

1.5 Overall Scenario of Foreign Assistance Management FY 2022-23

The Perspective Plan (2021-2041), the 8th five-year plan (2021-2025), and the Delta Plan-2100 have been prepared. The plans are at the implementation stage now and will lay the foundation of a developed and smart Bangladesh by 2041, which is the main target of the present government in the long-term development strategy. To achieve this target as well as to accelerate growth, the government has placed consistent emphasis on increasing investment in the development sector. Bangladesh is on the right track to reach the developed and smart country status by 2041. It is an outcome of the prudent fiscal policy and financial management of the government. According to the 8th Five-Year Plan, the GDP growth rate should gradually increase from 7.4% to 8.51% in the 2025 fiscal year (average 7.98% from 2021 to 2025). Therefore, the investment which was 31.5% in 2022-23, should also gradually increase to 37% of GDP in FY 2025. Considering the constraints on providing adequate resources from internal sources, foreign assistance is essential in the current financial management to meet investment demand as per development goals. Under the Government's Rules of Business, ERD is concerned with the search for and collection of foreign assistance.

Furthermore, the collection and effective utilization of foreign assistance was essential to meet the investment demand in FY 2023. Bangladesh's total public investment target was set at 6.7% of the GDP in the budget for the financial year 2023. The government's budget deficit was set to be financed by a net foreign assistance of 2.2% of GDP (Base year 2015-16). ERD strives to collect significant foreign assistance to accomplish the investment needs in the social front, including health, electricity, transportation, physical infrastructure, and education. ERD has given special attention in FY 23 to collect additional foreign assistance out of regular assistance as budget support & project support to combat the Covid 19 situation and to tackle the obstacle which has emerged due to the Russia-Ukraine conflict in achieving full economic recovery and targeted development goals.

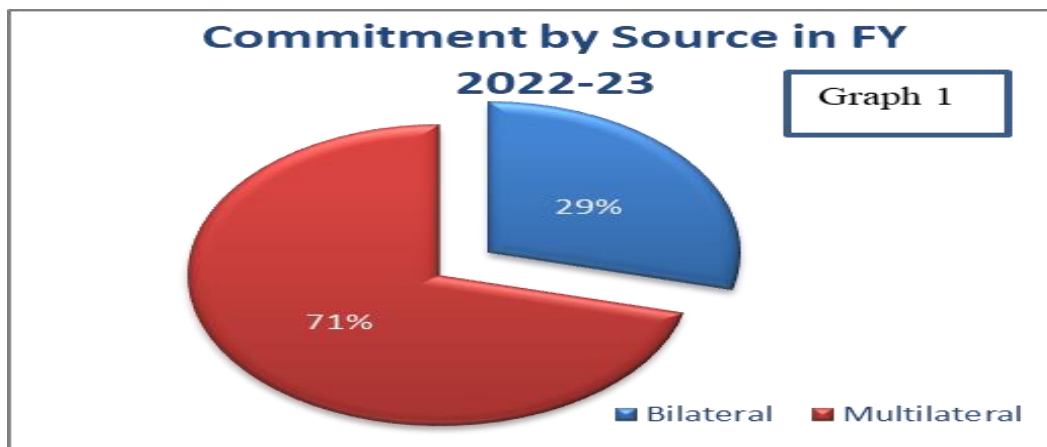
Commitments received from the last five fiscal years, i.e. from 2018-19 to 2022-23 amounts to USD 48.11 billion, which is an average of USD 9.62 billion per FY. At the same time, the disbursement of foreign assistance amounts to USD 42.11 billion which is an average of USD 8.42 billion per FY. The amounts of commitment and disbursement of foreign assistance in the FY 2022-23 are USD 8.79 billion and USD 9.27 (provisional) billion respectively. In FY 2023, Budget support-related commitment and disbursement are USD 1.87 and USD 1.71 billion respectively.

