Overview

Consistent economic growth over the years and achievements in socio-economic development of the country reflects a favorable finding of the policy taken. This encourages government to start up thinking for a new long term goal of taking Bangladesh to a developed country level by 2046. As a gateway to the higher trajectory growth path Bangladesh needs to achieve the target of transforming it into a middle income country by 2021. However, to secure a growth to reach that target, the present investment of 26-27 per cent of GDP will fall far short of achieving that status. According to the report '2014 Global Outlook on Aid' of OECD growth in Foreign Direct Investment (FDI), portfolio investment and other forms of private finance has significantly outpaced growth in concessional resources in many countries over the past decade, but this has not been the case everywhere. While the relative importance of aid is diminishing, the capacity of LDCs to attract flows beyond aid remains limited. For LDCs, aid flows continue to represent the bulk of external financial resources, representing 68% of total external finance in 2012. In response to this, the policy decision of the Government during the reported time was to access non-concessional external loans for financing infrastructure projects, reduce the financing gap, and ramp up investment needed to launch the country to a higher trajectory growth path. A quick check at the commitment and disbursement would find that there has been a significant increase of resources flow both in concessional as well as non-concessional loans. Total disbursement peaked to a record-breaking US$ 3.08 billion in FY 2013-14. Despite exercising the flexibility in accessing both types of loan, Bangladesh maintains its position in a comfort zone in terms of solvency and liquidity. The ratio of general government's external debt stock as on 30.06.2014 to GDP is 14.04% vis-à-vis the threshold limit of 40% reveals the solid solvency position. The ratio of general government's external debt service obligation in FY 2013-14 to export of goods and services is 2.76 % vis-à-vis the threshold limit of 20% mirrors good liquidity condition of Bangladesh.

2. This section of the document is organized into 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 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 risk associated with external debt portfolio and debt sustainability status
v. **Part-5** describes some steps taken in recent times in the arena of aid and debt management.

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

3.1 Objective: The primary objectives of resource management are:

(a) to ensure mobilization of government's external resource in line with national development strategy at 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 2013-14 are given in the table below. It also captures related macroeconomic indicators which would offer readers an opportunity to have a broad appreciation of external debt of the country in the context of overall macro-fiscal situation of the country.

A. Foreign Aid Flow and Debt

	FY 2013-2014	FY 2012-2013
1. Flow of Foreign Aid	*(In million US$)*	*(In million US$)*
(i) Opening Pipeline	**16,624**	**15,430**
(ii) Total Commitment	**5,844**	**5,854**
Grant	498	554
Loan	5,346	5,300
Projects	5,844	5,549
Non-projects	0	305
(iii) Total Disbursement	**3,084**	**2,811**
Grant	681	726
Loan	2,403	2,085
Projects	2,886	2,419
Non-projects	198	392
(iv) Closing Pipeline	**18,175**	**16,624**
(v) Foreign grant channeled through NGO		
Amount Approved	819	639
Amount released	719	677
2. External Debt Stock	*(In million US$)*	*(In million US$)*
Total public sector outstanding debt	**27,036**	**24,907**
(a) General Government debt (Medium & Long Term)	**24,388**	**22,381**
Multilateral	20,442	19,249
Bilateral	3,406	2,794
Supplier/Buyer's Credit	540	338

	FY 2013-2014	FY 2012-2013
2. External Debt Stock	*(In million US$)*	*(In million US$)*
(b) Government's Guaranteed debt		
Air Craft	641	396
Crude Oil	877	1,409
Power	313	124
IMF	813	597
Telecom	3.5	-
3. External Debt Service	*(In million US$)*	*(In million US$)*
Total debt servicing	**3,004**	**3,790**
(a) Principal	**2,741**	**3,515**
General Government (Medium & Long Term)	1,088	908
Air Craft	36	89
Crude Oil	1,511	2,414
Power	16	0
IMF	83	104
Telecom	7	-
(b) Service Charge	**263**	**275**
General Government (Medium & Long Term)	206	198
Air Craft	0.4	7
Crude Oil	50	70
Power	6	0
IMF	0.7	0
Telecom	0.2	-

B. Macro Economic Statistics

Macro Economic Statistic	FY 2013-2014	FY 2012-2013
i. GDP growth rate (Base Year: 2005/06)	6.12	6.01
ii. GDP at current price (Base year: 2005/06 in million US$)	173,752	149,996
iii. GDP as per PPP at Current Int'l Dollar (in million US$)*	535,645	496,013
iv. Per Capita Income (Base year: 2005/06 in US$)	1,190	1,054
v. **Export of Goods and Services (In million US$)**	**32,830**	**29,848**
Merchandise	29,765	27,018
Services	3065	2,830
vi. **Import (In million US$)**	**40,732**	**34,084**
Food	1465	726
Capital Machinery	2332	1835
vii. Foreign Exchange Reserve (in million US$)	21,508	15,315
viii. **Remittance (in million US$)**	**14,115**	**14,461**
Of the total from: KSA	3,119	3,829
UAE	2,685	2,829
USA	2,323	1,860

∗ Reference: World Economic Outlook Database, October, 2014 IMF, collected from Finance Division.

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

Up to June 30, 2014 a total of about US$ 86.89 billion of external assistance was committed. According to the classification by purposes the share of food aid is US$ 6.88 billion, commodity aid is US$ 11.07 billion, project aid is US$ 65.37 billion and budget support is 3.58 billion of the total commitments.

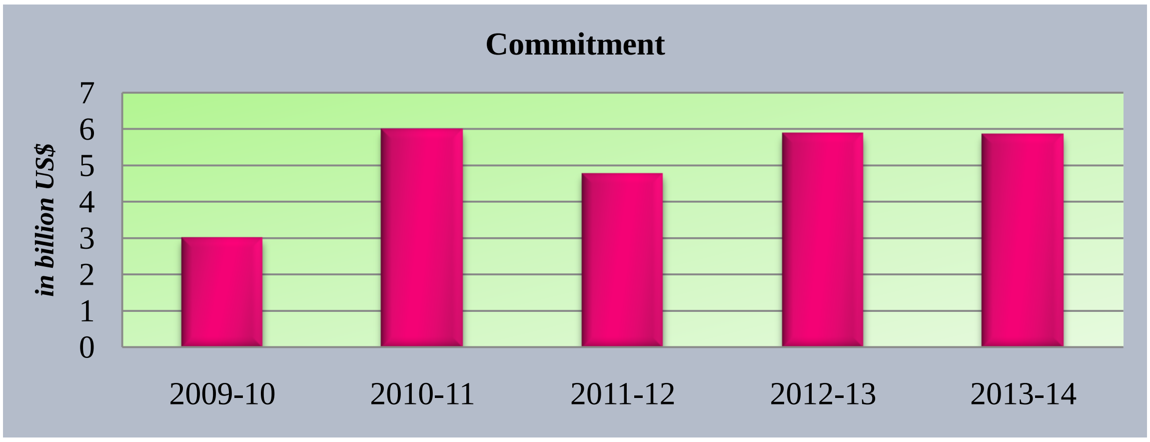
For the period since independence up to June 30, 2014, a total amount of about US$ 62.40 billion of foreign aid was disbursed, of which US$ 25.34 billion is grant and US$ 37.05 billion is loan. Of the total amount, US$ 6.80 billion as food, US$ 10.91 billion as commodity, US$ 41.27 billion as project aid and US$ 3.42 billion as budget support were disbursed.

