



recently nationalized primary schools, distribution of free textbooks, distribution of computers and multimedia to schools, and introduction of training programs. The Division plans to introduce the National School Feeding Policy by next year. It has undertaken the Primary Education Development Programme-4 project. In the medium term, under the PEDP-4, the Division will aim at enhancing the quality of primary and pre-primary education, provision of foundation, ICT, English, sub-cluster and subject-based trainings to teachers, and recruitment of teachers, etc.

3.40 The Ministry of Science and Technology will act to promote the interest in science so that a prosperous Bangladesh can be established by achieving sophistication in science and technology. The Ministry has been undertaking and implementing research-based activities, formulating policies and acts related to science and technology. The medium term strategy has given priority to provide fellowships for MS, PhD and post-doctoral courses in science and technology at home and abroad, conduct feasibility study in establishing nuclear power plant at southern part of Bangladesh, provide specialized library facilities at international standards for students and researchers, invent the method of generating electricity at a low cost from tide and wave, enhance the infrastructure of Bangladesh Atomic Energy Regulatory Authority for protecting people and environment from nuclear radiation, and develop necessary infrastructure and human resources for conducting research on marine resources. In the medium term, the government will also encourage science-based research and development, and create necessary facilities and incentive systems for that purpose.



3.41 Total spending in education and technology sector is projected to grow on an average by 13.25 percent annually to Taka 960.05 billion in FY22.

### **ICT & Digital Bangladesh <sup>5</sup>**

3.42 Achieving a Digital Bangladesh is one of the prime objectives under the *Vision 2021*. The main objective of digitization is to provide all public services to the reach of all the people in the country. Both the ICT Division and the Post and Telecommunications Division have been working to achieve that objective. Accordingly, necessary ICT related infrastructure has been created and widely expanded, and optical fiber cable has been set up throughout the country. Beneficiaries can now easily get almost all services including education, health and nutrition, agriculture, birth-registration, allowances under social protection programs through union information centers at the union level, e-service centers in DC offices, and e-centers in upazila and village post offices and agricultural information centers. A three-tier certified National Data Center has been established. In the medium term, the ICT Division has set priority to enhancing internet connectivity throughout the country, establishing 'Bangabandhu High-Tech City' on 355 acres of land in Kaliakoir of Gazipur, establishing 28 Hi-Tech Parks/ Software Technology Parks among which three have already been established, ensuring accountability and transparency through promoting the use of e-nothi system in government offices, e-GP in procurement and e-commerce in transactions etc., and implementing the National Environment Architecture.

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<sup>5</sup> Covers the activities of the Post and Telecommunications Division and the Information and Communication Technology Division.



3.43 The Post and Telecommunications Division has been working to increase telecommunication facilities through increasing tele-density and tele-access. The number of internet users has crossed 9 crore. Tele density has crossed 93 percent. 4-G mobile network has been introduced, and currently covers even rural areas. Bangladesh became the 57th satellite member country last year by launching its first satellite *Bangabandhu Satellite-1* successfully into the space. While this ended the country's dependence on global communication systems, it has also brought a number of other benefits. For example, broadcast based services have expanded to remote areas, and DTH, video transmission, VSAT, private Network, point-to-point connection etc. have become easier. In the medium term, the government has set a priority to expanding the telecommunication network including mobile phone network to remote areas of the country, launching the 5-G mobile network throughout the country, and further expanding optical fibre line in every union.

3.44 The government is working to ensure that the benefits of the Fourth Industrial Revolution (FIR) can be availed of. Recognizing the benefits of block-chain technology as an unchangeable and secure medium of information transmission, the government will work to introduce system in Bangladesh since one of the main objectives of digital Bangladesh is transparency. In the medium term, the government will also encourage the development of an innovation culture in the country, especially by according due recognition to innovations by our young generation.



## **Health<sup>6</sup>**

3.45 The government is committed to taking health services to the doorsteps of the people. The government is working to establish a health conscious, healthy, energetic, and active population by ensuring quality health services, nutrition, affordable and quality family planning. For example, the government is currently providing basic health care to the rural people through 13,779 community clinics, where every day 40 people get services from each clinic, 80 percent of which are women and children. As a result, the maternal mortality rate, infant mortality rate, child (under-5 years) mortality rate, malnutrition, stunting rate, low-weight rate, etc. are constantly being reduced, and the average life expectancy rate is increasing. The government is implementing a 5-year (January, 2017- June, 2022) Health, Population and Nutrition Sector Program (4th HPNSP) with an estimated cost of Taka 1,154.86 billion. In the medium term, the government will give the highest priority to autistic and other people with special needs, and will undertake programs to ensure health care and other social benefits for them. These include establishment of autism and neuro-development cells in government medical hospitals, setting up of child development centers at 16 medical colleges in the country, establishment of Institute of Pediatric Neuro Disorder, etc. Total spending for the health sector is projected to grow on average by 11.48 percent annually to Taka 309.21 billion in FY22.

3.46 The government has taken steps to increase the number of medical universities, medical colleges and hospitals as part of the government's plan to expand and improve medical education. In the medium term, the government will set up medical universities in all

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<sup>6</sup> Covers the activities of the Health Services Division and the Medical Education and Family Welfare Division.



the divisions. In the last ten years, the number of medical colleges and number of seats of MBBS courses increased significantly. The number of medical colleges in the country increased from 46 in 2006 to 111 in 2019, similarly, the number of seats of MBBS course increased from 2,050 in 2006 to 10,300 in 2018. Again, to reduce maternal mortality, 3,000 posts for midwives have been created, and 5,100 senior staff nurses were appointed. Three more nursing colleges will be established in FY 2019-20 to expand nursing education. In the medium term, the government also has a priority to promote innovation and expansion of technology-based medical education.

### **Social Security and Welfare<sup>7</sup>**

3.47 Expenditure on social security and welfare is one of the effective tools for achieving the goals of inclusive growth. The government has used targeted and efficiently monitored social safety net program as one of the priority activities to eradicate poverty and extreme poverty. As a result, the poverty level has gone down from 40 percent in 2005 to 21.8 percent in 2018. The 7<sup>th</sup> Five Year Plan envisaged reduction in poverty to 18.6 by 2021. The present government has a priority to reduce the poverty rate to 12.3 percent and the extreme poverty rate to 4.5 percent by 2023-24. To ensure inclusive economic benefits for all, both the coverage and the budget allocation have been increasing every year. Almost a quarter of the families in the country have now been brought under the social security program, as about 22 million people currently receive various financial assistance under the program. In FY19, the government has allocated Taka 641.7 billion for the program. The allocation for this sector will be doubled in the next 5 years.

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<sup>7</sup> Covers the activities of the Ministry of Social Welfare, Ministry of Women and Children Affairs, Ministry of Liberation War Affairs, Ministry of Food, and Ministry of Disaster Management and Relief.



3.48 To ensure that the social security program remains effective and to ensure its successful implementation, the National Social Security Strategy has been formulated. In order to increase the number of allowances and beneficiaries under the Social Security Program, as well as to ensure transparency and accountability, direct payments are being made to the beneficiaries through government-to-person (G2P) payment system. The G2P system has been rolled out to 9 cash transfer programs. In order to avoid duplication in beneficiary selections, digital database is being created using national ID cards. Different types of services are being provided for the empowerment and economic development of the backward, deprived, helpless, autistic and disabled people of the country. These include- small loans and grants-in-aid, establishment of Mobile One Stop Therapy Service, Disability Job Fair in remote areas, and establishment of the National Disability Development Foundation. Micro-credit is being disbursed in extreme poverty areas with the involvement of women being 50 percent.

3.49 The Ministry of Social Welfare has set a priority for continuation of providing social security benefits in areas of old age allowance, widow and distressed women allowance, disability allowance, and stipend for disabled students. It will also provide allocations for vedas and other marginal groups, trans-genders, tea-garden workers, and patients suffering from cancer, kidney disease, liver cirrhosis, paralysis due to stroke, and congenital heart disease. The Ministry has started social security payments to beneficiaries using the G2P system. It has made provisions for rehabilitation of autistic, disabled and acid burn people, created autism resource centers, and established 11 special schools for children with autism.



