



Socioeconomic Progress and Recent Macroeconomic Development in Bangladesh

Finance Division, Ministry of Finance
Government of the People's Republic of Bangladesh
September 2019

Socioeconomic Progress and Recent Macroeconomic Development in Bangladesh

Finance Division, Ministry of Finance
Government of the People's Republic of Bangladesh
September 2019

Contents

Forward	i
Executive Summary	1
Section One	
Overall Socio-economic Progress	4
Section Two	
Economic Progress	7
Section Three	
Progress in the Social Sector	24
Section Four	
Macroeconomic Update in 2018-19	28
Section Five	
Journey towards a Prosperous Bangladesh	31

List of Tables

Table 1 Socio-economic Achievements during 2001-06 and 2009-19	5
Table 2 Economic Advancement	7
Table 3 Budget (Revised) at a Glance	13
Table 4 Rate of Interest of Scheduled Banks	19
Table 5 Financial Inclusion	19
Table 6 Advancement in the External Sector	21
Table 7 Commitment and Disbursement of Foreign Assistance	23
Table 8 Comparative Picture of Progress in Social Sector	24

List of Figures

Figure 1 Contribution to Real GDP growth (yearly growth in percentage point)	8
Figure 2 Per Capita GNI (US\$)	9
Figure 3 Sectoral Contribution to GDP	10
Figure 4: Food Grain Production	11
Figure 5 Investment Scenario (% of GDP)	12
Figure 6 Government Budget and Annual Development Programme (ADP)	14
Figure 7 Sector-wise Average Expenditure	14
Figure 8 Budget Deficit (% of GDP)	15
Figure 9 Development of Debt Management Capacity	15
Figure 10 Broad Money as Percentage of GDP	16
Figure 11 Current Account Balance (Million US\$)	22
Figure 12 Exports, Imports & Foreign Exchange Reserve	22
Figure 13 Measure of Inequality (Gini Index)	25

Executive Summary

Bangladesh has been successful in achieving a high level of economic growth in the fiscal year FY19. An astonishing 8.13 percent growth is attained in FY19. Progress was underpinned by 6.6 percent growth on average over the decade, particularly the average growth in previous three years (FY16-FY18) was 7.4 percent. This robust growth enabled Bangladesh to elevate itself into the lower middle-income country status in 2015 and fulfill all three eligibility criteria for graduation from the LDC in 2018. Bangladesh is now well on track for graduation into a developing country in 2024. Government's relentless efforts in persuasion of building a poverty-free prosperous Bangladesh through '*Vision 2021*' transformed the country from an impoverished to a developing one. At present the country is positioned among the fastest growing economies of the world. 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.

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 eleven years. Besides, inflation (twelve months average) has been maintained at a tolerable level, bringing it down from 12.3 percent in FY08 to 5.48 percent in FY19. Furthermore, keeping public debt at a reasonable level and demonstrating resilience to external shocks are mentionable successes of the government. Moreover, Bangladesh has also been able to sustain its advancement in social development parameters, such as reducing poverty, enhancing life expectancy, improving literacy rates, increasing per capita food production and so on. More specifically, the present government's achievement on socioeconomic indicators during 2009-2019 has continued to substantially outpace the past government's performance during 2001-06.

Economic Progress

- ✓ **Economic growth:** GDP growth rate reached 8.13 percent in FY19. The average growth in previous three years was 7.4 percent. Average GDP growth during FY¹ 09-FY19 was 6.6 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 3.5 times to US\$ 1,909 in FY19 from US\$ 543 in FY06;
- ✓ **Export earnings** increased to US\$ 40.54 billion (3.8 times) in FY19 from US\$ 10.53 billion in FY06;
- ✓ **Remittance** inflows stood at US\$ 16.42 billion (3.4 times) in FY19 from US\$ 4.80 billion in FY06;
- ✓ **Foreign exchange reserves**, which was only US\$ 3.48 billion at the end of FY06, increased to US\$ 32.72 billion (9.4 times) at the end of FY19 that is sufficient to foot more than 6.6 months' import bills;
- ✓ **Total cereal production** increased by 46.0 percent to 40.7 million metric ton in FY18 from 27.8 million metric ton in FY06;
- ✓ **Power generation** capacity has grown more than 4.2 times, which now stands at 22,329 MW at the end of FY19 from 5,245 MW at the end of FY06;
- ✓ **Share of industrial sector in GDP** has increased to 35.14 percent in FY19 from 25.4 percent in FY06;
- ✓ **The size of the government budget** has increased to BDT 4,425 billion in FY19, which is more than 7 times of FY06's budget (BDT 611 billion). It is to be mentioned that the budget size of the current FY20 is BDT 5,231 billion which is 8.6 times higher than that of FY06.
- ✓ **Revenue earnings** soared to BDT 2165.54 billion in FY18, which is 5 times larger than that of FY06.
- ✓ **Interest Rate**: During FY10-FY19, real interest rate and interest spread declined steadily; interest spread came down to 4.15 percent at the end of FY19;
- ✓ **Total investment to GDP** ratio increased to 31.6 percent in FY19 from 26.1 percent in FY06. Foreign Direct Investment (FDI) increased by 68 percent and reached US\$ 3.61 billion in 2018.
- ✓ **Public investment** scaled up to 8.2 percent of GDP in FY19 from 5.6 percent in FY06;
- ✓ **Inflation rates** has consistently been lowered and came down to 5.48 percent (12 months average) in FY19;
- ✓ **Exchange rates** slightly depreciated;

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 72.3 years at the end of 2018;
- ✓ **Headcount poverty** reduced to 21.8 percent in 2018 from 38.4 percent in 2006. Poverty continues to steadily decline till date;
- ✓ **Hardcore poverty** reduced to 11.3 percent in 2018 from 24.2 percent in 2006;
- ✓ **Literacy rate** (7+ years age) improved to 73.2 percent in 2018 from 52.5 percent in 2006;
- ✓ **Maternal mortality rate:** In 2006, the number of death in terms of maternal mortality was 3.37 per thousand live births, which was reduced to 1.69 per thousand live births in 2018;
- ✓ **Infant mortality rate** came down to 22 per thousand live births in 2018 from 48 per thousand live births in 2006;
- ✓ **Women empowerment:** Female participation in labor 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 2018 from 1.49 percent in 2006;
- ✓ **Social Safety Net Programs** have been expanded significantly over the years. In FY20, BDT 743.67 billion has been allocated for social safety net programs.

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 July 2019, the number of mobile phone subscribers and internet users in the country stood at 161.8 million and 96.2 million respectively. Tele density increased to 93 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

The present government showed stellar performance in socio-economic development of the country under the leadership of the Hon'ble Prime Minister Sheikh Hasina and has started its third consecutive term. This decade has been marked with high economic growth and sustained macroeconomic stability. The socio-economic progress achieved by the government are summarized in this Section, and its key features are described in details in subsequent sections. To illustrate the magnitude of the progress, the achievements made during the present government (2009-2019) are compared with those of the previous government (2001-06). The appendices highlight historical data on national income and its growth, food production, imports and exports, remittances, exchange rate, revenue earnings, sector level expenditure, foreign aid and loan repayments.

1.2 The government's initiatives to increase public sector investment, reduce physical and socio-economic infrastructure gaps, take our 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 policies and programs are yielding results now. In FY19 the GDP growth rate is estimated to reach as high as 8.13 percent. There are balances on both internal and external fronts of the economy. Inflation is under control; on the twelve months average basis, the inflation rate has stood at 5.48 percent in July 2019 which was 5.78 percent a year ago. In FY19 exports grew by 10.55 percent over the previous year, whereas the remittance inflow experienced a growth of 9.6 percent. During the same time the current account balance improved significantly as the deficit came down to a manageable level. Foreign Direct Investment (FDI) increased to US\$ 3.61 billion in 2018.

1.3 On the fiscal front, the budget deficit has been contained within five percent of GDP. To make the revenue collection and public expenditure management systems more efficient and transparent, the government has been consistently undertaking various reform initiatives especially through structural

reforms and wide application of information technologies, which are, apparently, improving the performance of the public financial system. Moreover, the growth promoting fiscal stance is accompanied by a supportive monetary policy which marks contained inflation and stable interest and exchange rates.

