



# Quarterly Debt Bulletin

## Issue No. 3, June 2022

### Finance Division, Ministry of Finance Bangladesh



## Abbreviations

*AIIB- Asian Infrastructure Investment Bank*  
*AT- Analytical Tools*  
*BDT- Bangladesh Taka*  
*CDMC- Cash and Debt Management Committee*  
*CDMTC- Cash and Debt Management Technical Committee*  
*DSA- Debt Sustainability Analysis*  
*DSF- Debt Sustainability Framework*  
*EFD- Electronic Fiscal Device*  
*ERD- Economic Relations Division*  
*CGA- Controller General of Accounts*  
*FD- Finance Division*  
*GDP- Gross Domestic Product*  
*IDA- International Development Association*  
*IRD- Internal Resources Division*  
*IMF- International Monetary Fund*  
*NSC- National Savings Certificate*  
*BB- Bangladesh Bank*  
*CB- Commercial Bank*  
*DMFAS- Debt Management & Financial Analysis System*  
*GPF- General Provident Fund*  
*IDB- Islamic Development Bank*  
*IFAD- International Fund for Agricultural Development*  
*LICs- Least Income Countries*  
*MTDS- Medium Term Debt Management Strategy*  
*NBFI- Non-Bank Financial Institution*  
*SPFMS- Strengthening Public Financial Management Program to Enable Service Delivery*  
*WB- World Bank*

## A. Recent events

### FD finalized MTDS

Finance Division has published the MTDS (2022-23 to 2024-25) and it is available in FD website. The main features of the current MTDS include:

- Government to focus on low-cost domestic borrowing over the medium term;
- To continue its effort for concessional borrowing from external sources.

### IMF completed Article IV Mission and DSA

- IMF has completed its Article IV mission and DSA in March 2022 and the IMF report is available online through their e-library.
- The Article IV mission included several meetings and consultations with high-ranking officials of FD, BB, ERD, and other concerned officials.
- The DSA concluded, “Bangladesh remains at a low risk of the external and overall risk of debt distress”.

## The Government is continuing with Shariah-compliant ‘Sukuk’

The Government of Bangladesh launched a Shariah-compliant investment instrument, ‘Ijarah Sukuk’, on 28 December 2020, the first-ever in its history. Recently, the government launched “Istisna Sukuk” to finance a rural infrastructure development project.

- The recent tranche was issued on 20 April 2022;
- The size of the recent tranche is BDT 5,000 Crore;
- Total Sukuk bond (Ijarah & Istisna) issued amount is now reached at BDT 18,000 Crore;
- Considering the growing interest in ‘Sukuk’, the government plans to continue to issue Sukuk.

## MoU signed for the transaction of the government securities in the secondary market

A Memorandum of Understanding (MoU) has been signed among BB, BSEC, DSE, CDBL, and CCBL to facilitate the transaction of Government securities in the secondary market. This will enable the institutional and household investors to participate in the transaction of the government securities, which in turn will increase the scope & depth of the secondary bond market. Further, this arrangement will help the government finance its deficit more efficiently.

## The last CDMC (49<sup>th</sup>) for FY2022 was held on 13 April 2022

The committee approves the Auction calendar for the government securities and share of Sukuk among different categories of investors. The key decisions among others include-

- ‘A-Challan to be used in all kinds of NBR revenue collection including import duties and VAT;
- CDMTC to take measures for the government’s cash flow forecasting;
- BB to send cash report daily;
- IRD to complete formulation of a comprehensive policy on saving schemes;
- NBR to establish EFD for implementing the VAT law at the earliest.

## B. Government borrowing status in FY 22 (Jul-Mar)

In the first 9 months of FY22, net government borrowing stands at 45 percent of the budget target. Borrowing from external sources was much higher than that from domestic sources. Borrowing from treasury bills and bonds outweighs borrowing from NSD. Table 1 below presents a summary of the borrowing from different sources during this period.