3.50 To incorporate women into the mainstream of the development process, the Ministry of Women and Children Affairs has set a priority to continue the food assistance programme (VGD) for distressed mothers, provision of allowances for pregnant mothers, provision of allowances for lactating and working mothers, and provision of microcredit to ensure women empowerment. Ensuring children's welfare is also one of the priority issues for the Ministry. The Ministry has established child day care centers to assist working women. Vocational, job-oriented and income-generating trainings will be provided to women to create self-employment opportunities, and legal assistance and counsel will be provided to women to safeguard against violence against women.

3.51 In order to improve the socio-economic conditions of freedom fighters, the Ministry of Liberation War Affairs has planned to build and construct the Muktijoddha Complex building. It has also undertaken an initiative to preserve the history and memory of the War of Liberation and the welfare of the freedom fighters. The Ministry provides honorarium, ration and other allowances to wounded freedom fighters and dependents of martyred freedom fighters. The volume of such allowances has doubled over the last 10 years. The Ministry has a priority to continue with these social security programs.

3.52 Poverty alleviation programs are being implemented by imparting training to farmers, facilitating agricultural loan, and supplying irrigation and other modern agricultural machinery. Activities under the Small Farmer Development Foundation are being implemented in 174 upazilas of 36 districts for the development of socio-economic conditions of landless, marginal farmers and small farmers living in rural areas. To ensure employment during the lean season across the country, the government annually spends an average of Taka 16.5 billion to create 0.8 million seasonal jobs for a



period of 80 days. In the medium term, the Ministry of Food will have a priority to procure food from domestic sources in order to ensure food security and price stability, build storage capacity of food godowns, and continue with food-friendly programs for low income people.

3.53 To reduce the risk of poor and disadvantaged people due to natural, environmental and human induced hazards, the first priority of the Ministry of Disaster Management and Relief is the expansion of social safety net programs. In the medium term, the Ministry will continue its existing programs like EGPP, VGF, Kabita, TR, GR, etc. Other priorities will include- building multipurpose cyclone shelters, disaster resilient building and flood shelters, construction of houses for the ultra poor, and construction of Mujib Killas and bridges/culverts to combat disasters.

### **Local Government and Rural Development<sup>8</sup>**

3.54 Socio-economic development in Bangladesh largely depends on rural development and strengthening of the local government. Various efforts undertaken by the government have brought diversity and liveliness in the rural economy. Activities have been risen manifold in both agricultural and non-agricultural sectors. Again, strengthening of local government was ensured by the system of election of representatives at the Union Parishad, Upazila Parishad, Zilla Parishad, Municipality and City Corporations. The Zilla Parishads have been classified in to A, B and C categories. To ensure quick and cheap delivery of services at the grassroots level, Union Digital Centers have been established to provide 112 types of services to the people.

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<sup>8</sup> Covers the activities of the Local Government Division, the Rural Development and Cooperatives Division, and the Ministry of Chittagong Hill Tracts Affairs.



3.55 The government has undertaken the 'One-House One Farm' project to facilitate poverty alleviation by organizing 6 million poor families of 0.102 million villages by 2020. Innovative activities like establishing modern housing 'Palli Janapada' have been undertaken. Again, the development of roads, bridges, culverts, hat-bazars, growth centers, cyclone centers, haors/baors, safe water sources and drain construction, sanitation facilities, etc. have also been undertaken. On the other hand, initiatives have been taken to construct roads/footpaths, and drains, bus/truck terminals, community centers, flyovers in important areas, repair roads and expand sewerage facilities. Besides, the government has provided housings, safe drinking water, sanitary latrines, road communication and other emergency services for more than one million Rohingyas who were forced to flee Myanmar.

3.56 Focusing on the slogan of 'village will be the city', the government has made rural development an important priority, and undertaken 'My Village-My City' program. Based on the concept, civic amenities and facilities of the town will be made available in the villages. These include- modern transport facilities, creation of opportunities for modern health care and education, electricity and fuel supply, and computers and high speed internet access. The government will also provide necessary assistance at the village level for setting up of agricultural machinery service centers and workshops. It will generate productive employment, facilitate manufacturing of light machinery, and ensure credit facilities for marketing.

3.57 The Ministry of Chittagong Hill Tracts Affairs gives the highest priority to develop the infrastructure both in agriculture and non-agricultural sector. Provision of basic health services for the overall development of the people in the Chittagong Hill Tracts, expansion of primary and vocational education, and conservation of the culture and tradition of the tribal people are also the priorities of the Ministry.



## Medium Term Macroeconomic Policy Statement FY20-FY22

3.58 Total spending in the local government and rural development sector is projected to grow on average by 8.65 percent annually to Taka 439.98 billion in FY22.

The table below presents government expenditure by Sectors from the fiscal year 2016-17 to FY2021-22:

**Table-3.14: Expenditure by Sector: FY17-FY22**

Name of the Sector	Expenditure and Allocation (Billion Taka)					
	Actual	Actual	Revised	Budget	Projection	Projection
	FY17	FY18	FY19	FY20	FY21	FY22
Public Services	313.00	278.64	784.07	997.64	1085.80	1193.66
Local Government and Rural Development	179.10	215.74	343.21	378.84	401.49	439.98
Defense Services	236.20	211.48	307.01	321.00	342.42	366.38
Public Order and Safety	196.90	220.52	280.67	276.36	294.08	314.60
Education and Technology	486.40	475.74	662.73	794.85	873.48	960.05
Health	66.20	168.39	223.40	257.33	281.09	309.21
Social Security and Welfare	162.10	180.91	266.37	294.57	310.76	341.39
Housing	50.10	34.56	61.45	66.03	71.31	77.02
Recreation, Culture and Religious Affairs	32.40	30.84	45.64	43.89	47.66	52.03
Fuel and Energy	146.20	285.62	265.02	280.50	295.51	311.39
Agriculture	168.90	191.26	253.55	283.51	310.52	340.04
Industrial and Economic Services	22.00	24.25	37.27	38.90	41.31	44.22
Transport and Communication	229.00	400.73	492.11	648.42	709.30	775.93
Total Programme Expenditure	<b>2288.50</b>	<b>2718.68</b>	<b>4022.50</b>	<b>4681.84</b>	<b>5064.73</b>	<b>5525.90</b>

Source: Finance Division



## Chapter Four

### Revenue Mobilization and Debt Strategy

Revenue mobilization, a key objective of fiscal policy, is critical to create adequate fiscal space for macroeconomic stability and sustainable economic growth. As the country aims to accelerate its economic growth to become a developed country by 2041, it needs to increase its budget size for meeting infrastructure gaps, especially spending on necessary social (health, education) and physical infrastructures. Higher spending on physical infrastructure is likely to attract more private investment in the long run, which is essential for sustainable economic growth. For deficit financing, overuse of nonbank borrowing, which involve high interest cost, must be reduced while increased use of low cost external resources shall remain a preferred strategy.

4.2 This chapter discusses recent fiscal performance of Bangladesh in comparison to its peers and related regional blocks. Secondly, the recent trend in revenue mobilization, performance of revenue collection in FY19, fiscal reform issues, medium term revenue outlook for the next three years (FY20-FY22) are discussed to provide a clear view about revenue mobilization strategy. Finally, it sheds light on deficit financing mechanism and debt management strategy that includes the government's contingent liabilities.

#### Performance in Revenue Mobilization

4.3 Despite sustained high economic growth and development over the decade, Bangladesh fell short of the desired level of domestic resource mobilization. Revenue mobilization (as percentage of GDP)



has been lower in Bangladesh compared to its peers and regional blocks. The average revenue-GDP ratio stands at 10.2 percent in Bangladesh compared to 26.7 percent in emerging and developing Asia, and 17.8 percent in Sub-Sahara Africa during the last five years. Even South Asian countries, such as India (20.3), Nepal (23.3), Pakistan (15.2), and Sri Lanka (13.3) are clearly ahead in terms of revenue mobilization (Table 4.1). Comparative analysis reveals weakness in the revenue mobilization strategy of Bangladesh. Therefore, the country needs to revisit its revenue mobilization strategy that is critical for a sustainable fiscal position in the medium term.