1.4 The impact of economic progress upon the living standard is also evident. Life expectancy at birth has increased to 72.3 years in 2018 from 66.5 years in 2006. The literacy rate was 52.5 percent in 2006, which is now 73.2 percent. Poverty rate declined to 21.8 percent in 2018 from 38.4 percent in 2006, and hardcore poverty reduced to 11.3 percent in 2018 from 24.2 percent in 2006. In almost all the indicators in the social sector, Bangladesh has fared much better than other South Asian countries. Besides, it has already elevated itself into a lower middle income country and fulfilled all three LDC graduation criteria for becoming a developing country.

1.5 A comparative analysis of the performances during the two periods of 2001-06 and 2009-19 clearly reflects the effectiveness of the pro-growth and inclusive development policies of the present government. Between these two periods, the average annual GDP growth rate has moved from 5.4 percent to 6.6 percent. Bangladesh is now among the fastest growing economies of the world and cherishes to achieve a double-digit growth by FY24. In FY06, per capita GNI was only US\$ 543, which has grown to US\$ 1,909 in FY19.

1.6 A brief account in **Table 1** of the socioeconomic advancement during the 2009-19 period compared to the 2001-06 period of the previous government reveals the extent of socioeconomic success achieved by the present government.

Table 1 Socio-economic Achievements during 2001-06 and 2009-19

Indicators	2001-06	2009-19	2018-19/latest
GDP Growth Rate (% Annual Change)	5.40 (Average)	6.62 (Average)	8.13*
Investment (as % of GDP)	25.2 (Average)	29.07 (Average)	31.56*
Exports [Billion US\$] (average)	7.86	29.71	
Exports (Billion US\$) (end point)	10.53 (FY06)	40.54* (FY19)	40.54*

Indicators	2001-06	2009-19	2018-19/latest
Remittances [Billion US\$]	3.5 (Average)	13.83 (Average)	16.42*
Foreign exchange Reserve [Billion US\$]	2.63 (Average)	22.21 (Average)	32.72 (30 June 2019)
Budget Size, (Billion BDT)	497.44 (Average)	2422.71 (Average)	4,425.41(FY19) 5,231.90 (FY20)
Per capita income [US\$] (end point)	543 (FY06)	1,909* (FY19)	1,909*
Life Expectancy (year)	66.5 (2006)	72.3 (2018)	72.3
Poverty Rate (%)	38.4 (2006)	21.8** (2018)	21.8**
Extreme Poverty Rate (%)	24.2 (2006)	11.3** (2018)	11.3**

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

Section Two

Economic Progress

Section two elaborates a detailed account of the economic progress made by Bangladesh during 2009-19. **Table 2** summarizes the movement of key macroeconomic indicators during this period vis-à-vis the progress made during the tenure of the previous government (2001-06).

Table 2 Economic Advancement

Fiscal Year	GDP Growth Rate	Investment (% of GDP)	Share of Industry (% of GDP)	Export Earnings (Billion US\$)	Remittances (Billion US\$)	Foreign Exchange Reserve (Billion US\$)	Budget Allocation (Billion taka)	ADP (Billion taka)
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
Five 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
2018-19p	8.13	31.6	35.1	40.5	16.4	32.7	4425.4	1670.0
Eleven years' average	6.6	28.8	29.6	28.4	13.5	21.0	2306.6	757.2

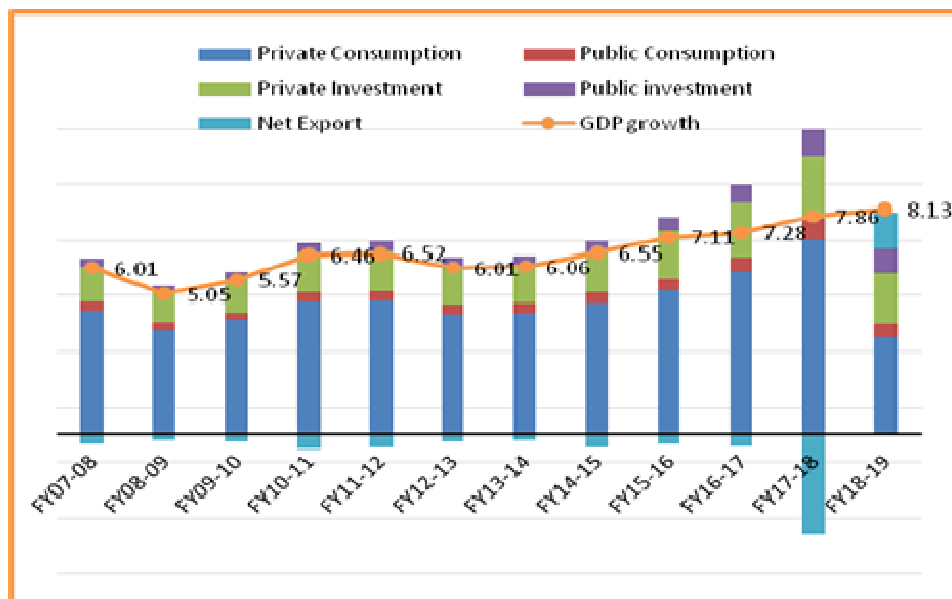
Source: Finance Division; Bangladesh Bank and Bangladesh Bureau of Statistics, ' p=Provisional estimate

Real GDP Growth

2.2 Despite all global headwinds, GDP growth rate, which averaged around 6.62 percent between FY 09 to FY19 has been robust and stable compared to a moderate 5.40 percent growth in 2001-06. It is noteworthy that during 2009-19 period, the average GDP growth rate in the emerging and developing economies was 5.23 percent in contrast to a higher average growth rate of 6.9 percent during 2001-06 period.

2.3 Being supported by the government's sound macroeconomic policies, GDP growth rate accelerated that is reflected by above 7 percent GDP growth in the last three consecutive fiscal years which has crossed to a record 8.13 percent in FY19. GDP at current market prices stood at BDT 25,362 billion or US\$ 301.9 billion (provisional estimates) in FY19 from BDT 54,823 billion or US\$ 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 aspiring growth scenario (**Figure 1**).

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

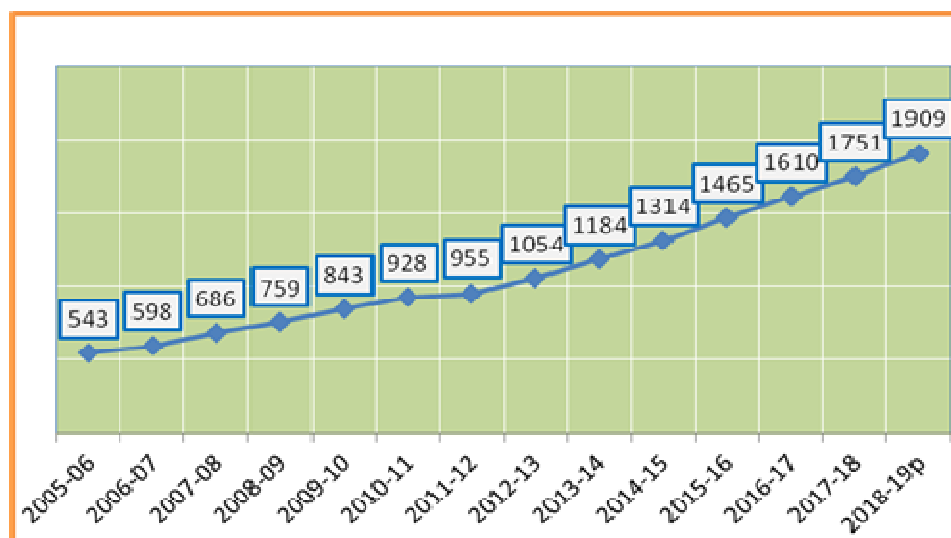


Source: Bangladesh Bureau of Statistics (BBS); FY18-19 estimates provisional

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 US\$ 1,909 in FY19 (more than tripled) from US\$ 543 in FY06. In terms of purchasing power parity, per capita income reached to US\$ 4,364 (at current price) in 2018 from US\$ 1,980 in 2006 (World Bank data).

