

Overall Scenario of Foreign Assistance Management

To achieve the development objectives as well as to accelerate growth, the government has consistently emphasized increasing investment in the development sector by adhering to the prudent fiscal and financial management policy of the government. According to the 8th Five-Year Plan, the GDP growth rate should gradually increase from 7.4% to 8.51% by 2025 fiscal year (average 7.98% from 2021 to 2025). Therefore, the investment, which was 31.5% in 2022-2023, should also be gradually increased to 37% of GDP in FY 2024-2025. Considering the constraints on providing adequate resources from internal sources, foreign assistance is essential in current macro-economic management to meet investment demand as per development goals. Under the Government's Rules of Business, ERD is concerned with the search for and collection of foreign resource mobilisation.

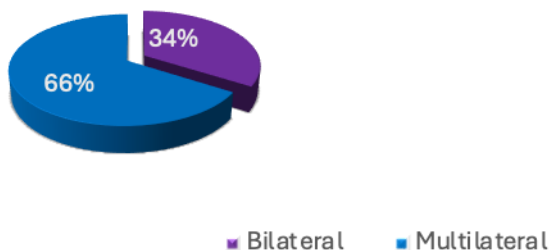
Furthermore, the collection and effective utilization of foreign assistance is essential to meet the investment demand in FY 2023-2024. Bangladesh's total public investment target was set at 6.4% of the GDP in the budget for the FY 2023-2024. The government's budget deficit was set to be financed by net foreign assistance of 2.1% of GDP (Base year 2015-2016). ERD strives to mobilise significant amounts of foreign assistance to accomplish the investment needs in different sectors, including health, electricity, transportation, physical infrastructure, and education. ERD has given special attention in FY 2023-2024 to collect additional foreign assistance beyond regular assistance as budget support and project support to combat the Covid 19 situation and address the obstacle that the Russia-Ukraine conflict has created in the way of achieving both full economic recovery and targeted development objectives.

Commitments received during the last five fiscal years, i.e., from FY 2019-2020 to FY 2023-2024 amounts to USD 49.20 billion, which is an average of USD 9.84 billion per FY. At the same time, the disbursement of foreign assistance amounts to USD 46.21 billion which is an average of USD 9.236 billion per FY. The amounts of commitment and disbursement of foreign assistance in the FY 2023-2024 are USD 10.72 billion and USD 9.89 billion, respectively. In FY 2023-2024, budget support-related commitment and disbursement are USD 2.05 billion and USD 2.03 billion, respectively.

Foreign Assistance Mobilisation

A total of USD 10723.36 million has been signed in FY 2023-2024. Of these, the Grant amount and the Loan amount are USD 817.27 million and USD 9906.09 million, respectively. The target for foreign assistance (commitment) was set at USD 6000.00 million in FY 2023-2024; against which the commitment was achieved by 178.72%. During this fiscal year, the highest foreign assistance (commitment) amounting to USD 2941.27 million was received from the ADB among the multilateral Development Partners. The maximum commitments were received from Japan among the bilateral Development Partners, amounting to USD 2039.17 million. The rate of commitments from multilateral and bilateral sources can be seen in **Graph 1**.

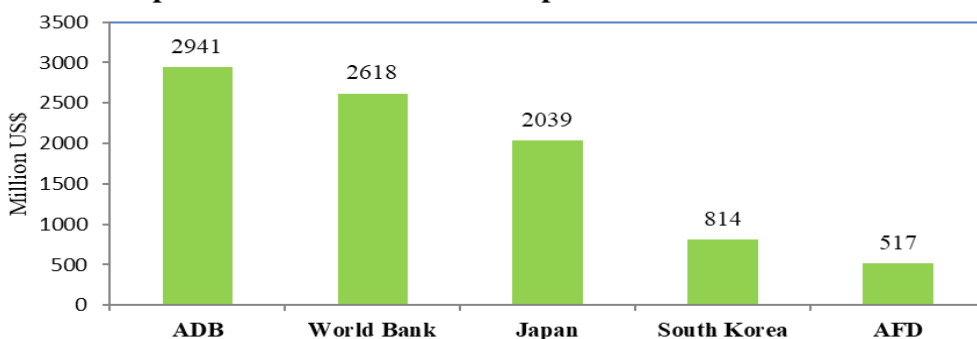
Graph 1: Commitment by Source in FY 2023-24



Graph-1: Commitment by Source

The amount of five major Development Partners' commitments in FY 2023-2024 is shown in **Graph 2**.