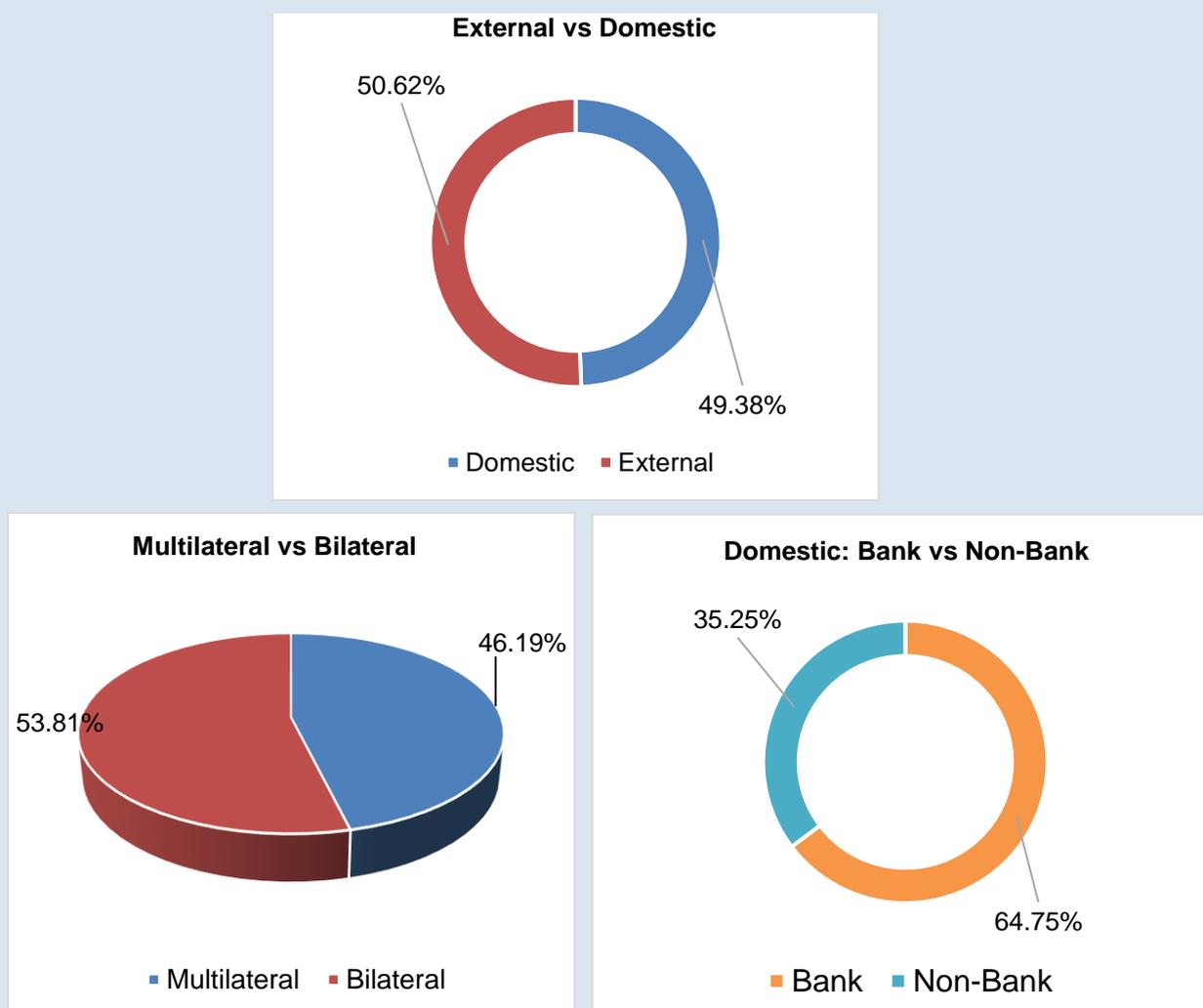
Table 1: Government Net Borrowing (at a glance)

In Core BDT

Source of Borrowing	Net Borrowing	Budget (Rev)	As % of Budget
Domestic Borrowing	45,396	124,288	37%
Borrowing from banking sources	29,394	87,288	34%
Treasury Bill	(2,768)	24,852	-11%
Treasury Bond	32,162	62,436	52%
Borrowing from non-banking sources	16,002	37,000	43%
National Savings Certificate (NSC)	16,504	32,000	52%
Others (GPF)	(502)	5,000	-10%
External Borrowing	46,530	80,212	58%
Total Borrowing	91,926	204,500	45%

## Borrowing Composition (July-Mar, 2022)

Figure 1: Borrowing Composition (Domestic Vs External)



- The proportion domestic and external borrowing was 50.62 percent and 49.38 percent respectively;
- On the external side, in the first nine months of the current fiscal year, the government only used concessional sources for financing, of which, bilateral sources accounted for around 53.8 percent and the rest was from multilateral sources.
- Of the domestic sources, the non-bank part was mostly utilized for financing the deficit.

