

Socioeconomic Progress and Recent Macroeconomic Development in Bangladesh



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Foreword

Since embarking on her journey, in 2009, of leading the country towards establishing Sonar Bangla (Golden Bengal), Honourable Prime Minister Sheikh Hasina completed two successful terms in office, and is now progressing with the third term. At the moment, Bangladesh is celebrating three glorious events simultaneously. Firstly, the country has been celebrating the birth centenary of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman, the greatest Bangali of all times and the architect of independent Bangladesh. Secondly, the nation has celebrated the golden jubilee of the glorious independence. Finally, after fulfilling all the criteria for graduation from the Least Developed Countries (LDCs) twice, first in March 2018 and finally in February 2021, Bangladesh has been confirmed to be graduated from the list of LDCs effective from 2026. While the convergence of these three glorious events in a single point of time promised to bring joy and national pride to all, the outbreak of the COVID-19 global pandemic in early 2020 and its continuation ever since have brought enormous challenges for the economic progress and development that Bangladesh has been exhibiting under the dynamic leadership of Honourable Prime Minister.

During its 13 years in office, the present government oversaw the impressive attainment of Millennium Development Goals, successful conclusion of 6th and 7th Five Year Plans, and desired progression with the Perspective Plan 2010-2020. It has embarked upon the implementation of Sustainable Development Goals by 2030 and 8th Five Year Plan by June 2025. Again, to materialise the long-term goals of making Bangladesh a Upper Middle-Income Country by 2031 and a Developed Country by 2041, the government is moving ahead with the Perspective Plan 2021-2041. The country has been growing at a rapid pace, as the annual growth of real GDP remained over 7 percent mark during FY16 - FY18 and finally reached a record 8.15 percent in FY19. Per capita income stood at USD 2227 in FY21 compared to USD 543 in FY06. In terms of other indicators, macroeconomic balance and stability characterised by managing low inflation, narrowing interest rate gap, a large foreign exchange reserve and stable exchange rate could be sustained through adoption of prudent fiscal policy and supportive monetary policy. Again, with impressive performance of the socio-economic sector during 2009–2020, Bangladesh has achieved remarkable progress in areas such as poverty reduction, education, spectacular achievement in health, sanitation, women empowerment, etc.

Despite the continuation of the COVID-19 pandemic that has significantly affected economies around the world characterised by negative growths, Bangladesh attained positive growth rates of 3.51 percent in FY20 and 5.47

percent in FY21. According to an IMF report, Bangladesh is one of the three countries of the world that has achieved highest economic growth in 2020. The resilience Bangladesh economy shown during the pandemic is a testament of the quality of its leadership. The comprehensive economic recovery program designed and implemented under the direct supervision and guidance of the Honourable Prime Minister, and the stimulus packages provided accordingly were highly successful in effectively tackling the economic impact of the pandemic and steering the country towards the path of recovery, thereby ensuring the protection of lives and livelihood of the people in Bangladesh.

To remain steadfast with the development goals while confronting the realities of the continued pandemic situation, Bangladesh will maintain its priority on growth stimulating as well as poverty and inequality alleviating sectors like power and energy, communication, information technology, education, health and social safety net. It will strive to ensure huge investment in physical and human capital, and innovation enabled by reforms in areas such as revenue administration, financial sector, business regulation, etc. Monetary policy will aim to support the momentum of higher economic growth, while containing inflation at a tolerable level. Due to the government's prudent monetary and fiscal policies during the pandemic, inflation was contained at 5.56 percent at the end of FY21. Exports and remittances showed impressive growth in FY21. Foreign exchange reserves rose to a very high level (USD 48.02 billion in August 2021). Considering the success in tackling the economic effects of the COVID-19 pandemic, we have become confident we will be able to achieve our development dream of building the Golden Bengal, as dreamt by the Father of the Nation Bangabandhu Sheikh Mujibur Rahman.

This booklet is prepared with a view to offering a brief and summarised information on recent socio-economic advancements made by Bangladesh, and on its march towards attaining the goal of becoming a happy and prosperous developed country.

I hope that all concerned including government agencies, academia, researchers, foreign development partners, media, NGOs and citizens at large will find this publication useful and interesting.



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Minister

Ministry of Finance

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Executive Summary

During the last 13 years, Bangladesh has been achieving a high economic growth and maintaining macroeconomic stability. It attained a record 8.15 percent GDP growth in FY19, which was the highest in the Asia-Pacific region. The average GDP growth rate of Bangladesh for the last 13 years was 6.3 percent, despite the negative effects of COVID-19 the average growth in previous two years (FY20-FY21¹) was 4.5 percent whereas many of the countries experienced a negative growth during this period. This impressive growth enabled Bangladesh to uplift itself into the lower middle-income country status in 2015 and qualify for the graduation from the LDC list for becoming a developing country by 2026. The growth supportive structural and financial reforms of the government, which were inclusive and pro-poor in nature, has largely contributed to the reduction of poverty while ensuring praiseworthy economic growth. Now Bangladesh is positioned among the fastest growing economies of the world.

Macroeconomic indicators, such as GDP growth, per capita income, food production, imports and exports, workers' remittances and foreign exchange reserves, recorded noteworthy and sustained progress during the last thirteen years. Besides, maintaining a tolerable limit in inflation, a reasonable level of budget deficit and a sustainable debt-GDP ratio also contributed to maintaining the momentum of high growth. Moreover, Bangladesh has also been able to sustain its advancement in social development parameters, such as reducing poverty, enhancing life expectancy, improving literacy rate, increasing per capita food production and so on. More specifically, the present government's achievement on socioeconomic indicators during 2009-2021 has continued to substantially outpace the past government's performance during 2001-2006. Furthermore, demonstrating resilience to the shocks arising from the COVID-19 pandemic is another success of the government worth mentioning.

Economic Progress

- ✓ **Economic growth:** GDP growth rate was 5.47 percent (provisional) in FY21. Despite the ongoing COVID-19 pandemic the average growth in the last two years was 4.5 percent. Average GDP growth during FY 09-FY21 was 6.3 percent, whereas it was 5.4 percent during FY01-FY06;

¹ Fiscal year in Bangladesh start from 1st July of the preceding year and ends on 30th June of the current year

- ✓ **Per capita income** has grown more than 4 times to USD 2,227 in FY21 from USD 543 in FY06;
- ✓ **Export earnings** increased to USD 38.76 billion (3.4 times) in FY21 from USD 10.53 billion in FY06;
- ✓ **Remittance** inflows stood at USD 24.78 billion (5.2 times) in FY21 from USD 4.80 billion in FY06;
- ✓ **Foreign exchange reserves**, which was only USD 3.48 billion at the end of FY06, increased to USD 48.02 billion (13.8 times) at the end of FY21;
- ✓ **Total production of food crops** was 27.8 million metric tons in FY06, which has increased by 54.17 percent to reach 42.86 million metric tons in FY21;
- ✓ **Electricity and gas production** was 2499310⁶ kWh and 1492110⁶ Cu. Meter in FY2005-06, which was 62.967 million megawatt hour and 24993 million cubic meter respectively in 2019-20;
- ✓ **Share of industrial sector in GDP** at constant price has increased to 34.99 percent in FY21 from 25.4 percent in FY06;
- ✓ **The size of the government budget** has increased to BDT 5,389.83 billion in FY21, which is around 9 times of FY06's budget (BDT 610.6 billion);
- ✓ **Revenue earnings** was 5.52 percent of GDP in FY20 due to the COVID-19 pandemic, which was 8.8 percent of GDP in FY06;
- ✓ **Total investment to GDP** ratio has increased to 29.92 percent of GDP in FY21 from 21.3 percent in FY06;
- ✓ **Foreign Direct Investment (FDI)** increased by 68 percent and reached USD 3.61 billion in FY19. Despite, the pandemic induced economic fallout, the FDI inflow in FY20 was USD2.38 billion;
- ✓ **Public investment** has risen substantially to 8.67 percent of GDP in FY21 from 5.4 percent in FY06;
- ✓ **Inflation rates** has consistently been lowered and was 5.56 percent (12 months average) in FY21
- ✓ **Exchange rates** of Bangladeshi Taka (BDT) against US Dollar (USD) has slightly depreciated and remained at 85.20 in August 2021;

Progress in the Social Sector

- ✓ **Life expectancy:** The average life expectancy at birth, which was 66.5 years at the end of 2006, increased to 72.8 years at the end of 2020;
- ✓ **Headcount poverty** reduced to 20.5 percent in 2020 from 38.4 percent in 2006. Poverty continues to decline steadily till date;
- ✓ **Hardcore poverty** reduced to 10.5 percent in 2020 from 24.2 percent in 2006;
- ✓ **Literacy rate** (7+ years age) improved to 75.2 percent in 2020 from 52.5 percent in 2006;
- ✓ **Maternal mortality rate:** In 2006, the number of deaths in terms of maternal mortality was 3.37 per thousand live births, which was reduced to 1.63 per thousand live births in 2020;
- ✓ **Infant mortality rate** came down to 21 per thousand live births in 2020 from 48 per thousand live births in 2006;
- ✓ **Women empowerment:** Female participation in labour force increased to 36.3 percent in FY17 from 29.2 percent in FY06. Women empowerment has significantly contributed to poverty reduction;
- ✓ **Population growth** rate came down to 1.37 percent in 2020 from 1.49 percent in 2006;
- ✓ **Social safety net programmes** have been expanded significantly over the years. In FY21, BDT 955.74 billion has been allocated for social safety net programmes, which is 16.83 percent of total budget and 3.01 percent of GDP.

Digital Bangladesh: The Government promised to transform the country into a digital one in 2009 and significant development occurred in the expansion of the information technology sector. As of June 2021, the number of mobile phone subscribers and internet users in the country stood at 171.85 million and 120.95 million respectively. Tele density (voice + internet subscription) increased to 103.74 percent. It is to be noted that the number of mobile phone users in 2006 was only 19.1 million and that of internet users was 1.45 million. Bangladesh launched its first satellite Bangabandhu Satellite -1 into the space in 2018.

Section One: Overall Socio-economic Progress

During the last decade, Bangladesh has achieved high economic growth and remarkable macroeconomic stability under the leadership of Hon'ble Prime Minister Sheikh Hasina. Bangladesh did very well in the socio-economic arena as well. The socio-economic progress achieved by the present government during the last 13 years are summarised in this section, and its key features are described in detail in subsequent sections of this booklet. To illuminate the magnitude of this socio-economic progress, the achievements made during the present government (2009-2021) are compared with those of the previous government (2001-2006). The appendices highlight historical data on national income, economic growth, food production, imports and exports, remittances, exchange rate, revenue earnings, sector-level expenditure, foreign aid, and loan repayments.

1.2 Bangladesh government has taken initiatives to increase public sector investment, reduce physical and socio-economic infrastructure gaps, take the GDP growth to a higher trajectory, create an investment-friendly environment for the private sector, expand export trade, develop the knowledge base and skills of citizens, and ensure effective redistribution of wealth through pro-poor and inclusive growth strategy. In FY19, the GDP growth rate reached as high as 8.15 percent. Even though the GDP growth rate has decelerated to 3.5 percent in FY20 and 5.47 percent (provisional) in FY21 due to the COVID-19 pandemic, Bangladesh has done better than many other countries. Bangladesh economy is showing consistent balances on both internal and external fronts. Our inflation rate is under control, which is 5.54 percent in July 2021 on the twelve months average basis. In FY21, our exports grew by 15.10 percent over the previous year, while the remittance inflow experienced a record growth of 36.10 percent. During the same time, the current account balance improved as the deficit came down to a manageable level. Foreign Direct Investment (FDI) was USD 2.38 billion in 2020, despite the continuation of the COVID-19 pandemic.

1.3 On the fiscal front, our budget deficit has been contained within five percent of GDP, though it was slightly above that level during the last two years due to the COVID-19 pandemic. The government has been consistently undertaking various initiatives, especially through structural reforms and broad application of information technologies, to make the revenue collection and

public expenditure management systems more efficient and transparent. These initiatives eventually help improve the performance of the public financial system. Moreover, the growth-promoting fiscal perspective is complemented by a supportive monetary policy that reflects contained inflation and stable interest and exchange rates.

1.4 The impact of our economic progress is also evident in the rise in living standards. Life expectancy at birth has increased to 72.8 years in 2020 from 66.5 years in 2006. The literacy rate was 52.5 percent in 2006, which is now 73.2 percent. The poverty rate declined to 20.5 percent in 2019 from 38.4 percent in 2006, and hardcore poverty reduced to 10.5 percent in 2019 from 24.2 percent in 2006. Bangladesh has showed better progresses than other South Asian countries in almost all the indicators in the social sector. Moreover, it has elevated itself into a lower middle-income country in 2015, twice fulfilled all three LDC graduation criteria in 2018 and 2021, and is now poised to become a developed country by 2026.

1.5 A comparative investigation of the performances during the two periods of 2001-2006 and 2009-2021 clearly reflects the effectiveness of the present government's pro-growth and inclusive development policies. The average annual GDP growth rate has moved from 5.4 percent to 6.3 percent between these two periods. Bangladesh is now among the fastest-growing economies of the world. In FY06, per capita GNI was only USD 543, which has grown to USD 2,227 in FY21.

1.6 A brief account in **Table-1** of the socio-economic advancement during the 2009-2021 period of the current government compared to the 2001-2006 period of the previous government depicts the extent of the socio-economic success achieved by the present government.