Significant changes have taken place in case of the total aid package to the country over forty three years since independence. The share of grant is declining gradually vis-a-vis the share of loan. Considering sources of the total aid flows, multilateral aid has been growing through years compared to bilateral aid. Vulnerable food security and shifting 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 such as holding meetings regularly of the Bangladesh Development Forum, greater partners has an important bearing on the interaction of the Local Consultative Groups which aims at aid effectiveness and harmony, regular triangle portfolio meetings of ERD, donors and project implementing ministry/agencies etc.

Some key features for the financial year 2013-2014 related to external aids are discussed below.

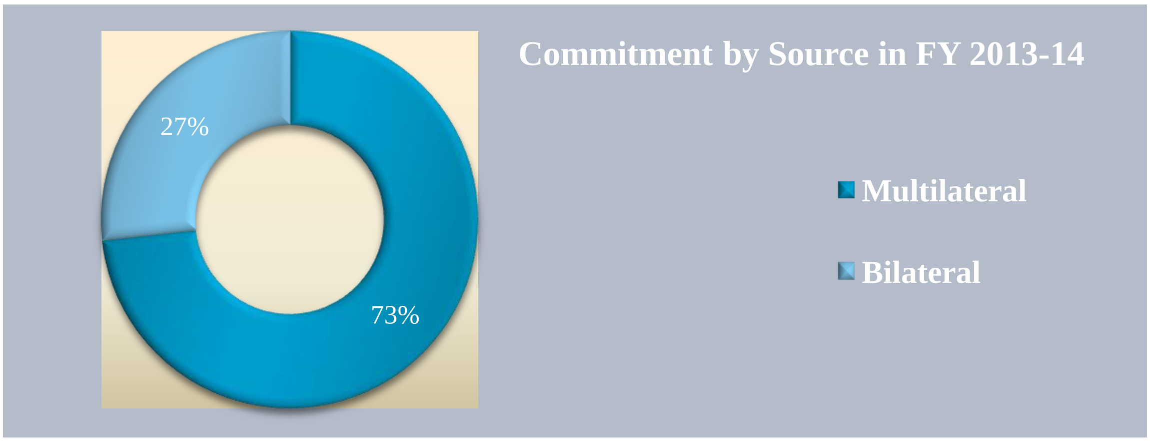
4.1 Commitments:

During the FY 2013-14, a total of US$ 5.84 billion of external assistance was committed. The commitment of foreign aid for FY 2013-14 is the third largest after a record commitment of US$ 5.96 billion in FY 2010-11. Compared to last fiscal year, the growth of commitment is minus 0.18 per cent. Graph-1 shows commitment of foreign aid for last five years.



Graph 1

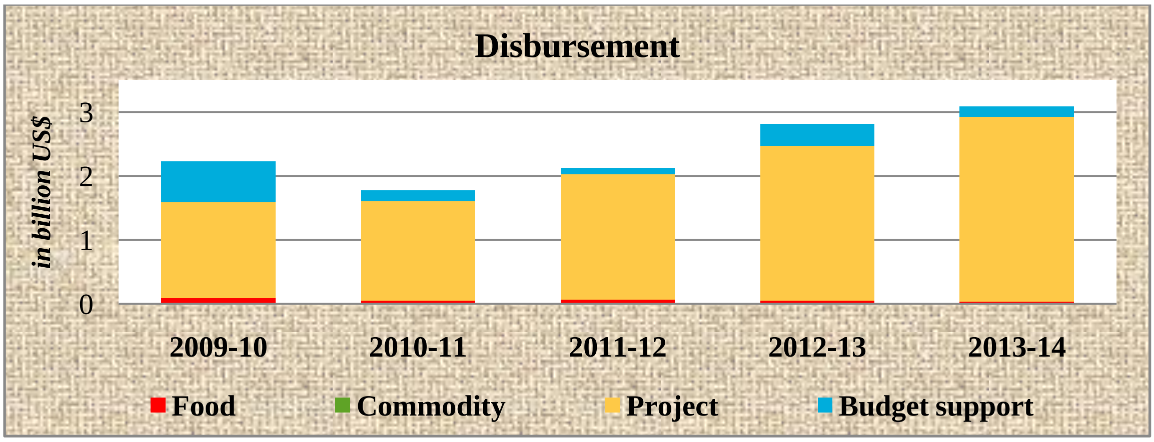
In FY 2013-14 projects aid constituted the whole amount of commitment. There is no commitment for the food aid, budget support and commodity aid in this financial year. According to source of financing, commitment from multilateral agencies and bilateral sources are US$ 4279.2 million and US$ 1565 million respectively. Composition of commitment is shown for the FY 2013-14 in graph 2.



Graph-2

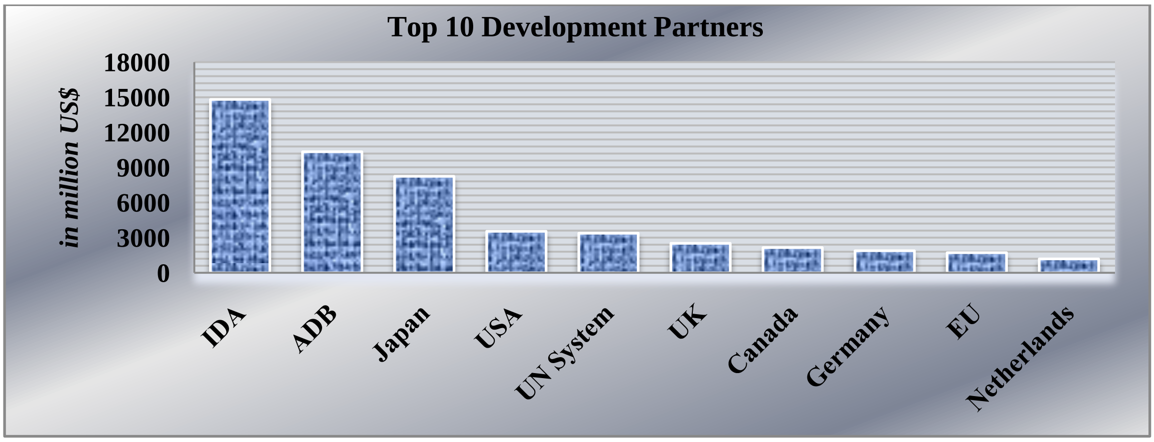
4.2 Disbursement:

In the FY 2013-14, a total amount of US$ 3.08 billion was disbursed which registered a record of disbursement in a single financial year since independence. Disbursement during FY 2013-14 is 9.73 per cent higher than the disbursement of the previous year. Of this US$ 680.7 million is grant and US$ 2403.7 million is loan. Of the total amount, food aid, project aid and budget support are US$ 37.6 million, US$ 2886.3 million and US$ 160.5 million respectively. Multilateral donors disbursed lion share of the total disbursement amounting to US$ 1722.8 million and bilateral donor disbursed US$ 1361.6 million. Graph-3 shows a comparison of disbursement by purpose in different years.