1.5.1 The achievements of the overall activities of ERD in FY 2022-23

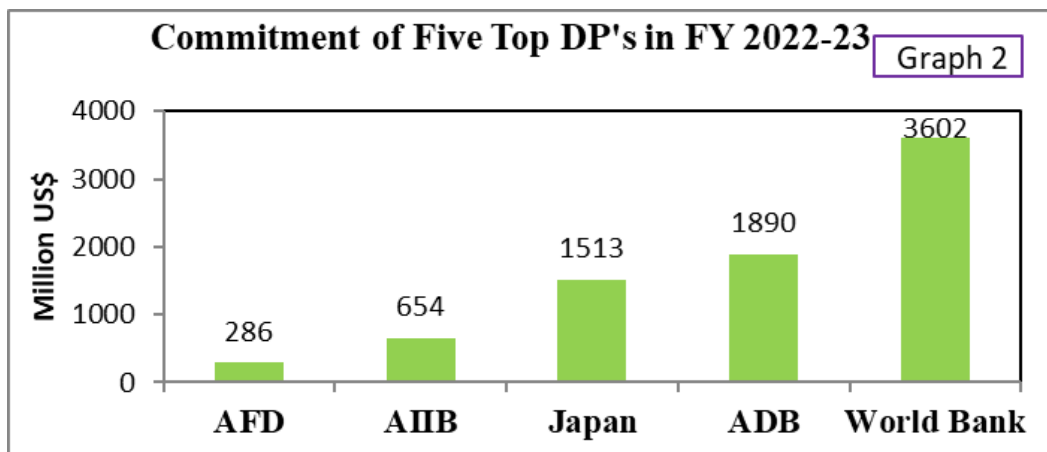
Foreign Assistance Mobilization

A total of USD 8798.62 (P) million has been signed in FY 2022-23. Of these, the grant amount and the loan amount are USD 336.47 million and USD 8462.15 million, respectively. The target for foreign assistance (commitment) was set at USD 6000.00 million in FY 2022-23; against which the commitment was achieved by 146.64%. During

this fiscal year, the highest foreign assistance (commitment) amounting to USD 3602.45 million was received from the World Bank among the multilateral development partners. The maximum commitments were received from Japan among the bilateral development partners, amounting to USD 1514.24 million. The rate of commitments from multilateral and bilateral sources can be seen in **Graph 1**.



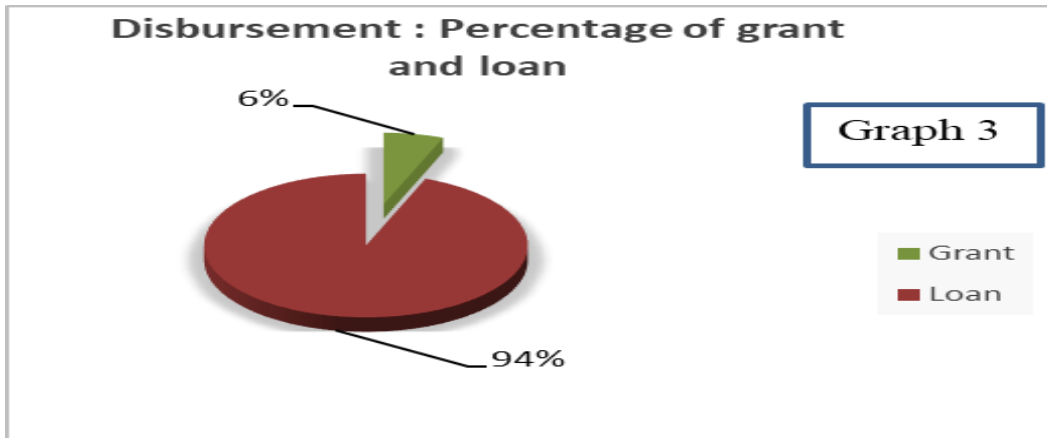
The amount of five major development partner commitments in FY 2022-23 is shown in **Graph 2**.