**Table 4.1: Comparative Scenario of Revenue Mobilization**

Country/Regions	General Government Revenue (% of GDP)					
	2014	2015	2016	2017	2018	Avg.
Bangladesh	10.9	9.8	10.1	10.2	10.1	10.2
India	19.2	20.3	20.9	20.9	20.6	20.3
Nepal	20.4	20.8	23.4	26.3	25.5	23.3
Pakistan	15.2	14.5	15.5	15.7	15.3	15.2
Sri Lanka	11.6	13.3	14.2	13.8	13.5	13.3
Advanced Economies	36.5	36.1	36.0	36.1	36.2	36.2
Emerging and Developing Asia	27.8	26.4	26.0	26.3	27.2	26.7
ASEAN-5	19.4	18.9	18.2	17.8	18.4	18.5
Sub-Saharan Africa	19.4	17.6	16.6	17.3	18.2	17.8

Source: World Economic Outlook, IMF April 2019



### Trend in Revenue Earnings

4.4 Bangladesh achieved 11.4 percent average revenue growth in the last five years, although this growth trend was not smooth. In fact, the growth fluctuated significantly (6.1 percent standard deviation) in this period with the highest growth being 18.5 percent in FY16 and the lowest growth being 4.0 percent in FY15. Revenue growth lost its momentum after a bullish trend in FY16, especially it slowed down significantly in FY18 (Figure 4.1). Slow revenue growth after FY16 has widened the gap between revenue target and actual realization from 2.0 percentage points in FY14 to 3.2 percentage points in FY18 (Figure 4.2). Low revenue collection has shrunk the fiscal space to some extent for meeting the spending gaps in infrastructure, health, education and social protection. Therefore, substantial reforms in revenue administration are necessary, especially expansion of tax base, rationalization of tax rates, and strengthening revenue administration for better compliances and services.

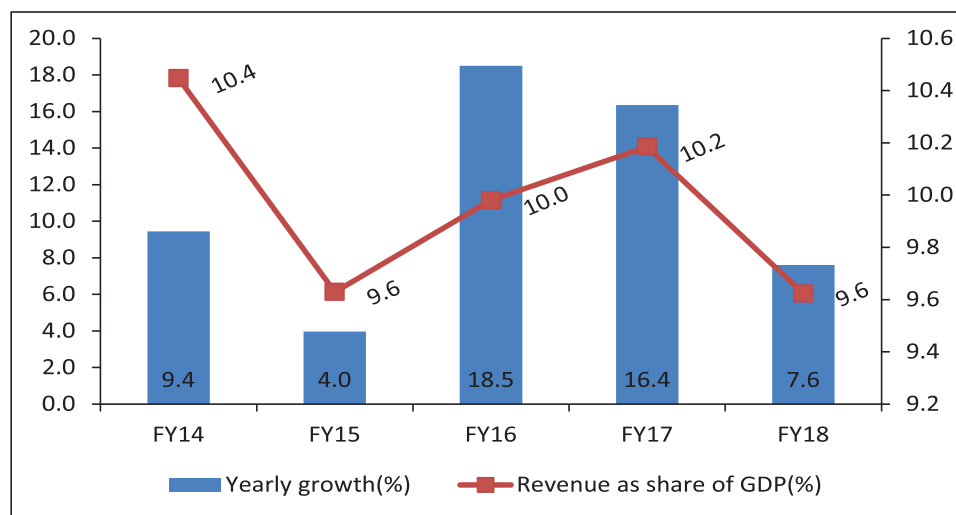
**Table 4.2: Revenue Performance in FY14-FY18**

Year	(Billion Taka)				
	FY14	FY15	FY16	FY17	FY18
Revenue Target	1674.6 (12.5)	1829.5 (12.1)	2084.4 (12.0)	2427.5 (12.3)	2879.9 (12.8)
Revised Revenue Target	1566.7 (11.7)	1663.7 (10.8)	1774 (10.2)	2185.0 (11.1)	2594.5 (11.5)
Actual Mobilization	1403.8 (10.4) {9.4}	1459.6 (9.6) {4.0}	1729.5 (10.0) {18.5}	2007.5 (10.2) {16.4}	2165.6 (9.6) {7.6}

**Source:** Finance Division; Figure in ( ) indicates % of GDP, { } indicates yearly growth (%);

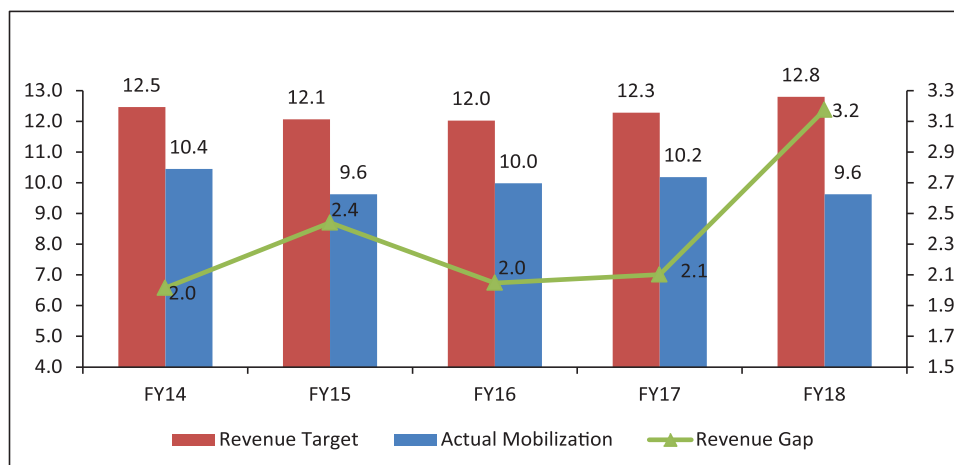


**Figure 4.1: Revenue Growth Performance (FY14-FY18)**



Source: Figure drawn by using data from Table 4.2;

**Figure 4.2: Revenue Mobilization Scenario (% of GDP)**



Source: Figure drawn by using data from Table 4.2;

### Revenue by sources

4.5 Tax revenue and Non-tax revenue (NTR) are the two main sources of revenue where contribution of tax revenue and non-tax revenue are 87.4 and 12.6 percent respectively, on average, in the last



five years. Among the tax revenues, National Board of Revenue (NBR) collects the bulk share (96.3 percent) of the tax revenue while the rest (3.7 percent) of the tax revenues, known as Non-NBR taxes, is collected from narcotics and liquor duties, taxes on vehicles, land revenue and non-judicial stamp duties etc. by the respective government agencies. Total tax revenue increased by 13.8 percent, on average, in the last five years, the highest being 17.9 percent in FY16 and the lowest being 8.0 percent in FY14. In contrast, NTR revenue, which predominantly comes from administrative fees and charges, dividend & profits, and interest income, experienced a negative 2.2 percent average growth, in the last five years. Despite sizeable increase in tax revenue over the period, Tax-GDP ratio is still stuck to 8.6 percent at the end of FY18 (Table 4.3).

**Table 4.3: Main Sources of Revenue**

(Billion Taka)

Revenue Sources	Fiscal Year				
	FY14	FY15	FY16	FY17	FY18
<b>(a) Tax Revenue (a1+a2)</b>	1160.3	1287.9	1518.8	1780.7	1943.3
	(82.7)	(88.2)	(87.8)	(88.5)	(89.7)
	{8.6}	{8.5}	{8.8}	{9.0}	{8.6}
<b>(a1) NBR Taxes</b>	1114.2	1239.7	1462.4	1716.4	1871.0
	(79.4)	(84.9)	(84.6)	(85.3)	(86.4)
<b>(a2) Non-NBR Taxes</b>	46.1	48.2	56.4	64.4	72.2
	(3.3)	(3.3)	(3.3)	(3.2)	(3.3)
<b>(b) Non-Tax Revenue (NTR)</b>	243.4	171.7	210.7	231.6	222.3
	(17.3)	(11.8)	(12.2)	(11.5)	(10.3)
<b>Total revenue (a+b)</b>	1403.7	1459.7	1729.5	2012.3	2165.6

Source: Finance Division; Figure in ( ) indicates % of total revenue, { } indicates % of GDP;



## NBR Tax Revenue

4.6 As NBR collects 96.3 percent of the total tax revenue and 84.1 percent of the total revenue, on average, in the last five years, it is important to look into the performance of the NBR tax revenue collection. NBR taxes, which comprises Income Tax, Value Added Tax (VAT), Supplementary Duty, Custom Duty, and Excise Duty and other taxes, grew by 13.8 percent, on average, over the last five years. VAT, the largest source of NBR tax revenue, accounts for 36.9 percent of the total NBR taxes (on average) over the last five years. The next important source of NBR tax revenue is taxes on income and profit (32.0 percent) followed by supplementary duties (17.8 percent) and custom duties (11.7 percent), on average, in the last five years (Table 4.4).

