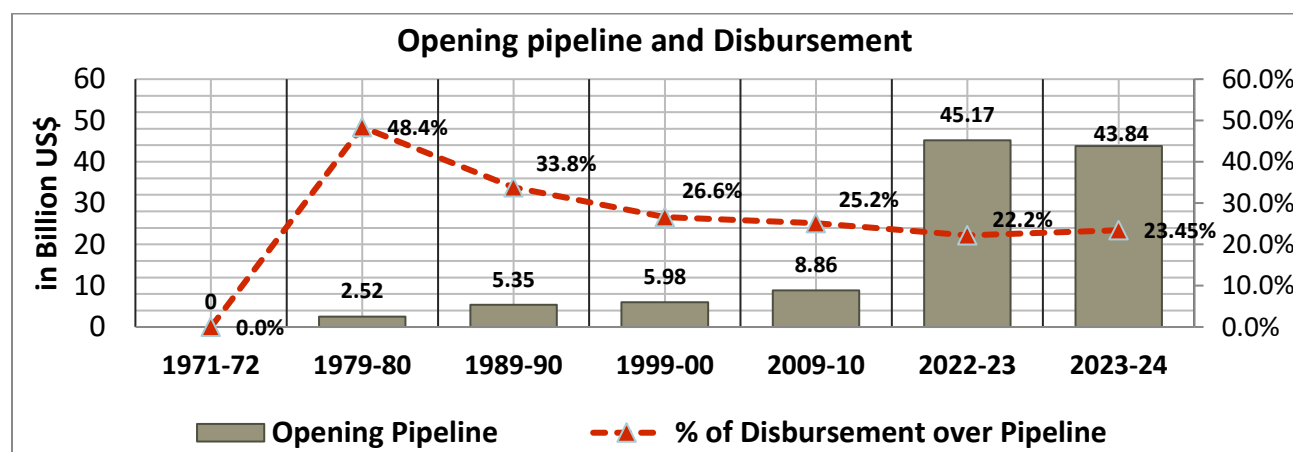
percent. In FY 2022-23, the disbursement percentage of the opening pipeline increased

by 5.5 percent compared to that of the last financial year.

Slow implementation of projects results in slow disbursement of aid which leads to time and cost overruns. It negatively impacts the balance of payments leading to increased borrowing from domestic sources. Factors creating difficulties in the speedy implementation of projects or utilization of economic assistance are manifold. Projects are often designed

without proper planning or feasibility studies. Also, people engaged in the project preparation are not properly trained. In many cases, faulty design of the project leads to a revision of the Development Project Proposal (DPP)/Technical Project Proposal (TPP) even before the commencement of the project. The lengthy approval process of the DPPs/TPPs takes longer time to start the projects. Sometimes, projects are not adequately staffed with the right kind of people. Moreover, in many cases, project personnel are transferred (in the case of government officials) and/or moved to another job. Procurement-related bottlenecks and

challenges in the land acquisition process also slow down the speed of project implementation. Besides, projects involving several sectors/organizations often suffer from a lack of coordination. On the other hand, delays in the approval of awarding contracts, delays in appointing consultants, delays in releasing funds, and lack of coordination among co-financers, (in the case of multi-donors funded projects) were found to be the causes of slow disbursement. In graph 14 disbursement ratios over the opening pipeline in different years have been shown.



Graph-13

5. Part- 3: External Debt management

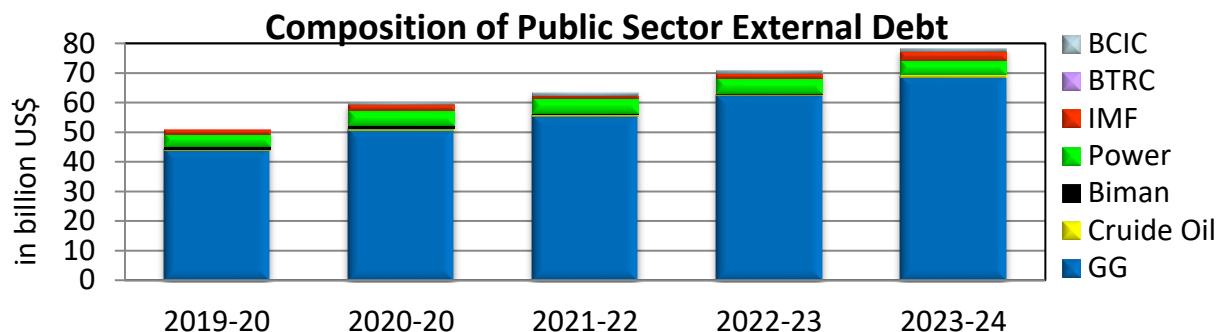
Managing external debt is more sensitive to some extent than that domestic debt. Domestic debt is a charge on budget and must be serviced with government revenue and/or additional domestic borrowings. Whereas external debt, in addition to meeting repayment obligations with government revenues, is also a charge on the balance of payments and it is serviced with the foreign exchange by drawing down on the reserve. The large trade deficit, savings-investment gap, slow

growth of revenue, and rapid growth of public expenditures contribute to the increased external debt of the country.