Table 1 Socio-economic Achievements during 2001-2006 and 2009-2021

Indicators	2001-2006	2009-2021	2020-2021/latest
GDP Growth Rate (% Annual Change)	5.40 (Average)	6.30 (Average)	5.47*
Investment (as % of GDP)	25.2 (Average)	26.98 (Average)	29.92*
Exports*** [Billion USD] (average)	7.9	30.42 (Average)	
Exports (Billion USD) (end point)	10.5 (FY06)	45.39* (FY21)	45.39*
Remittances [Billion USD]	3.5 (Average)	14.6 (Average)	24.78*
Foreign exchange Reserve [Billion USD]	2.6 (Average)	24.07 (Average)	48.02
Budget Size, (Billion BDT)	497.44 (Average)	2751.87 (Average)	5389.83
Per capita income [USD] (end point)	543 (FY06)	2,227* (FY21)	2,227*
Life Expectancy (year)	66.5 (2006)	72.8 (2020)	72.8
Poverty Rate (%)	38.4 (2006)	20.5** (2019)	20.5**
Extreme Poverty Rate (%)	24.2 (2006)	10.5** (2019)	10.5**

Sources: Finance Division, Bangladesh Bank, Bangladesh Bureau of Statistics; * provisional; ** estimated

*** Exports include exports of both goods and services

1.7 However, the ongoing pandemic that emerged from the novel coronavirus continued during the last one year and a half has created unprecedented challenges to socio-economic activities worldwide. There was a significant slide in production, international trade, services sector activities, especially in the tourism, aviation and hospitality subsectors, activities of small

and medium enterprises and overall employment. There is a fall in global demand, in particular in consumption and investment. Bangladesh has also not been free from the adverse socio-economic shocks caused by this pandemic. At the outbreak of the pandemic, the Bangladesh government promptly embraced the National Preparedness and Response Plan for COVID-19 in March 2020 to deal with the situation. The government adopted various restrictions such as enforcing lock-down, social distancing measures and mandated wearing of face masks. All these restrictive measures led to a significant disruption in economic activities, such as reduction in industrial production, partial closure of small and medium business enterprises, closure of educational institutions, disruption in the services sector, especially in tourism, aviation and hospitality. Further, the global lock-downs and economic stagnation, especially in Europe and North America, disrupted the country's exports.

1.8 Immediately after the outbreak of the pandemic, the Bangladesh government devised an overall plan with short, medium, and long-term targets to address the economic impacts of the pandemic and facilitate quick economic recovery. This plan had four main strategic aspects. The first strategy was to increase government spending, and, in this respect, priority was given to creating jobs and discouraging luxury spending. The second strategy was to provide low-interest credit facilities through the banking system to industries and business enterprises to revive economic activities and increase the competitiveness of entrepreneurs at home and abroad. The third strategy was to increase the scope of the government's social security programmes to protect the ultra-poor and the low-income groups that have suddenly become unemployed and the people engaged in informal sectors. The fourth and last strategy was to increase the money supply in the market. However, this strategy has been being implemented with utmost caution to control the adverse effects of inflation.

Following the guidelines of Hon'ble Prime Minister Sheikh Hasina, the government undertook a comprehensive stimulus and economic recovery programme that has gradually been expanded to 28 measures to the tune of BDT 187,679 crore or USD 22.08 billion to facilitate the implementation of these strategies. The main features of this package are provided below in **Table 2**:

Table 2: Stimulus Package of the Government to Combat COVID-19

Serial No.	Name of the package	Amount Allocated (BDT)
1	Special Fund for Salary support to export-oriented manufacturing industry workers	5,000 crore
2	Working Capital Loans for the affected industries and service sector	73,000 crore
3	Working Capital Loans for the SMEs, including the cottage industries	40,000 crore
4	Expansion of facility provided through Export Development Fund (EDF) by Bangladesh Bank (USD 2.0 billion)	17,000 crore
5	Pre-Shipment Credit Refinance Scheme	5,000 crore
6	Special Honorarium for doctors, nurses, medical workers	138 crore
7	Health Insurance and life insurance	750 crore
8	Free Food Distribution	2,500 crore
9	OMS of rice at 10 BDT/kg	770 crore
10	Cash Transfer for the targeted poor people (BDT. 2,500 per person for 3.5 million + 4.86 lakh fisheries and livestock farmers)	1,326 crore
11	Expansion of Cash Allowance Programmes to 112 Upazillas	815 crore
12	Construction of home for homeless people	2,130 crore
13	Support for farm mechanization	3,220 crore
14	Subsidy for agriculture	9,500 crore
15	Agriculture Refinance Scheme	8,000 crore
16	Refinance Scheme for the professional farmer and small traders	3,000 crore
17	Employment creation through four State-owned financial institutions (PKSF-500, Probashi-500, Karmasangsthan-1,200, Palli Sanchay-500. Ansar VDP-500)	3,200 crore
18	Subsidy for commercial bank's suspended interest of April-May, 2020	2,000 crore
19	Credit Risk Sharing Scheme for SME Sector	2,000 crore
20	Safety net programme for Export Oriented Industry's distressed workers	1,500 crore

Serial No.	Name of the package	Amount Allocated (BDT)
21	Revitalizing the rural economy and job creation in rural area (Joyeeta F: 50; NGO F: 50; SDF: 300; SME F: 300; RPE F:300; BSCIC: 100; SFD F: 100; BRDB: 300)	1,500 crore
22	Expansion of Cash Allowance Programmes to another 150 Upazillas	1,200 crore
23	2nd Tranche Cash transfer to 3.5 million poor people of BDT 2500 per person + 1,00,000 Boro farmers affected by cyclone	930 crore
24	Cash Transfer to the targeted poor people (BDT. 2,500 per person). Total beneficiary: 17,24,470 persons	450 crore
25	Special OMS at the city area (Rice: 20,000 MT and Flour: 14,000 MT)	150 crore
26	Fund for Deputy Commissioners to provide food support to the vulnerable people reached through 333 phone number	100 crore
27	Employment creation through three State-owned financial institutions - 2nd phase (PKSF-500, Karmasangsthan Bank-500 and Palli Sanchay Bank-500 crore)	1,500 crore
28	Working Capital credit facility at 4% interest to pay wages for the employees of hotel/motel/theme parks	1,000 crore
Total (In BDT)		1,87,679 crore
Total (in USD)		22,080 million
As % of GDP		6.23

Source: Finance Division

1.9 The stimulus packages presented above have been designed in a way to ensure that the maximum number of population is benefitted from them. The main objective of the government is to provide financial assistance and support to various enterprises in the industrial and services sectors and farmers and workers in the export-oriented industries, make direct cash transfers to targeted poor people, promote agricultural production, ensure food security, facilitate employment creation, increase the coverage of social safety nets, and provide interest subsidy in order to ensure that Bangladesh makes a quick recovery from the economic losses sustained by the pandemic.

1.10 The current economic trend in Bangladesh and the performance of its macro-economic indicators reflect that Bangladesh has weathered the COVID-19 economic shocks well. Even though exports saw a sharp decline in April and May in 2020, they rebound from June, 2020, and achieved an impressive 15.10 percent growth in FY21. Despite expert predictions that remittance would fall due to disruption in our major labour market destinations, it has continued to show a positive trend since June, 2020. Remittance flows in FY21 have shown a record growth of 36.10 percent. In the backdrop expected growth in exports and high growth in remittance, the current account balance has achieved a deficit of USD 3.808 billion in FY21 compared to the deficit of USD 4.724 billion in August, FY20. The foreign exchange reserve has grown to a record USD 48.02 billion in August 2021. The revenue collection by the National Board of Revenue during FY21 has also registered a modest (20.06 percent) growth compared to the same period in FY20. It is heartening to note that 12 months average inflation has remained stable at 5.56 percent in June 2021 and has gone down further to 5.54 percent in July 2021.

Section Two: Economic Progress

Section two elaborates a detailed account of the economic progress made by Bangladesh during 2009-2021. **Table 3** summarises the movement of key macroeconomic indicators during this period vis-à-vis the progress made during the tenure of the previous government (2001-2006).

Table 3: Economic Advancement

Fiscal Year	GDP Growth Rate	Investment (percent of GDP)	Share of Industry (percent of GDP)	Export Earnings (Billion USD)	Remittances (Billion USD)	Foreign Exchange Reserve (Billion USD)	Budget Allocation (Billion BDT)	ADP (BDT)
2001-02	3.8	24.3	24.0	6.0	2.5	1.6	387.6	158.5
2002-03	4.7	24.7	23.7	6.6	3.1	2.5	439.0	170.6
2003-04	5.2	25.0	24.0	7.6	3.4	2.7	493.7	190.0
2004-05	6.5	25.8	24.6	8.7	3.9	2.9	556.3	205.0
2005-06	6.7	26.1	25.4	10.5	4.8	3.5	610.6	215.0
5 years' average	5.4	25.2	24.4	7.9	3.5	2.6	497.4	187.8
2008-09	5.1	26.2	26.5	15.6	9.7	7.5	941.4	230.0
2009-10	5.6	26.3	26.1	16.2	11.0	10.8	1105.2	285.0
2010-11	6.5	27.4	26.4	22.6	11.5	10.9	1300.1	358.8
2011-12	6.5	28.3	26.7	24.0	12.8	10.4	1612.1	410.8
2012-13	6.0	28.4	27.6	26.6	14.5	15.3	1893.3	523.7
2013-14	6.1	28.6	29.6	29.8	14.1	21.5	2162.2	600.0
2014-15	6.6	28.9	30.4	31.2	15.3	25.0	2396.7	750.0
2015-16	7.1	29.7	31.5	34.3	14.9	30.2	2645.7	910.0
2016-17	7.3	30.5	32.4	34.9	12.8	33.5	3171.7	1107.0
2017-18	7.86	31.2	33.7	36.7	15.0	32.9	3715.0	1483.8
2018-19	8.15	31.57	35.0	41.3	16.4	32.7	4425.4	1670
2019-20	3.51	30.47	34.78	36.92	18.2	36.07	5015.77	1929.21
2020-21(p)	5.47	29.92	34.99	45.39	24.77	46.39	5389.83	1976.43
13 years' average	6.3	26.98	30.43	30.42	14.6	24.07	2751.87	944.2

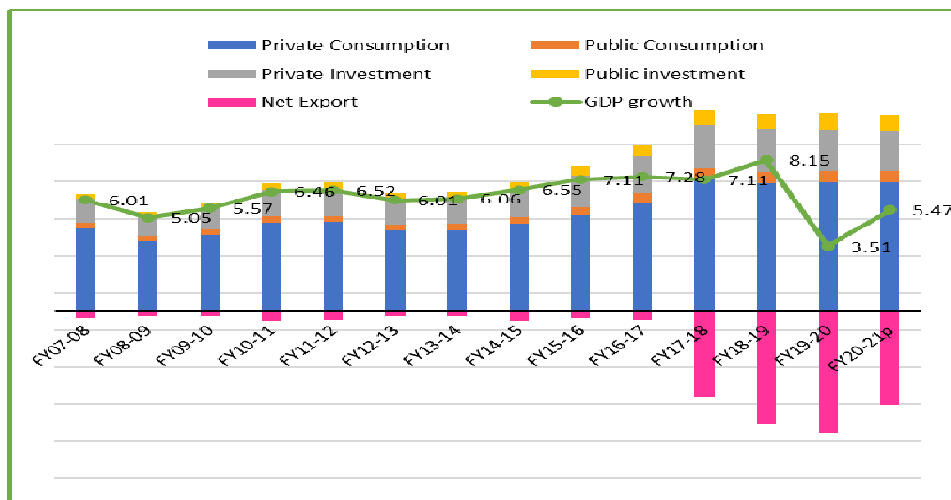
Source: Finance Division; Bangladesh Bank and Bangladesh Bureau of Statistics, ' p=Provisional estimate

Real GDP Growth

2.2 Despite all global headwinds, GDP growth rate, which averaged around 6.3 percent between FY 09 to FY21 has been robust and stable compared to a moderate 5.40 percent growth in 2001-2006. It is noteworthy that during 2009-2021 period, the average GDP growth rate in the emerging and developing economies was 4.47 percent in contrast to a higher average growth rate of 6.9 percent during 2001-2006 period. Moreover, Bangladesh is among the few countries that have achieved a commendable economic growth in the midst of COVID-19 global pandemic induced economic fallout.

2.3 Being supported by the government's sound and prudent macroeconomic policies, GDP growth rate accelerated by above 7 percent in the last three consecutive fiscal years prior to COVID-19 pandemic, which has crossed to a record 8.15 percent in FY19. GDP at current market prices stood at BDT 30111 billion or USD 354.24 billion (provisional estimates) in FY21 from BDT 4823.4 billion or USD 72 billion in FY06. Strong domestic demand (consumption and investment) driven by country-wide vibrant economic activities and strong export and remittance inflows was the key driver behind this encouraging growth scenario (**Figure 1**).

Figure 1: Contribution to Real GDP Growth (Yearly growth in percentage point)

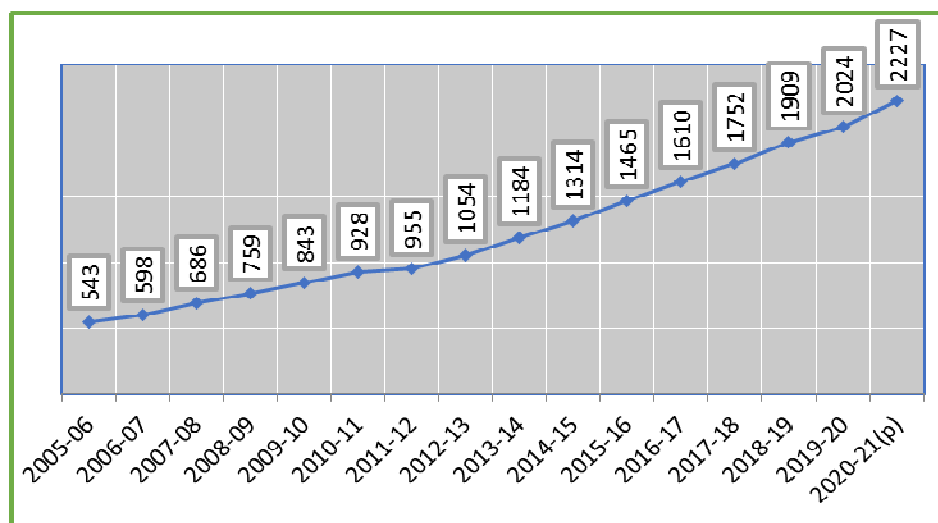


Source: Bangladesh Bureau of Statistics (BBS); FY18-19 estimates provisional

Per Capita Income

2.4 Robust GDP growth accompanied by a decreasing population growth rate has resulted in a considerable rise in per capita income. For instance, per capita income rose to USD 2,227 in FY21 (almost quadrupled) from USD 543 in FY06. In terms of purchasing power parity, per capita income reached USD 5,082.7 (at current price) in 2020 from USD 1,980 in 2006 (World Bank data).