## Domestic Borrowing: Banking Sources [Jul-Mar, FY22]

### Instrument-wise Borrowing: Treasury Bonds

(in Crore taka)

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
2 YR BGTB	15000	13700	1300	4%
5 YR BGTB	13763	5250	8513	26%
10 YR BGTB	13000	4050	8950	28%
15 YR BGTB	5049	0	5049	16%
Special Bond	0	1400	-1400	-4%
Sukuk	5000	0	5000	16%
<b>Total</b>	<b>56562</b>	<b>24400</b>	<b>32162</b>	<b>100%</b>

## Instrument-wise Borrowing: Treasury Bills

(in Crore taka)

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
91-day	44158	44949	-1017	37%
182-day	18167	19536	-1572	57%
364-day	19057	18702	-179	6%
14- day	0	0	0	0%
<b>Total</b>	<b>86133</b>	<b>83187</b>	<b>-2768</b>	<b>100%</b>

- Net financing through T-Bill was negative over the first three-quarters of the FY22;
- The government's cash position has been at a surplus throughout the period;
- Mostly longer-term instrument (T-bond) with lower interest has been the preferred one.

## Month-wise Borrowing from Banking Sources

(in crore taka)

Month	Treasury Bill			Treasury Bond			Total
	Gross Issuance	Redemption	Net Borrowing	Gross Issuance	Redemption	Net Borrowing	
Jul 21	11157	6686	4471	11202	5750	5400	9871
Aug 21	8730	9497	-767	4528	300	4200	3433
Sep 21	9390	7192	2199	4244	5700	-1360	839
Oct 21	7097	6256	842	4390	500	4100	4942
Nov 21	7125	11887	-4763	5278	500	5100	337
Dec 21	18480	10427	8054	6670	5000	2085	10139
Jan 22	7419	9566	-2146	6293	5050	1438	-708
Feb 22	4416	7861	-3446	2796	550	2113	-1333
Mar 22	6605	13816	-7211	5213	1050	4085	-3125
<b>Total</b>	<b>80420</b>	<b>83187</b>	<b>-2768</b>	<b>50614</b>	<b>24400</b>	<b>27162</b>	<b>24394</b>

- The borrowing trend shows some degree of seasonality, with government borrowing from banking sources coming in higher in the first half of the FY22 and then registering a net negative in the third quarter.

## Domestic Borrowing: Non-bank Sources [Jul-Mar, FY22]

### Month-wise Borrowing from NSC

Month	Gross Issuance	Redemption	Net Borrowing
Jul 21	5,365	3,261	2,104
Aug 21	9,891	6,263	3,629
Sep 21	11,349	8,524	2,826
Oct 21	8,723	7,956	767
Nov 21	8,941	8,240	701
Dec 21	7,362	7,798	(436)
Jan 22	9,966	7,389	2,577
Feb 22	9,457	6,935	2,523
Mar 22	10,271	8,456	1,815
<b>Total</b>	<b>81,327</b>	<b>64,823</b>	<b>16,504</b>

- Net borrowing from NSC in the first three quarters was 16,504 crores, which is 52% of the budget.
- Various reform initiatives, such as the online issuance process, investment limit, and revision in the interest rates contributed to the slow growth in FY22.

## External Borrowing [Jul-Mar, FY22\*]

(in Crore taka)

Month	Gross Borrowing	Redemption	Net Borrowing
Jul 21	2690	1087	1603
Aug 21	6724	723	6001
Sep 21	6429	1761	4668
Oct 21	5891	1149	4742
Nov 21	3965	763	3202
Dec 21	8683	1185	7498
Jan 22	4379	1032	3347
Feb 22	10391	734	9657
Mar 22	7508	1697	5811
<b>Total</b>	<b>56660</b>	<b>10130</b>	<b>46530</b>