5.1 Public Sector External Debt: The external borrowings of Bangladesh consist mainly of public sector external debt. The share of private sector external borrowing is negligible. The total Public Sector External Debt has increased from US\$ 973.80 million in FY 1974-75 to about US\$ 78.18 billion in FY2023-24 which constitutes a debt liability of 17.03 percent of

GDP. The per capita debt obligation of the country has risen from US\$ 6.59 in 1973-74 to US\$ 455.61 in FY 2023-24. Public sector external debt consists of General Government

debt and guaranteed debt of State Owned Enterprises (SOEs) and debt to the IMF. The composition of public sector external debt may be seen in the following graph-14:



Graph-14

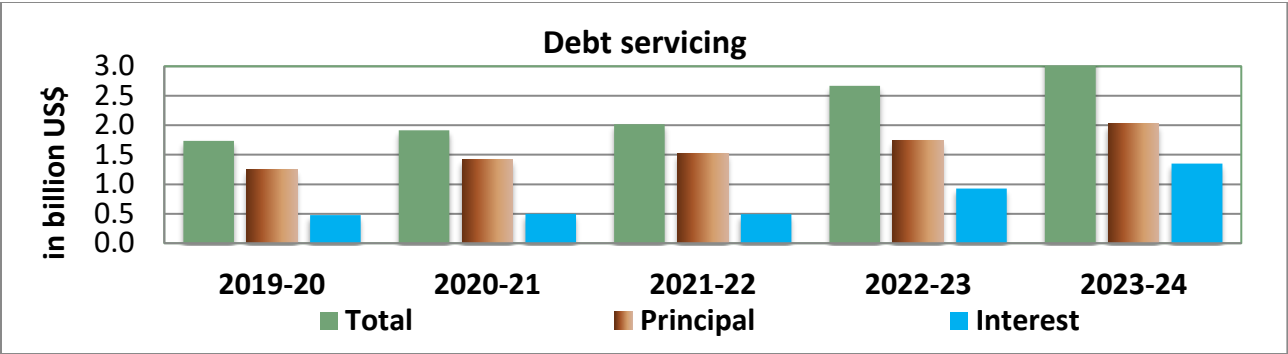
5.2 General Government Debt

The General Government debt amounting to US\$ 68.82 billion is the major component of Public Sector External Debt. All of the general government external loans are Medium and Long Term (MLT) in nature. The share of MLT debt is 88.03 percent of total Public Sector External Debt and it constitutes a debt liability of 14.99 percent. Most of MLT credits are acquired on concessional terms with a weighted average grace period of 7.6 years, a weighted average maturity period of 30.5 years and a weighted average repayment period of 22.5 years. These credits mainly come from bilateral and multilateral sources. Economic

Relations Division manages the Governmental debt. A few issues related to General Government external debt are presented in the following paragraphs:

5.2.1 Debt Servicing

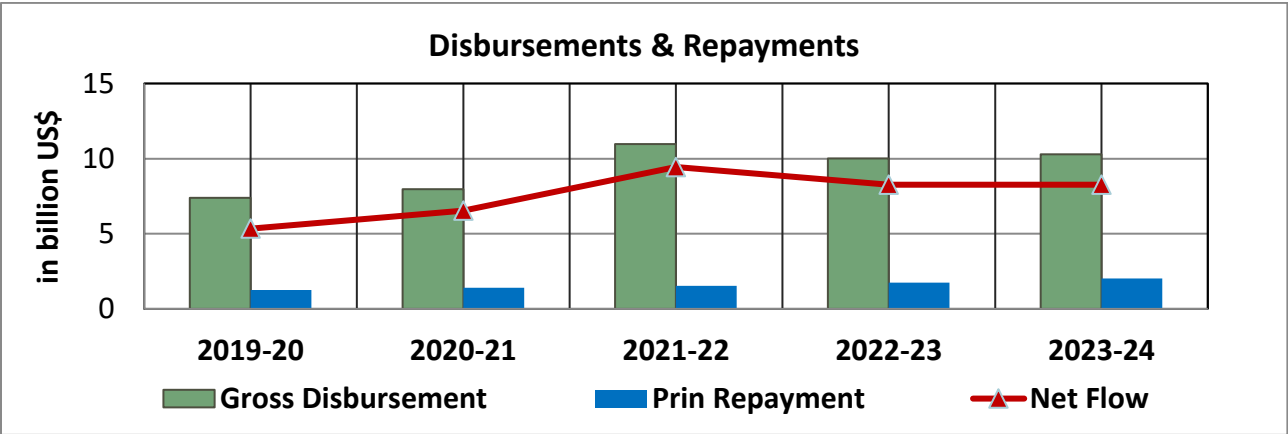
The total expense for debt servicing of the government is US\$ 3,371.59 million in FY 203-24. Of the total, the principal repayment is US\$ 2021.79 million and the interest is US\$ 1349.80 million. Of the total debt, servicing amounts US\$ 2414.59 million is paid to multilateral creditors and US\$ 957.00 million is paid to bilateral creditors. Statistics of debt servicing for the last five years are shown in Graph-15.



Graph-15

5.2.2 Net Flows and Transfer: Net flows, which account for the difference between disbursement and amortization (principal repayment), registered a positive value in FY 2023-24 by US\$ 8261.21 million. In FY 2022-23, net flows were US\$ 8268.24 million. Compared to the previous year, net flow decreased by 0.08 percent in FY 2023-24. Since independence net flow of each financial year

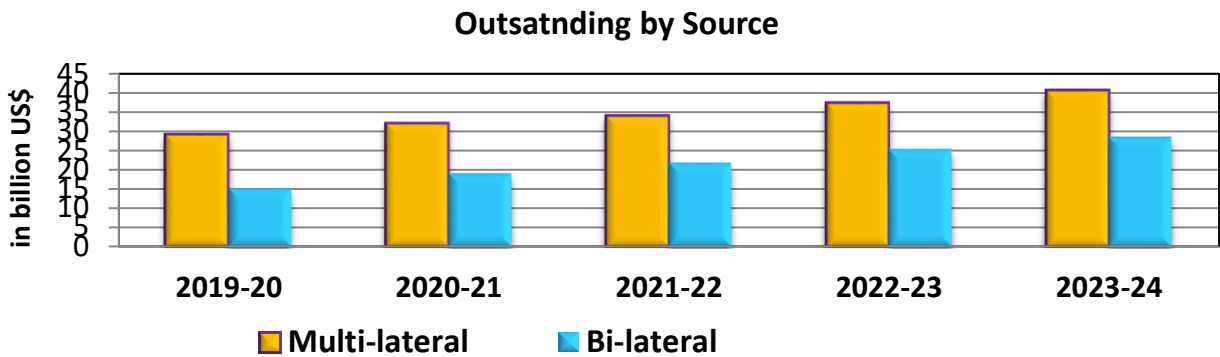
has been always registering a positive value due to the higher disbursements than amortization. Moreover, net transfer which is the residual value after netting of interest payments from net flows, has also been scoring positively since independence. Graph below shows the net flows for the last five financial years.