Figure 2: Per Capita GNI (USD)

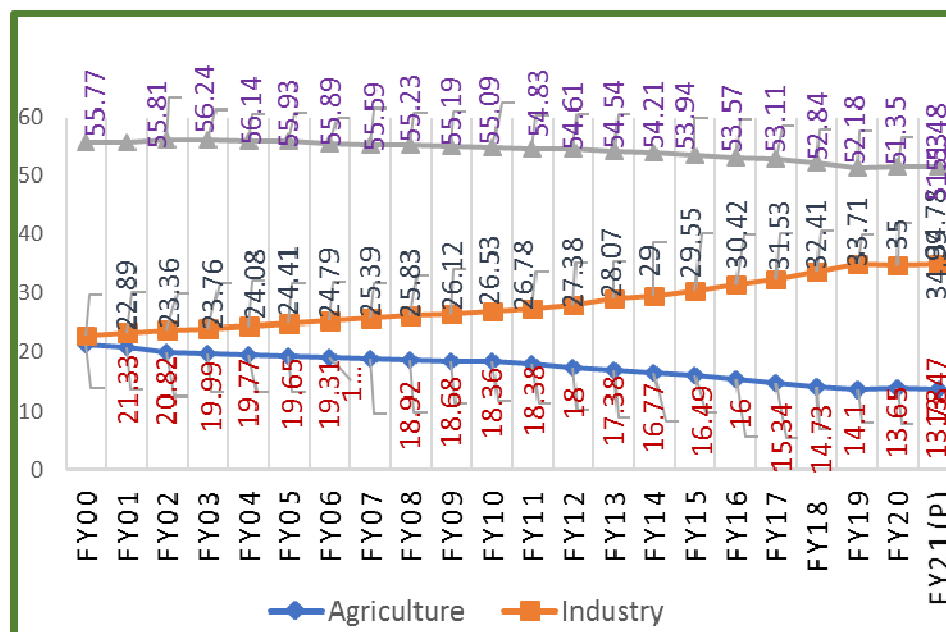


p= Provisional, Source: BBS,

Structural Transformation of the Economy

2.5 On the supply side, the economy has been transformed gradually from an agriculture-based economy to a manufacturing-based one, with the share of agriculture going down from 18.4 percent of GDP in FY09 to 13.47 percent of GDP in FY21, while the share of industrial sector to GDP has increased noticeably from 26.1 percent of GDP in FY09 to 34.99 percent of GDP in FY21. At the same time, contribution from the services sector has reached at 51.53 percent in FY21. Manufacturing sector's evolution is evident from the rapid growth of the ready-made garments sector on the back of low-cost labour. In fact, Bangladesh economy is slowly heading towards a desirable economic transformation as a strong manufacturing sector is the key to maintain sustainable economic growth.

Figure 3: Sectoral Contribution to GDP



p=Provisional Source: BBS

Agriculture and Food Production

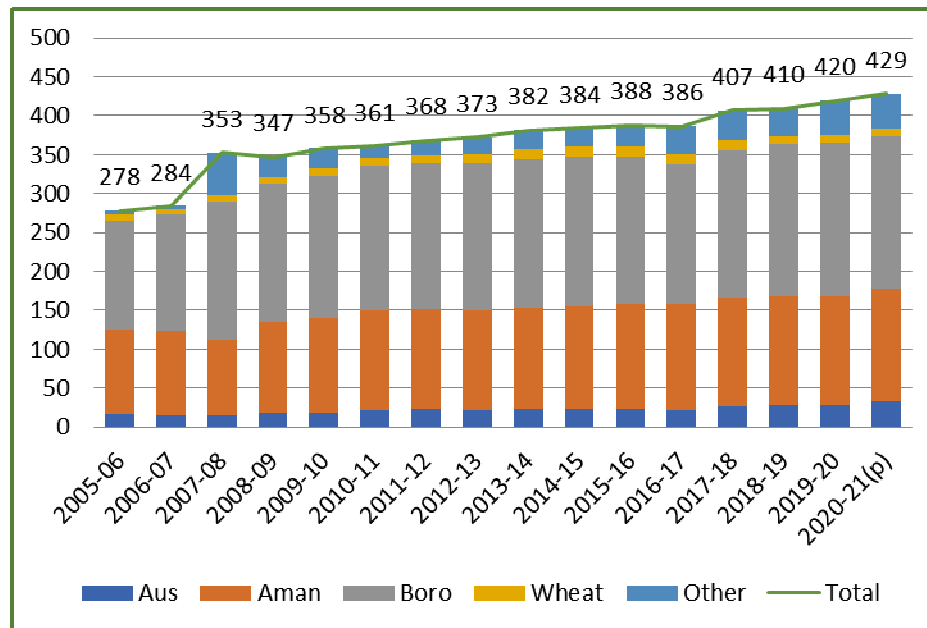
2.6 Continued persuasion of supportive policies has contributed to a bumper production in agriculture. Some targeted measures undertaken by the government to boost agriculture and food production include subsidy for agriculture mechanization, targeted utilization of agriculture incentives, distribution of agriculture input assistance cards, sale of fertilizer at the local level through sales agents at subsidized prices. Introduction of integrated pest management, extension of irrigation facility, invention of short duration and high-yielding variety of crops tolerant to drought, salinity and submergence and ensuring fair price for agricultural produces contributed to increasing agricultural productivity and crop intensification.

2.7 The number of incentives provided in the agriculture sector increased almost 15 times from BDT 6 billion in FY06 to BDT 86 billion in FY21. In order to increase agricultural production, in addition to regular subsidy, 20 percent cash incentives are provided on exports of agricultural products. At present, the rate of

incentive for mechanized agriculture has been set at 70 percent at Haor areas and coastal parts of southern Bangladesh and 50 percent elsewhere. Research and Development has been promoted by the government. With the help of the decoded genome sequence of jute, two varieties of Tossa jute and one variety of White jute have been invented which are short in length and can sustain in lower temperature.

2.8 Total production of food crops in FY06 was 27.8 million metric tons, which has increased by 54.17 percent to reach 42.86 million metric tons in FY21. As a result, Bangladesh has achieved self-sufficiency in food production in normal weather condition. Besides, programmes like TR (Test Relief), VGF (Vulnerable Group Feeding), VGD (Vulnerable Group Development) and an increased storage capacity of food warehouses have contributed to ensure overall food security of the country.

Figure 4: Food Grain Production (Lakh metric ton)

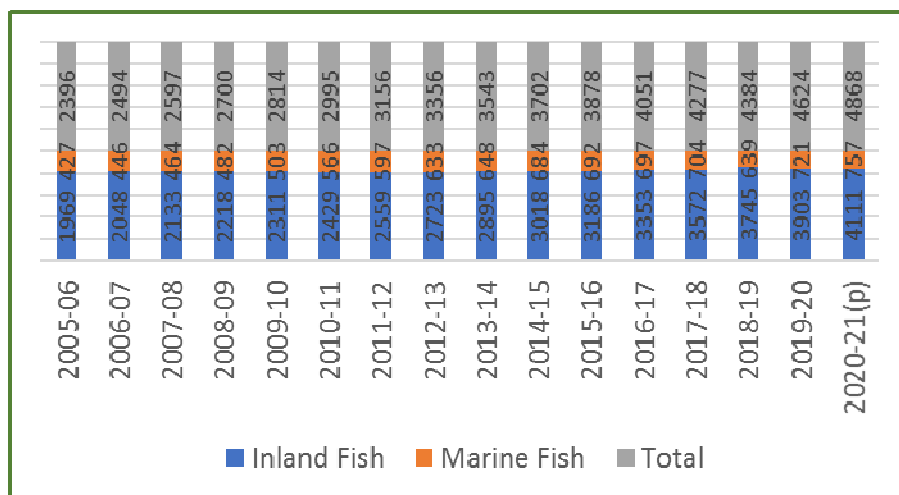


Source: Bangladesh Bureau of Statistics, Department of Agricultural Extension (DAE), Ministry of Agriculture.

Fish Production

2.9 Total production of inland and marine catches as estimated by the Department of Fisheries is higher in FY2020-21 than that of the previous year. The fishery sector is likely to grow by 5.74 percent in FY2020-21 compared to 6.02 percent in FY2019-20. The total production of fisheries is 4868 thousand metric ton in FY2020-21, which was 2396 thousand metric tons in FY2005-06.

Figure 5: Fish Production (Thousand metric ton)



Source: Bangladesh Bureau of Statistics, Department of Fisheries. p denoted projected estimates.

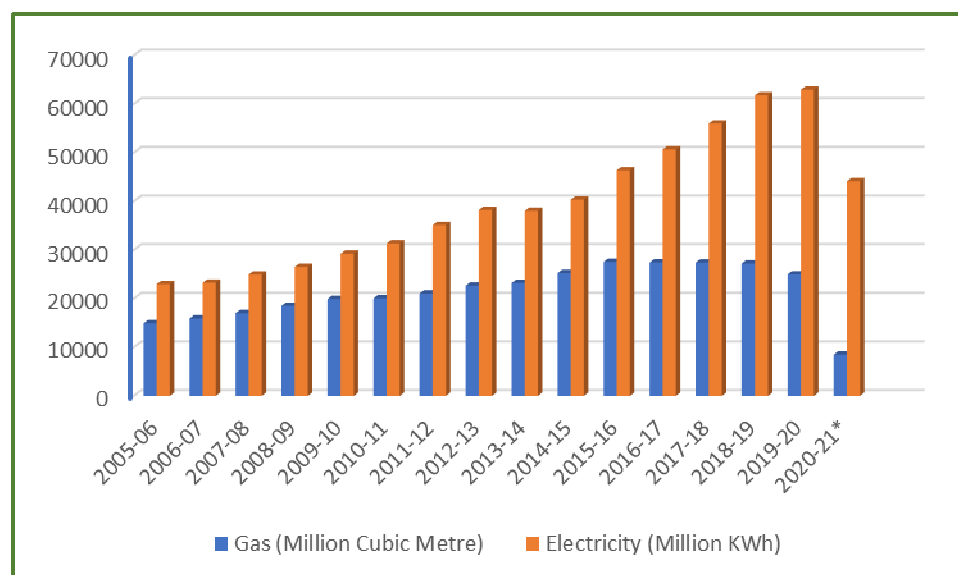
Industrial Production

2.10 Contribution of industrial sector to GDP at constant price has increased to 34.99 percent in FY21 from 25.4 percent in FY06. Transfer of surplus agricultural workers to the burgeoning industrial sector has resulted in increased productivity as well as wage of those workers on one hand, and increase of overall industrial production on the other. During the last eleven years, Bangladesh has been transformed into a technology-led modern state through widespread development of ICT friendly infrastructure and environment. At the same time, there has been a positive change in the general index of industrial production (medium and large-scale manufacturing). In FY21, the Quantum Index of manufacturing industries was 437.34 reflecting a 5.77 percent growth.

Production of Gas and Electricity

2.11 Electricity and gas production was 22977 million KWh and 14921 million cubic metre in FY2005-06, which was 62967 million KWh and 24993 million cubic meter in 2019-20 respectively. In July to January 2020-21, electricity production was 44125 million KWh and July 20 October 2020-21, gas production was 8485.5 million cubic metre.

Figure 6: Gas and Electricity Production



*Gas: July to October, 2020-21 and Electricity: July to January 2020-21

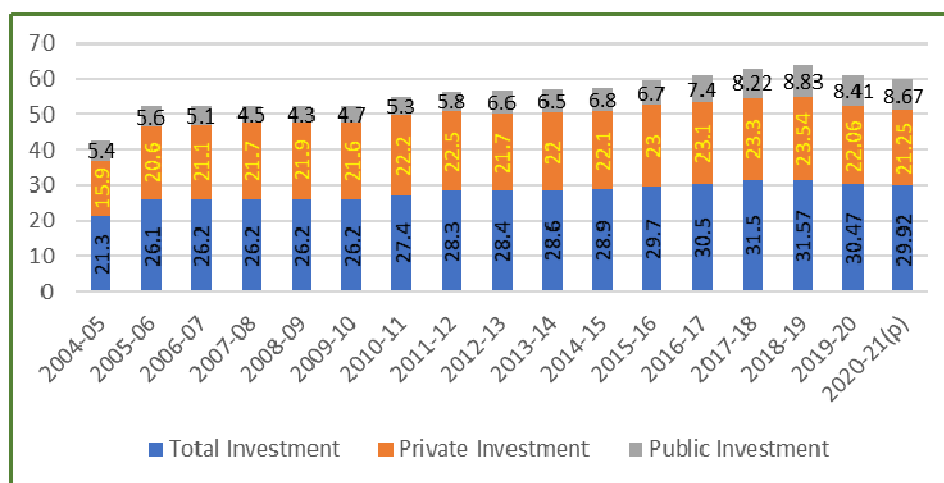
Service Sector

2.12 While there has been a slight decline in the share of services sector, a qualitative change has taken place over the years. Services sector components such as transport and communication, education, retail, and wholesale increased substantially in FY21 as compared to FY06. Contribution of transport and communication and wholesale and retail trade increased to 11.0 percent and 13.9 percent respectively in FY19 from 10.2 percent and 13.6 percent respectively in FY06. This indeed is an indicator of a growing service-oriented market economy. Despite the COVID-19 pandemic induced restrictions, the above sectors have achieved a growth of 9.93 percent and 11.04 percent respectively in FY21.