**Table 4.4: Sources of NBR Tax Revenue**

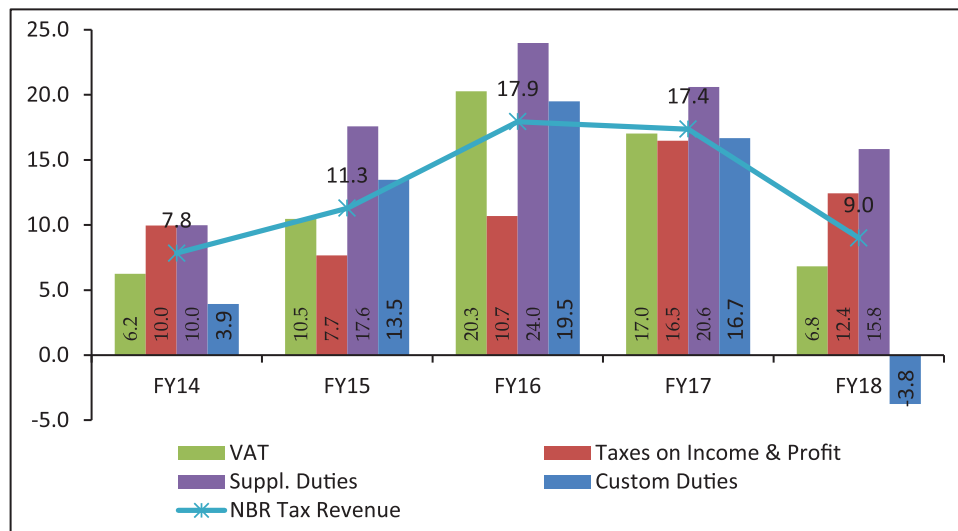
(Billion Taka)

Source	Fiscal Year				
	FY14	FY15	FY16	FY17	FY18
<b>Taxes on Income and Profit</b>	378.3	407.2	450.8	525.0	590.3
	(33.9)	(32.8)	(30.8)	(30.6)	(31.6)
	{10.0}	{7.7}	{10.7}	{16.5}	{12.4}
<b>Custom Duties</b>	131.3	148.9	178.0	207.6	199.9
	(11.8)	(12.0)	(12.2)	(12.1)	(10.7)
	{3.9}	{13.5}	{19.5}	{16.7}	{-3.8}
<b>VAT</b>	410.8	453.8	545.8	638.7	682.2
	(36.9)	(36.6)	(37.3)	(37.2)	(36.5)
	{6.2}	{10.5}	{20.3}	{17.0}	{6.8}
<b>Supplementary Duties</b>	179.3	210.8	261.3	315.2	365.1
	(16.1)	(17.0)	(17.9)	(18.4)	(19.5)
	{10.0}	{17.6}	{24.0}	{20.6}	{15.8}
<b>Other NBR Taxes</b>	14.6	19.2	26.6	29.9	33.6

Source: Finance Division; Figure in ( ) indicates % of NBR tax revenue, { } indicates yearly growth (%);



Figure 4.3: Growth Path of NBR Tax Revenue



Source: Figure drawn by using data from Table 4.4;

4.7 Despite 13.8 percent average growth in the last five years, NBR tax revenue growth experienced significant volatility (4.7 percent standard deviation) in this period, notably it slowed down after FY16 (Figure 4.3). The bullish trend in NBR tax revenue (FY14-FY16) lost its momentum subsequently; especially it slowed down considerably in FY18. All components of NBR taxes slowed down in FY18, especially collection from VAT slowed down significantly and custom duties even entered into negative growth in FY18, which dragged down the overall NBR tax revenue growth in FY18.

### Non-NBR Tax Revenue

4.8 Non-NBR tax revenue contributed 3.3 percent of the total revenue, on average, during the last five years (FY14-FY18). It experienced 11.9 percent average growth during that period (Table 4.3).



## Non-Tax Revenue (NTR)

4.9 Non-Tax Revenue (NTR) revenue collections declined by 9.7 percent in FY18 from its level in FY14 (Table 4.5). NTR growth fluctuated significantly (20.8 percent standard deviation) in the last five years, the highest being 22.7 percent growth in FY16 and the lowest being -29.5 percent growth in the preceding year (Figure 4.4). Among the components, Dividend & Profits, Administrative fees & Charges, which are the two main components fluctuated considerably during that period and went down significantly in FY18 that dragged down the overall NTR revenue and consequently reduced its share in total revenue from 17.3 percent in FY14 to 10.3 percent in FY18.

**Table: 4.5: Composition of Non-Tax Revenue**

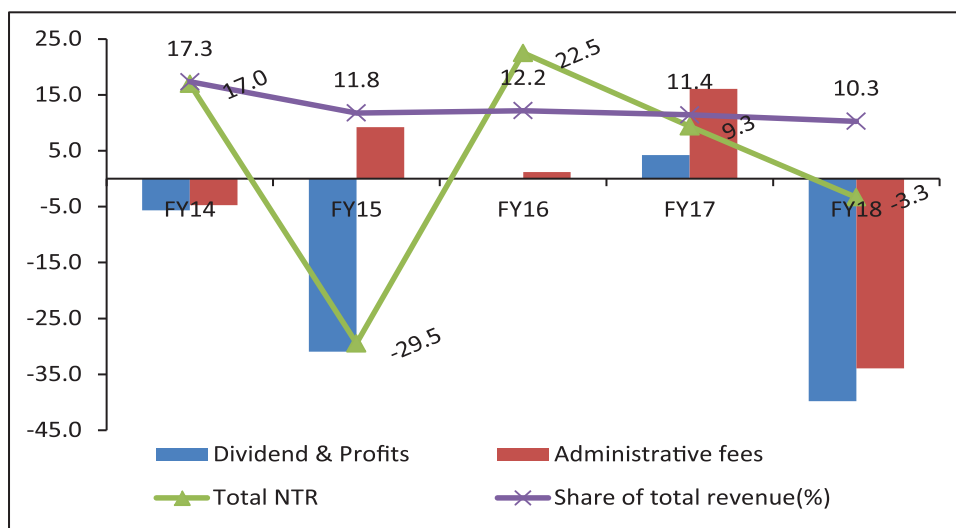
(Billion Taka)

	FY14	FY15	FY16	FY17	FY18
<b>Dividend &amp; Profits</b>	44.9	31.0	31.0	32.3	19.5
	(-5.7)	(-31.0)	(0.0)	(4.2)	(-39.8)
<b>Administrative fees</b>	30.3	33.1	33.5	38.9	25.7
	(-4.7)	(9.2)	(1.2)	(16.1)	(-33.9)
<b>Interests</b>	6.7	7.8	7.8	22.1	19.9
<b>Fines, Penalties and Forfeitures</b>	3.4	2.8	2.8	5.8	6.0
<b>Receipt for services rendered</b>	7.8	7.6	7.6	5.8	35.5
<b>Tolls and levies</b>	3.1	3.5	3.5	11.0	6.1
<b>Non-commercial sales</b>	4.1	5.0	5.0	5.5	17.4
<b>Capital Revenue</b>	0.8	0.6	0.7	2.5	7.0
<b>Other NTR</b>	143.2	80.9	80.2	104.8	80.6
<b>Total Non-Tax Revenue (NTR)</b>	243.4	171.7	210.3	230.0	230.0
	(17.0)	(-29.5)	(22.7)	(9.3)	(-3.3)