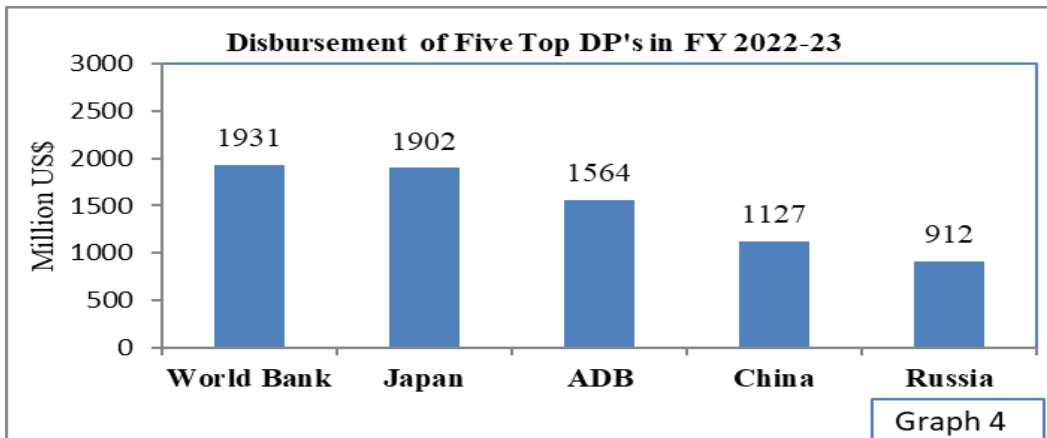
In FY 2022-23, a total of 86 agreements have been signed with 21 development partners for foreign assistance, of which 54 are grant agreements and 32 are loan agreements. Development partner-wise Commitment FY 2022-23 is cited in **Annexure-3**.

Disbursement of Foreign Assistance

In FY 2022-23, the total disbursement of foreign assistance amounts to USD 9267.32 million. Of these, the grant and the loan amounts are USD 563.12 million and USD 8704.20 million respectively. The ratio of loan and grant in the total disbursements is presented in **Graph 3**.



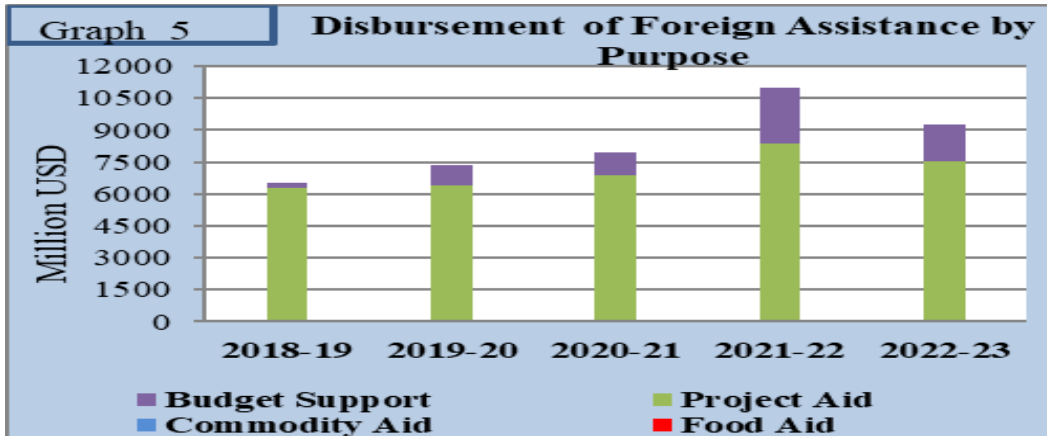
The amount of the five major development partners' disbursement in FY 2023 is shown in **Graph 4**.



In the aforesaid fiscal year, the revised target for disbursement of foreign assistance as per RADP was USD 10,407 million, against which 89.05 % was disbursed. Out of this total amount of disbursement (FY 2022-23), USD 4643.66 million has come from multilateral sources, whereas USD 4623.66 million was received from bilateral sources. Among the multi-lateral sources, the highest disbursement of USD 1930.90 million came from the World Bank in this fiscal year. At the same time, Japan topped the list among all the bilateral sources with the disbursement amount of USD 1901.61 million. Details of total disbursement by development partners are presented in **Annexure-4**.

In FY 2022-23, out of total foreign assistance, the food assistance and project assistance amount to USD 52.50 million and USD 9,214.82 million respectively. During this time, USD 1707.03 million in budget support was received. However, in the past few years,