Investment

2.13 Total investment stood at 29.92 percent of GDP in FY21 from 21.3 percent in FY06. Especially in continuity with the government's economic policies, public investment has risen substantially to 8.67 percent of GDP in FY21 from 5.4 percent in FY06. Emphasis was given to physical infrastructure sectors, such as power, energy, and communication, which helped boost private investment 6 times to BDT 6042 billion in FY20 from BDT 993 billion in FY06. In addition, human development and social security programmes were among the priority areas. Foreign Direct Investment (FDI) inflow was USD 2.564 in 2020 according to UNCTAD World Investment Report 2021. It is expected that the FDI inflow will significantly rise with the expected full operation of economic zones and export processing zones in the future.

Figure 7: Investment Scenario (Percent of GDP)



Source: BBS, p= provisional

Revenue Earnings

2.14 Increasing mobilisation of domestic resources for financing development has always been a priority. The government has initiated several administrative and regulatory reforms including automation and modernization of the revenue administration and implementation of the Value Added Tax and Supplementary Duty Act 2012. Facilitated by the improved and automated institutional

mechanism, tax compliance has been increasing and the direct tax net has been widening gradually. Total revenue earnings increased to 11.7 percent of GDP in FY21 from 8.8 percent of GDP in FY06, of which, tax revenue rose to 10.5 percent of GDP in FY21 from 7.0 percent of GDP in FY06. From NBR sources, tax revenue increased 10.3 times from BDT 361.8 billion in FY06 to BDT 3515.32 billion in FY21_(p).

Table 4: Budget (revised) at a Glance (Billion BDT)

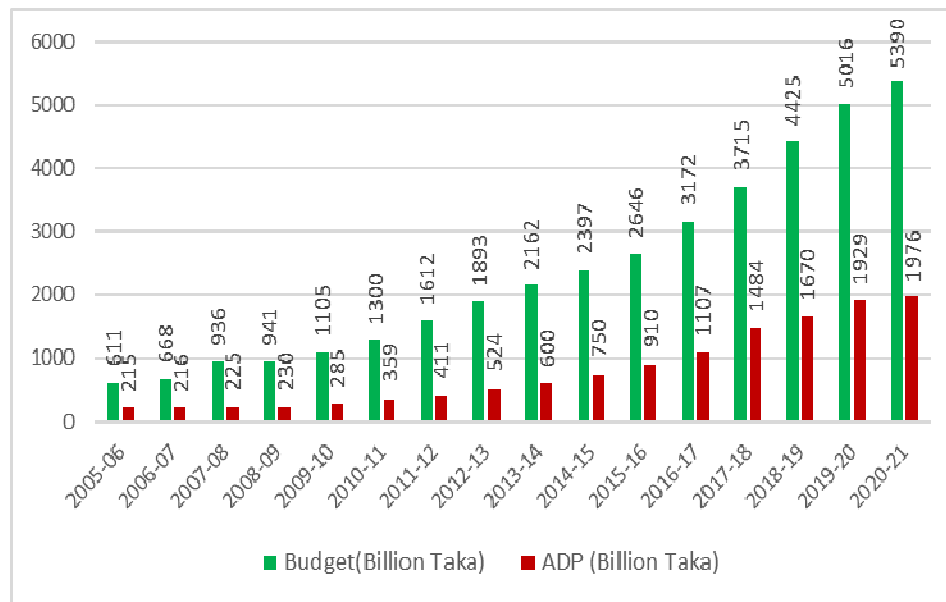
	2020-21(p)	2019-20	2018-19	2005-06
Revenue	3515.32	3480.69	3166.1	448.70
a) Tax Revenue	3160.00	3130.68	2896.0	361.8
b) Non-tax Revenue	355.32	350.02	270.1	86.9
Foreign Grants	39.85	34.54	37.87	24.8
Total Revenue including Foreign Grants	3555.17	3515.23	3204.0	473.5
Total Budget Allocation	5389.83	5015.77	4425.2	610.6
of which Annual Development Programme (ADP)	1976.43	1929.21	1670.0	215.0
Overall Balance	-1874.51	-1535.08	-1259.29	-137.1
Financing				
Foreign Borrowing	684.14	527.09	433.97	55.7
Domestic	1150.52	973.45	787.45	81.4

Source: Finance Division, p= provisional

Budget Size and Management

2.15 The government's fiscal stance has been growth stimulation on the one hand, and poverty and inequality reduction on the other. In line with that, the size of the government budget has increased gradually and reached BDT 5389.83 billion in FY21 from BDT 611 billion in FY06. The budget of FY22 is set at 6036.81 to achieve the desired goal of economic growth as well as to ensure sustainable and inclusive economic recovery from the COVID-19 pandemic.

**Figure 8: Government Budget and Annual Development Programme (ADP)
(Billion BDT)**

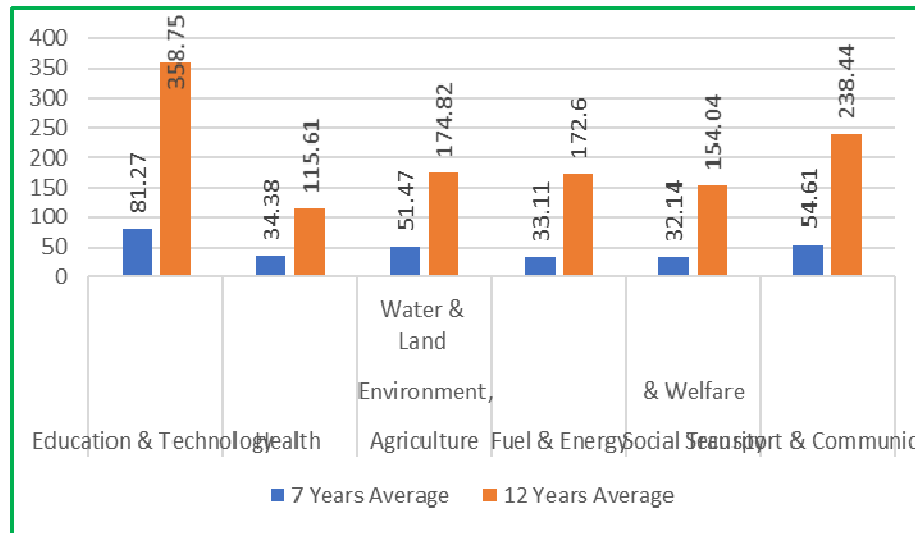


Source: Finance Division, Ministry of Finance

Most importantly government development spending has seen a manifold increase. The size of Annual Development Programme (ADP) has been raised to BDT 1976.43 billion in FY21, which is about 10 times higher compared to BDT 194.7 billion in FY06. The allocation for FY22 is BDT 2253.24 billion. Development expenditure other than the ADP allocation has also been increased consistently.

2.16 In terms of allocation of resources, emphasis is given on growth promoting sectors like power and energy, communication, health and education, agriculture and so on. In addition, the coverage of social safety net programmes has been extended substantially.

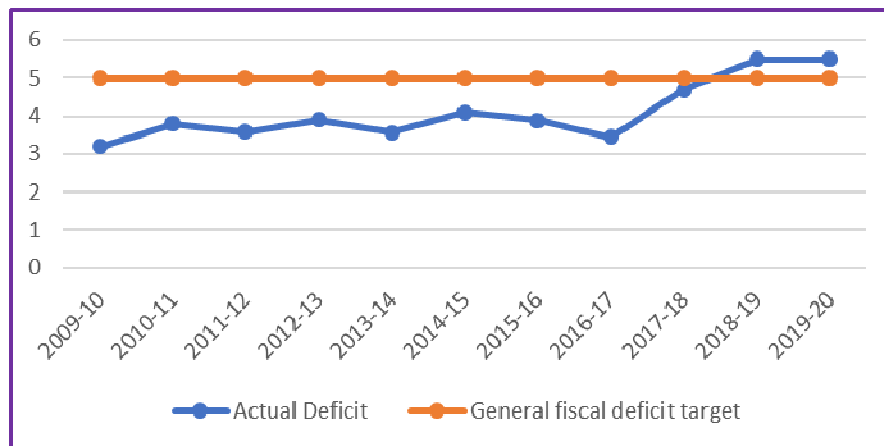
Figure 9: Sector-wise average expenditure (billion BDT)



Source: Finance Division, Ministry of Finance

2.17 As a whole, the government's prudent fiscal policy, being guided by **'Public Money and Budget Management Act, 2009'**, helped contain fiscal deficit around five percent of GDP (5.5 percent of GDP in FY20).

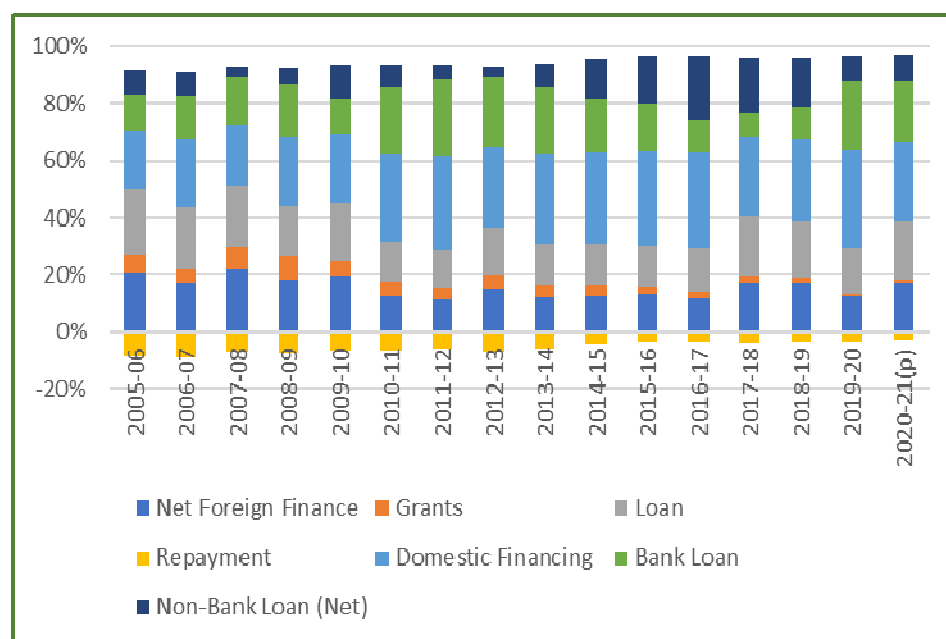
Figure 10: Budget Deficit (percent of GDP)



Source: Finance Division, Ministry of Finance

As stipulated in the act, recurrent spending has been kept in line with revenue growth. As a result, public debt-to-GDP ratio remained stable. The government's debt management and repayment capacity, with limited contingent liabilities, has gradually improved due to a low level of budget deficit and adoption of prudent debt management strategy. The stock of outstanding public debt has come down to 36.73 percent of GDP at the end of FY20 from 43.5 percent of GDP at the end of FY06.

Figure 11: Composition of Public Debt



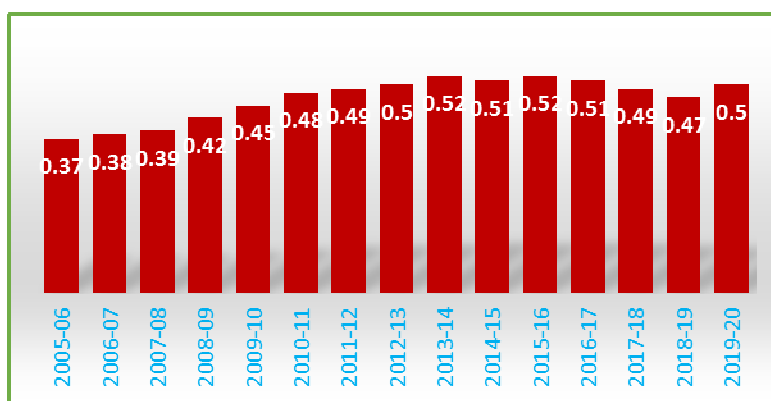
Source: Bangladesh Bank, FD, ERD

2.18 In financing the fiscal deficit, share of foreign financing has declined gradually while financing from domestic sources remain stable. Although nonbank borrowing has increased significantly in the recent past (12.36 percent of GDP at the end of FY20) with the increased sale of national savings certificates (NSCs), it shrank to 11.0 percent GDP in FY21. To reduce dependence on NSCs, the government is carrying reform programme, including automation in the sales of NSC and reducing the ceiling of purchase by individual person.

Monetary Management and Inflation

2.19 The monetary policy has broadly been growth supportive. Bangladesh Bank's macro-prudential measures helped maintain a consistent growth of private investment while containing inflation at a tolerable level. Components of the Broad Money, which are the key influencing factors behind inflation, have largely been in line with the monetary policy targets. Broad money remains close to nominal GDP growth and monetary development generally has helped lower inflation rate which was 5.56 percent in FY21.

Figure 12: Broad Money as percentage of GDP



Source: Bangladesh Bank, BBS

2.20 Despite annual average GDP growth of 6.3 percent during 2009-2021, CPI inflation was contained within 7.0 percent on average. It has gradually been brought down to 5.56 percent (12-month average basis) at the end of FY21 through effective macroeconomic management and ease of supply bottlenecks. Although economic disruption due to the pandemic was supposed to cause inflationary pressure, prudent government interventions have contained that pressure and inflation remained within the tolerant level.

Financial Deepening and Inclusion

2.21 Depth of the financial sector has increased substantially during FY10-FY21 period as Broad Money-GDP ratio, an indicator of financial depth of an economy, rose to 0.5 at the end of FY20 from 0.37 in FY06. Efficiency of the financial intermediation, measured by the spread between lending and deposit

rates, has also improved significantly as the interest spread (weighted average) between advances and deposit rates was reduced significantly to 3.05 percent at the end of FY21 from 5.38 percent at the end of FY06. After the COVID-19 outbreak, the government reduced CRR to 4.0 percent and repo rate at 4.75 percent, which is still continued. Due to the continuation of the COVID-19 pandemic till date, there has been slack in private sector credit, as a result of which banks are facing excess liquidity. Bangladesh Bank has taken measures to improve this situation. Decision has also been made to cut the advance-deposit ratio (ADR). Furthermore, private banks can now hold 50 percent of any government fund, which was 25 percent previously. All these initiatives helped banks to control the interest rate spike.