Graph-3

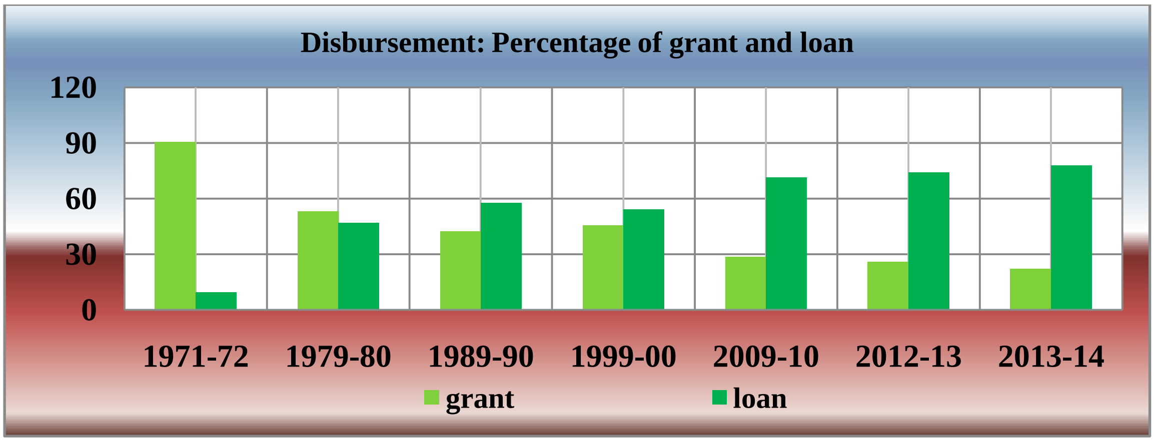
Since 1972 on a cumulative basis of aid disbursement, the major multilateral development partner is IDA followed by ADB. On the other hand, Japan ranks as the largest bilateral development partner followed by the USA. Disbursement of top 10 development partners according to their contribution has been presented in graph-4



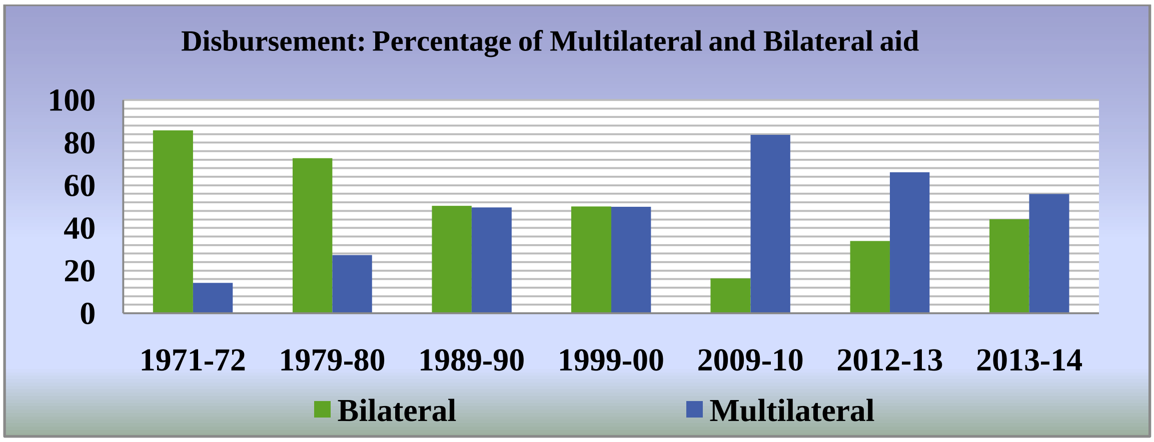
Graph-4

4.3 Changing scenarios in aid composition

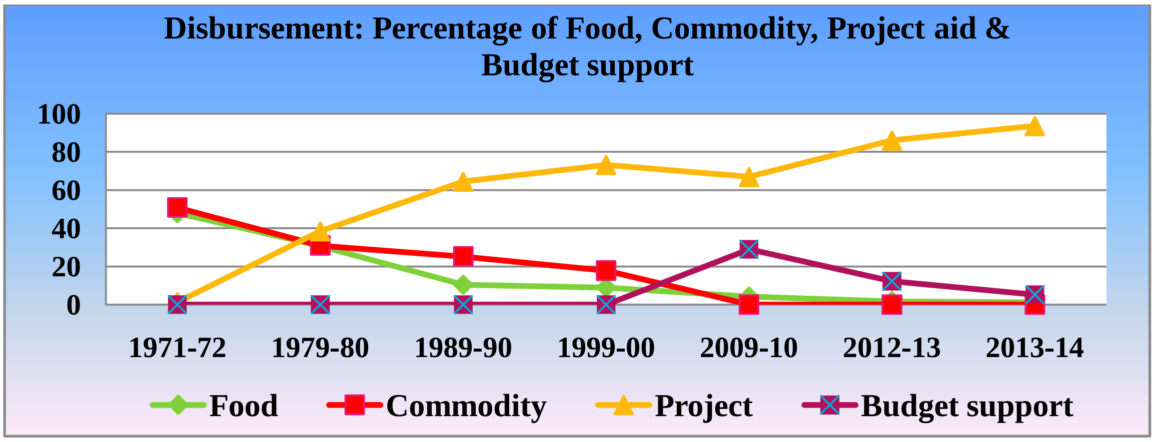
Over the past several years changes have taken place in the composition of foreign aid disbursement. The share of grant is declining and share of loan is increasing gradually. The share of grant and loan of disbursed aid was 90.5 per cent and 9.5 per cent in FY 1971-72 which stood at 22.1 per cent and 77.9 per cent respectively in FY 2013-14. Similarly, multilateral aid has crossed the stock of bilateral aid. The share of bilateral aid has decreased from 85.7 per cent in FY 1971-72 to 44.1 per cent in FY 2013-14. On the other hand, share of multilateral aid has increased from 14.3 per cent in FY 1971-72 to 55.9 per cent in FY 2013-14. However, there is an increasing trend of the share of bilateral aid since FY 2010-11 compared to past couple of years. Moreover, over time, the flow of food and commodity aid has drastically declined. Food aid, which was 47.9 per cent in FY 1971-72, has decreased to 1.22 per cent in FY 2013-14. Similarly, commodity aid has come down to nil in FY 2013-14 from 50.8 per cent in FY 1971-72. On the other hand, project aid has shot up from 1.3 per cent to 98.78 per cent during the same period. Changes in disbursement pattern over the years can be seen in Graph - 5, 6 and 7.