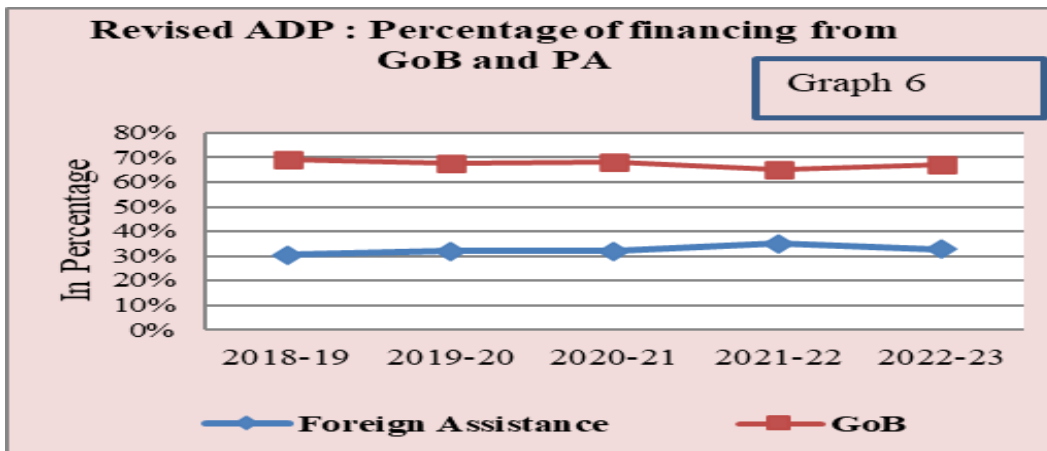
there has been no disbursement for commodity assistance. The information regarding the purpose of disbursement in the last several years is presented in **Graph-5** below:



Based on a primary estimate, at the end of FY 2022-23, the amount of foreign assistance in the pipeline has become around USD 44.70 billion (provisional). Out of this, an amount of USD 48.11 billion has been added to the foreign assistance commitment pipeline in the last five fiscal years, i.e., from FY 2018-19 to FY 2022-23. This amount of commitment is supposed to be disbursed within the next five to six years. However, the foreign assistance disbursement is directly related to the implementation of the projects.

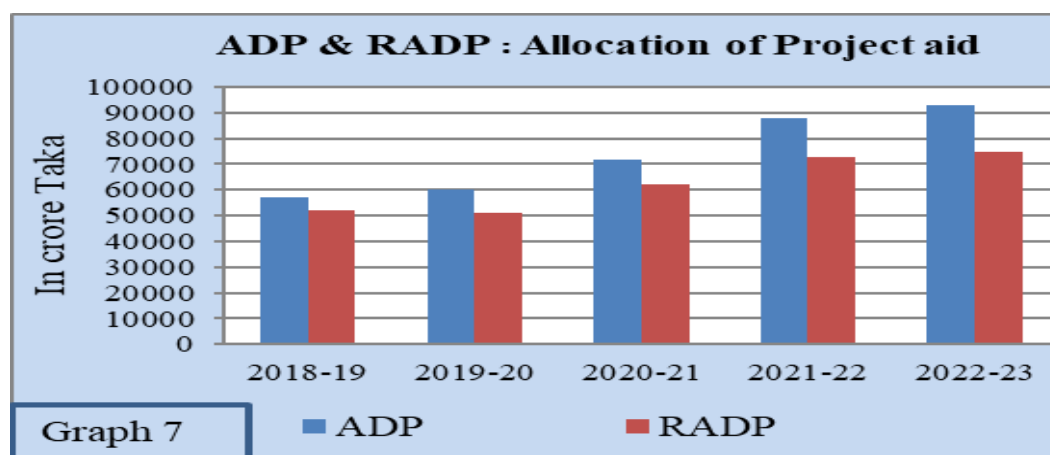
1.5.2 Annual Development Programme (ADP)

Although the dependence on foreign assistance in financing Annual Development Programmes (ADPs) is steadily declining, a significant portion of such programs are still being executed by foreign assistance. In the revised ADP of FY 2022-23, the amount of foreign assistance as project assistance amounts to 32.74% of the total ADP size. A comparative picture of the financing ratio from the Government of Bangladesh and foreign assistance in the revised ADP of the last five years is shown in **Graph-6**.