Source: Finance Division; Figure in () indicates yearly growth (%);



**Figure 4.4: NTR Growth Trend (%) in FY14-FY18**



Source: Figure drawn by using data from Table 4.5;

### Overall Revenue Performance in FY 19 (Up to February)

4.10 Revenue collection target has been revised to Tk. 3.2 trillion (downsized by 7 percent) from the original budget of Tk. 3.4 trillion in FY19. Revised revenue collection target has been set to grow by 46.2 percent from actual revenue collection in FY18. The overall revenue collection stands at Tk. 1.6 trillion up to February FY19, which is 51.4 percent of the revised budget target in FY19. Contribution of NBR Tax, Non-NBR Tax and Non-Tax revenue are 86.0 percent, 3.0 percent, and 11.0 percent respectively in the total revenue collection. VAT and Taxes on Income & Profit, two major components of NBR taxes registered 15.3 and 31.5 percent growth respectively, which resulted 14.7 percent NBR tax revenue growth in the first eight months compared to the same period in the previous fiscal year. At the same time, Non-tax revenue increased by 20.3 percent while non-NBR tax revenue by decreased 3.3 percent.



4.11 Given the status of the total revenue collection in the first eight months of FY19, it is likely that the actual revenue collection might fall short of the revised budget target in FY19. However, to achieve such high target, the government has adopted various measures to widen tax base and to improve compliance measures in the tax administration.

**Table 4.6: Revenue Mobilization Scenario in FY19**

(Billion Tk.)

Items	2018-19		2018-19 (July- February)	Revenue Collection /revised target (%)	2017-18 (July- February)	Year-Year Growth (%)
	Budget	Revised	Actual		Actual	
Total Revenue	3392.8	3166.8	1627.1	51.4	1418.6	14.7
Tax Revenue	3059.3	2896.6	1448.3	50.0	1270.0	14.0
NBR Tax	2962.0	2800.6	1399.6	50.0	1219.6	14.8
Income & profit	851.8	982.8	455.1	46.3	346.2	31.5
Value Added Tax (VAT)	912.5	1350.0	527.0	39.0	457.1	15.3
Supplementary duty	487.7	138.8	236.6	170.4	235.0	0.7
Other taxes & duties	710.1	329.1	180.9	55.0	181.3	-0.2
Non-NBR Tax	97.3	96.0	48.7	50.7	50.4	-3.3
Non Tax Revenue (NTR)	333.5	270.2	178.8	66.2	148.6	20.3

Source: Finance Division;

### Reform Initiatives in Revenue Sector

4.12 Bangladesh's tax-GDP ratio has not improved predominantly due to under-tax compliance and narrow tax base. Therefore, the underlying objective of the tax reform is to improve compliance without increasing tax rates. The country needs rigorous reforms in the taxation system, such as i) strengthening revenue administration



and improving compliance, ii) broadening tax base and simplifying tax structures, and iii) elimination of tax exemptions and holidays for prolonged periods.

4.13 The government is committed to implement substantial reforms in tax policy and tax administration to widen the existing narrow tax base. In line with this view, the government has undertaken a number of programmes for legal and structural reforms in the revenue administration, some of which have already been implemented while others are on-going. The reforms that are already undertaken and that are on-going are as follows:

- ✓ The VAT & Supplementary Duty Act 2012, which was set to be effective from FY18, will now come into effect from July 1, 2019. After consultation with stakeholders, NBR has drafted some amendments, which cover multiple VAT rates, central registration, and input tax credit, to the said act. Accordingly, the VAT & Supplementary Duty Rule, 2016 will also be revised in July 2019. With the implementation of the new VAT law, collection of VAT and supplementary duty is expected to receive a significant boost, which is likely to increase revenue-GDP ratio.
- ✓ To stop evasion in VAT and enhance VAT collection, the government has planned to provide Electronic Fiscal Devices (EFD) with sales data controller mechanism to VAT taxpayers. Accordingly, the government has begun the process for procurement of 100,000 EFDs, which will be used from July 2019.
- ✓ At present, many sectors of the economy enjoy tax benefits including tax holidays and reduced tax rates in the economic zones. There is evident that tax incentives do not work as well



in developing countries as they do in developed countries (OECD 2002). Therefore, it is imperative to overhaul the corporate tax regime by eliminating tax exemptions and holidays that have outlived their original tenures.

- ✓ The new customs law, which will be placed before the Parliament for enactment soon, will replace the existing Customs Act 1969. The new law has incorporated international best practices in customs including that of the World Customs Organization (WCO) revised KYOTO Convention and the WTO Trade Facilitation Agreement. The aforesaid law aims to harmonize and simplify customs processes to facilitate collection of custom duties.
- ✓ In line with the reforms of customs administration, the government is planning to install scanning machines at all points of customs inspection to ensure that all imports and import consignments are subject to scanning procedures. At the same time, the risk management system will be operational to ensure that no more than 10 percent of the consignments are subject to physical examination. These measures will make sure that all goods are inspected thoroughly before they get custom clearance. Such rigorous inspection will reduce tax evasion and consequently will boost tax revenue.
- ✓ The current tax structure in Bangladesh depends heavily on indirect taxes, especially taxes on trade, while in developed countries direct taxes constitute the bulk of revenue collection (World Bank 2019). The government is formulating a new income tax law by emphasizing on direct taxes. The new law is expected to create enabling environment for taxpayers, streamline income tax assessment and collection, and attract



larger volume of domestic and foreign investment. The preliminary draft of the new Income Tax law has been prepared through stakeholder consultations. Preparation and implementation of the new Tax Act can be a milestone in the revenue reform effort of the government.

- ✓ Tax return procedure shall be simplified and necessary initiatives will be undertaken to reform the reporting system of tax at source and related procedures. Besides, tax code will be made more pro-people by creating options of online tax return submission. Minimum interface between the taxpayers and tax collectors as a result of simplification of the return submission procedure will help expand the currently low personal income tax base.
- ✓ The government aims to increase the number of taxpayer to 10.0 million in the medium term from the existing base of 2.2 million taxpayers in FY18. NBR has arranged a substantial number of tax fairs across the country in the last fiscal year and it will expedite the number in the upcoming years to augment tax revenue.

The on-going and proposed reforms plan undertaken by the government is expected to boost the domestic revenue mobilization, which will provide adequate fiscal space for critical infrastructure spending in the upcoming years. Increased infrastructure spending will remove the supply side bottlenecks of the economy and attract both domestic and foreign investment to sustain long term economic growth.

### **Medium-Term Revenue Outlook**

4.14 Bangladesh aims to boost its domestic revenue, which is critical for fiscal sustainability and macroeconomic stability. Revenue mobilization is expected to be strengthened in the medium term by



the planned implementation of the VAT law from July 2019, and subsequently by the implementation of the new customs law. Total revenue has been forecasted to Tk. 5.2 trillion by FY22, which requires 17.8 percent growth, on average, from the revised budget target of FY19. This optimistic revenue growth scenario will lift revenue-GDP ratio at 15.7 percent from the current low level.