Graph 2: Commitment of Five Top DP's in FY 2023-24

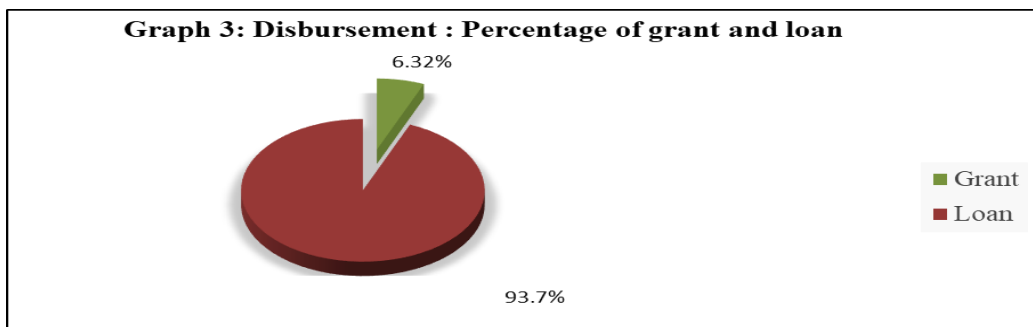


Graph-2: Commitment of Five Top DPs

In FY 2023-2024, a total of 111 agreements have been signed with 22 Development Partners, of which 76 are Grant Agreements and 35 are Loan Agreements. Development Partner-wise commitment of FY 2023-2024 is cited in **Annexure-3**.

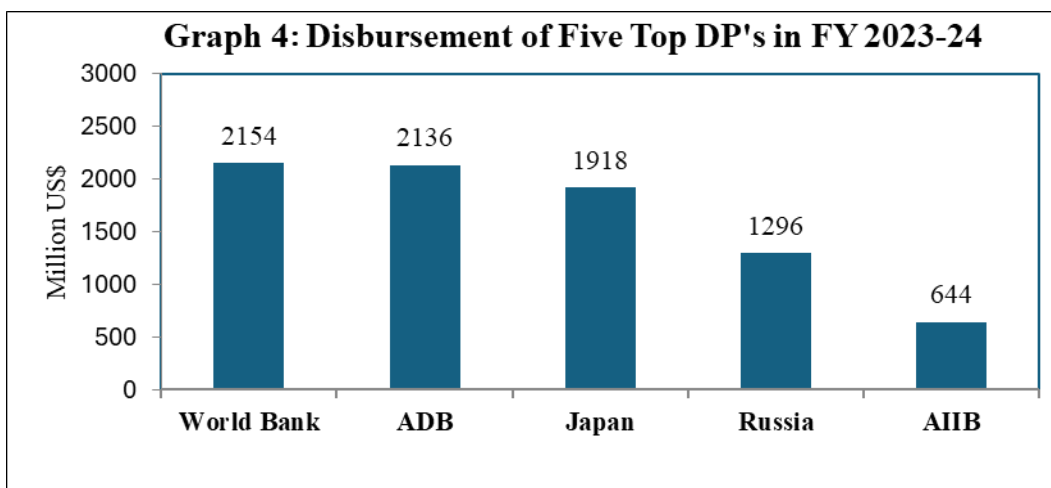
Disbursement of Foreign Assistance

In FY 2023-2024, the total disbursement of foreign assistance amounts to USD 9891.96 million. Of these, Grant and loan amounts are USD 625.15 million and USD 9266.81 million, respectively. The ratio of Loan and Grant in the total disbursements is presented in **Graph 3**.