2.22 Banks are being guided to pursue their credit policies and programmes in line with the priorities of the government. Special interest ceiling and disbursement targets are set for the agriculture and rural as well as SMEs (small and medium enterprises) sectors. Noteworthy initiatives and achievements of the present government on this count include:

- ✓ Compared to FY06, agricultural and industrial loan reached around 1.29 and 2.7 times respectively in FY20. Agricultural and industrial loan were BDT 153.8 billion and BDT 273.8 billion respectively at the end of FY06; whereas credit balances for agricultural loan increased to BDT 199.80 billion at the end of FY21 and credit balances for industrial loan increased to BDT 493.34 billion at the end of March FY21. Side by side, credit balance in private sector rose to 39.48 percent of GDP in FY21 from 27.4 percent of GDP in FY06.
- ✓ Deposits of scheduled banks, as percentage of GDP, increased to 44.33 percent in FY20 from 35 percent in FY06. As a result, the lending capacity of banks has also increased.
- ✓ Compared to FY06, agricultural and industrial loan reached around 1.29 and 2.7 times respectively in FY20. Agricultural and industrial loan were BDT 153.8 billion and BDT 273.8 billion respectively at the end of FY06; whereas credit balances for agricultural loan increased to BDT 199.80 billion at the end of FY21 and credit balances for industrial loan increased to BDT 493.34 billion at the end of March FY21. Side by side, credit balance in private sector rose to 39.48 percent of GDP in FY21 from 27.4 percent of GDP in FY06.

- ✓ With a view to bringing a wider section of unbanked population of the country under banking services net, school-banking programme has been launched. At the same time, farmers, beneficiaries of social safety net programme, freedom fighters, cleaners, and ayla-affected poor have been provided with opportunities to open bank accounts with BDT 10 only (no-frills account). Moreover, re-financing schemes have been introduced to provide credit to share-croppers, agro-based industry, SMEs, and environment-friendly projects. Supported by refinancing facilities loan disbursement to women entrepreneurs has more than doubled between 2010 and 2020.
- ✓ State-owned commercial banks have been brought under the Core Banking Solution technology.
- ✓ Asia Pacific Group on Money Laundering (APG) has recognised Bangladesh's measures for the prevention of money laundering and terrorism financing as of international standards. Moreover, Bangladesh is considered a 'compliant country' in terms of preventing money laundering and terrorist financing. It has already been recognised as one of the leading countries in the Asia region in this context.

2.23 The government's success in establishing country wide digital infrastructure have created a solid base for promoting financial inclusion through mobile and internet services. Taking advantage of these facilities, financial services are being brought even to geographically disadvantaged locations through ATM, mobile financial services, and agent-banking. The number of scheduled bank branches increased substantially (59.4 percent increase) from 6,435 at the end of FY06 to 10,778 by December 2020. As of June 2021, the scheduled banks had 47.60 percent (5136 out of 10788 branches) of their branches in rural areas. It is noteworthy that the number of bank branches in the rural areas exceeds the number of branches in the urban area. Moreover, the coverage of mobile banking and agent banking services has been widening rapidly. All these endeavours continue to ease financial transactions and ensure circulation of money to facilitate economic activity in the economy.

Table 5: Rate of Interest of Scheduled Banks (Weighted average)

Fiscal Year	Deposit	Advances	Spread
2005-06	6.68	12.06	5.38
2006-07	6.85	12.78	5.93
2007-08	6.95	12.29	5.34
2008-09	7.01	11.87	4.86
2009-10	6.01	11.31	5.30
2010-11	7.27	12.42	5.15
2011-12	8.15	13.75	5.60
2012-13	8.54	13.67	5.13
2013-14	7.79	13.10	5.31
2014-15	6.80	11.67	4.87
2015-16	5.54	10.39	4.85
2016-17	4.84	9.56	4.72
2017-18	5.50	9.95	4.45
2018-19	5.43	9.58	4.15
2019-20	5.43	9.58	4.15
2020-21	5.69	9.66	3.97

Source: Bangladesh Bank.

Table 6: Financial Inclusion

	Number of branches of schedule banks	Number of Agents of Mobile Banking services	Number of Mobile Banking Subscribers	Number of Agents for Agent-based Banking	Number of Subscribers for Agent-based Banking	Number of ATMS
2013-14	8794	346179	16462610	18	3117	5778
2014-15	9131	547407	28625131	100	37052	6480
2015-16	9453	617418	36333933	610	261693	8517
2016-17	9720	758570	53702690	2891	845699	9246
2017-18	10114	829783	61862982	3598	1783156	9747
2018-19	10307	934124	72054058	6073	3416020	10546
2019-20	10606	998491	88797075	8812	7357466	11047
2020-21	10788	1131144	101240617	12995	12192947	12337

Source: Bangladesh Bank.

2.24 The growth of the number of agent-based banking outlets and the subscribers are remarkable from 18 and 3,117 in FY14 to 12995 and 1,21,92,947 in FY21 respectively. Mobile Financial Services, since its inception in 2011, has been experiencing a remarkable growth. MFS has become a key driver of financial inclusion through providing services for the unbanked population

segment and in unblocking the advancement opportunities for the underserved section of the society. As on December 2020, a total of 1131144 agents served 101.24 million registered customers. Monthly transactions stood at BDT 321 billion. The rural unbanked population has significantly benefitted from this service.

Capital Market Development

2.25 In an effort to develop the capital market for mobilizing long-term financing for investment the government has initiated various administrative and regulatory reforms. *Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015* has been formulated to meet the capital needs of start-ups and new companies in the market. Additionally, *Bangladesh Securities and Exchange Commission (Qualified Investor Offer by Small Capital Companies) Rules, 2016* has been formulated to establish a Small Cap Platform for facilitating capital formation in small and medium enterprises (SMEs). Side by side, in order to launch a new product Exchange Traded Fund (ETF), *Bangladesh Securities and Exchange Commission (ETF) Rules, 2016* has been formulated. Other important rules formulated in 2009-2021 period include *BSEC (Substantial Share Inheritance, Acquisition and Takeover) Rules 2018*, *BSEC (Market Maker) Rules 2017* and *BSEC (Clearing and Settlement) Rules 2017*. As a result of these reforms, the volume of share and securities transaction has increased substantially. At the end of FY05, the market capitalization of listed securities in Dhaka Stock Exchange was BDT 222.04 billion (6.03 percent of GDP); at the end of FY21 (up to March 2021), it has increased to BDT 4589.02 billion which is 15.2 percent of GDP. Besides, the total volume of market transactions in Dhaka Stock Exchange increased from BDT 752.53 billion in FY05 to BDT 1389.81 billion in FY20. Up to March 2021, total volume of market transactions in Dhaka Stock Exchange is BDT 629 billion as the capital market transactions have been affected by the COVID-19 pandemic.

Foreign Trade

2.26 The World Economy was passing through a recession starting in 2008 that persisted for several years. During that turbulent global situation, the government's prudent macroeconomic management helped ensure resilience to external shocks. The external sector remained vibrant; both exports and imports have increased to four times in FY20 compared to FY06. The volumes of exports

were USD 10.5 billion in FY06, which has been increased to USD 45.39 billion in FY21. The volumes of imports were USD 14.7 billion in FY06, which has been increased to USD 56.63 billion in FY20. Market oriented policy and product diversification strategy undertaken by the present government has boosted the trade openness (values of total imports and exports compared to GDP) to 45.4 percent of GDP in FY21.

Table 7: Advancement in the External Sector (Billion USD)

Indicators	Export	Export/GDP (percent)	Import	Import/GDP (percent)	Forex Reserve	Remittances	Remittance as percent of GDP
2005-06	10.5	14.6	14.7	20.5	3.5	4.8	6.7
2006-07	12.2	15.3	17.2	21.5	5.1	6.0	7.5
2007-08	14.1	15.4	21.6	23.6	6.1	7.9	8.6
2008-09	15.6	15.2	22.5	22.0	7.5	9.7	9.5
2009-10	16.2	14.1	23.7	20.6	10.7	11.0	9.5
2010-11	22.9	17.8	33.7	26.2	10.9	11.7	9.1
2011-12	24.3	18.2	35.5	26.6	10.4	12.8	9.6
2012-13	27.0	18.0	34.1	22.7	15.3	14.5	9.6
2013-14	30.2	17.4	39.3	22.6	21.5	14.2	8.2
2014-15	31.2	16.0	40.7	20.9	25.0	15.3	7.9
2015-16	34.3	15.5	42.9	19.4	30.2	14.9	6.7
2016-17	34.8	14.4	47.0	19.4	33.4	12.8	5.3
2017-18	36.7	13.4	58.9	21.5	32.9	15.0	5.5
2018-19	41.3	13.4	62.88	19.8	32.7	16.4	5.4
2019-20	36.92	12.4	56.63	17.3	36.07	18.2	5.7
2020-21(p)	45.39	12.8	65.6	18.51	46.39	24.77	7

Source: Bangladesh Bank; p=provisional

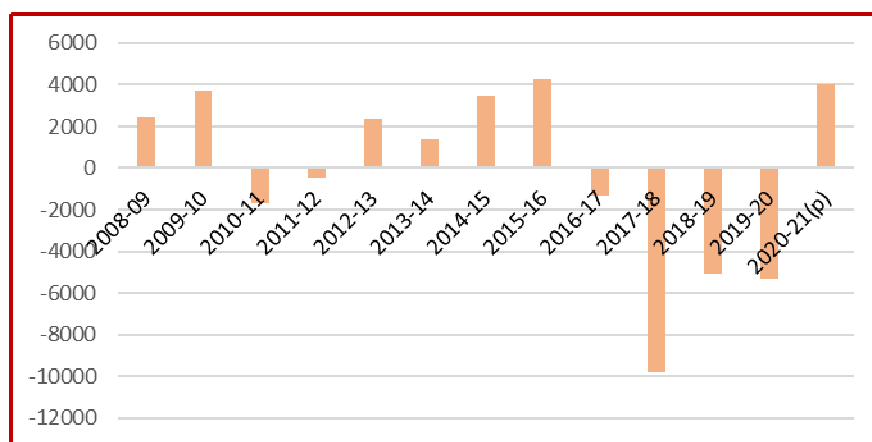
Remittances

2.27 Supported by the increasing trend in workers' migration, remittance inflows have increased about five times over the past decade reaching around USD 24.78 billion in FY21 from USD 4.8 billion in FY06. Huge inflow of workers' remittances has been the key impetus behind strong domestic demand, sound BOP position and healthy foreign exchange. Indeed, remittances have positively affected economic growth and poverty reduction processes.

Current Account Balances

2.28 Current account had consistently been registering surplus although turned into a deficit since FY11, FY12, FY17 due to higher import in contrast to slower export growth and decline in remittances. Nevertheless, the current account deficit in FY17, FY18, FY19, and FY20 mainly reflected higher investments rather than lower savings. This is attributable to increased import demand for capital machinery and industrial raw materials relating to mega projects and food grains. However, strong growth in export earnings coupled with a rebound in remittances in FY21 have been able to ease the situation by this time. Current account balance in FY21 was USD 3.8 billion.

Figure 13: Current Account Balance (Million USD)

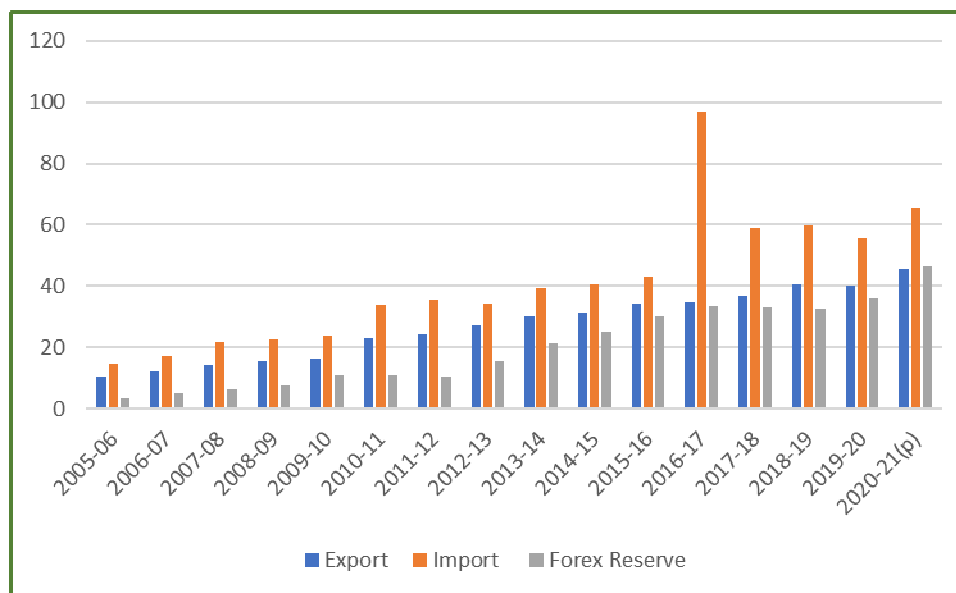


Source: Bangladesh Economic Review, Bangladesh Bank, p= provisional

Foreign Exchange Reserve

2.29 Strong growth in export earnings and workers' remittances has helped build healthy reserve coverage. Reserve growth has been modest and remains adequate to foot the required imports and finance external debt. As on 25 August 2021, foreign exchange reserve stood at USD 48.02 billion, which is about 13.5 times higher than that of FY06 stock (USD 3.5 billion). This reserve was sufficient to foot import bills for almost 9 months. Exchange rate of BDT against US dollar has slightly depreciated. Bangladesh Bank remains cautious and intervenes in the market as and when needed to avoid large fluctuations. As a whole foreign exchange rate of BDT vis-à-vis other foreign currencies remains broadly stable.