Figure 2 Per Capita GNI (US\$)



Source: BBS, p=Provisional

Structural Transformation of the Economy

2.5 On the supply side, the economy has been transforming 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 13.6 percent of GDP in FY19, while the share of industrial sector to GDP has increased noticeably from 26.1 percent of GDP in FY09 to 35.1 percent of GDP in FY19. At the same time, contribution from the services sector has declined slightly. 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, the Bangladesh economy is slowly heading towards a desirable economic transformation as a strong manufacturing sector is the key to sustain the present growth momentum.

Figure 3 Sectoral Contribution to GDP



Source: BBS, p=Provisional

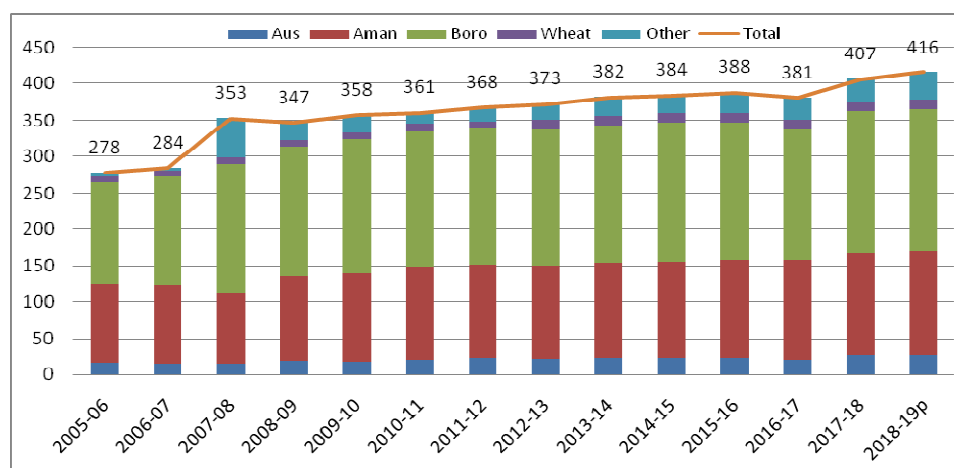
Agriculture and Food Production

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 fair price for agricultural produces contributed to increasing agricultural productivity and crop intensification.

2.7 The amount of incentives provided in the agriculture sector increased 15 times from BDT 6 billion in FY06 to BDT 90 billion in FY19. 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 increased by 46 percent to reach 40.7 million metric tons in FY18. As a result, Bangladesh has achieved self-sufficiency in food production in normal weather condition. Besides, programs 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. It may be mentioned that the total production target of food grains in FY19 has been set at around 41.6 million metric tons.

Figure 4: Food Grain Production (Lac metric ton)



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

Industrial Production

2.9 Contribution of industrial sector to GDP at constant price has increased to 35.1 percent in FY19 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). Up to FY18, the Quantum index of manufacturing industries and electricity sector rose 3.4 and 2.7 times respectively.

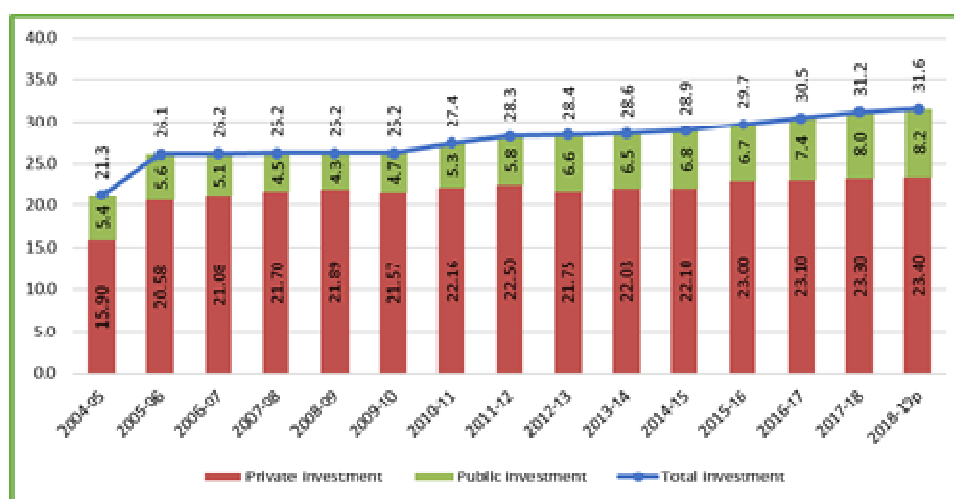
Service Sector

2.10 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 FY19 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.

Investment

2.11 Total investment stood at 31.6 percent of GDP in FY19 from 26.1 percent in FY06. Especially in conformation with the government's economic policies, public investment has risen substantially to 8.2 percent of GDP in FY19 from 5.60 percent in FY06. Emphasis was given to physical infrastructure sectors, such as power, energy, and communication, which helped boost private investment 4.2 times to BDT 5,934 billion in FY19 from BDT 993 billion in FY06. In addition, human development and social security programmes were among the priority areas. Foreign Direct Investment (FDI) reached US\$ 3.61 billion in 2018. The average FDI inflows rose by almost 4 times to US\$ 2,067 million during 2009-19 period compared to US\$522 million on average in 2001-06.

Figure 5 Investment Scenario (% of GDP)



Source: BBS

Revenue Earnings

2.12 Increasing mobilization 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. The total revenue earnings increased to 9.6 percent of GDP in FY18 from 8.8 percent of GDP in FY06, of which, tax revenue rose to 8.3 percent of GDP in FY18 from 7.0 percent of GDP in FY06. From NBR sources, tax revenue increased 8.64 times from BDT 324 billion in FY06 to 2800 billion in FY19.

**Table 3: Budget (revised) at a Glance
(Billion Taka)**

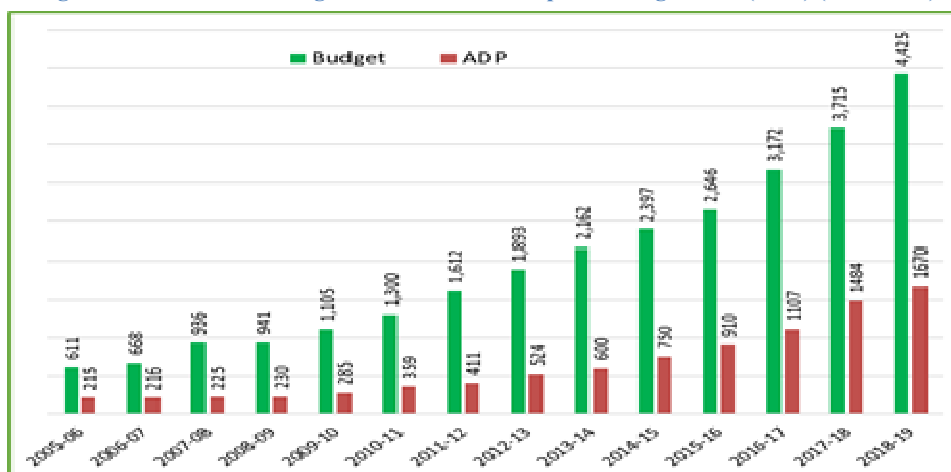
	2018-19	2005-06
Revenue	3166.1	448.70
a) Tax Revenue	2896.0	361.8
b) Non-tax Revenue	270.1	86.9
Foreign Grants	37.87	24.8
Total Revenue including Foreign Grants	3204.0	473.5
Total Budget Allocation	4425.2	610.6
of which Annual Development Program (ADP)	1670.0	215.0
Overall Balance	-1453.8	-137.1
Financing		
Foreign Borrowing	433.9	55.7
Domestic	787.5	81.4

Source: Finance Division

Budget Size and Management

2.13 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 by more than five times and reached BDT 4,425 billion in FY19 from BDT 611 billion in FY06. The budget for FY20 has been set at BDT 5,231 billion which is eight times higher than that of FY06.