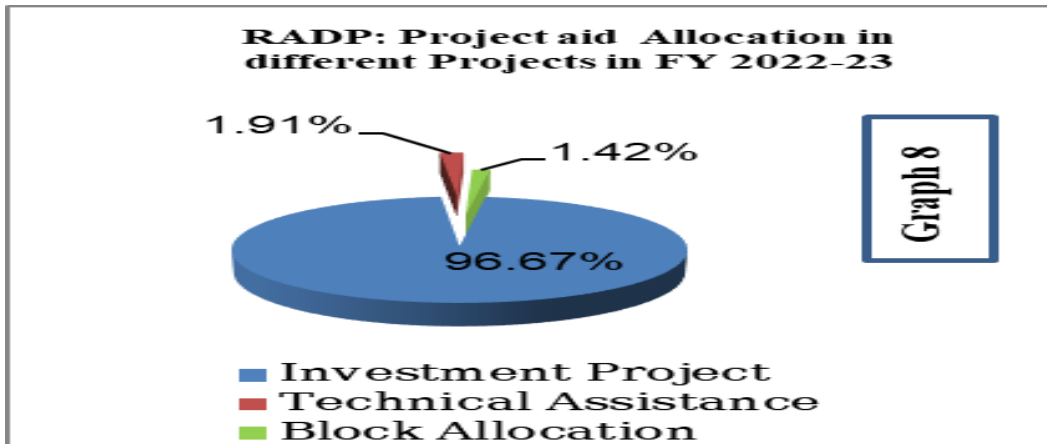


The allocation for project assistance in the ADP amounts to BDT 93,000 crore (USD 10,690.00 million) while the allocation for food assistance was BDT 217.50 crore (USD 25.00 million). Due to the decreased demand for project assistance by the Ministries/Divisions, project assistance amounting to BDT 74,500.00 crore (USD 8377.00 million) and food assistance amounting to BDT 490.00 crore (USD 50.00 million) were allocated to the revised ADP.

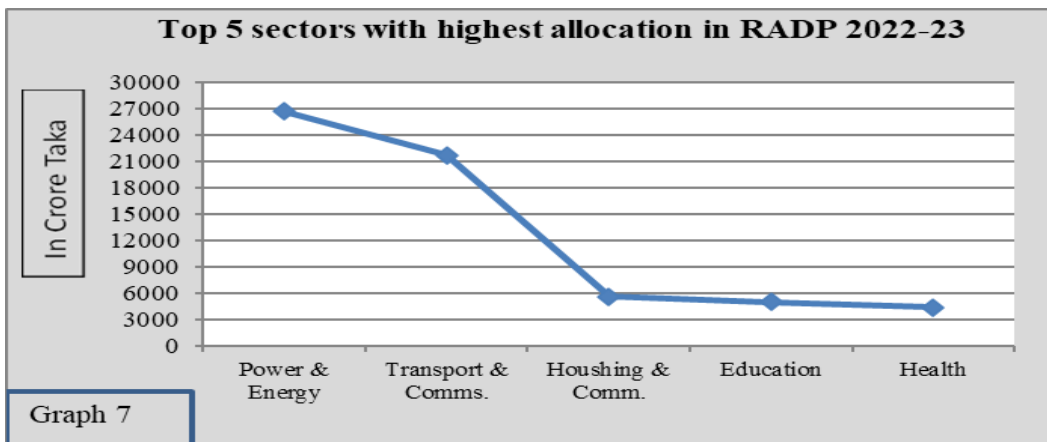
The allocation of the project assistance to the revised ADP for FY 2021-22 was BDT 72,677.20 crore (USD 8449.67 million) that is, in FY 2022-23, the allocation of project assistance to the revised ADP has increased by 2.51% as compared to FY 2021-22. It should be noted that since independence, the allocation of project assistance in the revised ADP for all fiscal years has been lower than that of ADP. The allocation of project assistance in ADP and RADP in the last five FYs is displayed in **Graph-7**.



The total number of foreign-assistance projects in the revised ADPs in FY 2022-23 is 318, out of which 101 are technical assistance projects and 217 are investment projects. In this FY, an amount of BDT 72,017.58 crore was allocated for investment projects, while BDT 1,425.94 crore was allocated for technical assistance projects and BDT 1,056.48 was reserved for special needs. A comparative allocation ratio of project assistance is cited in **Graph-8**.



The project assistance was allocated to 15 sectors in the FY 2022-23 where power & Energy and transport & Communication sectors received the highest allocation of foreign assistance. The information of top five sectors with the maximum allocation of foreign assistance in the revised ADP in FY 2022-23, is specified in **Graph-9**.