Graph-3: Disbursement Percentage of Grant and Loan.

The amount of the five major Development Partners' disbursement in FY 2023-2024 is shown in **Graph 4**.

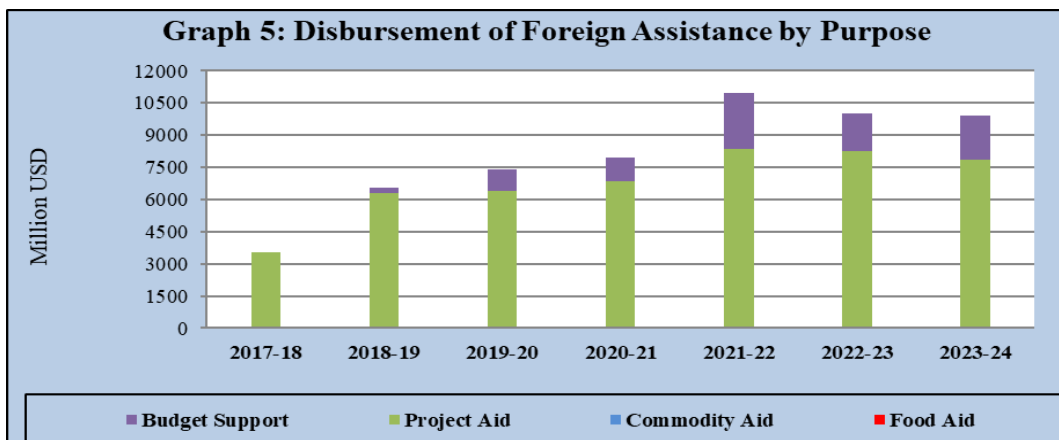


Graph-4: Disbursement of Five Top DPs in 2023-2024

In the aforesaid fiscal year, the revised target for disbursement of foreign assistance as per RADP was USD 8209.00 million, against which 95.76 % was disbursed. Including budget support total disbursement was USD 9891.96 million. Out of this total amount of disbursement in FY 2023-2024, USD 5274.49 million has been sourced from multilateral sources, whereas USD 4617.47 million was received from bilateral sources. Among the multi-lateral sources, the highest disbursement of USD 2154.03 million was obtained from the World Bank. At the same time, Japan topped the list among the bilateral sources with the disbursement amount was USD 1918.03 million. Details of total disbursement by Development Partners are presented in **Annexure-4**.

In FY 2023-2024, out of total foreign assistance, food assistance and project assistance amounts were USD 30.00 million and USD 9861.96 million, respectively. During this

time, USD 2031.41 million in budget support was received. However, in the past few years, there has been no disbursement for commodity assistance. The information regarding the purpose of disbursement in the last several years is presented in **Graph-5** below:

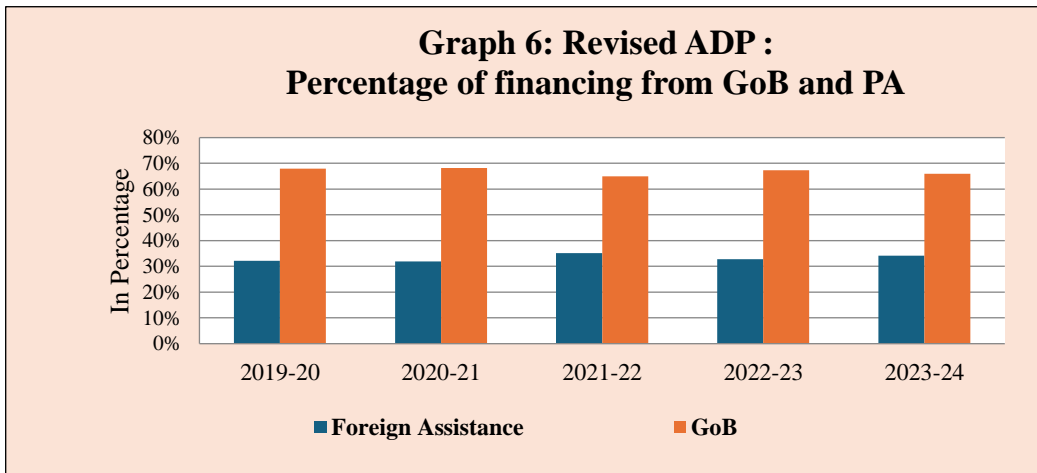


Graph-5: Disbursement of Foreign Assistance by Purpose

Based on a primary estimate, at the end of FY 2023-2024, the amount of foreign assistance in the pipeline has become around USD 44.66 billion. Out of this, an amount of USD 49.20 billion has been added to the foreign assistance commitment pipeline in the last five fiscal years, i.e., from FY 2019-2020 to FY 2023-2024. This amount of commitment is supposed to be disbursed within the next five to six years. However, the foreign assistance disbursement is directly linked to the preparation and implementation of the projects.

Annual Development Programmes

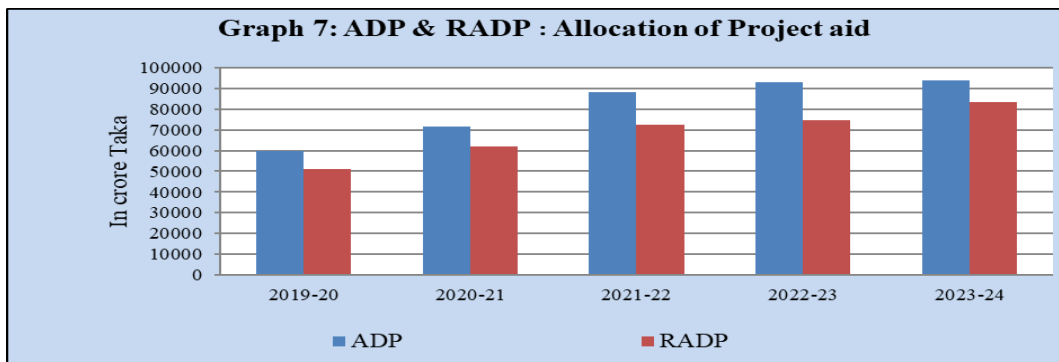
Although the dependence on foreign assistance in financing Annual Development Programmes (ADPs) has been steadily declining, a significant portion of such programmes are still being executed by foreign assistance. In the revised ADP of FY 2023-2024, the amount of foreign assistance as project assistance amounts to 34.08% of the total ADP. A comparative analysis of the financing ratio from the GoB and foreign assistance in the revised ADP of the last five fiscal years is shown in **Graph-6**.



Graph-6: Revised ADP: Percentage of financing from GoB and PA.

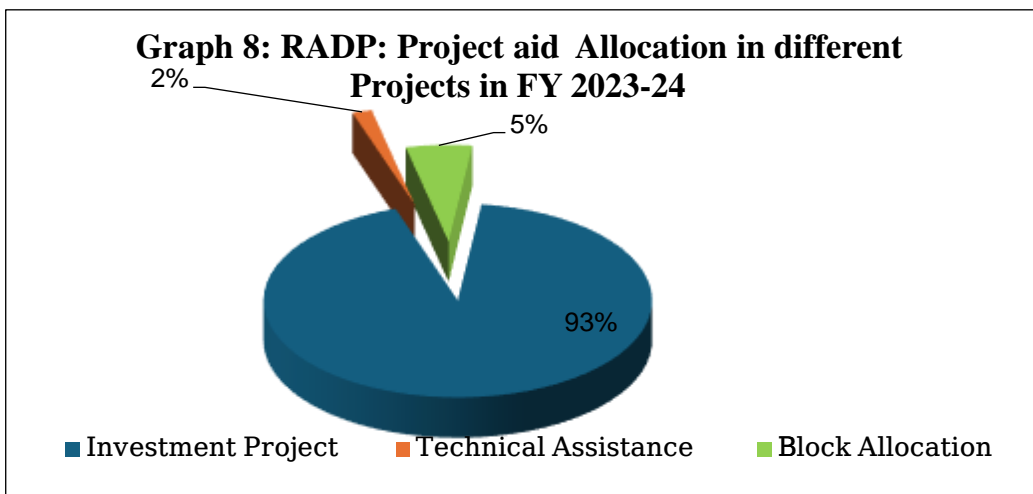
The allocation for project assistance in the ADP amounts to BDT 94,000 crore (USD 9,064.00 million) while the allocation for food assistance was BDT 217.50 crore (USD 25.00 million). Due to the decreased demand for project assistance by the Ministries/Divisions, project assistance amounting to BDT 83,500.00 crore (USD 8,072.00 million) and food assistance amounting to BDT 275.00 crore (USD 25.00 million) were allocated to the revised ADP.