Graph -5



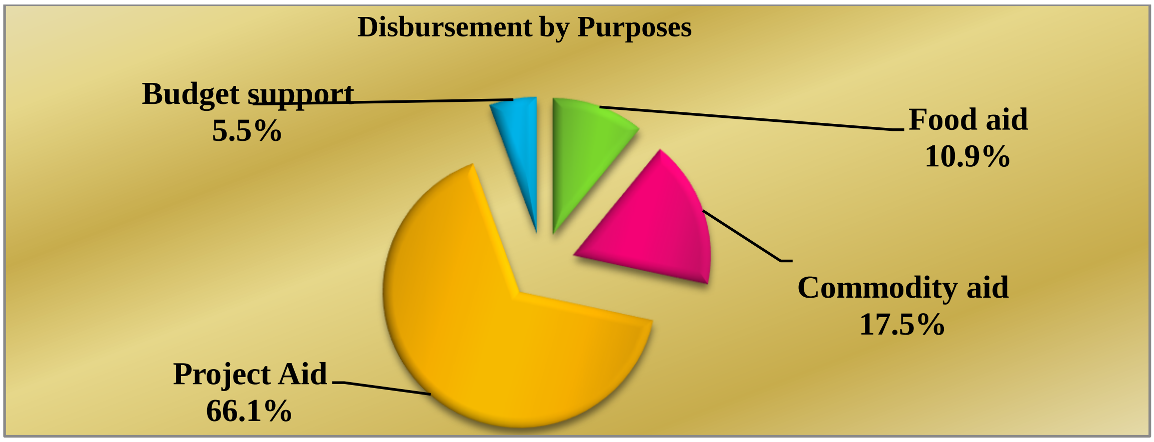
Graph -6



Graph -7

4.4 Aid Utilization:

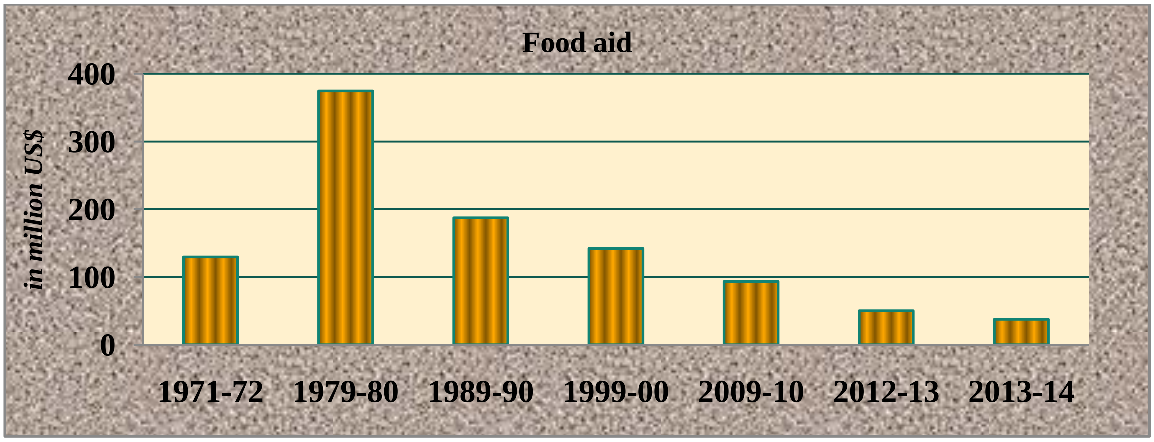
Aid utilization is in a state of a critical juncture. This criticality arises from slow implementation of projects. Over time, food aid and commodity aid have lost their pace as important constituents of total aid package. On the other hand, project aid has become more and more popular and important mode of assistance considering the purpose of aid. From independence to June 30 2014, a total of US$ 62.40 billion of foreign aid was disbursed on a cumulative basis. As a policy the donors reduced commodity and food aid as a young nation matures over years. The food and commodity aid is generally replaced by more and more soft loans. The bilateral aids give way to more multilateral concessional loan. The share of total food aid, commodity aid, budget support and project aid have been shown in the following pie chart.



Graph-8

4.4.1 Food aid:

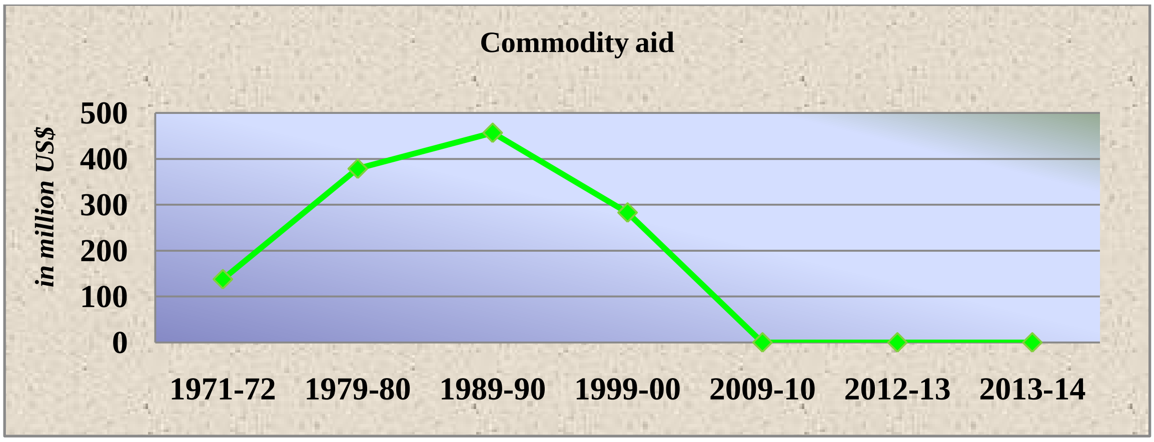
Food aid is now availed of in reduced volumes and occasionally received in larger amount to support natural calamities like floods, cyclones and unfavorable weather conditions. This is because self-sufficiency has been nearly achieved in recent years with the increased food production. Although, a persistent 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 are presented in the bar chart below.



Graph-9

4.4.2 Commodity aid:

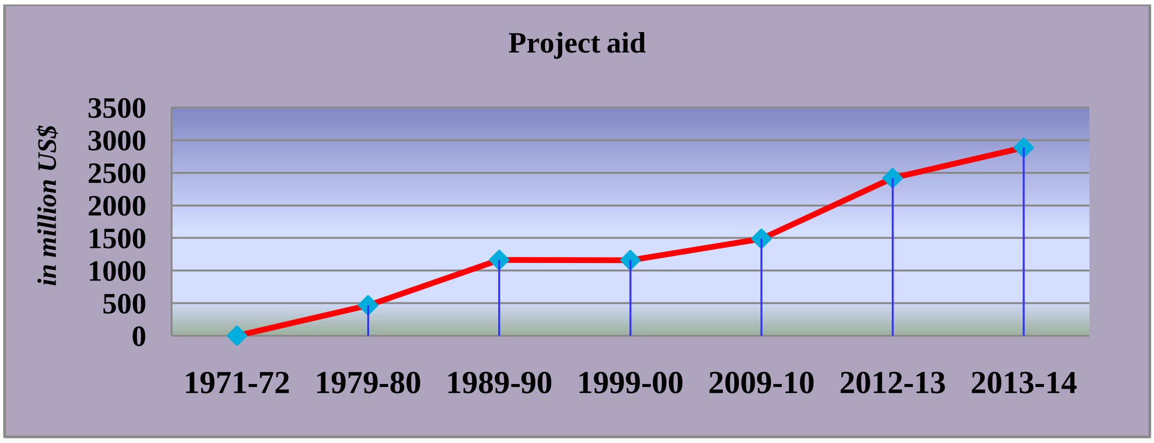
Generally, commodity aid is offered cushion to balance of payments as well as to finance development projects. Increasing export volume and tax revenue growth, consistent increased flow of foreign remittance have eased balance of payment deficit from own resources. In the process, the share of commodity aid has declined considerably in the recent years and zeroed in FY 2013-14.



Graph-10

4.4.3 Project aid:

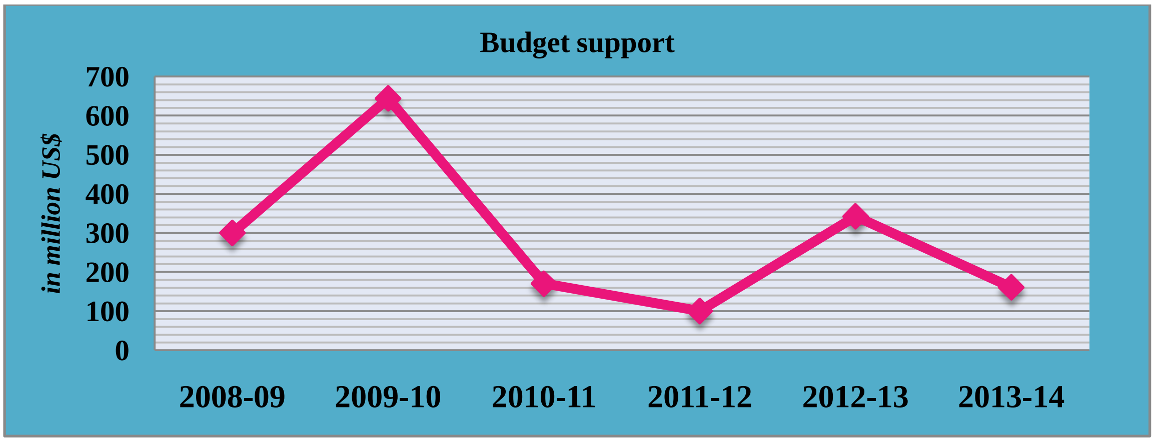
The largest share of foreign assistance comprises of project aid. It is extended by the development partners primarily to finance projects included in the Annual Development Program (ADP). The share of project aid excluding budget support has increased over years as shown in graph 11.