Figure 6: Government Budget and Annual Development Programme (ADP) (Billion Tk)

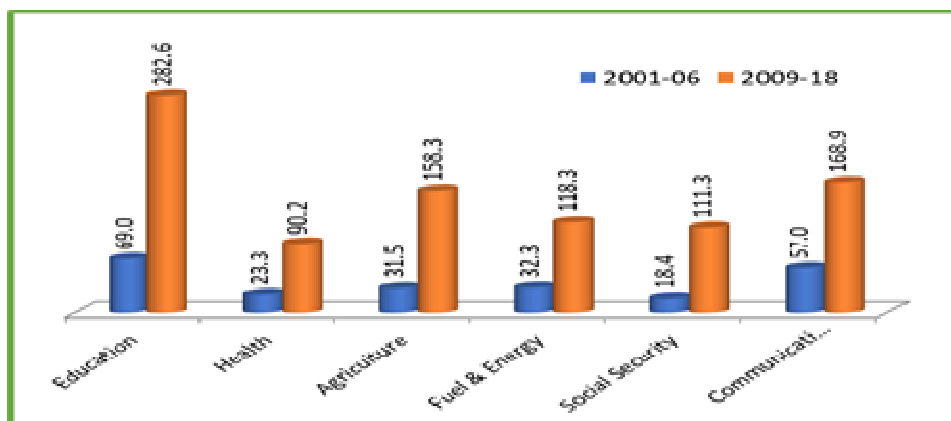


Source: Finance Division, Ministry of Finance

Most importantly government development spending has seen a manifold increase. The size of Annual Development Programme (ADP) has been raised to BDT 2,021 billion in FY20, which is about 10 times higher compared to BDT 194.7 billion in FY06. Development expenditure other than the ADP allocation has also been increased consistently.

2.14 In terms of allocation of resources, emphasis was 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.

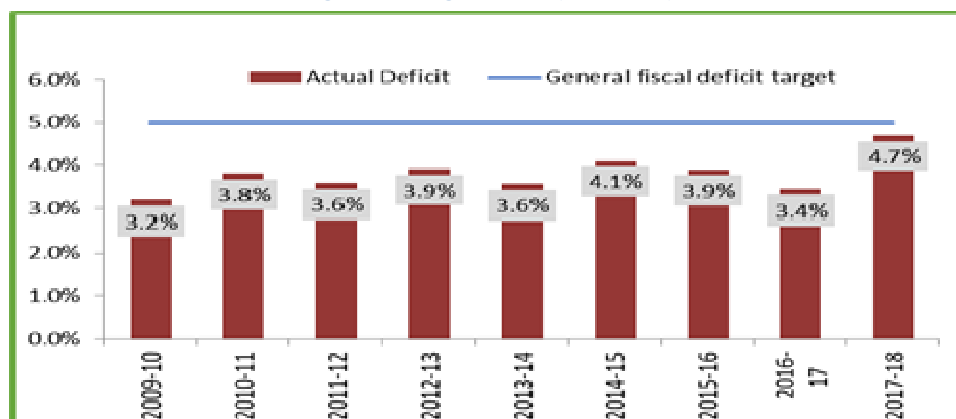
Figure 7: Sector-wise average expenditure (billion taka)



Source: Finance Division, Ministry of Finance

2.15 As a whole, the government's prudent fiscal policy, being guided by 'Public Money and Budget Management Act, 2009', helped contain fiscal deficit within five percent of GDP (4.7 percent of GDP in FY18).

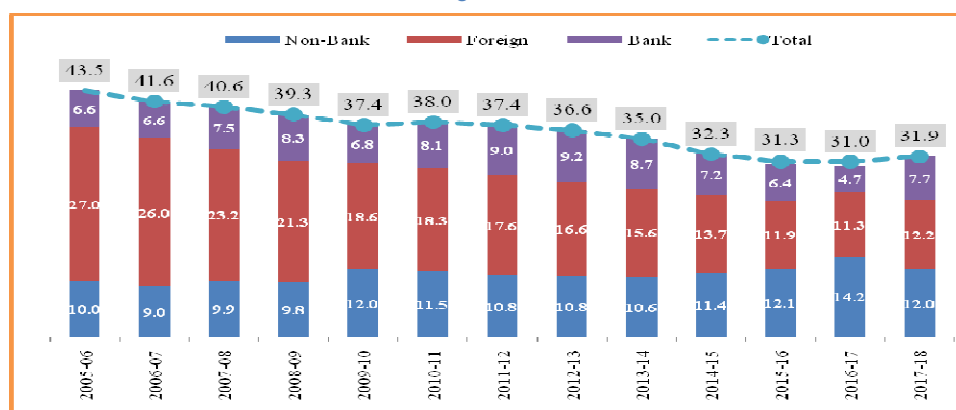
Figure 8: Budget Deficit (% of GDP)



Source: Finance Division, Ministry of Finance

As stipulated in the act, recurrent spending has been kept in line with the revenue growth. As a result, public debt-to-GDP ratio remained stable and on a declining trend. Budget deficit has been kept under 5.0 percent of GDP over the years (4.7 percent of GDP in FY18). Moreover, 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 31.9 percent of GDP at the end of FY18 from 43.5 percent of GDP at the end of FY06.

Figure 9: Development of Debt Management Capacity
(Outstanding Debt-GDP ratio)



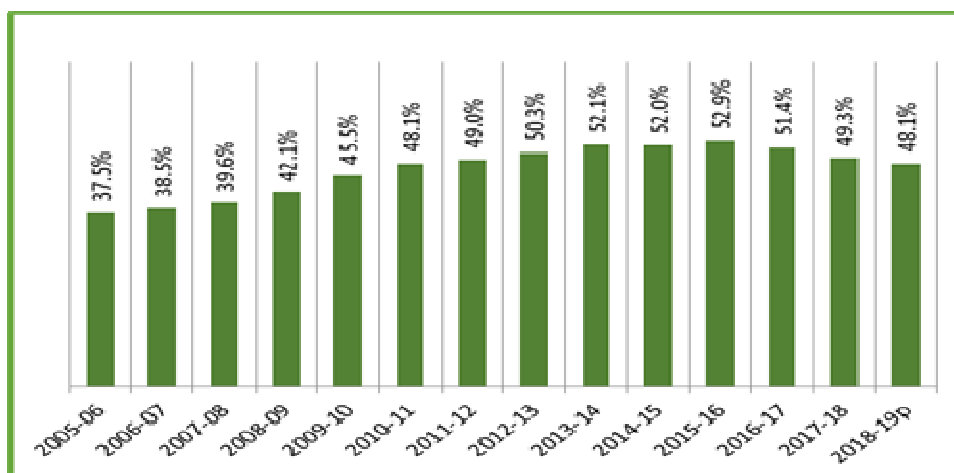
Source: Bangladesh Bank, FD, ERD

2.16 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 (14.2 percent of GDP at the end of FY17) with the increased sale of national savings certificates (NSCs), it shrank to 12.0 percent GDP in FY18. Recently Government has initiated automation in sales of NSC to reduce dependence on it.

Monetary Management and Inflation

2.17 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 5.52 percent in June, 2019 (Point to point basis).

Figure 10: Broad Money as percentage of GDP



Source: Bangladesh Bank

2.18 Despite annual average GDP growth of 6.6 percent during 2009-19, CPI inflation was contained within 7.0 percent on average. It has gradually been brought down to 5.47 percent (12-month average basis) at the end of FY19 through effective macroeconomic management and ease of supply bottlenecks. Although inflation pressure is generally observed in election year. But prudent government interventions have contained that pressure and inflation remained within the tolerant level.