Figure 14: Exports, Imports & Foreign Exchange Reserve (In Billion USD)



Source: Bangladesh Bank

Commitment and Disbursement of Foreign Assistance

2.30 Foreign assistance and its utilization have been increasing significantly over the last 13 years. Foreign assistance commitment stood at USD 92,697.2 million during this time. An analysis of the disbursement data shows that about USD 3,393.76 million, on average, worth of foreign assistance was utilized annually during 2009-2021. In contrast, annual average utilization of foreign aid during 2001-2006 was merely USD 1,423 million.

Table 8: Commitment and Disbursement of Foreign Assistance (Million USD)

Fiscal Year	Initial Pipeline	Commitment			Disbursement		
		Grant	Loan	Total	Grant	Loan	Total
2005-06	6694.5	628.4	1159.0	1787.4	500.5	1067.1	1567.6
2006-07	6759.5	728.5	1527.6	2256.1	590.2	1040.4	1630.6
2007-08	7288.3	961.9	1880.6	2842.4	658.1	1403.4	2061.5
2008-09	8682.1	423.3	2021.1	2444.3	657.8	1189.5	1847.3
2009-10	8861.3	555.1	2428.5	2983.7	639.2	1588.6	2227.8
2010-11	9429.4	830.5	5138.2	5968.6	745.1	1031.6	1776.7
2011-12	14152.0	1441.4	3323.2	4764.5	588.0	1538.5	2126.5
2012-13	15436.1	554.5	5300.1	5854.6	726.3	2084.7	2811.0
2013-14	16637.7	497.8	5346.4	5844.2	680.7	2403.7	3084.4
2014-15	18174.8	493.7	4764.8	5258.5	570.8	2472.2	3043.1
2015-16	18693.6	544.9	6503.2	7048.1	530.6	3033.0	3563.6
2016-17	22067.9	404.5	17557.3	17961.9	459.4	3217.9	3677.3
2017-18	35748.8	705.1	14269.8	14974.9	382.4	5986.9	6369.4
2018-19	44529.2	1547.0	8248.8	9795.9	256.0	5954.1	6210.1
2019-20	47267.6	584	9214	9798	307.68	7074.04	7381.72
2020-21(p)	48819.3	673.61	8676.33	9349.94	430.96	6781.17	7212.13

Source: Economic Relations Division, p= Provisional data

Section Three: Progress in the Social Sector

The present pro-poor government of Bangladesh is working hard to enhance the welfare of people across the income levels. Government's development strategies on rapid poverty alleviation, social inclusion and continuous strengthening of social protection benefits and widening the area of benefits are significantly contributing to the socio-economic development of the country. Under the UN Millennium Development Goals (MDGs), the country has achieved most of the crucial targets like reducing poverty, poverty gap ratio, attaining gender parity in primary and secondary education, reducing incidence of communicable diseases and improving child and maternal health. This has put us on a solid platform for achieving Sustainable Development Goals (SDGs) Bangladesh has been implementing since 2016. The visionary and effective leadership of the present government along with the resilient character of our people provides us with a confidence to move resolutely improving the standard of livings of the citizens.

3.2 A comparative account of the progress made in the social sector is presented in **Table 8** below:

Table 9: Comparative picture of progress in social sector

Year	Per Capita GNI (USD)	Life Expectancy at birth (years)	Population Growth Rate* (%)	Poor People (%)	Extreme Poor (%)	Literacy Rate (7+Population) (%)	Maternal Mortality Rate (per 1000 live births)	Infant Mortality Rate (per 1000 live births)
2004	500	65.1	1.50	41.6	27.2	50.0	3.65	51.0
2005	527	65.2	1.49	40.0	25.1	52.1	3.48	50.0
2006	543	66.5	1.49	38.4	24.2	52.5	3.37	45.0
2009	759	67.2	1.36	33.4	19.3	56.7	2.59	39.0
2010	843	67.7	1.36	31.5	17.6	56.8	2.16	36.0
2011	928	69.0	1.37	29.9	15.7	56.1	2.09	35.0
2012	955	69.4	1.37	28.5	15.4	56.3	2.03	33.0
2013	1054	70.4	1.37	27.2	14.6	57.2	1.97	31.0
2014	1184	70.7	1.37	26.0	13.8	58.6	1.93	30.0
2015	1316	70.9	1.37	24.8	12.9	63.6	1.81	29.0
2016	1465	71.6	1.37	24.3	12.9	71.0	1.78	28.0
2017	1610	72.0	1.37	23.1	12.1	72.3	1.72	24.0
2018	1751	72.3	1.37	21.8**	11.3**	73.2	1.69	22.0
2019	1909	72.6	1.37	20.5	10.5**	74.4	1.65	21
2020	2024	72.8	1.37	-	-	75.5	1.63	21

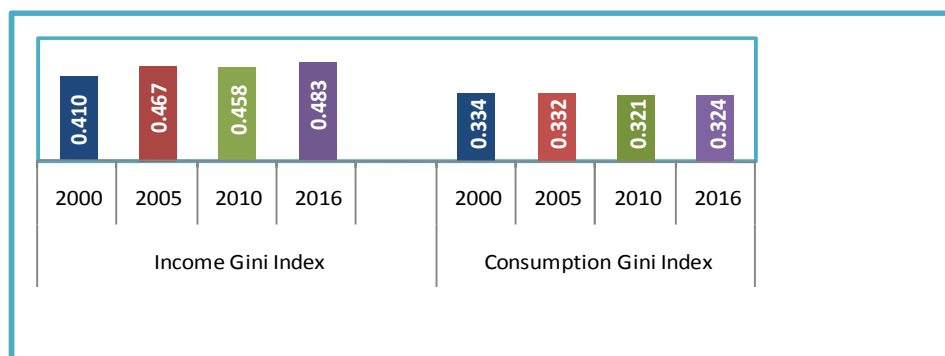
Note: *Based on the population census of 2001 and 2011; **Estimated by BBS.

Reduction of Poverty

3.3 Bangladesh has made a remarkable progress in reducing poverty and hunger. In practice, the sustained economic growth that the country has been witnessing is significantly and positively correlated with poverty reduction. The impressive and inclusive GDP growth rate, along with the government's distributional policies-strategies including progressive tax structure, domestic and overseas employment generation, skills development training and social protection programme, has resulted in an impressive reduction in the rate and depth of poverty. The rate of poverty (or, upper poverty) is reduced from 38.4 percent in 2006 to 20.5 percent in 2019. Extreme poverty (or, lower poverty) has also gone down to 10.5 percent in 2019 from 24.2 percent in 2006. Using the CBN method, at lower poverty line the poverty gap is estimated at 2.3 percent in 2016 which was 3.1 percent in 2010. Again, at the upper poverty line the gap is estimated at 5.0 percent in 2016 which was 6.5 percent in 2010. 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 FY24. The COVID-19 pandemic may produce some adverse impact on poverty alleviation, but the government is committed to continue its effort in poverty reduction. Apart from its objectives, in line with the SDGs, the government has fixed the target to reduce the poverty rate to 9.7 percent by 2030.

3.4 The Gini Index, a widely measured coefficient for inequality remained stable for Bangladesh. According to data from the Household Income and Expenditure Survey (HIES) 2016, the income Gini Index has only slightly worsened in 2016 compared to that in 2010, and the consumption Gini Index has continued to improve over the years (Figure 13). Bangladesh's position in the Global Hunger Index, 2020 was 75th, while that of India and Pakistan were 94 and 88 (Source: <https://www.globalhungerindex.org/ranking.html>).

Figure 15: Measure of Inequality (Gini Index)



Source: BBS

Social Protection Programme

3.5 The National Social Security Strategy (NSSS) 2015 is one of the key strategy papers for uplifting the wellbeing of people. Under the NSSS, Action Plans have been prepared to reduce poverty. For this purpose the use of targeted and efficiently monitored social safety net programmes has seen a manifold increase. To ensure inclusive development for all, both the coverage and the budget allocation have been increasing over the years. There are as many as a quarter of the families in the country that have now been brought under the social security programme. At present, about 4.5 million people are receiving various financial assistance under the programme. In FY21, the government allocated BDT 955.74 billion for the programme, which is 16.83 percent of total budget and 3.01 percent of GDP. The allocation for this sector is expected to be doubled within the next five years. To enhance the effectiveness of social safety net programmes by ensuring the selection of genuine beneficiaries, steps have been taken to establish MIS for all programmes and database for all beneficiaries. Payments are being made directly from the government to the beneficiaries through the G2P system, which has so far been rolled out to 12 cash transfer programmes. The COVID-19 pandemic has reshaped the world in terms of creating unemployment and worsening the poverty situation where the marginal people suffered most. The government of Bangladesh has taken 28 Incentive Packages to address the COVID-19 fallout allocating BDT 1,87,679 crore or 6.23 percent of GDP. The numbers of individual beneficiaries are more than 6.65 crore people and benefits received by the organisations are more than 1 lakh.

Education and Health

3.6 The government's efforts to create skilled human resource, reduce discrimination in education, achieve qualitative excellence, expand MPO enlistment, and emphasize subject-based classrooms have led to noteworthy progress in the education sector. Similarly, its dedication and sincerity to develop a healthy and energetic population by ensuring quality health services, nutrition, affordable and quality family planning have also paid off. Major progresses made in the education and health sectors are as follows:

- The net primary education enrolment increased to 97.34 percent in 2019 compared to 94.8 percent in 2010, while dropout rate declined from 39.8 percent to 17.9 percent in 2019;

- To reduce the discrepancy in educational attainments irrespective of all income level people the government took the initiative to distribute new books since 2010. In 2020, 9.85 crore books are distributed to different academic years free of costs.
- The rate of people receiving technical education was 2 percent in 2006, which has now risen to 20 percent in 2020. Furthermore, an Integrated Technical Vocational Education & Training (TVET) Development Action plan has been introduced aligning it with SDGs and the ongoing 8th five year plan.
- Primary School Mill Project for the period from July 2021 to June 2026 has been introduced to support primary schooling.
- The adult literacy rate (15+ years) increased from 58.4 percent in 2009 to 75.6 percent in 2020. In this, the adult women literacy rate has increased significantly from 54.3 percent in 2009 to 73.0 percent in 2020;
- Neo-natal (less than 1 year) mortality rate (per 1000 live births) declined from 45 in 2006 to 15 in 2020;
- Under 5 child mortality rate (per 1000 live births) dropped from 36 in 2006 to 28 in 2020;
- The number of medical colleges has increased from 46 in 2006 to 118 in 2020 along with 28 post-graduation medical institutions and 35 dental colleges.
- Community Clinics are working around the country to provide medical support at the doorsteps of the citizens. The government provides basic health care to the rural people through 13,881 community clinics, where every day 40 people get services from each clinic, 80 percent of which are women and children.

Women and Child Development

3.7 In accordance with Articles 19, 27, 28 and 29 of the Constitution, the government is committed to establish equal rights and dignity for women and men and ensure participation of women in all spheres of national lives. To enable women in the mainstream development activities, it has taken appropriate

programmes to ensure education, health, employment and empowerment of women. There are numerous efforts taken by the government to empower women, such as the food assistance programme (VGD) for distressed mothers, allowances for pregnant mothers, allowances for lactating and working mothers, and provision of microcredit to ensure women empowerment. Vocational, job-oriented and income-generating trainings are provided to women to create self-employment opportunities, and legal assistance and counsel will be provided to women to safeguard against violence against women.

3.8 Ensuring children's welfare is also one of the priority issues for the government. The budget allocation for the children in the FY20 is BDT 80,200 crore, which is 15.33 percent of the national budget. The government has established child day care centres to assist working women. The Prevention of Violence against Women and Children (Amendment) Act, 2020 and the Child Day Care Act, 2021 have been enacted.

3.9 Bangladesh is one of the most successful countries that has achieved significant success in reducing gender gap within a short time. Among the countries in the South Asia region, Bangladesh has continued to top the list of countries in reducing gender disparity. According to 'The Global Gender Gap Report, 2021' published by the World Economic Forum, Bangladesh secured 65th position among 156 countries, while the rank in 2006 was 91st among 115 countries. It is ahead of many other Asian countries, such as Thailand (79th), Indonesia (101st), Nepal (106th), China (107th), Myanmar (109th), Sri Lanka (116th), India (140th), and Pakistan (153rd) in terms of gender parity. Bangladesh's score of 0.719 remained the same compared to the previous year and it is very much ahead of the Muslim world.

Human Development

3.10 Bangladesh has continued its progress in the Human Development Index (HDI). The Human Development Reports published by the UNDP reflect a continuous improvement in our standard of livings. For example, in 2016, 2017, 2018 and 2019 Bangladesh was ranked 139th, 136th, 135th and 133rd respectively. The value of our HDI rose from 0.595 in 2016 to 0.632 in 2019. Again, Bangladesh ranked 123rd scoring 0.46 percentage points in the Human Capital Index (HCI), 2020 published by the World Bank.

Section Four: Macroeconomic Update

Consistent pursuance of sound macroeconomic policies and adoption of structural reforms have contributed to maintaining the high level of growth in economic development. A brief narrative of the macroeconomic scenario in FY20 and in some cases FY21 is presented in this section.

Real Sector

4.2 Bangladesh is an impressive destination in attracting Foreign Direct Investment (FDI). Net FDI inflow grew at 26% annually on average in the last decade. Despite the prevalence of the COVID-19 pandemic in the year 2020, FDI inflow stood at USD 2.38 billion.

Among the growth stimulating factors-

- Private sector credit growth stood at 8.35 percent (y-o-y) in June of FY21 which was lower than that of 8.61 percent (y-o-y) growth of the same month of the previous year, due to the continuation of the COVID-19 pandemic.
- Due to the COVID-19 outbreak the rate of ADP implementation was sluggish reaching 80.39 percent in FY20. However, during pre-COVID period in FY19, ADP implementation was 94.66 percent.
- *The average general index of industrial production (medium & large scale manufacturing)* stood at 462.74 during July-April of FY21, recorded 14.91 percent increase from the average index of 402.71 during July-April of FY20.
- The disbursement of agricultural credit and non-farm rural credit increased by 12.12 percent and 12.23 percent respectively in FY21 compared to that of FY20. The banks disbursed agricultural and non-farm rural credit amounting a total of BDT 16499.22 crore during the second quarter (October-December) of FY21.
- Despite all the COVID-19 adverse effect the inflation rate (twelve months average) was stable and down to 5.56 percent during FY21.
- Point-to-point inflation in June 2021 was 5.64 percent.