\*provisional

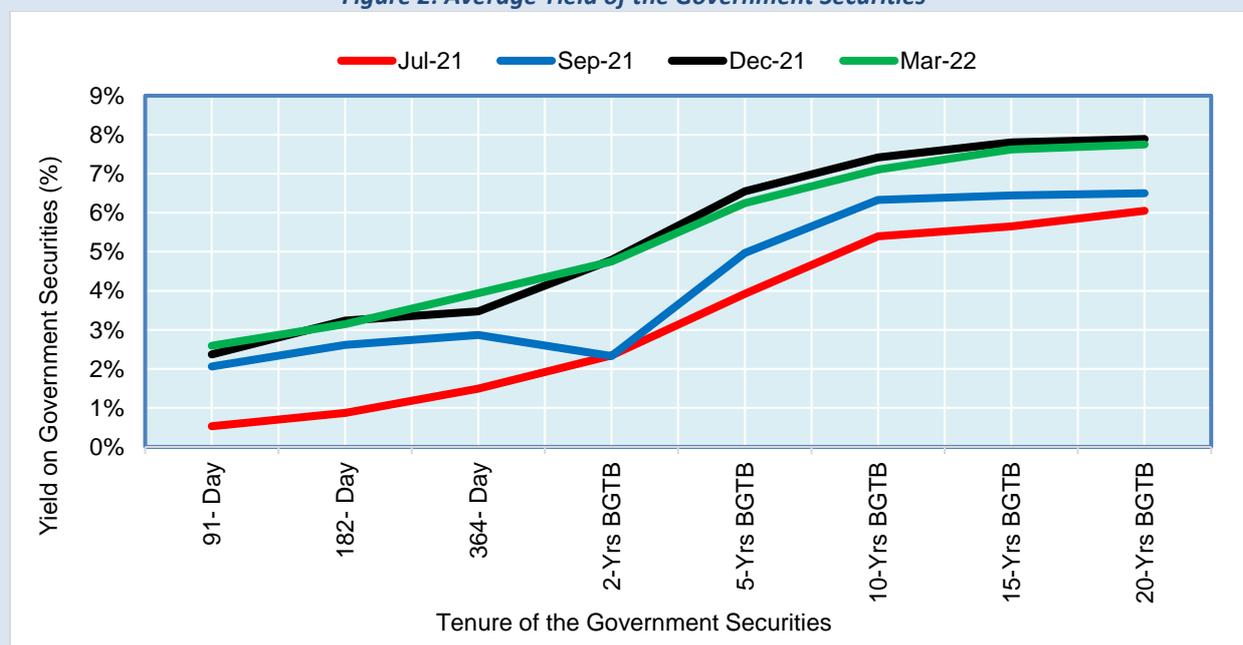
- Revised financing target from external sources in FY22 is around BDT 80,212 crore.
- In the first nine months, around 46,530 crore has been received, accounting for 58% of the target.
- Bangladesh is still enjoying concessional financing from multi-lateral and bi-lateral sources and prefers concessional financing from external sources.

## C. Cost of Borrowing from Domestic Sources

### Yield Curve of the government Securities

- The cost of borrowing from the financial system varies from auction to auction;
- The average yield of Government Securities has sharply risen (figure 2) in the last two quarters (December 2021 and March 2022) compared to the previous two (July 2021 and September 2021);
- The rising yields could be attributed to the ongoing economic recovery from COVID-19 pandemic, growth in private investment, increasing borrowing from the banking sources and lower reliance on NSC, etc.

Figure 2: Average Yield of the Government Securities



## Cost of government borrowing from NSC instruments (%)

Name of Schemes	Maturity Period	Existing Interest Rate (%)	New interest rate (%) from 21 Sep 2021				Remarks
			1st slab	2nd slab	3rd slab	4th slab	
5 years Bangladesh Sanchayapatra	5-Year	11.28	11.28	10.30	9.30	-	Note-1
3-Monthly Profit Basis Sanchayapatra	3-year	11.04	11.04	10.00	9.00	-	Note-1
Pensioner Sanchayapatra	5-Year	11.76	11.76	10.75	9.75	-	Note-1
Paribar Sanchayapatra	5-Year	11.52	11.52	10.50	9.50	-	Note-1
Post office Savings Bank - Ordinary A/C	-	7.50	7.50	7.50	7.50	-	Note-1
Post office Savings Bank - Fixed Deposit	3-Year	11.28	11.28	10.30	9.30	-	Note-1
Postal Life Insurance	5 Years	4.20	4.20	4.20	4.20	-	Note-1
Bangladesh Prize Bond	-	6.50	6.50	6.50	6.50	-	Note-1
Wage Earner Development Bond	5-Year	12.00	12.00	11.00	10.00	9.00	Note-2
US Dollar Premium Bond	3-Year	7.50	5.50	4.50	3.50	-	Note-3
US Dollar Investment Bond	3-Year	6.50	5.00	4.00	3.00	-	Note-3

Note-1 (In BDT): 1st slab: up to 1.5 million; 2nd slab: above 1.5 million to 3.0 million and 3rd slab: above 3.0 million;

Note-2 (In BDT): 1st slab: up to 1.5 million; 2nd slab: above 1.5 million to 3.0 million; 3rd slab: above 3.0 million to 5.0 million and 4th slab: above 5.0 million to 10 million (BDT).