Graph-11

4.4.4 Budget support

Budget support is extended in one single or multi tranche to undertake different priority programmes. The payments against budget support are triggered on fulfillment of certain agreed policy objectives between the recipient country and Multilateral Financial Institutions. It gives recipient country more flexibility to align aid spending with national priorities in comparison to project aid. Therefore, budget support is becoming more popular form of receiving external aid. However, the budget support does not come by very frequently. They are usually offered sparingly in occasion where development partners trigger payment only after recipient countries achieve previously agreed benchmarks. Disbursement under budget support scheme for last couple of years has been shown in graph-12.

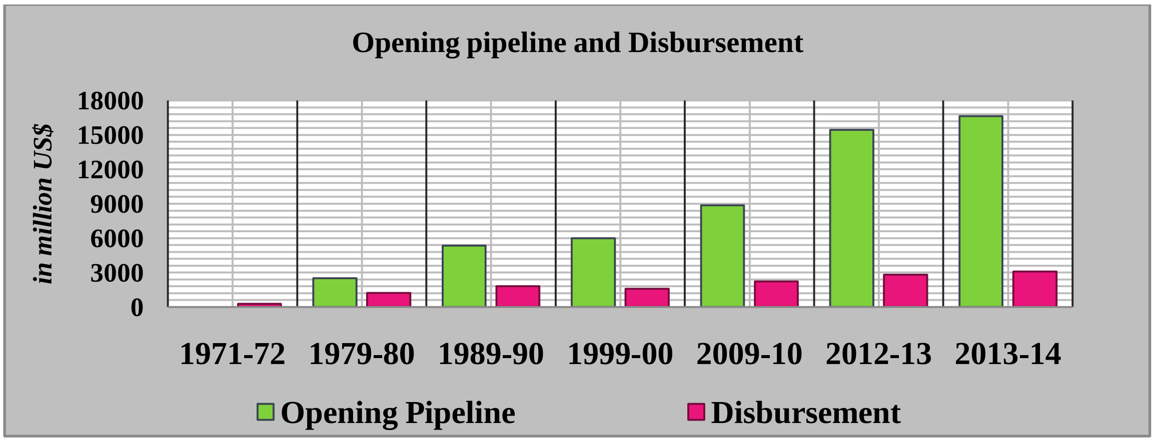


Graph-12

4.5 Aid in the pipeline

FY 2013-14 began with an opening pipeline of about US$ 16.6 billion on July 1, 2013. The new commitment during the period amounted to US$ 5.84 billion and total disbursement during FY 2013-14 amounted to US$ 3.08 billion. The closing pipeline as on 30th June, 2014 stood at about US$ 18.17 billion after cancellation/adjustment which is 9.33 per cent higher than that of the previous year. The disbursement of foreign aid during FY 2013-14 as a percentage of pipeline opening balance is near 18.55 per cent. The disbursement of FY 2013-14, as percentage of opening pipeline is increased by 0.34 compared to that of the last financial year.

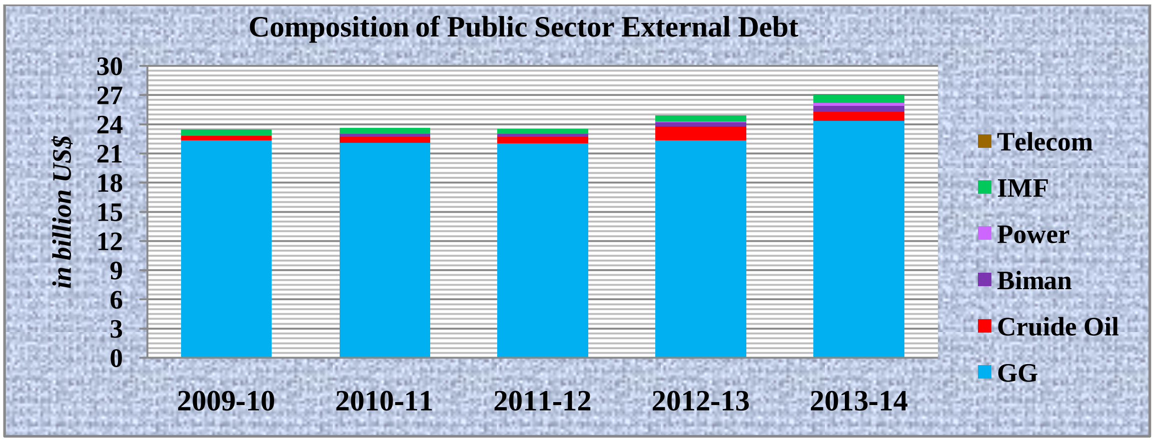
Slow implementation of project results in slow disbursement of aid which leads to time and cost overrun. It impacts negatively on the balance of payments leading to increased borrowing from domestic sources. Factors creating difficulties in the speedy implementation of projects or utilization of economic assistance is 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 commencement of the project. Lengthy approval process of the DPPs/TPPs takes longer time to start the projects. Sometimes, projects are not adequately staffed with right kind of people. Moreover, in many cases, project personnel are transferred (in case of government officials) and/or moved to another job (in case of other). Procurement related bottlenecks and challenges in land acquisition process are also slow down the speed of project implementation. Besides, projects involving several sectors/organizations often suffer from lack of coordination. On the other hand, delay in approval of awarding contracts, delay in appointing consultants, delay in releasing fund and lack of coordination among co-financers, in case of multi-donors funded projects, were found to be the causes of slow disbursement. In graph 14 disbursements from opening pipeline in different years have been shown.



Graph-13

5. Part- 4: External Debt management: Managing external debt is more sensitive to some extent than that of 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 of meeting repayment obligation with government revenues, is also a charge on balance of payments, be serviced with foreign exchange by drawing down on the reserve. 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 borrowing of Bangladesh consists 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$ 27.04 billion in FY 2013-14 which constitutes a debt liability of 15.6 per cent of GDP. The per capita debt obligation of the country has rose from US$ 6.59 in 1973-74 to US$ 173.5 in FY 2013-14. Public sector external debt consists of General Government debt and guaranteed debt of State Owned Enterprises (SOEs) and debt to IMF. Composition of public sector external debt may be seen in following graph:



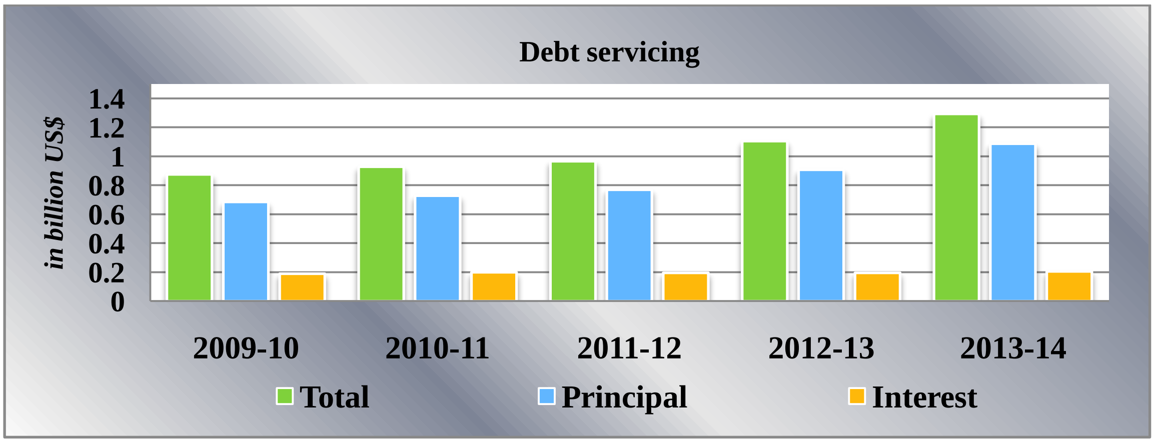
Graph-14

5.2 General Government Debt

The General Government debt amounting to US$ 24.39 billion is the major components of Public Sector External Debts. All of the general government external loans are Medium and Long Term (MLT) in nature. The share of MLT debt is 90.2 per cent of total Public Sector External Debt and it constitutes a debt liability of 14.04 per cent of GDP. MLT credits are acquired on concessional terms with an average grace period of 8.6 years and an average repayment period of 31.2 years. These credits mainly come from bilateral and multilateral sources. Economic Relations Division manages the General Government external debt. Few issues related to General Government external debt are presented in the following paragraphs:

5.2.1 Debt Servicing

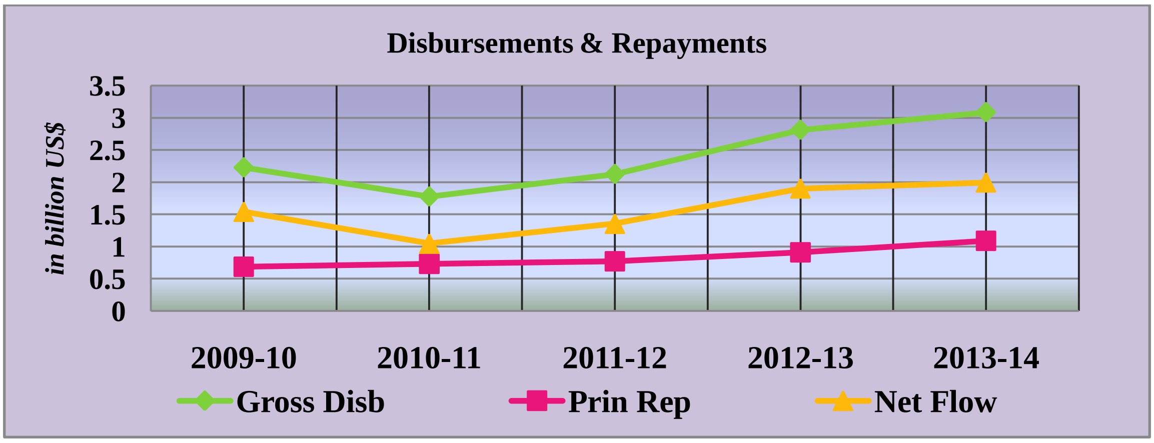
A total expense for debt servicing of the government is US$ 1294.4 million in FY 2013-14. Of the total, principal repayment is US$ 1088.5 million and interest is US$ 205.9 million. Of the total debt servicing amount US$ 1076.12 million is paid to multilateral creditors and US$ 218.32 million is paid to bilateral creditors. Statistics of debt servicing for the last five years are shown in Graph-15.



Graph-15

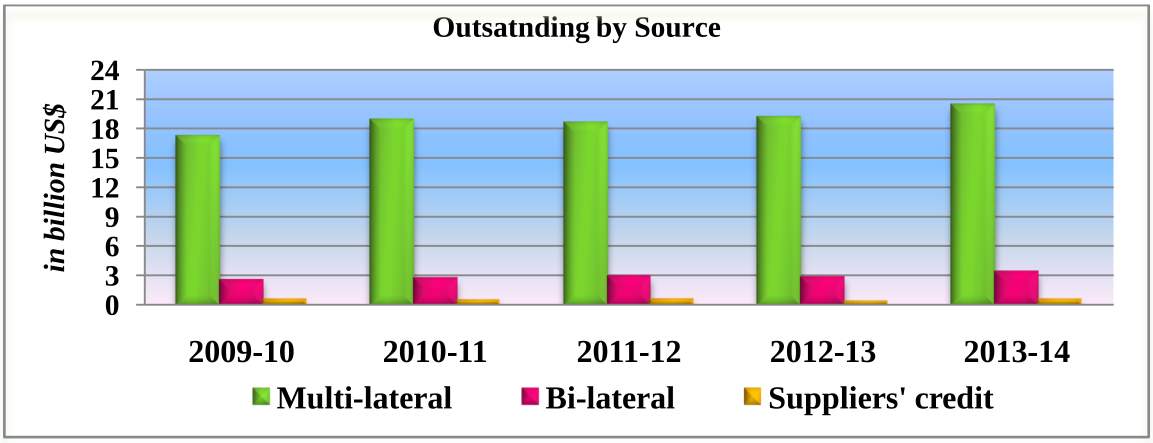
5.2.2 Net Flows and Transfer

Net flows, which accounts for the difference between disbursement and amortization (principal repayment), registered a positive value in FY 2013-14 by US$ 1995.90 million. In the FY 2012-13 net flows was US$ 1,902.84 million. Compared to previous year, net flow increased by 4.89 per cent in FY 2013-14. 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.



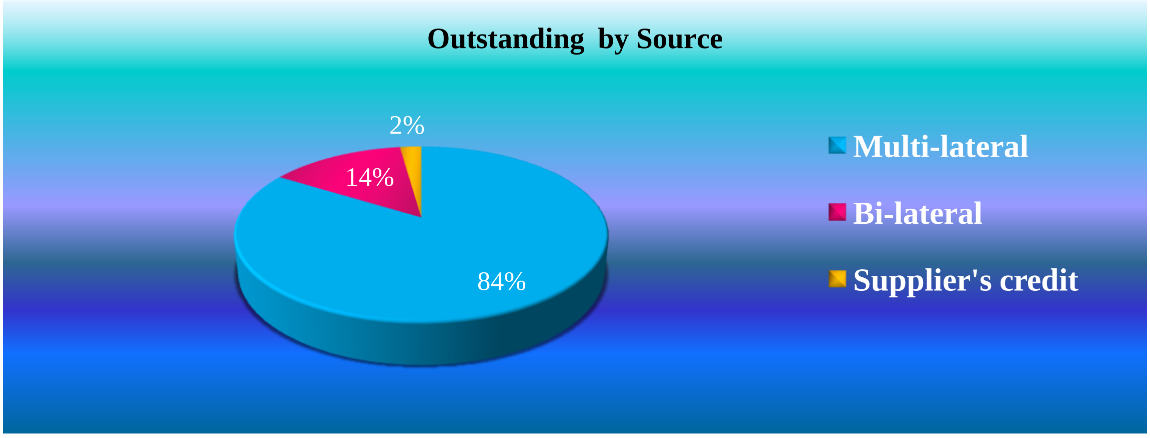
Graph-16

5.2.3 Source composition: Usually, external debt is mobilized from bilateral, multilateral and commercial sources. Except few non-concessional loans, almost all the loans received from different sources are concessional in nature. Bangladesh as a policy generally refrains from contracting commercial loan. The share of outstanding debt as on 30th June 2014 from multilateral source is US$ 20.44 billion, while it is equal to US$ 3.41 billion in case of bilateral sources and suppliers' credit US$ 0.54 billion.