**Table 4.7: Revenue Projection in the Medium Term**

(Billion Taka)

Items	FY18	FY19	FY19	FY20	FY21	FY22
	Actual	Budget	Budget(R)	Projection		
Total Revenue	2165.6 (9.6) {7.6}	3392.8 (15.1) {56.7}	3166.2 (12.5) {46.2}	3778.1 (14.9) {19.3}	4412.2 (15.3) {16.8}	5173.2 (15.7) {17.2}
Tax Revenue	1943.3 (8.6) {9.1}	3059.3 (13.6) {57.4}	2896.0 (11.4) {49.0}	3401.0 (13.4) {17.4}	3984.2 (13.8) {17.1}	4685.8 (14.2) {17.6}
NBR Tax	1871.0 (8.3) {9.0}	2962.0 (13.2) {58.3}	2800.0 (11.0) {49.6}	3256.0 (12.8) {16.3}	3819.5 (13.2) {17.3}	4498.4 (13.7) {17.8}
Non-NBR Tax	72.2 (0.3) {12.2}	97.3 (0.4) {34.7}	96.0 (0.4) {32.9}	145.0 (0.6) {51.1}	164.6 (0.6) {13.5}	187.4 (0.6) {13.8}
NTR	222.3 (1.0) {-4.0}	333.5 (1.5) {50.0}	270.2 (1.1) {21.6}	377.1 (1.5) {39.6}	428.1 (1.5) {13.5}	487.3 (1.5) {13.8}

Source: Finance Division; Figure in ( ) indicates % of GDP and { } indicates yearly growth (%)

4.15 In the medium term, revenue mobilization depends on NBR tax revenue collection as it accounts for 84.1 percent of the total revenue in the last five years (on average). Hence, prospects of revenue collection from different components of NBR tax are discussed to get a sense of total revenue collection. VAT including supplementary duties will remain the largest source of NBR tax revenue with implementation of the VAT and Supplementary Duty Act 2012 from July 2019 using multiple tax rates instead of the single rate in the original law. VAT including supplementary duties, taxes on



income and profits, and custom duties are projected to grow at the rate of 13.2 percent, 22.8 percent, 12.7 percent respectively, on average, by FY22 from the revised budget target of FY19. Consequently, share of these NBR tax items as a percentage of GDP is projected to rise at 6.6 percent, 5.4 percent, and 1.4 percent from the share of 5.9 percent, 3.7 percent, and 1.2 percent respectively in FY19.

**Table 4.8: Medium Term Prospects of NBR Tax Components**

(Billion Taka)

Items	Actual	Budget	Budget(R)	Projection		
	FY18	FY19	FY19	FY20	FY21	FY22
Taxes on Income and Profit	590.3 (3.0)	1007.2 (4.5)	951.7 (3.7)	1139.1 (4.5)	1448.8 (5.0)	1761.9 (5.4)
Customs Duties	199.9 (1.0)	325.5 (1.4)	314.4 (1.2)	365.5 (1.4)	395.1 (1.4)	449.8 (1.4)
VAT and Supplementary Duties	1047.3 (5.3)	1593.2 (7.1)	1500.2 (5.9)	1712.2 (6.8)	1876.8 (6.5)	2174.2 (6.6)
Other NBR Taxes	33.6	36.1	33.8	39.2	98.8	112.5

Source: Finance Division, Figure in ( ) indicates % of GDP;

## Deficit Financing and Debt Management

### Deficit Financing

4.16 The government has been pursuing a prudent fiscal policy to maintain a sustainable debt to GDP ratio. In line with this view, the government follows a definite fiscal rule of containing budget deficit within 5 percent of GDP. This has enabled the country to maintain macroeconomic stability despite high economic growth over the decade. The government finances budget deficit from both domestic and external sources. In case of domestic finance, the government borrows from both banking source and non-banking source.

### Bank Borrowing

4.17 The government uses treasury bills (equal to or less than one-year maturity) and bonds (more than one-year maturity) through market mechanism to borrow from the banking source. These treasury



securities are tradable in the secondary market. Moreover, some non-marketable debt instruments, such as ways and means advances, overdrafts loan made by Bangladesh Bank are mainly used for deficit financing in daily cash demand of the government as instant mechanism. The government met 9.3 percent of deficit financing (on average) from the banking source in the last five years (Table 4.9).

### Non-Bank Borrowing

4.18 Non-marketable saving instruments, National Saving Certificates (NSCs) of various maturities is the main source for the government's non-banking finance. The government met 69.3 percent of the deficit financing (on average) from the non-banking source in the last five years (Table 4.9).

**Table 4.9: Trend in Deficit Financing**

(Billion Taka)					
Financing Sources	FY14	FY15	FY16	FY17	FY18
<b>Total Financing</b>	478.3	621.9	673.2	675.0	1054.9
	(3.6)	(4.1)	(3.9)	(3.4)	(4.7)
<b>External (Net)</b>	97.1	110.2	159.8	123.0	264.9
	(0.7)	(0.7)	(0.9)	(0.7)	(1.2)
<b>Loans</b>	119.4	157.8	204.8	188.5	331.3
<b>Grants</b>	63.6	23.2	21.7	7.0	8.7
<b>Amortization</b>	85.9	70.8	66.6	72.0	75.1
<b>Domestic</b>	381.4	511.7	513.4	559.9	790.0
	(2.8)	(3.4)	(3.0)	(2.8)	(3.5)
<b>Bank</b>	181.7	5.1	106.1	-83.8	117.3
<b>Non-Bank</b>	199.7	505.1	407.3	642.5	672.7
<b>NSC</b>	117.1	287.1	341.5	518.0	462.9
<b>Others</b>	82.6	218.1	65.7	124.5	209.8

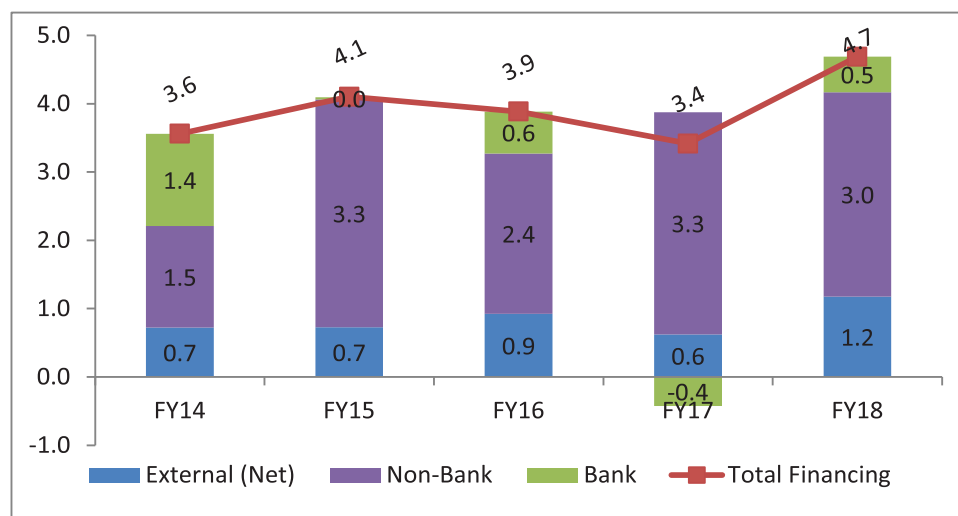
Source: Finance Division; Figure in ( ) indicates % of GDP;



## Foreign Borrowing

4.19 As domestic borrowing entails high interest costs, the government resorts to borrowing from external sources as well. Of the external sources, loan/grants are received mainly from bilateral and multilateral development partners against various projects. The amount of borrowing from external sources depends on the level of implementation of foreign aided projects. The foreign loans are mostly concessional nature. The government met 21.0 percent of the deficit financing (on average) from the external source in the last five years (Table 4.9).

**Figure 4.5: Deficit Financing Trend (% of GDP)**



Source: Figure drawn by using data from Table 4.9;

## Trend in Deficit Financing (FY14-FY18)

4.20 Budget deficit, which stands at 3.9 percent of GDP in the last five years, on average, widened by 1.1 percent at the end of FY18 from its level in FY14. On a year to year basis, budget deficit reached 4.7



percent in FY18, i.e. increased by 1.3 percent from the previous year due to sluggish revenue mobilization. However, this level is lower than the government's deficit limit of 5.0 percent of GDP. Domestic borrowing contributed 79.0 percent while external borrowing contributed 21.0 percent of the total financing, on average, in the last five years. At the same time, ratio of bank and non-bank borrowing stands at 1:7.4 in case of domestic borrowing, while in case of foreign borrowing, the ratio of loans and grants stands at 8.1:1. Among the domestic sources, nonbank borrowing has a rising trend over the period as it rises from 1.5 percent of GDP in FY14 to 3.0 percent of GDP in FY18 while bank borrowing has a declining trend as it declined from 1.4 percent of GDP in FY14 to 0.5 percent of GDP in FY18.