Note-3 (In US\$): 1st slab: up to 1 lac; 2nd slab: above 1 lac to 5 lac and 3rd slab: above 5 lac.

- The interest rate of NSCs is regularly administered and was last updated in September 2021;
- The Wage Earner Development Bond is the highest interest-bearing instrument and the rate is compounded;
- The cost of borrowing from NSCs is relatively higher than the market rate, but it has some socio-economic implications as it is considered an income redistribution tool for marginal investors.

## D. Structures and Dynamics of the Government Debt

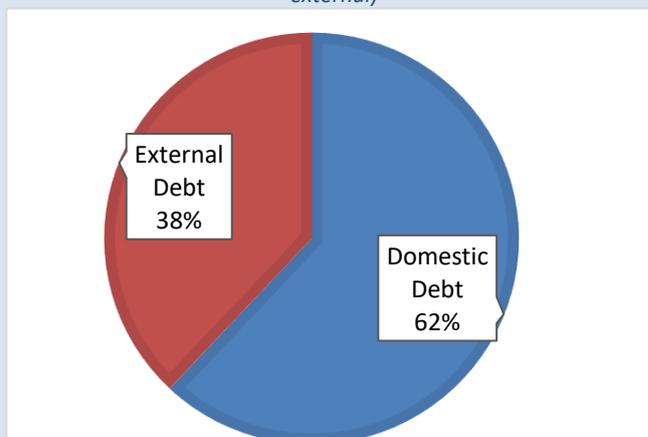
Source of Borrowing	As on 30 June 2021 (crore taka)	As on 31 March 2022 (crore taka)
<b>A. Domestic Debt (1+2)</b>	<b>722,591</b>	<b>777,362</b>
<b>1. Debt from Banking Sources</b>	<b>326,252</b>	<b>364,519</b>
1.1. Treasury Bills	51,268	49,374
1.2. Treasury Bonds & SPTB	266,984	302,145
1.3. Sukuk	8,000	13,000
<b>2. Debt from Non-Bank Sources</b>	<b>396,338</b>	<b>412,843</b>
2.1. Debt from NSCs	345,656	362,160
2.2. Others (GPF) <sup>1</sup>	50,683	50,683
<b>B. External Debt<sup>2</sup></b>	<b>420,358</b>	<b>471,903</b>
1. Multi-lateral	263,480	288,696
2. Bi-lateral	156,878	183,207
<b>C. Total Debt (A+B)</b>	<b>1,142,948</b>	<b>1,249,265</b>
<b>GDP<sup>3</sup></b>	<b>3,530,185</b>	<b>3,976,462</b>
<b>Debt to GDP (%)</b>	<b>32.38%</b>	<b>31.42%</b>
Domestic Debt to GDP	20.47%	19.55%
External Debt to GDP	11.91%	11.87%

Source: BB, BBS, NSD, CGA, and ERD; GPF balance as on 30 June 2022; External debt data is provisional; GDP of the fiscal year 2021-22 is Provisional and the base year is 2015-16.

- The total debt-to-GDP ratio is at around 31.42% based on provisional GDP estimates for FY22 by BBS and is significantly much lower than the IMF threshold of 55%.
- Meanwhile, the debt stock from non-banking sources has reduced in the first three quarters of FY22 due to interest rate adjustment from the government.
- As for the external debt stock, it remains at the minimum level, which is lower than 12.0% of the GDP at the current market price.