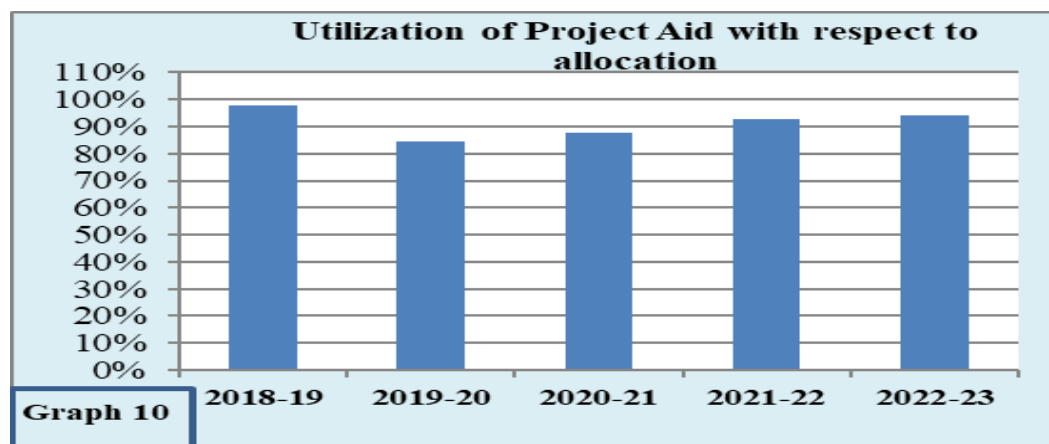


The allocation of sector-wise project assistance in the revised ADP for this FY is shown in **Annexure-5**. On the other hand, the Ministry of Science and Technology has received highest support from the Ministry/Division-wise allocation. **Annexure-6** contains the information of the Ministry/Division-wise allocation of FY 2022-23.

Initiatives to increase the use of project support

ERD has been continuously taking numerous initiatives to ensure maximum utilization of project assistance allocated to ADP projects. For the past few years, quarterly tripartite portfolio meetings, at the Wing-level, have been held with Ministries/Divisions and development partners. Slow-moving projects are being identified in view of the pace of

the disbursement of foreign assistance during the time after the signing of the agreement. These projects are being reviewed at quarterly tripartite portfolio meetings. Moreover, there are biennial meetings at the Secretary-level and annual meetings at the Hon'ble Finance Minister's level to review the progress of the most allocated projects. Apart from these initiatives, the progress of the project implementation is monitored through a series of inspections for identifying the problems that may arise during the implementation of the projects. All these initiatives taken by ERD play a vital role towards increasing the utilization of project assistance allocated in favor of ADP-based projects. The information about the utilization of project assistance is presented in **Graph-10**.

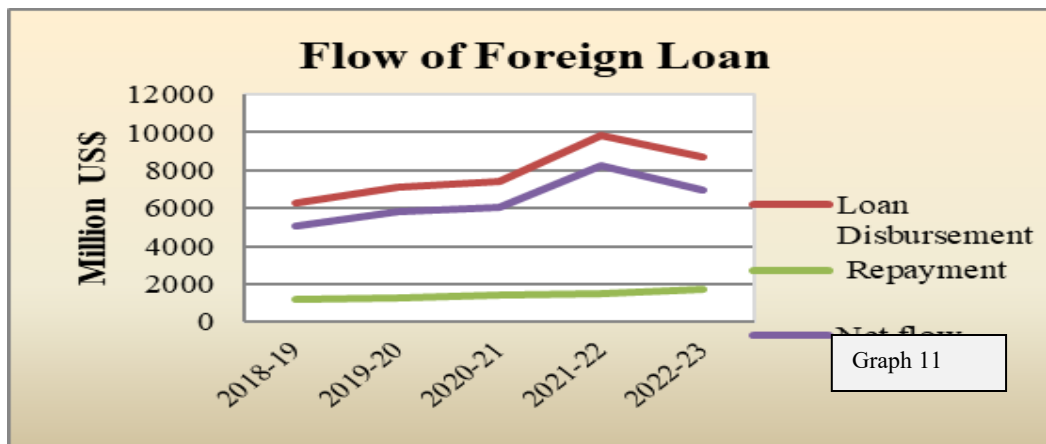


A Fast Track Project Monitoring Committee was constituted under the Chairmanship of the Hon'ble Prime Minister on 15 May 2013 to accelerate the implementation of nationally important and major projects. After the formation of the committee, a total of five meetings have been held till June 2023. Padma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

External Debt Management

ERD manages the foreign debt of the government. This Division has been using the internationally standardized software 'Debt Management Financial Analysis System' (DMFAS) for the last 31 years to facilitate the task of debt management. Bangladesh's ability to manage foreign debt has attained the global standard. Currently, most of the foreign borrowings taken by the government are medium and long-term loans, which are usually of a concessional nature. An analysis of the government's debt repayment data

from a foreign source show that the net flow of foreign debt has decreased by 1315.12 million USD in this FY as compared to the previous fiscal year and principal payment increased by 209.66 million USD. **Graph-11** specifies the data on foreign debt flows of the past few years.