Financial Deepening and Inclusion

2.19 Depth of the financial sector has increased substantially during the FY10-FY19 period as Broad money-GDP ratio, an indicator of financial depth of an economy, rose to 48.1 percent at the end of FY19 from 37.5 percent 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 to 4.15 percent at the end of FY19 from 5.38 percent at the end of FY06. During first half of 2018, some initiatives were taken to tackle temporary liquidity imbalances in the banking sector. These were reduction of overnight repo rate to 6.0 percent, including extension of repo maturity to 7, 14 and 28 days. CRR (Cash Reserve Ratio) has been reduced by 1 percent. 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.

2.20 Banks are being guided to pursue their credit policies and programs 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 2.8 and 7.4 times respectively in FY19. 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 429.74 billion at the end of FY19 and credit balances for industrial loan increased to BDT 2,037.9 billion at the end of March FY19. Side by side, credit balance in private sector rose to 39.8 percent of GDP in FY19 from 27.4 percent of GDP in FY06.
- ✓ Deposits of scheduled banks, as percentage of GDP, increased to 47.0 percent in FY18 from 35 percent in FY06. As a result, the lending capacity of banks has also increased. In fact, it increased to 48.0 percent of GDP in FY18 from 26.9 percent 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 2017.

- ✓ State-owned commercial banks have been brought under the Core Banking Solution technology.
- ✓ Asia Pacific Group on Money Laundering (APG) has recognized 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 recognized as one of the leading countries in the Asia region in this context.

2.21 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 difficult locations through ATM, mobile financial services and agent-banking. The number of scheduled bank branches increased substantially (59.4% increase) from 6,435 at the end of FY06 to 10,260 by December 2018. As of December 2015, the scheduled banks had 56.76 percent 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 very rapidly. All these endeavors continue to ease financial transactions and ensure circulation of money to facilitate economic activity in the economy.

Table 4: Rate of Interest of Scheduled Banks

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
2018-19p	5.43	9.58	4.15

Source: Bangladesh Bank.

Table 5: Financial Inclusion

Financial Inclusion						
	Number of branches of schedule banks	Number of agents of mobile Banking services	Number of mobile banking subscriber	Number of agents for agent-based banking	Number of subscriber for agent-based banking	No. 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

Source: Bangladesh Bank.

2.22 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 2018, a total of 886 thousand agents served 67.15 million registered customers. Monthly transactions stood at BDT 321 billion. The rural unbanked population has significantly benefitted from this service.

Capital Market Development

2.23 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 with a view to meeting the capital needs of start-ups and new companies in the market. Further, *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. 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 2009-18 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 FY19, it has increased to BDT 3998.16 billion which is 15.8 percent of GDP. Besides, the total volume of market transactions in Dhaka Stock Exchange increased from BDT 752.53 billion in FY05 to BDT 1459.65 billion in FY19.

Foreign Trade

2.24 The world economy was passing through a recession starting in 2008 that persisted for some 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 FY19 compared to FY06. Volumes of exports and imports, which were US\$ 10.5 billion and US\$14.7 billion respectively in FY06 increased to US\$ 40.5 billion and US\$ 59.9 billion respectively in FY19. 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 33.3 percent of GDP in FY19. Volume of trade crossed 100 billion US dollars in 2018-19(p).

Table 6: Advancement in the External Sector

(Billion US\$)

Indicators	Export	Export/GDP (%)	Import	Import/GDP (%)	Forex Reserve	Remittances	Remittance as % 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
2018-19p	40.5	13.4	59.9	19.8	32.7	16.4	5.4

Source: Bangladesh Bank; p=provisional

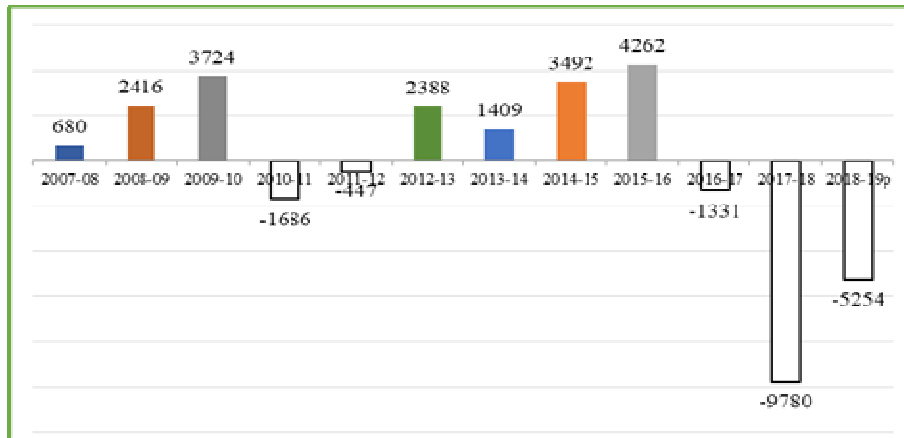
Remittances

2.25 Supported by the increasing trend in workers' migration, remittance inflows have increased about four times over the past decade reaching around US\$ 16.4 billion in FY19 from US\$ 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

2.26 Current account had consistently been registering surplus although turned into a deficit since FY17 due to higher import in contrast to slower export growth and decline in remittances. Nevertheless, the current account deficit in FY17 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 FY19 have been able to ease the situation by this time. It may also be noted that import demands for large capital machinery are one-off in nature implying the import payment would ultimately come down. Deficit came down to US\$ 5.2 billion in FY19.

Figure 11: Current Account Balance (Million US\$)

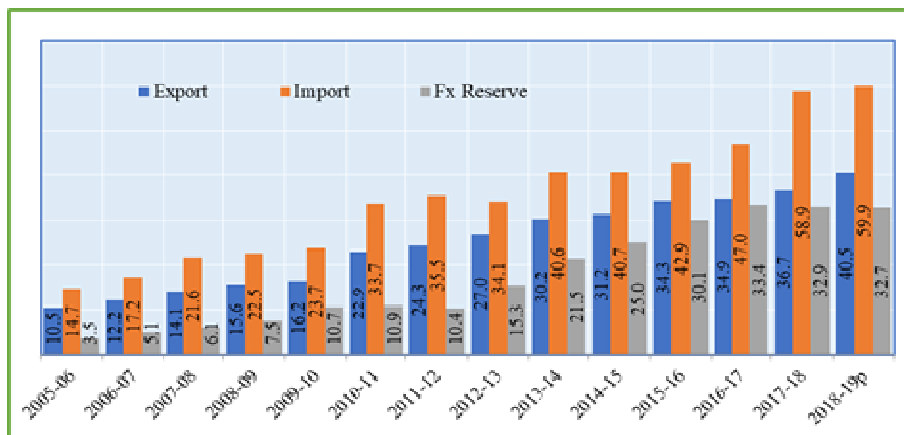


Source: Bangladesh Economic Review, Bangladesh Bank

Foreign Exchange Reserve

2.27 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 30 June 2019, foreign exchange reserve stood at US\$ 32.7 billion, which is about 9.5 times higher than that of FY06 stock (US\$ 3.5 billion). This reserve was sufficient to foot import bills for 6.6 months. Exchange rate of taka 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 taka vis-à-vis other foreign currencies remains broadly stable.

Figure 12: Exports, Imports & Foreign Exchange Reserve



Source: Bangladesh Bank

Commitment and Disbursement of Foreign Assistance

2.28 Foreign assistance and its utilization have been increasing significantly over the last 10 years. Foreign assistance commitment stood at US\$ 82,899 million during this time. An analysis of the disbursement data shows that about US\$ 3,171 million, on average, worth of foreign assistance was utilized annually during 2009-19. In contrast, annual average utilization of foreign aid during 2001-06 was merely US\$ 1,423 million.

Table 7: Commitment and Disbursement of Foreign Assistance

(Million US\$)

Fiscal Year	Initial Pipe Line	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

Source: Economic Relations Division, *Provisional data

Section Three

Progress in the Social Sector

Based on a solid economic growth in recent years with a remarkable rate of 8.13 percent in FY19, and supported by positive impacts of economic momentum, Bangladesh moved ahead towards fulfilling its aspiration of building a poverty free and equitable society. Commencing its third tenure in January this year, the government has continued to pursue development strategies and policies of its previous two tenures in line with those aspirational goals. As a result, considerable headway has been achieved in several social indicators. It has achieved most of the crucial Millennium Development Goals (MDG) 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. Likewise, the country has been a leader in approaching the SDGs proactively, assigning goals to government ministries to incorporate into their respective operational plans. An Action Plan for Implementation of SDG is prepared. Bangladesh has also made commendable progress in human development index as well.