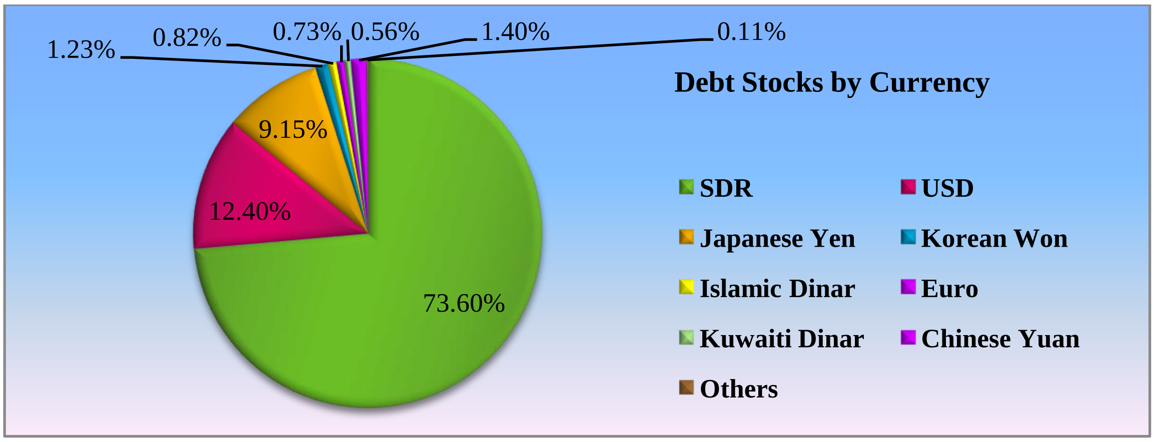
Graph-17

In FY 2013-14 the share of multi-lateral outstanding loans increased by 6.2 per cent compared to that of FY 2012-13. Similarly, share of bilateral and suppliers'/buyers' credit outstanding loan increased by 21.92 per cent and 59.45 per cent respectively compared to last financial year. The share of debt outstanding by source for the FY 2013-14 are shown in graph-18.



Graph-18

5.2.4 Currency composition: External MLT debt as on 30th June 2014 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 term of domination SDR continues to account for the largest share. The share of SDR stood at 73.60 per cent in FY 2013-14 compared to 74.88 per cent in 2012-13. The decrease of debt stock in SDR is due to new net flows of loan with different currencies other than SDR from several bilateral creditors. Similarly, the share of debt stock of USD decreased to 12.40 per cent in FY 2013-14 from 12.44 per cent in FY 2012-13, though USD occupied the second largest share of the total debt stock. In the FY 2013-14 a significant amount was repaid against ADB OCR loan provided as countercyclical fund. On the other hand, Japanese Yen gained it share by 0.44 per cent compared to previous year's share into debt stock due to new net flows of loans. The share of major currencies in the debt stock may be seen in the following graph.



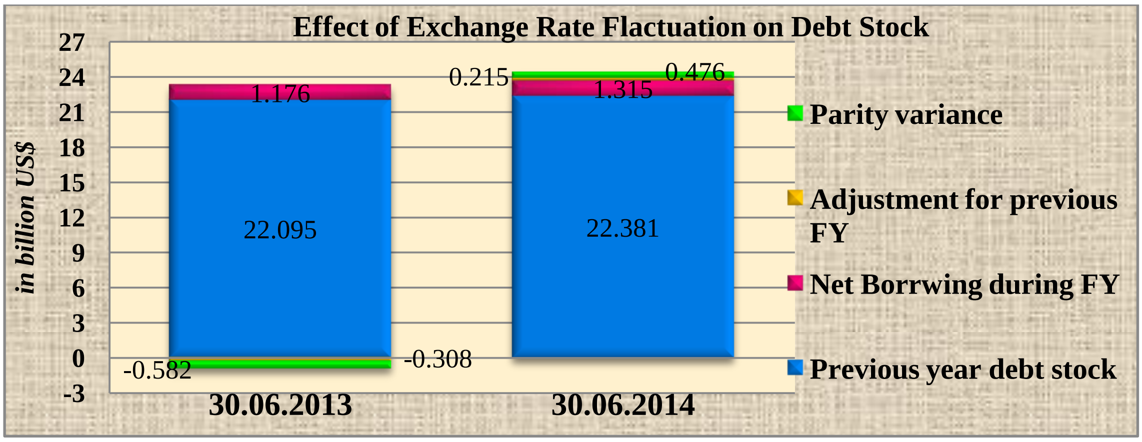
Graph-19

6. Part-5: Risk Analysis

More than 90% of the total external debt is derived from Medium and Long Term loan and most of the loans are mobilized under fixed term interest rate basis. Therefore, the risks of 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 which are related to economic performance and 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 risks analysis of existing external debt portfolio is confined within the purview of General Government debt which may be seen in following few paragraphs.

6.1 Foreign Currency Risk

The total government medium and long term external debt stock increased to US$ 24.387 billion as on 30th June 2014 from US$ 22.381 billion as on 30th June 2013, indicating an increase of US$ 2.006 billion during the year. However, net government external borrowing during the same period stood at US$ 1.315 billion. Episodes of depreciation of US dollar against SDR and Japanese Yen against USD were frequent during the year (parity variance). This parity variance recorded an increase of US$ 0.476 billion to the debt stock in US dollar during the year.



Graph-20

But the flip side is that excessive concentration 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 73.60%, a depreciation of the nominal value of US dollar against SDR may cause an increase of debt stock in US dollar without adding new loan to the debt portfolio. Similarly, it may also increase of expenditure in US dollar on account of debt servicing as most of SDR loan are paid in US dollar. Adverse movement of exchange rate between foreign currencies and local currency causes increase of debt servicing expenditure in Taka. However, in the FY 2013-14 the value of SDR against US dollar appreciated considerably. Thus, actual expenditure of debt servicing in Taka was a bit higher than the budget provision. An amount of Taka 8476.97 crore and Taka 1,574.27 crore paid as principal and interest respectively against the budget provision of Taka 8,300 crore and Taka 1,670 crore which made an over expenditure of Taka 80.97 crore in total for the government.

6.2 Interest Rate Risk

Interest rate risk does not pose significant threat to the external debt portfolio as almost all external loans are acquired at concessionary fixed rates. Interest rate risk is high when the variable interest rate dominated debt portfolio exists. Recently few loans have been mobilized at variable interest rate. In this circumstance, it is required to keep a close eye on the issue of interest rate risk for coming years.

6.3 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 2013-14 the interest service of MLT debt ratio is 0.69 per cent which was 0.73 per cent in FY 2012-13. **Total debt service ratio** is the ratio of total debt service (principal plus interest payment) as percentage of export. Total debt service of MLT debt ratio is 4.35 per cent in FY 2013-14 compared to 4.09 per cent in FY 2012-13. The rollover ratio, the ratio of total amortization over total disbursement in a single year also indicates the comfort zone of liquidity position. The Rollover ratio in case of MLT debt went up to 35.3 per cent in FY 2013-14 which was 32.3 per cent in FY 2012-13. Total debt service payment to revenue earning is also an important tool to monitor liquidity risk. The total debt service to revenue in FY 2013-14 and 2012-13 are 7.10 per cent and 6.84 per cent respectively.