### Total Debt Stock: (Domestic vs External)

Figure 3: Total Debt Stock as on 31 Mar 2022 (domestic vs external)

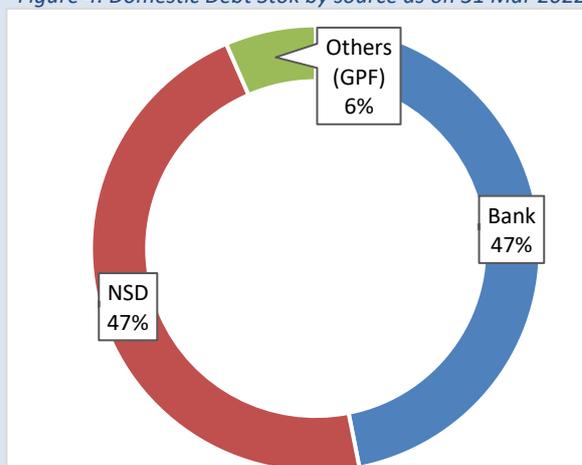


- Domestic debt constitutes the major share of the total debt stock and the dependence on the domestic source is increasing gradually;
- As on 31 March 2022, domestic and external debt was 62 percent and 38 percent respectively.

### Total Domestic Debt Stock: Contribution from different sources

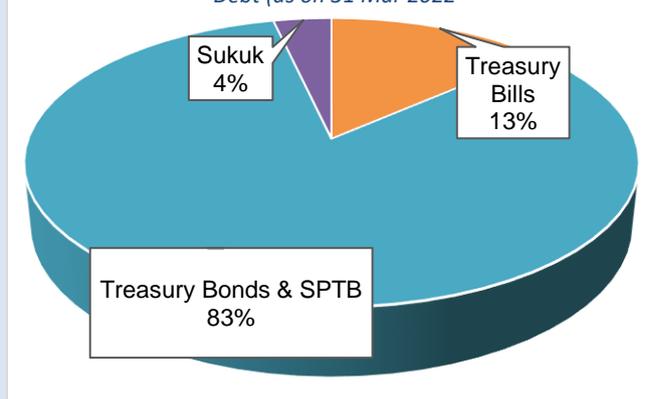
- As far as debt stock is concerned, the domestic part has been contributed almost equally by the Bank (47%) and NSD (47%) sources;
- It is expected that the ongoing NSC reforms will help reduce the dependence on the costlier NSCs, also warranting the need for reforms in the domestic financial market.

Figure 4: Domestic Debt Stock by source as on 31 Mar 2022



### Debt from the Bank Source: Contribution from different Government Securities

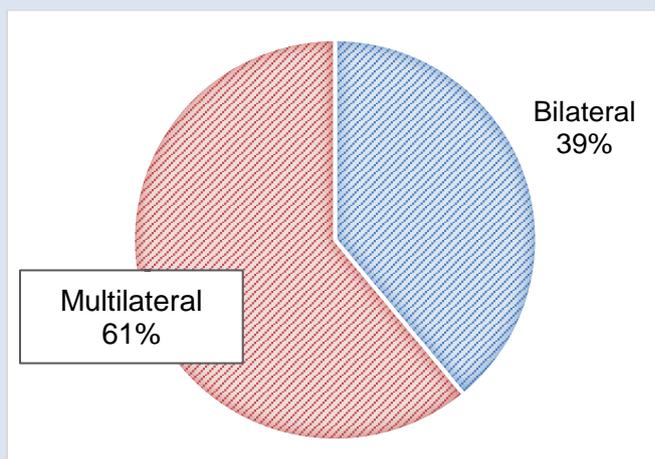
Figure 5: Contribution of the different Govt. Securities in Domestic Debt (as on 31 Mar 2022)



- The government preference has been to the long-term instrument causing 83% of the bank-sourced debt stock derived from the treasury bonds and SPTB;
- Treasury bills are issued mostly for cash management purposes, and to create a balance between short- and long-term financing;
- Recently introduced Shariah-compliant Islamic Bond has experienced a good response.

## Total External Debt Stock: Multilateral vs Bilateral

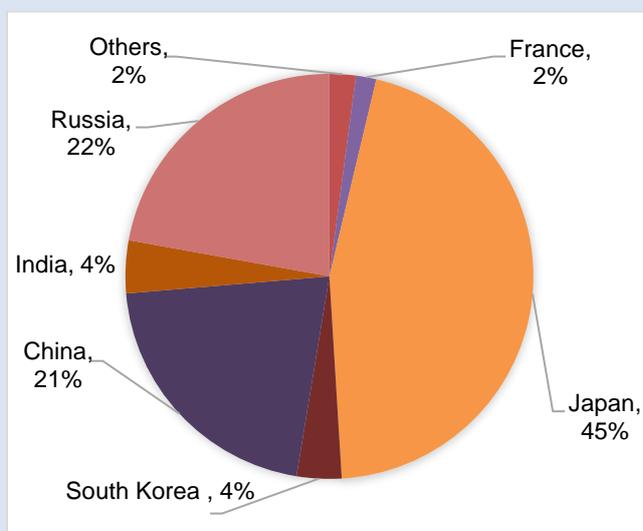
Figure 6: External Debt Stock as on 31 Mar 2022 (Multilateral vs Bilateral)