Fiscal Sector

4.3 Recent trends in the fiscal sector, such as revenue income and expenditure are highlighted below:

- Total revenue income was BDT 3,51,523 crore in FY20 compared to BDT 2,65,908 crore in FY19.
- Total revenue expenditure in FY20 amounted to BDT 4,20,160 crore compared to BDT 3,91,690 crore in previous fiscal year.

Monetary and Financial Sector

4.4 Recent trends in the Monetary and Financial sector are highlighted below:

- Broad money (M2) recorded an increase of BDT 186782.60 crore or 13.60 percent at the end of June 2021 against the increase of BDT 154123.60 crore or 12.64 percent at the end of June 2020. Domestic credit recorded an increase of BDT 131459.00 crore or 10.05 percent at the end of June 2021 against the increase of BDT 160749.10 or 14.02 percent at the end of June 2020.
- Under the latest monetary policy statement (Fiscal Year 2021-22) of the Bangladesh Bank, targets in FY22 for domestic credit and broad money were set at 17.8 and 15.0 percent respectively.
- Bank interest rate is gradually decreasing; the weighted average of the bank interest rate for deposits and advances and the spread stood at 4.13, 7.33, and 3.20 percent respectively in June 2021, which were 5.06, 7.95, and 2.89 percent respectively in June 2020.

External Sector

4.5 Recent trends in the external sector, such as trade, remittance, current account balance, etc., are highlighted below:

- Total value of merchandise commodity exports in FY21 increased by 15.10 percent to USD 38758.31 million compared to USD 33674.12 million in FY20. Export earnings increased significantly in FY21 compared to that of FY20 which reflects that Bangladesh has done well

in tackling economic shocks at the export markets. During FY21 earnings from readymade garments (knitwear and woven garments) increased by 12.55 percent; which contributed to the lion's share (81.16 percent) of the country's export earnings.

- Total foreign aid receipts were USD 7212.13 million (provisional estimate) during FY21 and USD 7381.72 million in FY20.
- Total value of C&F imports during FY21 increased by 19.73 percent and stood at USD 65594.70 million against USD 54784.70 million during FY20.
- Remittance inflows continued to grow in recent times. In FY21, the growth of remittance was 35.10 percent comparing 10.87 percent in the last FY20. The amount received was USD 24.78 million in FY21 while it was USD 18.21 million in the previous year.
- Foreign exchange reserves remained stable at USD 38.02 billion at 25th of August, 2021 which was USD 32.72 billion on 30 June 2019. This reserve is broadly adequate to cover imports of goods and services of about 9 months.
- The current account balance has improved to lower deficit mainly due to the reduction in trade deficit and the surge in remittance inflows. In June 2021, the current account deficit was USD 3.808 billion compared to the high deficit of USD 4.724 billion in June 2020.
- At the end of June, 2021, nominal exchange rate was BDT 84.80 per US dollar which was BDT 84.60 per US dollar at the end of June 2020. It indicates that Bangladesh BDT against US dollar has depreciated slightly.

Section Five: Journey Towards a Prosperous Bangladesh

The economic journey of Bangladesh has been from a ‘bottomless basket case’ to a role model of development in the world. The journey started in 1971 with the dream of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman to build a ‘Sonar Bangla’. However, the journey was suddenly halted in 1975 by the brutal assassination of Bangabandhu Sheikh Mujibur Rahman. The journey resumed under the leadership of Hon’ble Prime Minister Sheikh Hasina. Now Bangladesh has achieved the eligibility for the graduation from the status of ‘Least Developed Country’ to that of ‘Developing Country’. The account of socio-economic advancement made in the preceding chapters in this booklet demonstrates the government’s enviable success in realizing the vision within the quickest possible time.

5.2 Bangladesh has shown an excellent performance in achieving sound macroeconomic fundamentals during the last 13 years of the present government, mainly because of the pragmatic macroeconomic policies in all four sectors—namely, the real sector, fiscal sector, money and banking sector and external sector. During the time, the positions of the main indicators of macroeconomic stability such as inflation, interest rate, budget deficit and the public debt/GDP ratio have been satisfactory. Moreover, Bangladesh achieved remarkable progress in socio-economic indicators, such as poverty reduction, education, health, maternal mortality rate, women empowerment, etc. Bangladesh has made a clear roadmap through ‘Vision 2041’ for its journey on ward to become a developed country by 2041. Accordingly, Bangladesh has been putting emphasis on inclusive and sustainable economic growth, productive investment, improved governance, skills development, fiscal space, through revenue mobilization and spending efficiency, prudent macroeconomic policies etc.

Economic Recovery from COVID-19 Pandemic

5.3 Due to the uncertainty caused by the outbreak of COVID-19 pandemic and disruption in economic activities as a result of lockdown and restrictions, there has been a temporary economic slowdown. The continuation of the pandemic over the last one and a half year has exacerbated the situation. Again, healthcare expenditure is increasing as demand for healthcare service and

personal protection equipment rises. To address the crisis and overcome its potential adverse effects on the economy, the government has formulated an overall programme with short, medium, and long-term targets. This programme has four strategies, namely - expanding public expenditure, providing fiscal incentive, expanding social security, and increasing money supply. Following the guidelines of Hon'ble Prime Minister Sheikh Hasina, the government undertook a comprehensive stimulus and economic recovery programme containing 28 packages to facilitate the implementation of these strategies.

5.4 Through these timely and bold initiatives, the government has not only been able to protect lives and livelihood of the people but also kept the economic activities of the country rolling. As a result, the economy has started showing signs of recovery. Export has shown a positive trend with a 15.10 percent growth in FY21. Remittance has exhibited a record growth of 36.10 percent in FY21. Foreign exchange reserve has grown to a record USD 48.02 billion in August 2021; the current account balance has shown an acceptable level of deficit of USD 3.808 billion in FY21. Therefore, the stimulus measures adopted by the government have so far played a highly effective role in countering the adverse economic shocks of COVID-19. It is expected to play a similar role in facilitating quick economic recovery in the coming days.

Scaling Up Investment and Boosting Private Sectors

5.5 Bangladesh's GDP grew consistently at a very high rate in the last decade, exhibiting over 7.00 percent growth during the last four years until FY19 and achieving an outstanding 8.15 percent growth in FY19. However, due to COVID-19, it has slowed down to 3.51 percent in FY20 and rose to slightly upward to 5.47 percent (Provisional estimates) in FY21. GDP growth has been projected at 8.0 percent for FY24.

5.6 The government has been putting special emphasis on enhancing investment and ensuring investment-friendly environment for private sector. The overall investment hovered around 27-32 percent of GDP during the last decade, in which private investment remained between 21 to 23 percent. It is encouraging to note that in FY18 the overall investment to GDP crossed the 30 percent mark by attaining 31.23 percent mainly because of buoyant public investment in mega infrastructures. Due to the COVID-19 pandemic, in FY20, it has been reduced to

30.47 percent and further reduced to 29.92 percent in FY21. However, to maintain our high GDP growth target, investment will have to be between 35% and 40% of GDP.

5.7 For enhancing productive investment, the government will strive to remove the key bottlenecks in the economy with special emphasis on power and energy, ports, communication, and ICT sectors. Besides, higher and targeted spending on health and education sector and needed reforms in related policies would likely to increase employability and address skill mismatch. Targets have been set for the overall improvement of education, achieving qualitative excellence, and expansion of education. The government wants to create an investment-friendly environment for the private sector, ensure business-friendly tax management, and increase public sector investment. Achieving the projected GDP growth will also require infrastructural development.

5.8 To that end, the government emphasizes timely implementation of all nationally important infrastructure projects including mega projects. To facilitate private sector development, the government has taken various reforms initiatives to streamline the business processes in Bangladesh. The government slashed down fees and charges applicable on various business processes to reduce the costs of doing business, and improve Bangladesh's position in the World Bank's Doing Business Index. The government is placing special emphasis on the implementation of projects under the Public-Private Partnership (PPP) to attract investment required for the implementation of the government's development plans. At present, as many as 76 projects are scheduled to be implemented under the PPP, against which the investment amount is USD 27.76 billion. One project under PPP has already been implemented and 6 more projects are under implementation.

Attracting Foreign Direct Investment (FDI)

5.9 Recognising the importance of FDI as an engine for accelerating economic growth, Bangladesh has always attached high importance on attracting FDI, and the flow of FDI in the country has increased in recent years. Net inflows of FDI in Bangladesh grew at 26% annually on average in the last

decade. FDI inflow stood at 2.38 billion in 2020. Most of the FDI has been channeled to the power, energy and telecommunication sectors. The government has taken various reforms initiatives to streamline the business processes in Bangladesh with the aim of increasing the flow of FDI into the country. These include- enactment of the One Stop Service Act, 2018 and formulation of One Stop Services Rules, 2020 to simplify and integrate the delivery of various services, facilities, licenses and permissions in a timely manner, and reduction of fees and charges applicable on various business processes to reduce the costs of doing business. The government has taken a plan to implement online processing of the business process, of which 42 processes have already been made online. A total of 150 processes will be made available at the OSS portal.

Economic Zones

5.10 The government is promoting the economic zone (EZ) regime responding to the need for serviced industrial land and infrastructural facilities to both local and foreign investors. 100 EZs are being established. Construction work of ‘Bangabandhu Sheikh Mujib Industrial Area’, the largest, planned and modern industrial area on 30,000 acres of land at Mirsharai, Sonagazi and Shitakunda Upazila, is progressing in full swing. In addition, the government has progressed in developing the Maheshkhali EZ, the Srihatta (Sylhet) EZ, the Jamalpur EZ, etc. These three EZs have so far received a large volume of industrial investment proposals. For example, Bangabandhu Sheikh Mujib Industrial Park (Mirsharai EZ) has received USD 20.13 billion from 153 investors, Maheshkhali EZ has received USD 2.58 Billion from 3 investors and Srihatta EZ has received USD 1.3 billion from 6 investors. The government has also created scopes for private sector EZs. BEZA has given pre-qualification licenses to 20 private EZ, of which 11 have already received final license and the remaining 9 are under process to get the license. These private EZs have so far invested USD 2.7 billion and create employment opportunities for 27,000 people.

Skills Development

5.11 Bangladesh is well-placed to benefit from the growth potential of the demographic dividend up to 2050. To reap the full benefit of demographic dividend, Bangladesh needs to increase its labour productivity through skill

development and technological up-gradation in its production process. Therefore, the government has been working for human resource development by enhancing the skills of our growing population. To create jobs for the unemployed youths and generate self-employment opportunity, skill development trainings in different subjects are being provided to youths, one-third of the total population in the country. Further, steps have been taken to train 15 lakh people under the Skills for Employment Investment Program (SEIP). The main objective of the SEIP programme is to qualitatively and quantitatively expand the skilling capacity of identified public and private training providers by establishing and operationalizing a market responsive skill ecosystem and delivery mechanism. Under this programme up to August, 2021 training has been provided to 4.30 lakh persons among them 3.13 lakh persons have been employed in various jobs. The government has taken various reforms. Some of them are adoption of National Skills Development Policy 2011, enactment of National Skills Development Authority Act 2018, establishment of National Human Resource Development Fund (NHRDF), preparation of National Skill Development Policy 2020 etc. Moreover, The National Skills Development Authority has been established to undertake various skills development activities of the government in a coordinated manner.

Fiscal Stance

5.12 Fiscal policy will continue to ensure macroeconomic stability. The main source of revenues is internal revenue collected by the National Board of Revenue (NBR). Total revenue collection in FY19 was BDT 2518.8 billion and in FY20 was BDT 2658.0 billion. Due to the COVID-19 pandemic, in FY20 the real growth of revenue collection was only 4.5 percent. Low revenue collection has shrunk the fiscal space to some extent for meeting the spending gaps. Although revenue income has a positive trend, revenue income elasticity with respect to GDP was only 9.5 in FY20. The revenue collection target for FY23 is BDT 4362.4 billion, and for FY24 is BDT 4999.7 billion. However, revenue collection picked up in FY21- a) NBR tax revenue showed a positive growth of 20.00 percent over that in FY20. The government has taken several reform initiatives to reinforce domestic resource mobilization. Automation process in VAT and tax collection system has been introduced. The new Value Added Tax

and Supplementary Duty Act have been fully implemented from 1st July 2019. Electronic Fiscal Devices have been installed in major business establishments to augment the VAT collection. One of the main objectives of public expenditure management is to reduce infrastructure gaps and stimulate both private and public investment. The government is pursuing the policy of keeping budget deficit within the sustainable range of 5 percent of GDP so that debt to GDP ratio does not increase at a higher pace. Budget deficit stood at 4.6 percent of GDP on average between FY16 and FY20. Again, due to the continuation of the COVID-19 pandemic, budget deficit has increased to 6.2 percent in FY21. The reason of such upsurge in deficit is that the government has been implementing expansionary fiscal policy to meet the uncertainty in the economy due to the COVID-19 pandemic.

Monetary and Financial Policy

5.13 The government has taken initiative to establish a strong financial sector in the country. The government is implementing various activities to reform and develop the financial sector. This includes banking sub-sector, capital market, insurance and other financial sub-sectors. Structural and sustainable reforms have been taken up to facilitate the overall development of the banking sub-sector. To this end, steps have been taken to update/reform the following laws, which are now in the final stage: (i) Bank Company (Amendment) Act; (ii) Payment Systems Act; (iii) Secured Transaction Act; (iv) Bankruptcy (Amendment) Act; and (v) Asset Management Company Act. Initiatives have been undertaken with the spirit of building a good credit culture in the country. A software has been launched for the monitoring of large loans of banks, through which clear idea about bank-wise large loans of the entire banking sector will be available and it will be possible to take necessary actions accordingly. To maintain the stability of the financial sector, steps to form a Financial Stability Council are underway. To ensure stability in the financial sector, financial stability map will be prepared in future in line with international best practices and stress testing guidelines will be formulated considering the systemic risks. In addition to the traditional financing, dividend-based financial activities are also expanding in Bangladesh. The government has introduced a Shariah-compliant investment instrument or Sukuk to integrate the evolving trend of the economy into development finance.