1.5.3 Debt Servicing

Foreign Debt is paid and is managed by ERD. The Division has paid a total of USD 2670.22 million against foreign debts to the development partners in FY 2022-23. Of these, the principal amount is USD 1734.56 million while interest is USD 935.66 million. In this FY, the budget allocation for foreign loan repayments was USD 2790.00 million. It should be noted that since independence, Bangladesh never failed to repay foreign loans in due time. Again, the country never applied for re-scheduling of installments in repayment.

1.5.4 Debt Sustainability

Several indicators are used globally to determine the sustainability of foreign debt. One of the most prevalent indicators is the foreign loan status and the comparative analysis of the country's GDP, export earnings, revenue income with the repayments of principals & interests. To this end, the World Bank and IMF have determined the risk borderline of debt sustainability indicators for the developing countries. A comparative picture of Bangladesh's foreign debt sustainability indicators for the FY 2017-18, 2018-19, 2019-20, 2020-21&2021-22 are presented below:

Table 1:

Indicators	Foreign Debt to		Debt Service to	
	GDP	Export plus Remittance	Revenue	Export plus Remittance
2017-18	12.8%	68.61%	8.3%	3.9%
2018-19	13.9%	69.78%	9.4%	4.4%
2019-20	14.7%	88.45%	10.2%	5.5%
2020-21	16.9%	85.87%	8.4%	4.7%
2021-22	13.7%	79.147%	9.2%	4.5%
Threshold Level	40%	180%	18%	15%

The above index analysis specifies that the foreign debt sustainability of Bangladesh is far below the maximum risk limit. It reveals that the country's foreign debt sustainability is at a satisfactory level. This has also been reflected in the published observations of credit rating institutions such as Moody's Investors Service (Moody's), Standard and Poor's (S&P) and Fitch Ratings. These organizations have placed Bangladesh in the same sovereign debt index in their reports. In this rating list, Moody's, S&P, and Fitch have also termed Bangladesh's credit situation stable by providing B1, BB- and BB- ratings respectively this year.

Initiatives taken to reduce the risk of non-concessional loans

Additional investment demand has been created to achieve the target of establishing a Smart Bangladesh country by 2041. On the other hand, due to the slowdown in the global economy, the complexity of Europe-centric debt and the changing geopolitical context, the sources of flexible debt have shrunk.

In addition, as state-owned enterprises and autonomous organizations are taking non-concessional loans against government guarantees, the risk of foreign debts is increasing steadily. The Standing Committee on Non-Concessional Loans (SCNCL) was constituted with the chairmanship of the Hon'ble Finance Minister on 14 July 2013 to examine and approve the flexibility of the loan in a process consistent with the international best practice for mitigation of risk of hard conditions. Foreign loans with less than 25% grant element are required to be presented to this committee for examination and approval. This committee scrutinizes and approves the non-concessional loan proposals. SCNCL has approved the proposal for taking two non-concessional loans in FY 2021-22. It is mentionable that a total of 78 proposals for non-concessional loans have been approved till June 2023.

1.5.5 Policy and Procedural Reforms

To expedite the implementation, ensure proper preparation and to carry out the preparatory work of the project within the stipulated time, the 'Allocation and Management Policy of the project preparatory work' and 'Checklist of the preparatory work of the project' have been formulated. It has already been published in the Gazette and sent to all Ministries/Divisions.

Future Plans

Targets related to commitment and utilization of foreign assistance and debt repayment for the FY 2023-24.

1. The foreign assistance commitment target of USD 6,000.00 million has been estimated.
2. The foreign assistance disbursement target is estimated at USD 11,784 million (As per National Budget including Budget Support).
3. In the ADP, a total of BDT 94,000 crore has been allocated for project assistance in favor of 270 (technical 85+ investment 185) foreign assistance projects; and
4. For the repayment of foreign loans and loan interest, a total of BDT 37,076.00 crore has been allocated in the budget.