### **Medium-Term Financing Outlook**

4.21 In the medium term, the government intends to keep the mix of domestic debt instruments in consistent with medium term macroeconomic projection. Net sales of NSCs, a major nonbanking financing source, has not slowed down as expected in FY19 due to wider gap between market interest rate (especially interest rate of fixed deposit) and rate of NSCs. As the budget target of net sales of NSC (262.0 billion taka) in FY19 has already been exceeded by the end of January 2019, net sales target of NSC has been re-fixed as 450 billion taka, which is 35.8 percent of the total borrowing in FY19. With no direct control of the NSC flows and with slow revenue mobilization, the government has increased total financing target by 0.5 percent in the revised budget from the original budget target, in which domestic borrowing target increases by 10.6 percent while external borrowing target decreases by 12.7 percent.

**Table 4.10: Medium-Term Financing Outlook**

(Billion Taka)

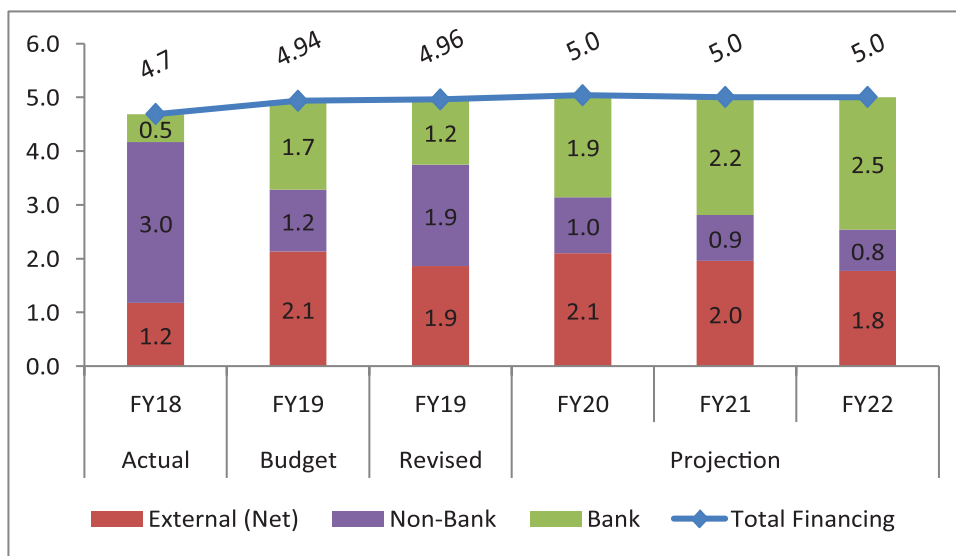
Source of Borrowing	Actual	Budget	Budget(R)	Projection		
	FY18	FY19	FY19	FY20	FY21	FY22
<b>Total Financing</b>	1054.9	1252.9	1259.3	1453.8	1647.1	1875.2
	(4.7)	(4.9)	(5.0)	(5.0)	(5.0)	(5.0)
<b>External (Net)</b>	264.9	540.7	471.8	605.8	645.4	663.5
	(1.2)	(2.1)	(1.9)	(2.4)	(2.0)	(1.8)
	{25.1}	{43.2}	{37.5}	{46.8}	{39.2}	{35.4}
<b>Loans</b>	331.3	605.9	538.8	753.9	724.4	749.7
<b>Grants</b>	8.7	40.5	37.9	41.7	42.8	45.0
<b>Amortization</b>	75.1	105.7	104.9	115.4	121.8	131.2
<b>Domestic</b>	790.0	712.3	787.5	773.6	1001.7	1211.6
	{74.9}	{56.8}	{62.5}	{53.2}	{60.8}	{64.6}
<b>Bank</b>	117.3	420.3	309.0	473.6	721.7	921.6
<b>Non-Bank</b>	672.7	292.0	478.5	300.0	280.0	290.0
<b>NSC</b>	462.9	262.0	450.0	270.0	250.0	260.0
<b>Others</b>	209.8	30.0	28.5	30.0	30.0	30.0

Source: Finance Division; Figure in ( ) indicates % of GDP, { } indicates % of total borrowing;

4.22 The government plans to cap borrowing up to 5.0 percent of GDP on average for deficit financing during FY20-FY22 period (table 4.10). In the medium term, the government wants to reduce the share of nonbank borrowing while wants to increase the share of bank borrowing. Domestic borrowing target is projected to 3.2 percent of GDP by FY 22 where the ratio between banking and non-banking sources will be 3.2:1. The present trend of borrowing (Bank: Nonbank=1:1.5 in FY19) must be reversed to achieve the set target. Net external financing is projected be 2.0 percent of GDP, on average, in the next three years.



**Figure 4.6: Medium-Term Financing Trend (% of GDP)**



Source: Figure drawn by using data from Table 4.10

### Borrowing Strategy

4.23 In line with the Public Money and Budget Management Act, 2009, the government pursues a borrowing policy that ensures sound debt management. Bangladesh's core debt strategy is designed to minimize the costs and risks of the debt portfolio by choosing an appropriate borrowing mix. Bangladesh used to enjoy concessional facilities from bi-lateral and multilateral development partners before graduating to lower middle income country status. Even after entering the lower middle income bracket, the interest cost of foreign loan is still lower than the domestic interest cost. Hence, borrowing from external source is still a preferred strategy as it also provides foreign exchange for importing capital goods.

4.24 For domestic borrowing, sale of NSC is a major source of receipts but it entails high interest costs, which is a risk for fiscal sustainability. Therefore, the government wants to reduce the share of nonbank borrowing, especially borrowing through NSCs. The



government has already initiated reforms, such as preparing NID linked database of the buyers of NSCs in the metropolitan area, which shall restrict a buyer from buying additional NSCs after he crosses individual limit. Sales of NSC through NID linked database will start in all other parts of the country after July 1, 2019. In addition, the government is also considering an increase in source tax on interest income from investment in NSCs. With these measures, sale of NSCs is expected to slow down in the upcoming years.

### Debt Profile

4.25 The government borrows both from domestic and foreign sources to finance the fiscal deficit on the back of low revenue mobilization to accommodate high economic growth. Outstanding debt stock stood at BDT 7.2 trillion, which is 31.9 percent of GDP, at the end of FY18 where the ratio of domestic and foreign debt is 1.6:1 (Table 4.11). Among the sources, domestic debt and external debt constitute 19.7 percent and 12.2 percent of GDP respectively (Figure 4.7).

**Table 4.11: Medium-Term Outlook of Debt Stock**

(Billion Taka)

Indicators	Actual	Budget	Budget(R)	Projection		
	FY18	FY19	FY19	FY20	FY21	FY22
<b>Total Debt</b>	7185.9	7404.7	8531.3	9795.1	11496.4	13373.8
	(31.9)	(29.2)	(33.6)	(33.9)	(34.9)	(35.7)
<b>Domestic</b>	4434.5	4557.8	5239.3	6031.3	7052.3	8284.3
	(19.7)	(18.0)	(20.7)	(20.9)	(21.4)	(22.1)
	{61.7}	{61.6}	{61.4}	{61.6}	{61.3}	{61.9}
<b>External</b>	2751.3	2846.8	3292.0	3763.8	4444.0	5089.4
	(12.2)	(11.2)	(13.0)	(13.0)	(13.5)	(13.6)
	{38.3}	{38.4}	{38.6}	{38.4}	{38.7}	{38.1}