- 61 percent of the total external debt is sourced from multilateral DPs, as compared to 39 percent from bilateral partners;
- The government will try to take advantage of concessional borrowing as long as it is available.

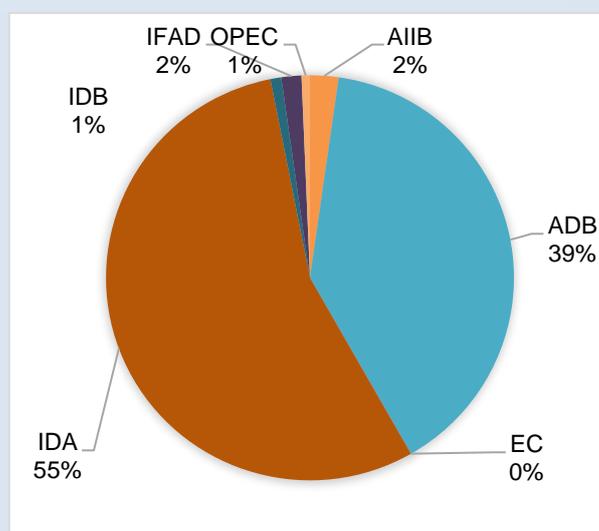
## Total External Debt Stock by different bilateral and multilateral sources

Figure 8: Bilateral Sources



- Japan is the leading bi-lateral development partner (45 per cent). It is followed by Russia (22 per cent), China (21 per cent) and South Korea (4 per cent);
- In recent years, India has become a financing partner with 3 per cent of the total bi-lateral financing to date.

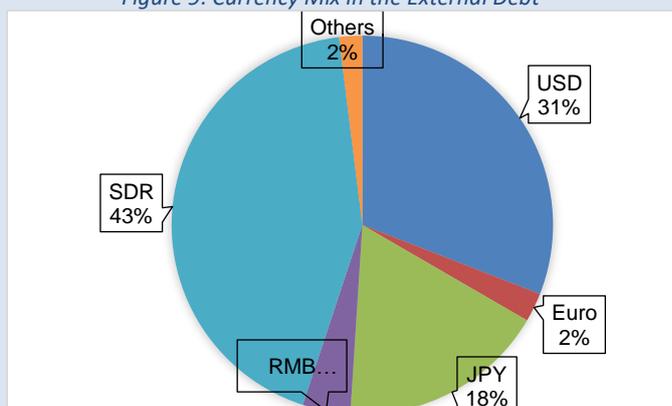
Figure 7: Multilateral Sources



- Even though Bangladesh is graduating to a Developing country by 2026, it is still enjoying significant concessional financing from Multi-lateral Organizations;
- IDA is the highest contributor (55 percent), followed by ADF of ADB (39 per cent) to date.