Graph-16

5.2.3 Source composition: Usually public sector external debt is mobilized from bilateral, multilateral, and commercial sources. Bangladesh, as a policy generally refrains from contracting commercial loans. However, some authorized SOEs are taking sovereign-backed commercial loans. Almost all

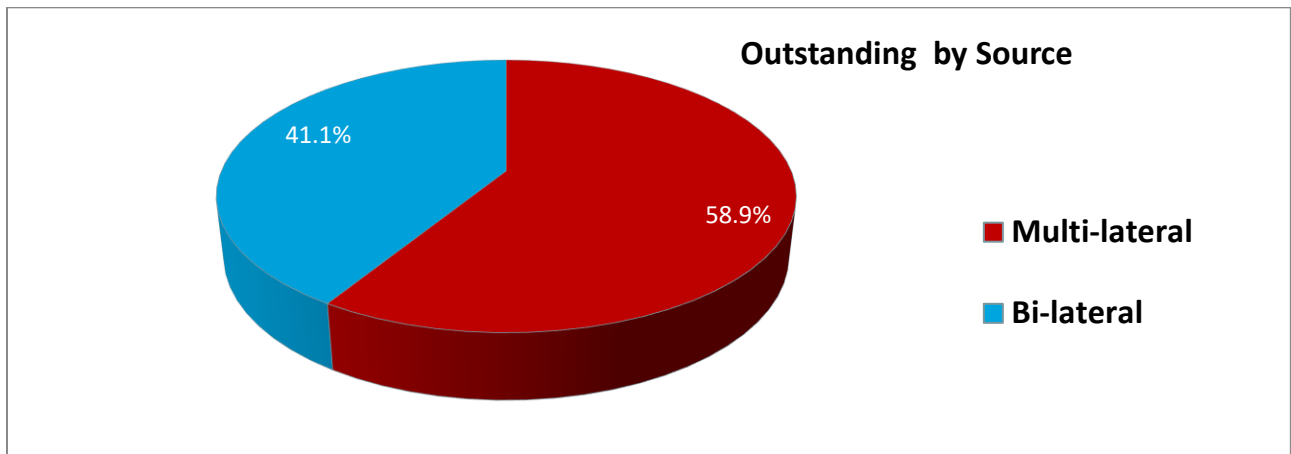
the loans received from different sources are concessional except for a few non-concessional loans. The share of outstanding debt as on 30th June 2024 from multilateral sources is US\$40.51 billion, while it is equal to US\$ 28.31 billion in the case of bilateral sources.



Graph-17

In FY 2023-24 the share of multilateral outstanding loans increased by 8.75 percent compared to that of FY 2022-23. Similarly, the share of bilateral outstanding loans increased

by 12.56 percent to the last financial year. The share of debt outstanding by source for FY 2023-24 is shown in graph-18.



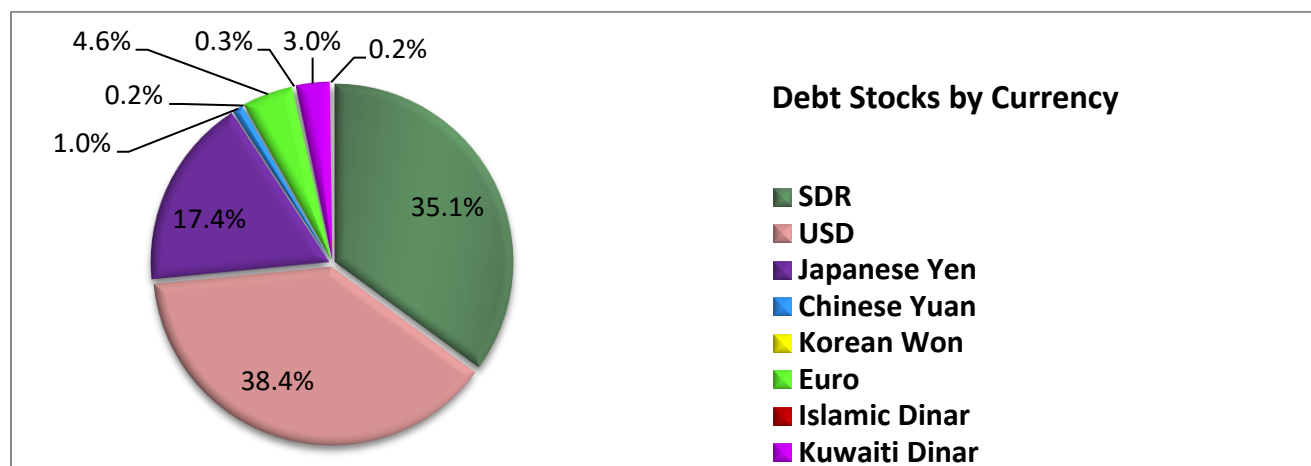
Graph-18

5.2.4 Currency composition: External MLT debt as on 30th June 2024 is mainly composed of eight major currencies, such as Special Drawing Right (SDR), United States Dollar, Japanese Yen, Korean Won, Islamic Dinar, European Union Euro, Kuwaiti Dinar and Chinese Yuan. The currency structure of external debt remains virtually unchanged. In terms of denominations, this FY 2023-24 SDR

became the 2nd largest share. The share of SDR stood at 35.09 percent in FY 2023-24 compared to 38.12 percent in 2022-23. Only the World Bank SDR denomination, ADB goes for a single currency loan. Due to the disbursements of SDR denomination loans of the one multilateral agency; debt stock in SDR is decreasing in the debt portfolio. But, the share of debt stock of USD increased to 38.35

percent in FY 2023-24 from 36.41 percent in FY 2022-23. USD occupied the largest share of the total debt stock. Net flows of loans in USD from various new bilateral creditors like Russia, and India constituted an increased share of USD loans in the debt portfolio. On the other hand, the Japanese Yen's share increased by only

0.66 percent in equivalent US\$ compared to the previous year's share of debt stock due to the depreciation of the Japanese Yen against the U.S. dollar despite the highest bi-lateral disbursement of the loan. The share of major currencies in the debt stock may be seen in the following graph.