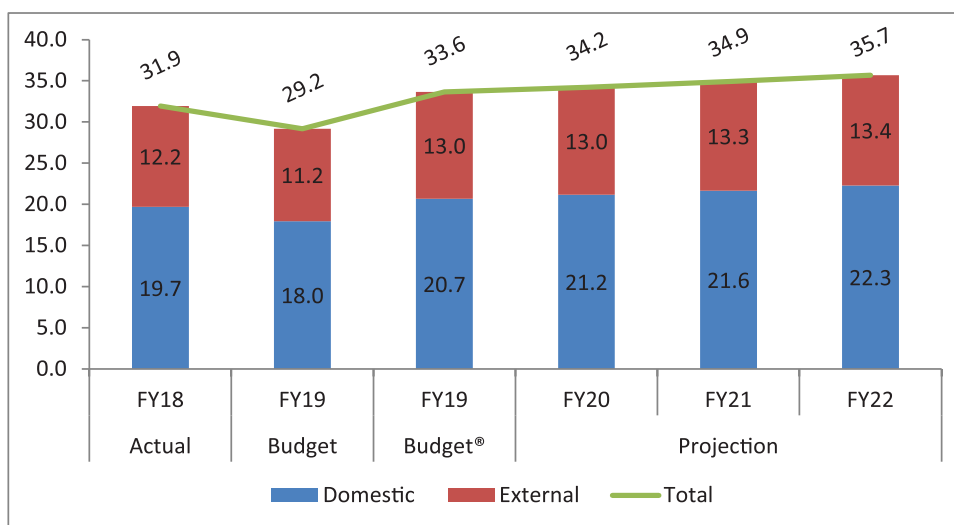
Source: Finance Division; Figure in ( ) indicates % of GDP and { } indicates % of total debt stock;



### Medium Term Outlook of Debt Stock

4.26 In the medium term, overall debt stock is projected to slightly rise on the back of slow revenue mobilization against increasing budget size. Outstanding total debt will reach at 35.7 percent of GDP at the end of FY22 from 33.6 percent of GDP in FY19 (Figure 4.7). At the same time, domestic debt to GDP has been projected to 22.1 percent of GDP from the current level of 20.7 percent of GDP and external debt is likely to edge up at 13.6 percent of GDP from the current level of 13.0 percent of GDP in FY19.

**Figure 4.7: Medium-Term Outlook of Debt Stock as % of GDP**



Source: Figure drawn by using data from the table 4.11;

### Debt Sustainability

4.27 Prudent fiscal policy adopted by the government is expected to keep the public debt within sustainable level over the medium term. The country's debt sustainability analysis (DSA) has been completed



in the recent past in a jointly formulated framework set by the World Bank-IMF. The analysis revealed no considerable risk in the public debt portfolio of Bangladesh up to 2035. The overall debt to GDP ratio is expected to remain at a low level (33.6 percent) at the end of FY19, which is far below than Bangladesh's peers. In terms of debt composition, outstanding stock of the external debt stands at 13.0 percent of GDP at the end of FY19, which is far below the threshold level of 40 percent for the low income countries with medium policy performance of CPIA (Country policy & institutional assessment) index.

### **Cost of Borrowing**

4.28 The focus of the government's debt management strategy is to keep interest payment at a sustainable level. Historically, the cost of borrowing was low for Bangladesh due to high proportion of concessional external financing. However, in the recent past, huge sale of NSCs with high interest rate is pulling the cost of borrowing on an upward trend. The share of domestic interest costs compared to the total interest payments has been increasing in the recent past due to the rising share of nonbank borrowing, especially from NSCs. According to the medium term projection, total interest payment is projected to reach at 12.2 percent of the government expenditure by FY22 from the revised budget target of 11.0 percent in FY19. However, such extent of interest cost is not unsustainable as the country is even growing at a faster rate and in the medium term it will remain on a high growth trajectory.



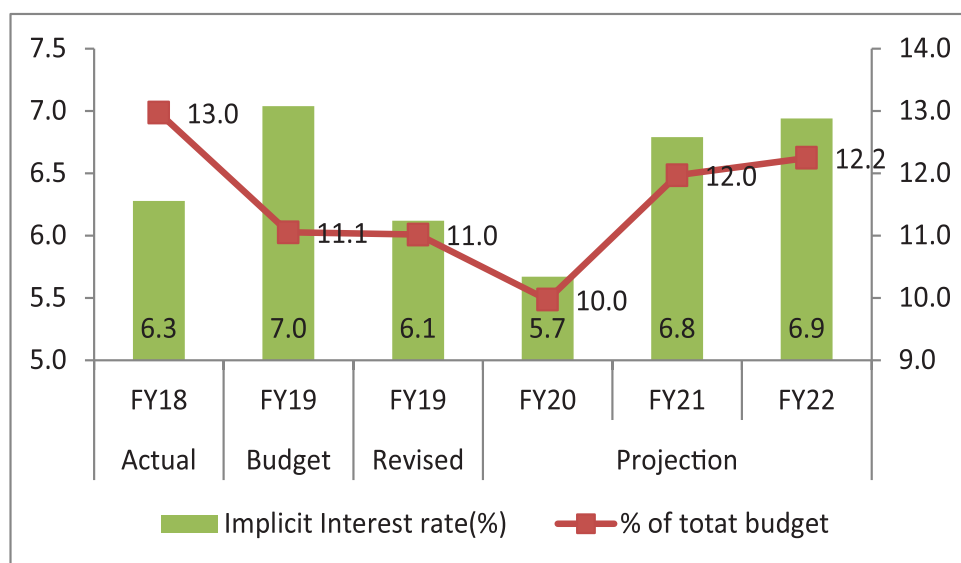
**Table 4.12: Cost of Borrowing**

(Billion Taka)

Items	Actual	Budget	Budget(R)	Projection		
	FY18	FY19	FY19	FY20	FY21	FY22
<b>Interest Payments</b>	417.7	513.4	487.4	521.5	725.1	863.0
	(13.0)	(11.1)	(11.0)	(10.0)	(12.0)	(12.2)
	{6.3}	{7.0}	{6.1}	{5.7}	{6.8}	{6.9}
<b>Domestic</b>	381.6	483.8	452.8	490.0	691.5	824.7
<b>External</b>	36.1	29.6	34.7	31.5	33.7	38.3

**Source:** Finance Division; Figure in ( ) indicates % of total budget and { } indicates implicit average interest rate (%);

**Figure 4.8: Cost of Borrowing**



**Source:** Figure drawn by using data from Table 4.12;

## Debt Risk

4.29 Bangladesh stands at a comfortable zone in terms of debt to GDP ratio as it is reasonably low compared to its peers, although it is projected to slightly edge up (approximately two percentage point) by



FY22 from the level of FY19 (Figure 4.7). Interest rate risk is still low as substantial part of the external loan has been taken on a concessional term. However, as the country recently moved to the lower middle income bracket, the cost of external finance is projected to rise from the previous level. Moreover, increased borrowing from NSCs at a high interest rate is pulling the overall interest rate high (Figure 4.8). An increasing trend of implicit average interest rate in the medium term might erode some fiscal space of the government's budget. However, higher GDP growth rate compared to the implicit average interest rate will not destabilize the public debt in the medium term.

4.30 Bangladesh's external debt stock has remained reasonably low compared to its peers and the country has persistently demonstrated strong record in debt service payments. As of April 2019, external debt stock stood at 39.2 billion USD, which is 13.0 percent of the provisional estimate of GDP in FY19. The country's debt service liability that includes amortization of long term external debt and interest payment stands at 1.7 billion USD in FY19, which is 4.0 percent of the export earnings. This indicates adequate repayment capability of the government. Hence, the government needs to monitor movements of exchange rates and foreign debt on a regular basis to avoid any exchange rate related risk.

### **Contingent Liability**

4.31 The government usually guarantees/counter guarantees against the loan incurring by the state owned financial or nonfinancial institutions in line with the government's priority sectors, such as power, energy, and agriculture etc. The government will incur liability of these guarantees only if the concerned institution fails to pay back the loan.



4.32 As of May 2019, the face value of the government guarantees/counter guarantees stands at 52,250.42 crore, which is 2.1 percent of the nominal GDP (provisional) of FY19 and 10.0 percent of the government expenditure in FY20. Power and Energy sector alone constitutes 71.1 percent of the total contingent liabilities followed by Bangladesh Biman and Agriculture sector as 9.4 percent and 6.0 percent respectively.

4.33 Having such extent of contingent liabilities (2.1 percent of nominal GDP of FY19), the government has devised necessary monitoring system under a risk framework so that these guarantees do not turn into the government liabilities. Sovereign guarantee/counter guarantee guidelines issued by the government are keeping the contingent liabilities within a tolerable limit.

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