The allocation of the project assistance to the revised ADP for FY 2022-2023 was BDT 74500.00 crore (USD 8377.00 million); while in FY 2023-2024, the allocation of project assistance to the revised ADP has increased by 12.08% as compared to FY 2022-2023. It should be noted that since independence, the allocation of project assistance in the revised ADP for all fiscal years has been lower than that of ADP. The allocation of project assistance in ADP and RADP in the last five FYs is displayed in **Graph-7**.



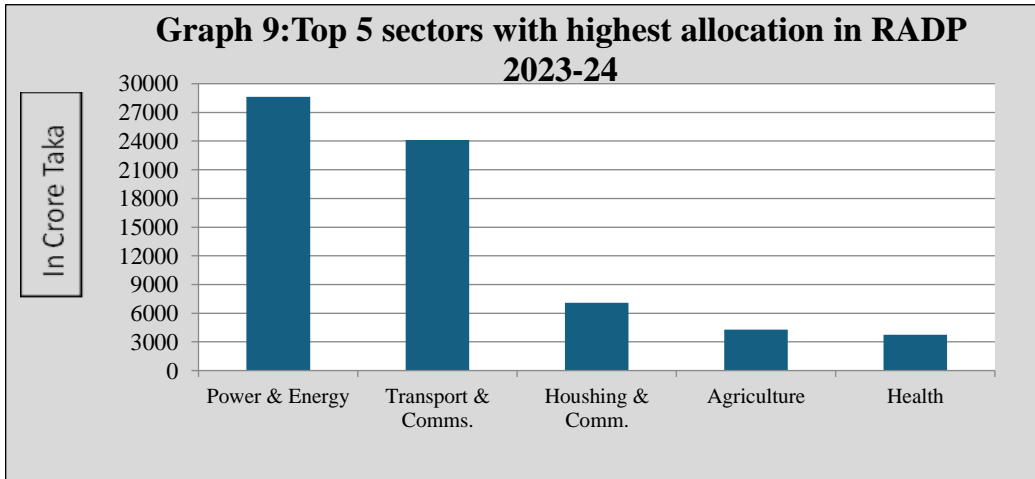
Graph-7: ADP and RADP: Allocation of Project Aid

The total number of foreign assistance projects in the revised ADP in FY 2023-2024 were 315, out of which 97 were technical assistance projects and 218 were investment projects. In this FY, an amount of BDT 77802.86 crore was allocated for investment projects, while BDT 1321.67 crore was allocated for technical assistance projects and BDT 4375.47 was reserved for special needs. A comparative allocation ratio of project assistance is shown in **Graph-8**.



Graph-8: RADP: Project Aid Allocation in Different Projects

The project assistance was allocated to 15 sectors in the FY 2023-2024 where Power and Energy sector received the highest allocation of foreign assistance followed by the Transport and Communication sector. The information of top five sectors with the maximum allocation of foreign assistance in the revised ADP in FY 2023-2024, is specified in **Graph-9**.