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

Table 8: Comparative picture of progress in social sector

Year	Per Capita GNI (Dollar)	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

Source: Bangladesh Bureau of Statistics (BBS)

Note: *= Based on the population census of 2001 and 2011;

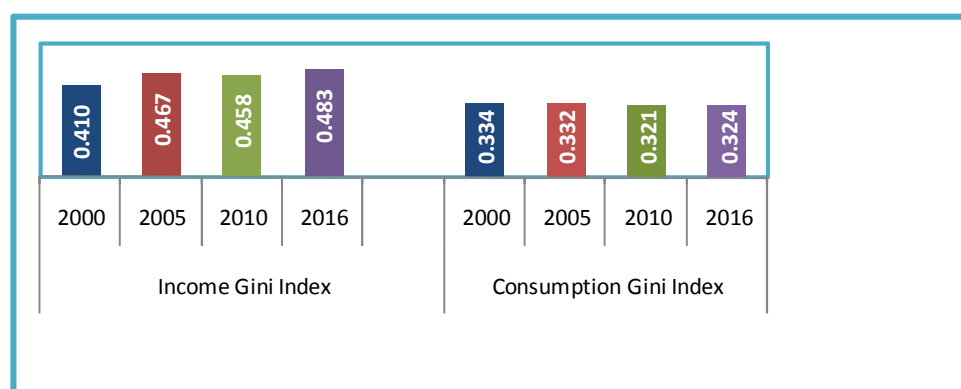
**= Estimated by BBS.

Reduction of Poverty

3.3 Bangladesh has made commendable progress in respect of eradication of poverty and hunger. Generally, acceleration of growth reduces poverty. The high and inclusive growth, together with the government's distributional policies-strategies including progressive tax structure, domestic and overseas employment generation, skill 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 21.8 percent in 2018. Extreme poverty (or, lower poverty) has also gone down to 11.3 percent in 2018 from 24.2 percent in 2006. Using the CBN method, at lower poverty line 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 2023-24.

3.4 Inequality measured in terms of Gini Index remained broadly stable. As shown in **Figure 13** using data from the Household Income and Expenditure Survey (HIES) 2016, while income Gini Index has only slightly worsened in 2016 after showing improvement in 2010, consumption Gini Index has continued to improve over the years. Bangladesh's position in the Global Hunger Index of 2018 was 86th, while that of India and Pakistan were 103 and 106.

Figure 13: Measure of Inequality (Gini Index)



Source: BBS

Social Protection Programme

3.5 The government adopted the National Social Security Strategy (NSSS) 2015 and prepared Action Plan to eradicate poverty. For this purpose the use of targeted and efficiently monitored social safety net programs has seen a manifold increase. To ensure inclusive economic benefits for all, both the coverage and the budget allocation have been increasing every year. Almost a quarter of the families in the country have now been brought under the social security program, as about 4.5 million people currently receive various financial assistance under the program. In FY20, the government has allocated Taka 743.67 billion for the program, which is 14.21 percent of total budget and 2.58 percent of GDP. The allocation for this sector will be doubled in the next 5 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 9 cash transfer programs.

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 sector are as follows:

- ✓ The net primary education enrolment increased to 97.85 percent in 2018 compared to 94.8 percent in 2010, while dropout rate declined from 39.8 percent to 18.6 percent in 2018;
- ✓ The rate of people receiving technical education was 2 percent in 2006, which has now risen to 16 percent in 2018;
- ✓ The adult literacy rate (15+ years) increased from 58.4 percent in 2009 to 73.9 percent in 2018. In this, the adult women literacy rate has increased significantly from 54.3 percent in 2009 to 71.2 percent in 2018;
- ✓ Neo-natal mortality rate (per 1000 live births) declined from 20 in 2005 to 16 in 2018;
- ✓ Under 5 child mortality rate (per 1000 live births) dropped from 36 in 2005 to 29 in 2018;
- ✓ The number of medical colleges has increased from 46 in 2006 to 111 in 2018;
- ✓ The government provides basic health care to the rural people through 13,779 community clinics, where every day 40 people get services from each clinic, 80 percent of which are women and children.

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 of women and men and ensure participation of women in all spheres of national lives. To that end, it has taken appropriate programs to ensure education, health, employment and empowerment of women. To incorporate women into the mainstream of the development process, the government has set a priority to continue 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 current fiscal year (FY20) is Tk. 80,200 crore, which is 15.33 percent of the national budget. The government has established child day care centers to assist working women. The Child Day Care Act is currently being drafted.

3.9 Among the countries in South Asia region, Bangladesh has continued to top the list of countries in reducing gender disparity. According to 'The Global Gender Gap Report, 2018' published by the World Economic Forum, Bangladesh secured 48th position among 149 countries, while the rank in 2006 was 91st among 115 countries. It is far ahead of other South Asian countries, such as Sri Lanka, Nepal, India, Maldives, Bhutan and Pakistan (100th, 105th, 108th, 113th, 122th and 148th respectively) in terms of gender parity. On this score, Bangladesh is very much ahead in reducing gender disparity in the Muslim world, and even ahead of the developed countries such as the United States and China.

Human Development

3.10 Bangladesh has continued to make good progress in the human development index (HDI). According to the latest *Human Development Report, 2017* published in 2018 by the UNDP, Bangladesh was ranked 136th among 189 countries in terms of human development, advancing three positions from the previous year. The value of our HDI rose from 0.595 in 2016 to 0.608 in 2017. Bangladesh has also done well in the new *Human Capital Index 2018* published by the World Bank, securing 106th position among 157 countries and staying ahead of both India and Pakistan.

Section Four

Macroeconomic Update in 2018-19

Consistent pursuance of sound macroeconomic policies and adoption of structural reforms have contributed in maintaining the high level of growth in economic development. A brief narrative of the macroeconomic scenario in FY19 is presented in this section.

Real Sector

Bangladesh has shown an impressive performance in attracting foreign direct investment (FDI). FDI stood at US\$ 3.61 billion in 2018, showing a significant increase (68 percent) over 2017 when net FDI was US\$ 2.15 billion. FDI stocks rose to US\$ 17.06 by December 2018, which was at US\$ 14.56 billion by December 2017.

Among the growth stimulating factors-

- ✓ Private sector credit recorded 11.29 percent growth by June of FY19, which was lower than 16.94 percent of the same month of FY18. On the other hand, public sector credit grew by 19.15 percent by June of FY19, which as negative (-0.45 percent) in June 2018.
- ✓ The rate of implementation of ADP reached 94.36 percent in FY19, surpassing last year's achievement of 94.02 percent. This also marked a new record during the 2009-2019 tenure of the present government.
- ✓ During the July-March period of FY19, the general index of industrial production (medium and large scale manufacturing) has increased by 14.64 percent over the same period last year, and stood at 387.80.
- ✓ In FY19, disbursement of agricultural credit and non-farm rural credit increased by 12.23 percent and 4.57 percent respectively compared to that in FY18. The banks disbursed agricultural and non-farm rural credit amounting a total of BDT 236.16 billion in FY19.
- ✓ Inflation rate (twelve months average) was brought down to 5.48 percent at the end of FY19, compared to 5.78 percent in FY18.
- ✓ Point-to-point inflation remained stable in June 2019 at 5.52 percent.

Fiscal Sector

- Total revenue income was BDT 2165.55 billion in FY18 compared to BDT 2012.31 billion in FY17;
- Total expenditure in FY18 amounted to BDT 3218.62 billion compared to BDT 2693.80 billion in previous fiscal year.