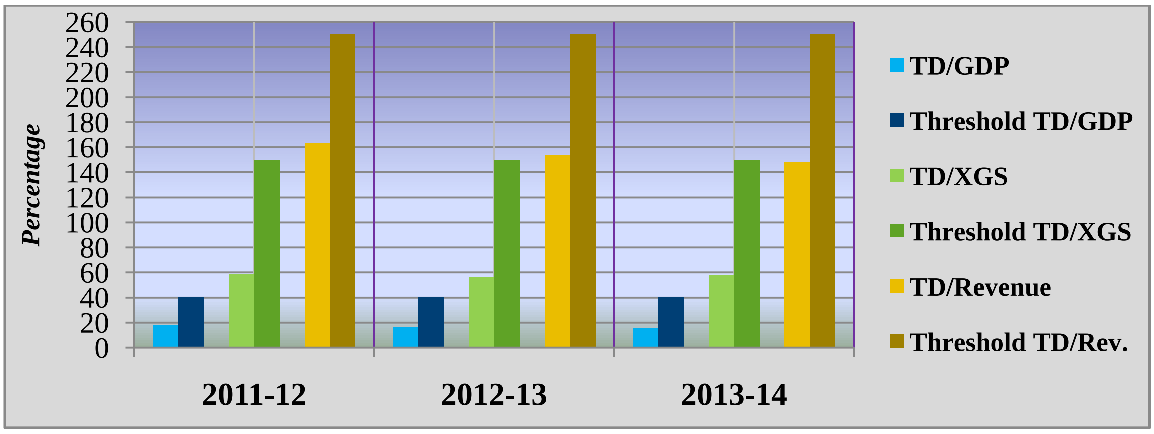
6.4 Solvency Risk

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 2013-14, outstanding of MLT debt stood at 81.94 per cent of the export earnings compared to 82.84 per cent of the same in FY 2012-13. 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.

6.5 Debt sustainability of overall Public Sector External Debt

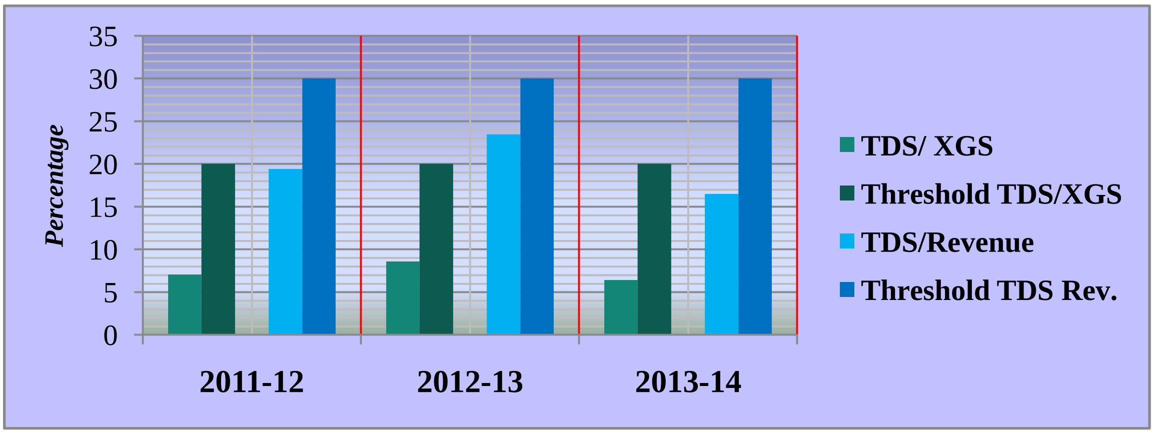
Broadly overall debt sustainability is measured by applying two aggregate sets of indicators. One is the ratio of ***total debt outstanding*** (public sector external debt) ***to GDP, Export of Goods and Services and Revenue Earning***. The other one is the ratio of ***debt servicing to export of goods and services and revenue earning***. Overall debt sustainability situation of Bangladesh is presented in the following graphs.

Total Debt Outstanding (TD) to GDP (Base year: 2005/06), Export of goods & services (XGS) And Revenue ratio and Threshold Limit ratio:



Graph-21

Total Debt Servicing (TDS) to Export of goods & services (XGS) and Revenue ratio and Threshold Limit ratio:



Graph-22

From the above indicators it is clear that most of the indicators of the external debt sustainability related to debt stock and debt service are improved in 2013-14 compared to the previous year. All the indicators are well 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 took a number of activities that should lead to improved institutional arrangement for external debt management. One of the major initiatives is up-gradation of Foreign Aid Budget and Accounts (FABA) Branch to FABA wing. In addition, a number of domestic and foreign programmes also arranged that exposed officials of the debt management entities to specialized training in risk analysis, debt strategy analysis and related areas in order to gain best practice and experience.

7.2 Development in Borrowing Strategy: Since independence, Bangladesh has been exploring the 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 added adverse effect in mobilizing foreign aid in concessional term. On the contrary, interest rates in the external borrowing markets are at historical lows.

In this context, the Government is evaluating various financing alternatives in very recent time to bridge the financing gaps. Government already signed agreement with Russia, European Investment Bank, France Development Agency, Exim Bank of China etc to borrow at a market floating interest rate. For ensuring better screening of non-concessional loan, the government formed 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 already approved eight proposals of non-concessional loans up to 30th June 2014. The country is currently under an IMF Extended Credit Facility (ECF) Program which regulates non-concessional borrowing within an agreed limit.

7.3 Debt Management System: Since 1992 FABA has been using Debt Management and Financial Analysis System (DMFAS), 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 web based software 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 on debt data quality and reporting among the institutions concerned. The operational linkages among institutions are yet to be complete. Once this process is completed, tremendous improvement in country's debt management capacity will be enhanced.

7.4 Launching Aid Information Management System (AIMS): For better and smooth sharing of information between ERD and Development Partners, Aid Information Management System (AIMS) software has been prepared, installed and launched in ERD in FY 2013-14 under 'Strengthening Capacity for Aid Effectiveness in Bangladesh Project' funded by AusAid, Danida, DFID and UNDP. The software will facilitate receiving real time data related to commitments and disbursements, both of public and non-public sectors, from development partners. It is hoped that this tool would be strengthen the capacity of ERD in analyzing aid effectiveness in Bangladesh. Moreover, it will provide a robust picture of aid flows by capturing aid data flowed to non-public sector along with public sector.

7.5 **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 indentify slow moving projects by using 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 will arrange 'Tripartite Review Meeting' among ERD, Line Ministries and DPs at least once in three months at the Wing Chief level and biannually at the Secretary level. Progress, bottlenecks, measures taken to mitigate the bottlenecks of project implementation will be monitored in the Tripartite Review Meeting. Variance between planned disbursements according to DPP/TPP and actual disbursements will also be examined in the meeting.

(iii) ERD officials will inspect the slow moving projects and submit report regularly.

7.6 **Fast Track Projects Monitoring:** Fast Track Projects Monitoring Committee has been formed to monitor selected large and nationally important projects. Honorable Prime Minister chairs the committee. Six projects have been selected as fast track projects till 30th June 2014. The committee oversees the implementation status and advice measures to fasten the implementation, where necessary. The committee has introduced a reporting modality to oversee transparency in the process of implementation of projects.

7.7 **Foreign Aid Management System (FAMS):** ERD has taken a project to develop and implement a computerized system for managing foreign aid. According to the plan, the system will facilitate on-line connectivity with project office and related other ministries/divisions/agencies. Tracking pipeline projects, commitments and disbursement of aid, allocation of project aid to projects included in the ADP and monitoring its utilization are among the few of important features of the proposed system. According to the plan the system will be ready to be launched by 30th June 2017.