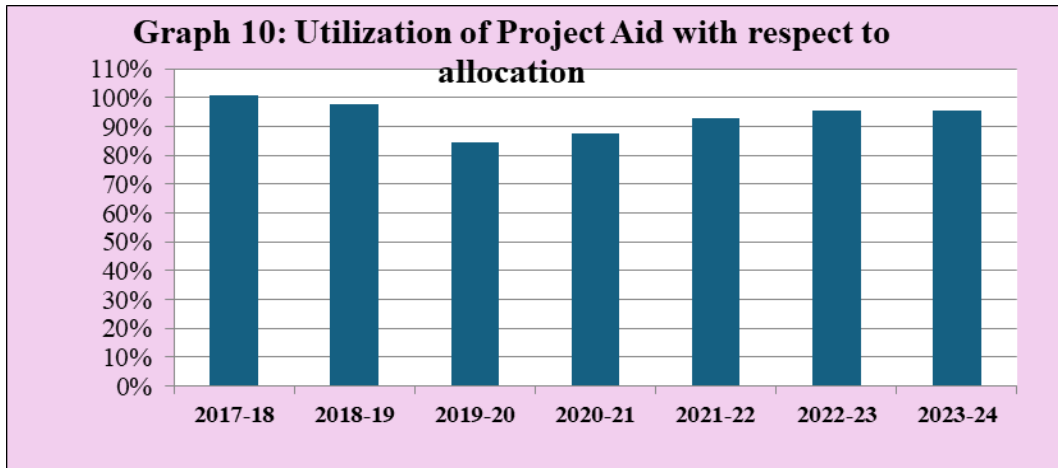


Graph-9: Top Five Sectors with Highest Allocation in RADP

The allocation of sector-wise project assistance in the revised ADP for FY 2023-2024 is shown in **Annexure-5**. On the other hand, the Ministry of Science and Technology received the highest support among the Ministries/Divisions. **Annexure-6** contains information of the Ministry/Division-wise allocation for the FY 2023-2024.

Initiatives to Increase the use of Project Support

ERD has been continuously taking initiatives to ensure maximum utilization of project assistance allocated to ADP projects. For the past few years, quarterly tripartite portfolio meetings have been organised with Ministries/Divisions and Development Partners. Slow-moving projects are being identified in view of the pace of the disbursement of foreign assistance after the signing of the agreement. These projects are being reviewed at the quarterly tripartite portfolio meetings. Moreover, there are biennial meetings at the Secretary-level and annual meetings at the Ministerial level to review the progress of the most allocated projects. Apart from these initiatives, the progress of the project implementation is monitored through a series of inspections for identifying the problems that may arise during the implementation of the projects. All these aforementioned initiatives undertaken by ERD play a vital role towards increasing the utilization rate of project assistance. The information about the utilization of project assistance is presented in **Graph-10**.