5.14 The government is trying to diversify export basket to maintain the existing export market and to explore new markets after LDC graduation. For this purpose, the process of bringing Customs Bond Management under automation is underway so that the manufacturing activities of export-oriented industries like the readymade garments industry also come under the Customs Bonded System. It is expected that this will bring dynamism in the production and exports of all types of export-oriented industries. For boosting remittance inflow, the government has offered 2 percent incentives on inward remittances sent by expatriate Bangladeshis. Remittance inflows continued to grow in FY21, reflecting a 36.10 percent growth in FY21 over that in FY20, and stood at USD 24.78 billion. The upward trend of inward remittance is also helping keep the country's foreign exchange reserve at over \$48.02 billion. To explore new and prospective labour markets a survey ('Demand Analysis of Employment of Bangladeshi Migrant Workers in the International Labour Market') on labour markets in 53 countries has been completed. Services of the recruiting agents are being monitored on a regular basis to maintain discipline in immigration management and enhance overseas employment. The government also resorts to borrowing from external sources. Of the external sources, loan/grants are received mainly from bilateral and multilateral development partners against various projects. The government is trying to avail only concessional loans from external sources. All these efforts will help maintain an affordable and favourable external balance of payment.

Appendix-1: Trend of Socio Economic Indicators

Fiscal Year	GDP (Billion BDT)	GDP Growth (%)	Import (Million USD)	Export (Billion USD)	Remittances (Billion USD)	Foreign Exchange Reserve (Billion USD)	Exchange Rate Taka per USD
1995-96	1899.33	4.62	6.931	3.88	1.21	2.03	40.84
1996-97	2060.03	4.49	7.152	4.4183	1.47	1.71	42.70
1997-98	2269.3	5.18	7.52	5.1612	1.52	1.73	45.46
1998-99	2465.1	4.67	8.00	5.3128	1.74	1.52	48.06
1999-00	2685.0	5.29	8.37	5.7522	1.94	1.60	50.31
2000-01	2913.37	5.08	9.33	6.4673	1.88	1.30	53.96
2001-02	3142.9	3.83	8.54	5.9861	2.50	1.58	57.43
2002-03	3483.2	4.74	9.65	6.5485	3.06	2.46	57.90
2003-04	3832.9	5.24	10.90	7.603	3.37	2.70	58.94
2004-05	4270.7	6.54	13.14	8.6545	3.84	2.93	61.39
2005-06	4823.3	6.67	14.7	10.5	4.80	3.5	67.08
2006-07	5497.9	7.06	17.2	12.2	5.97	5.1	69.03
2007-08	6286.82	6.01	21.6	14.1	7.91	6.1	68.60
2008-09	7050.71	5.05	22.5	15.6	9.68	7.5	68.80
2009-10	7975.38	5.57	23.7	16.2	10.98	10.7	69.18
2010-11	9158.3	6.46	33.7	22.9	11.65	10.9	71.17
2011-12	10552.0	6.52	35.5	24.3	12.84	10.4	79.10
2012-13	11989.2	6.01	34.1	27	14.46	15.3	79.93
2013-14	13436.7	6.06	39.3	30.2	14.22	21.5	77.72
2014-15	15158.0	6.55	40.7	31.2	15.31	25	77.67
2015-16	17328.6	7.11	42.9	34.3	14.93	30.2	78.30
2016-17	19758.1	7.28	97	34.8	12.76	33.4	80.60
2017-18	22504.8	7.86	58.9	36.7	15.0	32.9	83.70
2018-19	25361.7	8.15	59.9	40.5	16.41	32.7	84.50
2019-20	27393.0	3.51	55.63	39.92	18.2	36.07	85.0
2020-21(p)	30111.0	5.47	65.6	45.39	24.77	46.39	85.2

Source: Bangladesh Bureau of Statistics and Bangladesh Bank; P= Provisional

Appendix-2: Food Grains: Production and Import

(Lakh acres lakh metric tons)

Fiscal Year	Rice			Wheat			Others	Total
	Acres	Production	Import	Acres	Production	Import	Production	Production
2005-06	260.19	265.3	4.98	11.83	7.35	18.7	0.05	278.0
2006-07	261.16	273.18	6.95	9.88	7.37	16.35	0.05	284.0
2007-08	261.29	289.31	19.67	9.58	8.44	12.35	55.15	352.9
2008-09	278.72	313.17	5.73	9.75	8.49	23.24	25.44	347.1
2009-10	282.36	322.57	0.88	9.22	9.69	33.58	25.86	358.12
2010-11	284.89	335.42	15.54	9.23	9.72	35.96	15.51	360.65
2011-12	284.87	338.90	5.14	8.85	9.95	16.61	19.55	368.39
2012-13	292.28	338.33	0.26	10.29	12.55	17.15	21.78	372.66
2013-14	281.01	343.56	3.71	10.62	13.02	26.77	25.15	381.74
2014-15	282.09	347.10	14.9	10.79	13.48	38.41	23.61	384.19
2015-16	281.24	347.10	2.56	10.99	13.48	42.80	27.68	388.17
2016-17	271.84	338.06	1.33	10.26	13.12	56.06	35.16	386.34
2017-18	286.98	362.79	31.7	8.68	10.99	45.75	32.88	406.66
2018-19	2018-19	284.55	363.89	1.5	8.16	10.16	55.36	39.62
2019-20	2019-20	318.12	366.23	.04	8.21	20.29	63.66	44.13
2020-21	2018-19	284.55	363.89	1.5	8.16	10.16	55.36	39.62

Source: Bangladesh Bureau Statistics; Bangladesh Economic Review 2019 Finance Division.

Appendix-3: Sector-wise Expenditure

(Billion BDT)

Year	Education & Technology	Health	Agriculture Environment Water & Land	Fuel & Energy	Social Security & Welfare	Transport & Communication
2001-02	59.0122	23.3253	23.5338	27.5582	15.4437	59.8307
2002-03	59.9774	22.5011	25.6444	37.5815	19.1406	51.9883
2003-04	63.5876	19.5898	40.8725	45.6035	24.413	64.6262
2004-05	80.4432	36.6097	43.5468	38.0828	28.1085	55.9112
2005-06	95.0722	41.9495	49.8566	28.8749	24.0699	54.0537
2006-07	99.9558	45.7169	81.2625	28.6249	35.025	53.0234
2007-08	110.861	50.9887	95.5971	25.493	78.8155	42.8629
7 Years Average	81.2727	34.38299	51.47338	33.11699	32.14516	54.61378
2008-09	146.696	62.6722	111.463	34.6953	69.5612	59.3487
2009-10	173.164	72.9623	129.567	72.324	77.2417	69.5106
2010-11	174.569	76.64	146.725	79.6895	89.8317	94.9475
2011-12	195.265	85.4519	196.877	102.805	100.34	125.261
2012-13	245.087	93.8285	172.749	102.261	112.103	142.956
2013-14	279.637	104.191	159.714	93.595	111.433	194.626
2014-15	363.833	126.938	178.629	169.835	153.183	235.157
2015-16	488.408	66.2103	168.919	146.207	162.08	228.973
2016-17	475.726	168.39	191.257	285.482	180.913	400.782
2017-18	470.62	168.22	186.19	283.72	289	395.69
2018-19	632.42	186.77	236	371.88	239.21	378.33
2019-20	659.61	175.13	219.8	328.76	263.62	535.8
12 Years Average	358.7529	115.617	174.8243	172.6045	154.0431	238.4485

Source: Finance Division Ministry of Finance (Figures in the bracket indicate percentage of total expenditure).

Appendix-4: Commitment and Disbursement of Foreign Assistance

(Million USD)

Fiscal Year	Opening Pipeline	Commitment			Disbursement		
		Grant	Loan	Total	Grant	Loan	Total
1998-99	4895.53	861.88	1786.64	2648.52	669.35	866.71	1536.06
1999-00	5979.58	619.25	855.78	1475.03	726.08	861.87	1587.95
2000-01	5752.27	937.73	1115.11	2052.84	504.15	864.66	1368.80
2001-02	8557.96	401.77	476.98	878.74	478.81	963.23	1442.23
2002-03	5450.04	383.30	1309.27	1692.57	510.14	1074.88	1585.02
2003-04	5738.11	886.78	1036.30	1923.08	338.45	694.98	1033.43
2004-05	6911.06	302.92	1277.80	1580.71	244.23	1244.22	1488.45
2005-06	6694.542	628.381	1158.979	1787.360	500.543	1067.093	1567.636
2006-07	6759.480	728.493	1527.635	2256.128	590.171	1040.404	1630.575
2007-08	7288.340	961.881	1880.563	2842.444	658.115	1403.399	2061.514
2008-09	8682.135	423.257	2021.060	2444.317	657.805	1189.500	1847.305
2009-10	8861.288	555.147	2428.530	2983.677	639.171	1588.603	2227.774
2010-11	9429.360	830.460	5138.166	5968.626	745.100	1031.642	1776.742
2011-12	14151.983	1441.375	3323.150	4764.525	587.996	1538.482	2126.478
2012-13	15436.142	554.530	5300.077	5854.607	726.274	2084.726	2811.000
2013-14	16637.698	497.817	5346.400	5844.217	680.729	2403.659	3084.388
2014-15	18174.791	493.656	4764.809	5258.465	570.825	2472.247	3043.072
2015-16	18693.624	544.918	6503.157	7048.075	530.555	3033.031	3563.586
2016-17	22067.919	404.528	17557.322	17961.850	459.350	3217.941	3677.291
2017-18	35748.763	705.107	14269.816	14974.923	382.422	5986.953	6369.375
2018-19	44529.211	1547.04	8248.82	9795.86	255.99	5954.07	6210.06
2019-20	47267.6	584.0	9214.0	9708.0	307.68	7074.04	7381.72
2020-21(p)	48819.3	673.61	8676.33	9349.94	430.96	6781.17	7212.13

Source: Economic Relations Division; P = provisional

Appendix-5: Debt Repayment

(Million USD)

Fiscal Year	Payment			External Debt Outstanding
	Amortization	Interest	Total	
2001-02	435.298	150.962	586.26	15885.163
2002-03	451.906	156.084	607.990	16953.098
2003-04	423.095	165.562	588.657	17953.255
2004-05	472.598	182.699	655.288	18415.848
2005-06	501.954	176.110	678.064	18602.478
2006-07	540.165	181.770	721.935	19354.805
2007-08	585.736	184.472	770.208	20265.809
2008-09	655.597	199.795	855.392	20858.752
2009-10	685.740	189.840	875.580	20335.761
2010-11	729.220	200.150	929.370	22085.522
2011-12	769.900	196.560	966.460	22095.172
2012-13	908.160	197.540	1105.700	22381.377
2013-14	1088.493	205.943	1294.463	24387.907
2014-15	909.456	187.730	1097.186	23901.033
2015-16	848.475	202.098	1050.573	26305.705
2016-17	894.097	229.173	1123.270	28337.366
2017-18	1110.41	298.78	1409.19	33511.834
2018-19	1178.50	386.72	1565.22	37712.34
2019-20	1257.0	477.0	1734.0	44095.0
2020-21(p)	867.0	320.0	1187.0	46836.0

Source: Economic Relations Division; P = Provisional

Appendix-6: Revenue Earnings

(Billion BDT)

Fiscal Year	Total Tax Revenue	NBR Tax Revenue	Non-NBR Tax	Non-Tax Revenue	Total Revenue
1	2=3+4	3	4	5	6=2+5
1998-99	153 (6.21)	144 (5.85)	9	43 (1.74)	196 (7.95)
1999-00	158 (5.90)	149 (5.54)	10	49 (1.84)	208 (7.74)
2000-01	191 (6.57)	181 (6.22)	10	46 (1.56)	237 (8.13)
2001-02	210 (6.69)	199 (6.34)	11	67 (2.13)	277 (8.82)
2002-03	243 (6.98)	232 (6.66)	11	62 (1.78)	305 (8.76)
2003-04	270 (7.04)	258 (6.73)	12	65 (1.70)	335 (8.74)
2004-05	305 (7.14)	291 (6.81)	14	69 (1.62)	374 (8.76)
2005-06	340 (7.05)	324 (6.72)	15	86 (1.78)	426 (8.83)
2006-07	380 (6.91)	362 (6.58)	19	105 (1.91)	485 (8.82)
2007-08	481 (7.65)	458 (7.29)	23	113 (1.80)	594 (9.45)
2008-09	529 (7.50)	502 (7.12)	27	117 (1.66)	646 (9.16)
2009-10	625 (7.84)	597 (7.49)	27	134 (1.68)	759 (9.52)
2010-11	795 (8.68)	762 (8.32)	33	134 (1.46)	929 (10.14)
2011-12	952 (9.02)	916 (8.68)	36	195 (1.85)	1147 (10.87)
2012-13	1074 (8.96)	1033 (8.62)	41	207 (1.72)	1281 (10.69)
2013-14	1160 (8.63)	1114 (8.29)	46	250 (1.85)	1416 (10.48)
2014-15	1288 (8.5)	1239 (8.2)	48	178 (1.1)	1466 (9.6)
2015-16	1519 (8.8)	1462 (8.4)	56	210 (1.21)	1729 (10.01)
2016-17	1779 (9.0)	1716 (8.7)	63	233 (1.2)	2012 (10.2)
2017-18	1943 (8.6)	1871 (8.3)	72	222 (1.0)	2165 (9.6)
2018-19	2259 (8.88)	2186 (8.6)	73	259 (1.8)	2518 (9.9)
2019-20	2219 (7.9)	2160 (7.7)	59	439 (1.5)	2659 (9.5)

Source: Finance Division Ministry of Finance; p=provisional; (Figures in the bracket indicate percent