## External Debt Currency Mix

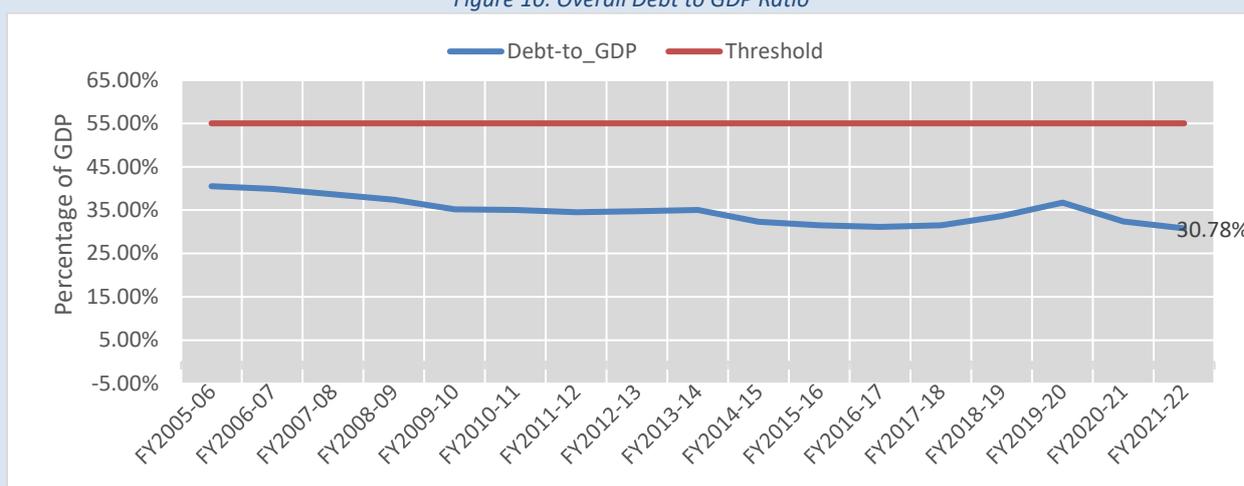
Figure 9: Currency Mix in the External Debt



- Government's external debt stock is dominated by SDR, followed by the US Dollar and Japanese Yen;
- Diversity in the currency mix helps to mitigate exchange rate shock as opposed to dependence on one specific currency.

## Government Debt to GDP and Debt Sustainability

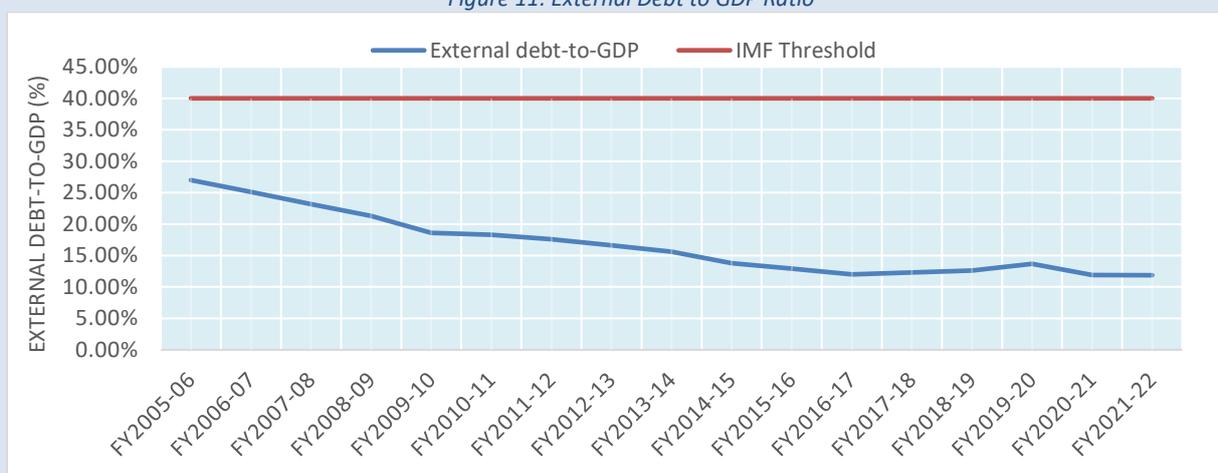
Figure 10: Overall Debt to GDP Ratio



- The total Debt-to-GDP ratio is approximately 32% as of FY22;
- Due to COVID-19 and subsequent necessary financing requirements, Debt-to-GDP has shown an upward trend in the last couple of fiscal years. It is expected to autocorrect as economic activities increase. The Total Debt-to-GDP ratio remains below the sustainable threshold (55 percent).

## Government External Debt to GDP and Debt Sustainability

Figure 11: External Debt to GDP Ratio



- The external Debt-to-GDP ratio is approximately around 11% as of FY22 which leaves a lot of room for maneuverability as the threshold for the External Debt-to-GDP ratio is 40 percent.

## The sustainable Debt outlook of the country is attributable to the following factors

- Robust GDP growth rate over the decade;
- A prudent fiscal policy that maintained a deficit limit at or below 5% of the GDP;
- Implementation of the PFM reform activities etc.

### E. Upcoming events

- Install a customized Debt Database in the Middle Office (FD)
- Arrange a Debt Summit to discuss and analyze the present and future debt situation, identify the challenges, and get recommendations from the experts.

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