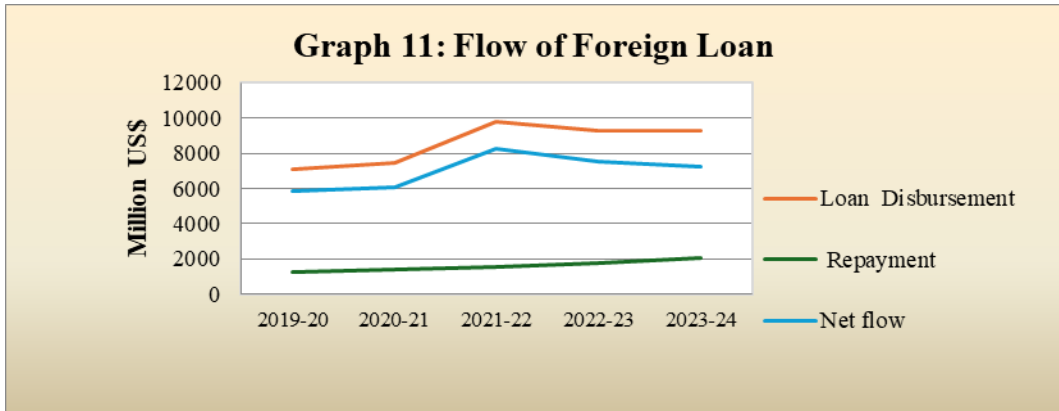


Graph-10: Utilization of Project Aid with respect to Allocation

A Fast Track Project Monitoring Committee was constituted under the guidance of the highest authority of the government on 15 May 2013 to accelerate the implementation of projects. After the formation of the committee, a total of five meetings have been held till June 2023. Padma Multipurpose Bridge Project, 2X660 MW Moitri Super Thermal Power (Rampal) Project, Rooppur Nuclear Power Plant Establishment Project, Dhaka Mass Rapid Transit Development (Metro Rail) Project, LNG Floating, Storage and Regasification Unit Construction Project, Paira Deep Sea Port Construction Project, Matarbari 2X600 MW Ultra Super Critical Coal Fired-Power Project, Padma Multipurpose Bridge Rail Link Project and Dohazari-Ramu Cox's Bazar and Ramu-Myanmar Ghundum Single Line Dual – gauge track construction project have been identified as nine fast track projects. A Fast Track Project Monitoring Task Force has been set up to closely monitor the activities of these projects.

External Debt Management

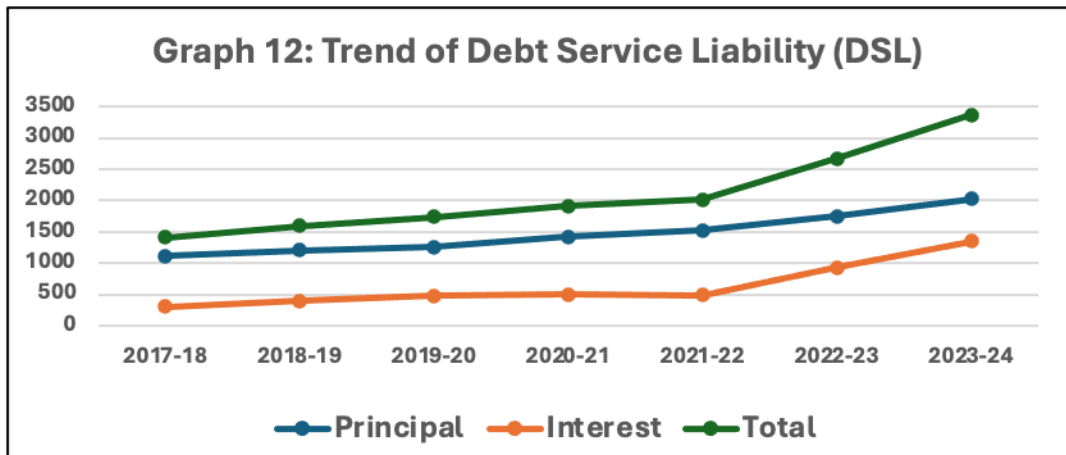
ERD manages the foreign debt of the government. This Division has been using the internationally standardized software 'Debt Management Financial Analysis System' (DMFAS) for the last 31 years to facilitate the task of debt management. Bangladesh's ability to manage foreign debt has attained the global standard. Currently, most of the foreign borrowings taken by the government are medium and long-term loans, which are usually of concessional nature. An analysis of the government's debt repayment data from a foreign source shows that the net flow of foreign debt has decreased by USD 1315.12 million in FY 2023-2024 as compared to the previous fiscal year and principal payment increased by USD 209.66 million. (**Graph-11**).