Graph-19

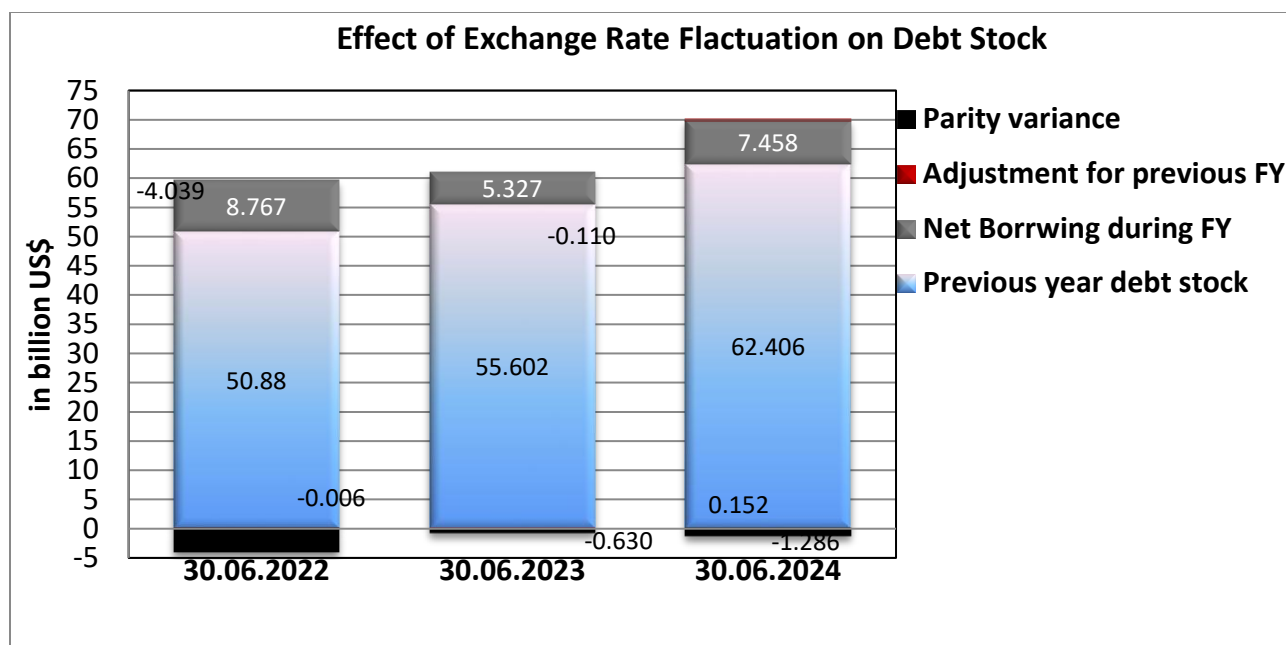
6. Part-4: Risk Analysis

Around 88.03% of the total external debt is derived from Medium- and Long-Term loan and still, most of the loans are mobilized under fixed term interest rate basis. Therefore, the risks of the existing external debt portfolio is minimized considering that our portfolio is exposed mainly to exchange rate fluctuation and, minimally, to interest rate change. However, there are some other risks that are related to economic performance and the overall debt strategy of the country. To examine the risks of the debt portfolio, detailed information related to currency composition, interest rate, maturity, and repayment period are required. As ERD only manages General Government loans, therefore risk analysis of the existing external debt portfolio is confined within the purview of General

Government debt which may be seen in the following few paragraphs.

6.1 Foreign Currency Risk

The total government medium- and long-term external debt stock increased to US\$ 68.822 billion as on 30th June 2024 from US\$ 62.406 billion. As on 30th June 2024, indicating an increase of US\$ 6.416 billion during the year. However, net government external borrowing during the same period stood at US\$ 7.458 billion. Episodes of appreciation of US dollar against SDR and against other currencies were frequent during the year (parity variance). This parity variance recorded a decrease of US\$ 1.286 billion to the debt stock in US dollar during the year.



Graph-20

But the flip side is that 2nd largest of SDR in the debt portfolio has the effect of exposing the public debt to one single currency exchange rate risk. As the share of SDR in debt stock is more than 35%, appreciation of the nominal value of US dollar against SDR may cause a decrease of debt stock in US dollar despite the adding new loan to the debt portfolio. Similarly, it may also decrease expenditure in US dollars on account of debt servicing as most of SDR loans are paid in US dollars. Adverse movement of the exchange rate between foreign currencies and local currency causes an increase of debt servicing expenditure in Taka. However, in the FY 2023-24 the value of SDR against US dollar depreciated. EURIBOR/SOFR rate has increased considerably compared to last financial year in the 1st half of the FY, but SOFR value was lower in the 2nd half of the FY compared to last FY. Moreover, the value of taka was depreciated against US\$ dollar. Due

to the above situations, the actual expenditure of debt servicing in Taka was less than the budget provision. An amount of Taka 22,449.22 crore and Taka 14,984.03 crore paid as principal and interest respectively against the budget provision of Taka 26,400.00 crore and Taka 15,800.00 crore which made an under expenditure of Taka 4,766.75 crore in total for the government.