Monetary and Financial Sector

- Broad money and domestic credit growth remained moderate. In FY19, broad money grew by 9.88 percent, well below the target of 12.0 percent; Its growth was 9.2 percent in FY18. Again, domestic credit grew by 12.17 percent, well within the target of 15.9 percent; Its growth was 14.70 percent in FY18.
- Under the latest monetary policy statement (Fiscal Year 2019-20) of the Bangladesh Bank, targets in FY20 for domestic credit and broad money were set at 15.9 and 12.5 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 5.43, 9.58, and 4.15 percent respectively in June 2019, which were 5.50, 9.95, and 4.45 percent respectively in June 2018.

External Sector

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

- ✓ In FY19, export earnings from goods amounted to US\$ 40.54 billion registering an increase of 10.55 percent over FY18. Export earnings from services in FY19 amounted to US\$ 6.34 billion, showing a significant growth by 46.06 percent over FY18. Among export products, the ready-made garments (RMG) sector performed well as usual (covering 84.19 percent of total exports) due to adaption of various steps including the provision of export incentives to RMG exports to non-traditional markets.
- ✓ In FY19, total imports (C&F) stood at US\$ 59.91 billion (provisional), reflecting only a nominal year-on year growth of 1.78 percent over the same in FY18 (US\$ 58.86 billion). Reduction in rice and wheat imports due to bumper crop this year contributed to slowing the growth in imports.

- ✓ Remittance inflows continued to grow in FY19, reflecting a 9.62 percent growth in FY19 over that in FY18, and stood at US\$ 16.42 billion in June 2019. In FY18 remittances growth was 17.3 percent. The recent government declaration of 2 percent incentives is expected to boost remittance inflows further in FY20.
- ✓ Foreign exchange reserves remained stable at US\$ 32.72 billion at the end of FY19, which was US\$ 32.92 billion on 30 June 2018. This reserve is broadly adequate to cover imports of goods and services of about 6.6 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 FY19, the current account deficit was reduced to US\$ 5.25 billion (provisional) compared to the high deficit of US\$ 9.57 billion in FY18.
- ✓ At the end of June, 2019, nominal exchange rate was BDT 84.5 per US dollar which was BDT 83.7 per US dollar at the end of June 2018. It indicates that Bangladesh Taka against US dollar has depreciated only slightly by 0.95 percent.

Section Five

Journey towards a Prosperous Bangladesh

The Father of the Nation Bangabandhu Sheikh Mujibur Rahman formulated the 1st Five Year Plan immediately after liberation and initiated a host of socio-economic activities to achieve the goal of building a Sonar Bangla. With the same focus, the present government under the Hon'ble Prime Minister Sheikh Hasina, assuming the responsibility of office in 2009, formulated the Perspective Plan under the ambit of which the 6th Five Year and the 7th Five Year Plans were prepared. It also declared the *Vision 2021* to establish Bangladesh as a poverty-free, prosperous middle income country. The account of socio-economic advancement made in the preceding chapters in this booklet demonstrates the government's enviable progress in realizing the vision within the quickest possible time.

5.2 As the Bangladesh economy progressed at an unprecedented pace in the last decade, the country elevated itself into a lower-middle income country, and fulfilled all the criteria of graduation into a developing country, this socio-economic success enabled the government to move ahead with a new Perspective Plan 2021-2041 named '*Vision 2041*'. Besides, an integrated long term 'Bangladesh Delta Plan 2100' has been formulated. Now, the journey is on to become a peaceful, happy and prosperous developed country by 2041. Continuing the journey steadily with sustained and inclusive growth will require increase in productive investment, added fiscal space through revenue mobilization and spending efficiency, prudent macroeconomic policies, improved governance, and skills development.

Scaling Up Investment and Boosting Private Sectors

5.3 To materialize the government's goal of sustaining the momentum of high growth and achieving a double-digit growth by FY24, the country will need to attract a high level of investment to GDP ratio. Although the overall investment hovered around 27-30 percent of GDP during the last decade, it crossed the 30 percent mark in FY18 by attaining 31.23 percent mainly due to buoyant public spending in mega infrastructures. In FY19, it has increased further to 31.56 percent where public investment was 8.17 percent. 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. Classrooms will be made subject-specific so that our education system can reap benefits from the fourth Industrial Revolution.

5.4 In FY19, private investment constituted 23.40 percent of GDP. To boost private investment, the government is engaged in creating an enabling environment by providing necessary infrastructure and policy support. To facilitate private sector development, the government has taken various reforms initiatives to streamline the business processes in Bangladesh. The *One Stop Service Act, 2018* has been enacted to simplify and integrate the delivery of various services, facilities, licenses and permissions in a timely manner. Further, 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 also encourages financing under the Public Private Partnership (PPP) initiative and framed necessary legal framework. Implementation of 3 PPP projects is underway at a cost of US\$ 2.7 billion. At present, 61 PPP projects have been selected for implementation, and a good number of projects are in the pipeline.

Economic Zones

5.5 The government has been promoting the economic zone (EZ) regime to encourage industrialization, attract foreign direct investment, generate employment, enhance production and promote exports. 100 EZs will be established, of which the construction work of 'Bangabandhu Sheikh Mujib Industrial Area', the largest, planned and modern industrial area on 30,000 acres of land at Mirsarai, Sonagazi and Shitakunda Upazila, is progressing in full swing. In addition, the government has made progress in developing the Maheskhali EZ, the Srihatta (Sylhet) EZ, the Jamalpur EZ, etc. These EZs have received a large volume of industrial investment proposals amounting to US\$ 16.86 billion from 67 industries. The government has created scopes for private sector EZs, as pre-qualification licenses is awarded to 17 private EZ of which 7 have already received final permits. These private EZs have so far invested US\$1.35 billion and create employment opportunities for 16,500 people. Further, in view of great demand from foreign investors, the government has agreed to

develop EZs catering to country-specific investment on the basis of Government-to-Government (G2G) initiatives, of which the Japanese EZ is in advanced stage of development, while others (e.g. Chinese and Indian) are in their primary stages. 28 High Tech parks are being built in which IT companies can set-up their establishments.

Fiscal Stance

5.6 Fiscal policy will continue to focus on growth stimulation without undermining fiscal sustainability i.e. ensuring stable public debt in the medium and long term. There would be emphasis on raising tax revenue through intensification of ongoing reforms in the revenue administration including widening the tax net and coverage, transparency in bonded warehouse management, and bringing all import and export consignments under the scanning system. The new VAT law has been implemented from July 2019, and in conjunction with this, the government plans to introduce Electronic Fiscal Device (EFD) from October 2019 in business installations to bring them under an online network and reduce the scope of VAT evasion. The bill for a new Customs law is placed at the National Parliament; once enacted it will streamline customs process and enhance collection of duties and taxes. At the same time, logical restraint, as usual, on recurrent expenditure and ongoing public financial reform process is expected to increase efficiency in government spending and thereby create additional fiscal spaces. Most importantly, ADP utilization has been accelerated with 94.36 percent implementation in FY19. For financing deficit, efforts will be there to rely on concessional external financing to the extent possible.

Monetary and Financial Policy

5.7 The government has initiated and implemented various activities for the reform and development of banking, capital market and other financial sectors. It will encourage instruments like Wage Earners' Bond, venture capital, treasury bond including a vibrant bond market. The government also plans to introduce a number of other reforms, such as amending the Bank Company Act so that amalgamation, merger and absorption of banks can be legally processed and functions of holding companies and subsidiary companies can be modernized, taking stern measures against the willful defaulters of bank loans, and bringing down the bank interest rates to single digits to make our industries and businesses

more competitive. Further, the government will take effective measures to encourage investors to collect long term finance from the capital market. Under the supervision of Bangladesh Bank, a total of Tk. 856 crore has been released under the incentive scheme for reuse on a revolving basis for the protection of small investors' interest. Moreover, the Central Database for Large Credit (CDLC) has been established for close monitoring of large loans and strengthening the monitoring system of banks and financial institutions. Again, the drafting of the 'National Financial Inclusion Strategy, Bangladesh' is in its final stage, whose implementation will accelerate the pace of financial inclusion.