Graph-11: Flow of Foreign Loan

Debt Servicing

Foreign Debt is paid and managed by ERD. The Division has paid a total of USD 3371.59 million against foreign debts to the Development Partners in FY 2023-2024. Of these, the principal amount is USD 2021.79 million while interest is USD 1349.80 million. In FY 2023-2024, the budget allocation for foreign loan repayments was USD 3683.00 million. We have observed with pride that since independence, Bangladesh never failed to repay foreign loans in due time. Again, the country never applied for re-scheduling of installments in repayment either.



Graph-12: Trend of Debt Service Liability (DSL)

Debt Sustainability

Several indicators are being used globally to determine the sustainability of foreign debt. One of the most prevalent indicators is the foreign loan status and the comparative analysis of the country's GDP, export earnings, revenue income with the repayments of

principals and interests. To this end, the World Bank and IMF have determined the risk borderline of debt sustainability indicators for the developing countries. A comparative analysis of Bangladesh’s foreign debt sustainability indicators for the FY 2018-2019, 2019-2020, 2020-2021, 2021-2022 and 2022-2023 is presented below:

Table-3: Debt Sustainability Indicators of Bangladesh

Indicators Fiscal Year	Foreign Debt to		Debt Service to	
	GDP	Export plus Remittance	Revenue	Export plus Remittance
2018-2019	13.9%	69.78%	9.4%	4.4%
2019-2020	14.7%	88.45%	10.2%	5.5%
2020-2021	16.9%	85.87%	8.4%	4.7%
2021-2022	13.7%	79.14%	9.2%	4.6%
2022-2023	15.5%	86.00%	12.76%	5.8%
Threshold Level	40%	180%	18%	15%

The above index analysis specifies that the foreign debt sustainability of Bangladesh is far below the maximum risk limit. It reveals that the country’s foreign debt sustainability is at a satisfactory level. This has also been reflected in the published documents of the Joint IMF-World Bank DSA assessment in June 2024 which confirms that Bangladesh remains at low risk of external and overall debt distress.

Initiatives Taken to Reduce the Risk of Non-Concessional Loans

With the increase of per capita GNI particularly after the graduation from low-income to lower middle income country, the availability of concessional loan is likely to be shrunk gradually. The post pandemic effect and the on-going geopolitical situation have further aggravated the situation. However, Bangladesh needs more resources and capacities to meet the ever-increasing investment growth. Given the state of affairs, Bangladesh has to mobilise more non-concessional loans for sectors as per the demand of the people.

In addition, as state-owned enterprises and autonomous organisations are taking non-concessional loans against government guarantees, the risk of foreign debts is increasing steadily. The Standing Committee on Non-Concessional Loans (SCNCL) was constituted on 14 July 2013 to examine and approve the flexibility of the loan in a process consistent with the best international practices for negotiating the risk of hard conditions. Foreign loans with less than 25% Grant element are required to be presented to this committee for examination and approval. This committee scrutinizes and approves the non-concessional loan proposals. SCNCL has approved the proposal for taking 16 non-concessional loans in FY 2023-2024. A total of 94 proposals for non-concessional loans have been approved by the Standing Committee till June 2024.

Policy and Procedural Reforms

To expedite the implementation, ensure proper preparation and to carry out the preparatory work of the project within the stipulated time, the 'Allocation and Management Policy of the project preparatory work' and 'Checklist of the preparatory work of the project' have been formulated. It has already been published in the Gazette and sent to all Ministries/Divisions. With support of ADB, a draft project readiness criteria is also prepared which will be finalized after due consultation with the planning commission for smooth preparation and implementation of projects.

Targets for FY 2024-2025

Targets related to commitment and utilization of foreign assistance and debt repayment for the FY 2024-2025 are as follows:

- Foreign assistance commitment target of USD 6300.00 million has been estimated
- Foreign assistance disbursement target is estimated at USD 10824.00 million (as per national budget including budget support)
- In the ADP, a total of BDT 100000.00 crore has been allocated for project assistance in favour of 279 (Technical 80+ Investment 199) foreign assistance projects; and
- For the repayment of foreign loans and loan interest, a total of BDT 57000.00 crore has been allocated in the budget.