6.2 Liquidity Risk

The capacity of servicing external debt is measured by liquidity monitoring indicators. Interest service ratio and total debt service ratio are the two key indicators for the purpose. Interest service ratio is measured by the cost of external debt as a percentage of export. In FY 2023-24 the interest service of MLT debt ratio is 1.53 percent which was 2.87 percent in FY 2022-23. The total debt service ratio is the ratio of total debt service

(principal plus interest payment) as a percentage of export. The total debt service of MLT debt ratio increased in FY2023--24 as the total debt service payment increased and the ratio is 7.16 percent in FY 2023-24 compared to 4.40 percent in FY 2022-23. The rollover ratio, the ratio of amortization over total disbursement in a single year also indicates the comfort zone of liquidity position. The Rollover ratio in the case of MLT debt went up to 19.72 percent in FY 2023-24 which was 17.52 percent in FY 2022-23 due to higher principal payments during FY2023-24. Total debt service payment to revenue earnings is also an important tool to monitor liquidity risk. The total debt service to revenue in FY 2023-24 and 2022-23 are 9.17 percent and 7.25 percent respectively, and the debt service payment to revenue went up

for Increasing interest burden and revenue mobilization constraints.

6.3 Solvency Risk

Debt burden indicator is measured by various ratios. Of these, one is the ability to repay all outstanding debt from export earnings in a single year. In FY 2023-24, the outstanding of MLT debt stood at 146.12 percent of the export earnings compared to 102.86 percent of the same in FY 2022-23. Based on the result of the above analysis it could be said that solvency risk does not pose any significant threat to the external debt portfolio.

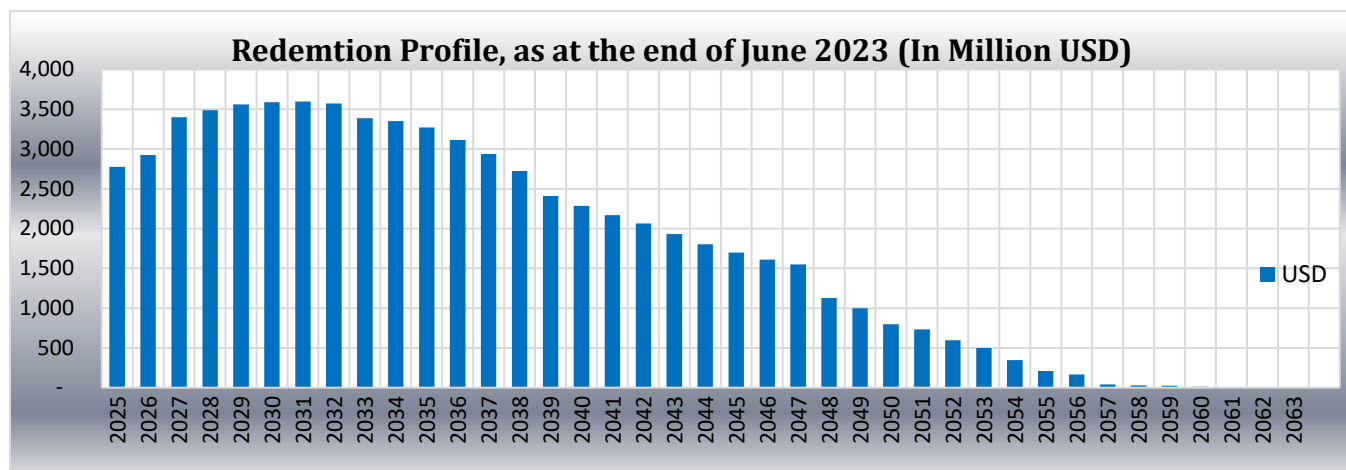
6.4 Re-fixing and Interest Rate Risk

Interest rate risk does not pose a significant threat to the external debt portfolio as almost all external loans are acquired at concessionary fixed rates. On the Other hand, there is no such refinancing risk as only 4.03% of outstanding debt will mature in the next financial year.

Risks	Indicators	FY 2023	FY 2024
Cost of Debt	Weighted Average Interest Rate	2.27%	2.25%
Refinancing Risk	Average Time To Maturity (ATM) (Years)	11.47	11.36
	Debt maturing in 1yr (% of total)	4.0%	4.03%
Interest Rate Risk	Average Time to Repayment (ATR) (years)	8.9	8.52
	Debt re-fixing in 1yr (% of total)	29.13%	31.32%
	Fixed-rate debt (% of total)	74.1%	71.8%

However, interest rate risk is high when the variable interest rate-dominated debt portfolio exists. Recently few loans have been mobilized at a variable interest rate. All that is required to keep a close eye on the issue of interest rate risk for coming years.

The redemption profile of debt at the end of June 2024 does not pose any risk as there is no extreme spike of amortization seen in graph-21. According to the redemption, profile amortization is smoother, and it will remain below 3.30 billion in the medium term.



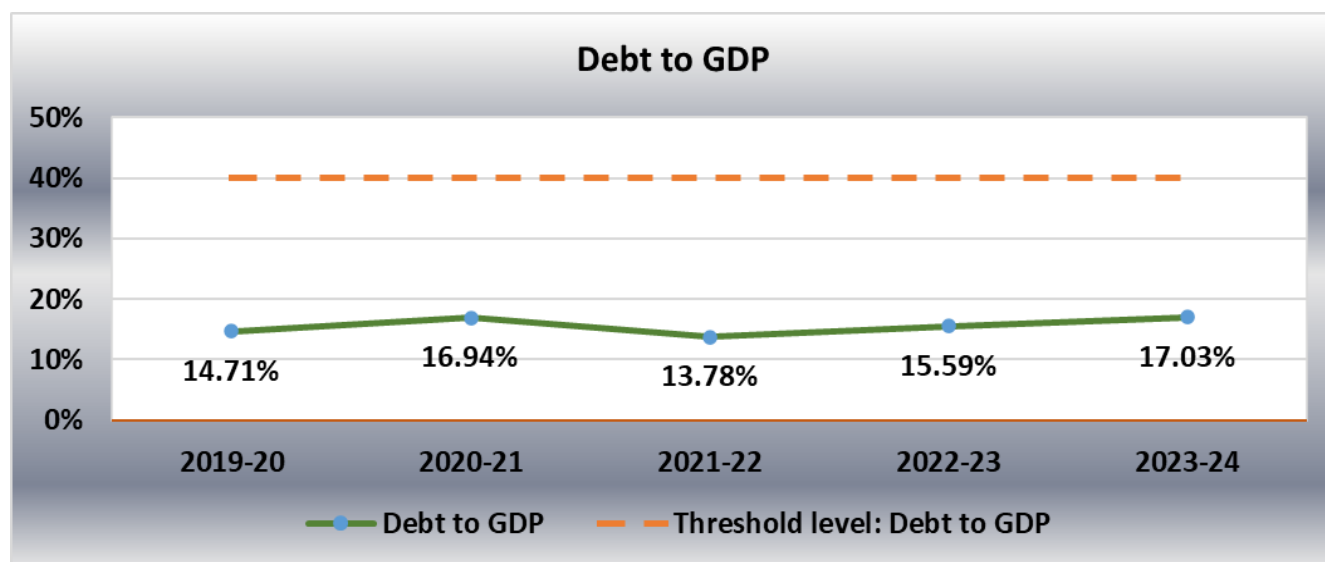
Graph-21

6.5 Debt sustainability of overall Public Sector External Debt

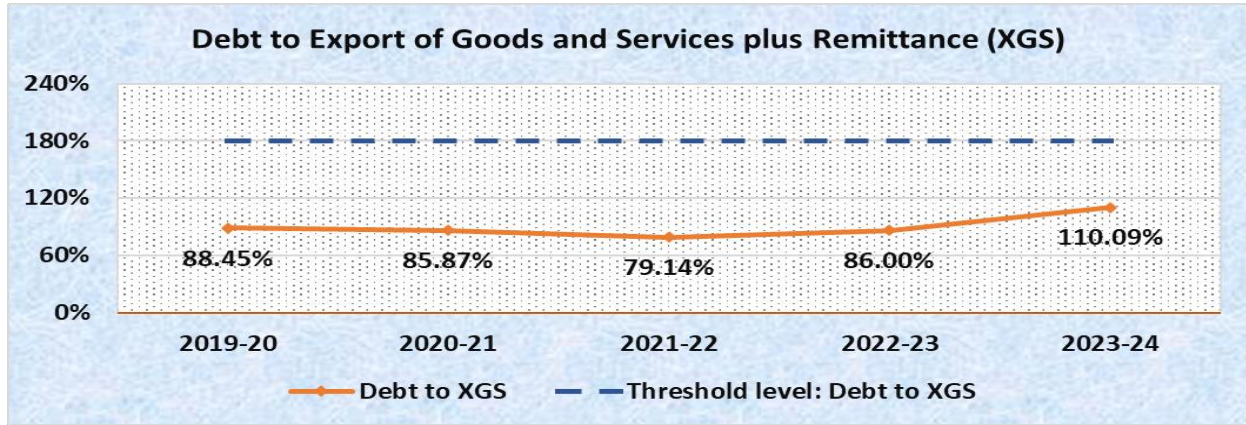
Broadly overall debt sustainability is measured by applying two aggregate sets of indicators. One is the ratio of **total debt outstanding** (public sector external debt) **to GDP and total debt to the export of goods and services**. The

other one is the ratio of **debt servicing to the export of goods and services and revenue earning**. The overall debt sustainability situation of Bangladesh is presented in the following graphs.

Debt Stock to GDP, Export of goods & services plus Remittance (XGS) and Revenue ratio and Threshold Level

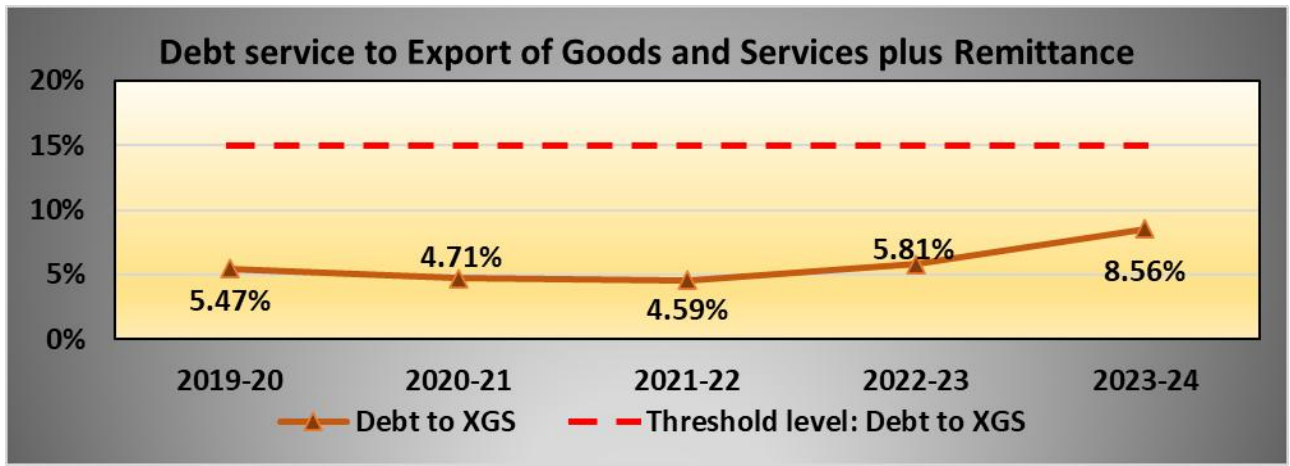


Graph-22

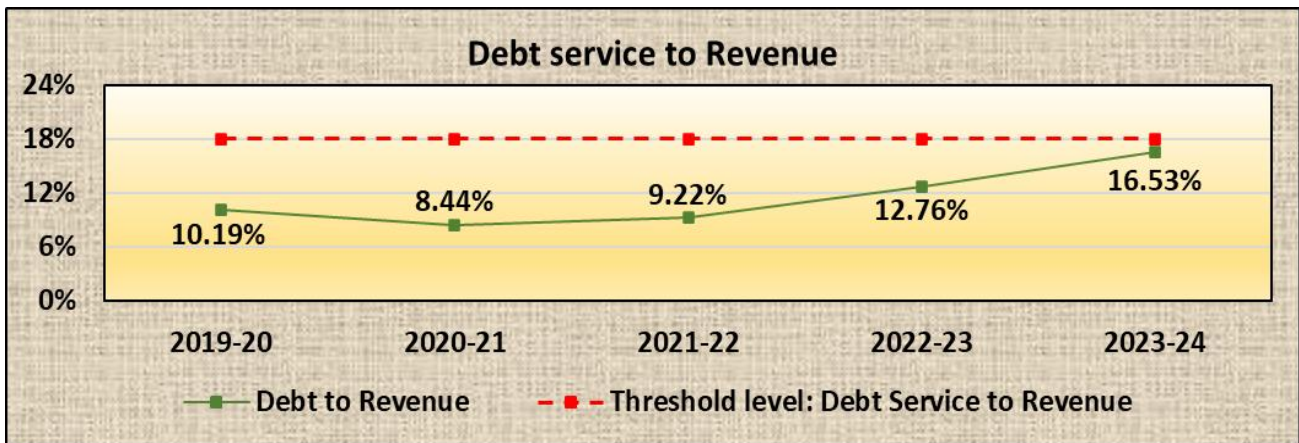


Graph-23

Debt Service to Export of goods & services plus Remittance (XGS) and Revenue ratio and Threshold Level



Graph-24



Graph-25

From the above indicators, it is clear that all the indicators of the external debt sustainability related to debt stock and debt service values are higher in FY 2023-24 compared to the previous year. All the indicators are below the level of threshold. According to present classification by World Bank, Bangladesh is categorized as “less indebted” country.

7. Part-5: Developments in Aid and Debt Management

7.1 Institutional Strengthening and Capacity Building: The recent IMF/WB/UNCTAD and the DeMPA Missions highlighted in their findings the need to improve on the institutional arrangement of public debt management. Economic Relations Division (ERD) took a number of activities that should lead to improved institutional arrangement for external debt management. Foreign Aid Budget and Accounting (FABA) wing was established in 2012 to ensure a prudent debt repay and accounting system. As a part of ERD’s continuous effort to strengthen and manage public debt efficiently, officials are accruing knowledge and skills through specialized trainings/seminars/workshops on risk analysis, debt strategy analysis, negotiation analysis, Financial Management, LIBOR transition, technological change, SDGs and other related areas. In September 2015 a new wing, Development Effectiveness has been established in ERD for responding to the changing dynamics of international development cooperation. The broad mandate of this Wing is to undertake analytical and research work to help ERD in adapting strategic policy measures for ensuring aid effectiveness.

7.2 Development in Borrowing Strategy: Since independence, Bangladesh has been depending on concessional loan from multilateral and bilateral agencies/countries. However, besides complex and time-consuming loan approval

process, the concessional loans are usually conditional. Moreover, Bangladesh’s access to the ODA is limited compared to increased investment need for fulfilling the national development strategy. Global economic recession has also adversely affected mobilizing foreign aid in concessional terms. But interest rates in the external borrowing markets are at still low.

In this context, the Government is evaluating various financing alternatives now to bridge the financing gaps. Government already signed agreement with Russia, European Investment Bank, France Development Agency, etc. to borrow at a market floating interest rate. For ensuring better screening of non-concessional loan, the government has for a long time a high level committee naming “Standing Committee on Non-Concessional Loan” to contain debt burden in a comfort zone consistent with a prudent degree of risk. The Committee approved 94 proposals of non-concessional loans from 1st July 2013 to 30 June 2024.

7.3 Debt Management System: Bangladesh developed a debt accounting and management system immediately after the liberation of the country with some assistance from IMF. This was refined into a system by 1978. UNCTAD reviewed the system and based on it developed its Debt Management and Financial Analysis System (DMFAS). Since 1992 FABA has been using UNCTAD formulated software, for managing external debt. In June 2013 DMFAS was successfully upgraded from version 5.3 to version 6.0 under Deepening Medium Term Budget Framework (DMTBF) project of SPEMP.

DMFAS version 6.0 is a web based software that connected Office of the Controller General of Account, Bangladesh Bank, Economic Relations Division (ERD) and Finance Division through Wide Area Network (WAN). The essence of this interconnectivity is to improve debt data quality and reporting among the institutions concerned. The operational linkages among institutions are yet to be completed. Once this process is completed, the quality of the country's debt management capacity will be substantially enhanced.

7.4 Monitoring of slow disbursing projects/ programs: To speed up disbursement against commitment, ERD has taken some measures which are as follows:

(i) Initiatives have been taken to identify slow-moving projects by using the following criteria:

- Projects which failed to achieve disbursement of less than 80% of the commitments over a period of 5 years or more;
- Projects which failed to achieve disbursement of less than 50% of the commitments over a period of 3 years or more; and
- Projects which failed to achieve disbursement of less than 10% of the commitments over a period of 1 year or more.

(ii) To expedite project implementation and establishing better cooperation among stakeholders, ERD arranges 'Tripartite Review Meeting' among ERD, Line

Ministries and DPs at least once in three months at the Wing Chief level and biennially at the Secretary level. Progress, bottlenecks, measures taken to mitigate the bottlenecks of project implementation is monitored in the Tripartite Review Meeting. The variance between planned disbursements according to DPP/TPP and actual disbursements are also examined in the meeting.

(iii) ERD officials inspect slow-moving projects and submit reports regularly.

7.5 Fast Track Project Monitoring Committee:

A high-level committee, chaired by the honorable Prime Minister, has been established to monitor the progress of the large projects that have or will have transformational value in the economic development of the country. Up to January 2020, nine projects have been selected for monitoring by the committee. The Projects are Padma Multi-purpose Bridge Project, 2X600 MW Maitree Super Thermal Power Project (Rampal), Ruppur Nuclear Power Plant Project, Dhaka Mass Rapid Transit Development Project (Metro Rail), LNG Terminal construction Project, Matarbari 2X600 MW Ultra Super Critical Coal Fire Power Project, Paira Sea Port Project, Padma Rail Link Project and Construction of Single Line Dual Gauge Track from Dohazari to Ramu-Cox Bazar-Ghumdum (near to Myanmar).

7.6 Initiatives toward diversification of sources of external resources:

To strengthen the platform of South-South Cooperation, according to the decision of High Level Meeting on 'South-South and Triangular Cooperation in

the Post 2015 Development Agenda: Financing for Development in the South and Technology Transfer', Bangladesh has communicated with 127 countries as an initiative to establish Finance and Development Ministers' Forum of the South. A number of countries have already responded positively. Moreover, Bangladesh has communicated with the UN to take initiative for a Resolution of the General Assembly regarding establishing the Finance and Development Ministers' Forum of the South. Besides that Senior Secretary of ERD has been nominated as National Designated Authority (NDA) to coordinate with Green Climate Fund (GCF), established under UN Framework Convention on Climate Change (UNFCCC), to ensure just share for Bangladesh as it is one of the worst victims of the climate change.

7.7 Bangladesh Development Forum (BDF):

The latest edition of the Bangladesh Development Forum (BDF) was held on 29-30 January, 2020 in Dhaka. This was the fourth round of BDF that took place over the last 10 years following its earlier edition in 2010, 2015 and 2018. This flagship event provides as an appropriate platform for assessing the progress made in implementing the SDGs aligned with the 7th five year plan for dialogue on ways to accelerate Bangladesh's development. Senior Vice President of JICA Mr. Junichi Yamada, Vice President of World Bank for South Asian region Mr. Hartwig Schafer, Vice President of Asian Development Bank Mr. Shixin Chen attended the event along with other representatives from Development Partners, international development agencies, foreign missions, civil society organizations, private sector, think

tanks, research organizations and Ministries/Divisions of the Government. The forum also serves to affirm broad-ranging support for Bangladesh's Development. Among many other issues, integrated SDG financing and strengthening multi-stakeholder partnerships, broader strategies of the 8th five-year plan, and national priorities were discussed widely in the Forum. The deliberations of the Forum will support collective efforts to help Bangladesh in achieving SDGs, promoting inclusive, resilient, sustainable growth and development, and improving the lives of all Bangladeshis.

7.8 Initiative towards project readiness:

To ensure readiness for implementation of the projects, ERD prepared a checklist of jobs to be complemented at the formulation stage of projects. Consequently, a policy of allocating and managing the funds for the preparation of projects and completion of jobs listed in the checklist was also prepared. The Cabinet Committee on Economic Affairs approved both the checklists and the policy on 08.02.2017. It was published as a gazette on 6.3.2017. It is expected that the lead times for commencing the implementation of the project will be reduced considerably. It is implied that the rate of utilization of aid in the pipeline will be improved with faster implementation of projects.

7.9 Efforts towards implementation of SDG:

The preliminary assessment of the General Economic Division (GED) of the Ministry of Planning shows that it may require around US\$928.48 billion worth of additional resources

for the full implementation of SDGs from 2017 to 2030. That means the annual average cost would be 66.32 billion US\$ which is 19.75% of the accumulated GDP. Importantly, external resources are estimated as 14.89% (9.95% FDI and 4.94% foreign aid and grant) of the total resource requirement. ERD pertains to Goal-17 of SDG (Partnership for the Goals) which entails multi-stakeholder partnership needs for mobilizing resources and transferring technology through innovations and sharing knowledge in accomplishing the Agenda 2030. ERD's role has been instrumental in realizing Bangladesh's SDGs through mobilizing foreign resources as well as enhancing effective ties with the Development Partners (DPs) and International organizations. As per the Handbook on Mapping of Ministries published by the General Economic Division (GED), ERD has the role of coordinator for Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development. ERD has been assigned the role of Lead for 12 targets, and 12 Indicators and is responsible for providing data for 22 different Indicators. According to Target 17.2 of SDGs, Developed Countries are supposed to fulfill their commitments to providing Official Development Assistance (ODA) at a minimum rate of 0.7% of the GNI of respective countries. It has been urged to provide at least 0.15-0.20% of GNI to LDCs out of the total target flow of ODA. ERD has undertaken several strategic Institutional and policy measures to harness

resources to support Bangladesh's SDGs implementation. As per the directives from the Prime Minister's Office (PMO), the General Economic Division (GED) of the Planning Commission in consultation with the SDG-based coordinating ministries/divisions and relevant stakeholders prepared a comprehensive Voluntary National Review (VNR) of Bangladesh through series of meetings and workshops. All coordinating Ministries/Divisions were instructed to organize Consultation Workshops on SDGs Implementation involving the Lead, Co-Lead, and Associate Ministry/Division, DPs, local and international NGOs, CSOs, and relevant stakeholders to provide necessary inputs for the VNR. Like other coordinating Ministries/Divisions, ERD also arranged a Consultation Workshop on the progress of SDG Implementation on 29 December 2019 involving relevant stakeholders. The findings of this workshop were reflected in the VNR Report of Bangladesh. The Division submitted its SDG Implementation Report (SIR) 2019 to the PMO. Bangladesh presented their VNR reports on SDG's Implementation on 13 July 2020 at the United Nations High-Level Political Forum (HLPF) through Virtual Meetings.

ERD is providing data to relevant indicators to **SDG Tracker**- a macro-level data repository system prepared by the a2i project of the Prime Minister's Office to facilitate the results-based monitoring system within the Government.