External Sector

5.8 Bearing in mind the reality of market access loss after 2027 in the context of LDC graduation the government is preparing to strengthen the competitive edge through diversification of export basket and providing incentives to expand exports. For example, incentive package has been offered to boost exports of readymade garments (1 percent for exports to traditional markets, and 4 percent for exports to non-traditional markets). For boosting remittance inflow, the government has offered 2% incentives on inward remittances sent by expatriate Bangladeshis. 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 that recommended for enhancing the scope of overseas employment. Further, *the Overseas Employment and Immigration Management Rules, 2017* and *the Wage Earners Welfare Board Act, 2018* have been formulated to regulate migration costs, ensure transparency and accountability of legitimate recruiting agents and ensure safe migration.

Skills Development

5.9 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. The National Skills Development Authority has been established to undertake various skills development activities of the government in a coordinated manner. There is also a 'National Human Resource Development Fund' to finance the activities for the development of human resources.

Appendix-1 Trend of Socio Economic Indicators

Fiscal Year	GDP (Crore taka)	GDP Growth (%)	Import (Million US\$)	Export (Million US\$)	Remittances (Million US\$)	Foreign Exchange Reserve (Million US\$)	Exchange Rate Taka per US\$
1995-96	1,89,933.5	-	6,931	3,882.4	1,217.06	2,038.6	40.84
1996-97	2,06,003.2	4.49	7,152	4,418.3	1,475.42	1,718.8	42.70
1997-98	2,26,929.9	5.18	7,520	5,161.2	1,525.43	1,739.2	45.46
1998-99	2,46,508.9	4.67	8,006	5,312.8	1,705.74	1,523.3	48.06
1999-00	2,68,503.3	5.29	8,374	5,752.2	1,949.32	1,602.1	50.31
2000-01	2,91,337.1	5.08	9,335	6,467.3	1,882.10	1,306.7	53.96
2001-02	3,14,280.4	3.83	8,540	5,986.1	2,501.13	1,582.9	57.43
2002-03	3,48,320.1	4.74	9,657.5	6,548.5	3,061.97	2,469.6	57.90
2003-04	3,83,293.9	5.24	10,903.2	7,603.0	3,371.97	2,7050.	58.94
2004-05	4,27,074.1	6.54	13,146.8	8,654.5	3,848.29	2,9300.	61.39
2005-06	4,82,337.0	6.67	14,746.4	10,526.2	4,802.41	3,483.8	67.08
2006-07	5,49,799.7	7.06	17,156.8	12,177.9	5,978.47	5,077.2	69.03
2007-08	6,28,682.2	6.01	21,629.0	14,110.8	7,914.78	6,148.8	68.60
2008-09	7,05,071.8	5.05	22,507.1	15,565.2	9,689.26	7,470.9	68.80
2009-10	7,97,538.7	5.57	23,738.4	16,204.7	10,987.4	10,749.7	69.18
2010-11	9,15,828.8	6.46	33,657.5	22,928.2	11,650.32	10,911.6	71.17
2011-12	10,55,2040.	6.52	35,516.3	24,302.0	12,843.43	10,364.4	79.10
2012-13	11,98,923.2	6.01	34,083.6	27,027.5	14,461.15	15,315.2	79.93
2013-14	13,43,674.4	6.06	40,616.4	30,186.6	14,228.3	21,508.0	77.72
2014-15	15,15,802.2	6.55	40,703.7	31,209.0	15,316.91	25,025.3	77.67
2015-16	17,32,863.7	7.11	43,122.5	34,257.2	14,931.2	30,168.2	78.30
2016-17	19,75,815.4	7.28	47,005.2	34,655.9	12,769.5	33,493.0	80.60
2017-18	22,50,479.3	7.86	58,865.3	36,668.2	14,981.7	32,943.5	83.70
2018-19	25,36,177.0 ^P	8.13 ^P	59,914.7 ^P	40,535.0 ^P	16,419.6 ^P	32,716.5	84.50

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

Appendix-2 Food Grains: Production and Import

(lac acres, lac M.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

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

Appendix-3

Sector-wise Expenditure

(Crore Taka)

Fiscal Year	Public Service and Public Order and Safety	Local Government	Education, ICT, Health	Social Safet and Welfare	Fuel and Energy	Transport and Communication	Agriculture	Defense	Interest Payment	Others	Total Budget
2000-01	5464 (14.6)	3749 (10.0)	8015 (21.4)	2384 (6.4)	2193 (5.9)	5188 (13.8)	2840 (7.60)	3406 (9.1)	4175 (11.1)	58 (0.2)	37,472
2001-02	5,370 (14.1)	3,431 (9.0)	8,222 (21.5)	1,759 (4.6)	1,932 (5.1)	5,521 (14.5)	2,533 (6.6)	3,640 (9.5)	4,949 (13.0)	845 (2.2)	38,202
2002-03	6,383 (15.6)	3,379 (8.3)	8,701 (21.3)	1,979 (4.8)	2,757 (6.7)	5,971 (14.6)	2,354 (5.8)	3,610 (8.8)	5,669 (13.9)	112 (0.3)	40,915
2003-04	6,609 (14.6)	4,531 (10.0)	8,771 (19.3)	2449 (5.4)	3,758 (8.3)	5,163 (11.4)	2,564 (5.7)	3,879 (8.5)	5,769 (12.7)	1876 (4.1)	45,369
2004-05	7,759 (15.0)	5,520 (10.7)	8,928 (17.3)	3066 (5.9)	3,912 (7.6)	6,625 (12.8)	3,930 (7.6)	4,506 (8.7)	6,842 (13.2)	667 (1.3)	51,755
2005-06	8,611 (15.5)	5,265 (9.5)	11,519 (20.7)	2505 (4.5)	3,811 (6.9)	5,206 (9.4)	4,356 (7.8)	4,426 (8.0)	7,894 (14.2)	2,038 (3.7)	55,631
2006-07	9,435 (14.7)	6,593 (10.3)	14,240 (22.2)	2979 (4.6)	2,888 (4.5)	5,305 (8.3)	4,949 (7.7)	6,319 (9.9)	10,508 (16.4)	934 (1.5)	64,150
2007-08	12,752 (14.0)	6,154 (6.8)	15,464 (17.0)	4282 (4.7)	2,862 (3.2)	5,398 (5.9)	8,476 (9.3)	6,766 (7.5)	13,738 (15.1)	14,925 (16.4)	90,817
2008-09	12,570 (14.1)	6,904 (7.7)	17,199 (19.3)	9258 (10.4)	2,550 (2.9)	4,378 (4.9)	9,560 (10.7)	7,156 (8.0)	15,358 (17.2)	4,383 (4.9)	89,316
2009-10	14,832 (14.6)	8,460 (8.3)	22,175 (21.8)	8208 (8.1)	3,469 (3.4)	6,623 (6.5)	11,147 (11.0)	8,759 (8.6)	14,868 (14.6)	2,975 (2.9)	1,01,516
2010-11	15,900 (12.4)	10,206 (8.0)	26,091 (20.3)	9053 (7.1)	7,233 (5.6)	7049 (5.5)	12,957 (10.1)	11,125 (8.7)	15,637 (12.2)	13,035 (10.2)	1,28,286
2011-12	19,810 (13.0)	11,050 (7.2)	26,774 (17.6)	10322 (6.8)	7,969 (5.2)	9,455 (6.2)	14,671 (9.6)	12,230 (8.0)	20,351 (13.3)	19,810 (13.0)	1,52,442
2012-13	17,603 (10.1)	14,147 (8.1)	29,833 (17.1)	11420 (6.6)	10,280 (5.9)	12,480 (7.2)	19,667 (11.3)	12,021 (6.9)	23,915 (13.7)	22,625 (13.0)	1,74,011
2013-14	26,280 (14.0)	14,466 (7.7)	36,013 (19.01)	12,924 (6.9)	10,504 (5.4)	14,244 (7.6)	17,277 (9.2)	13,920 (7.4)	28,205 (15.0)	14,372 (7.6)	1,88,205
2014-15	25,497 (12.2)	18329 (8.8)	40,729 (19.5)	11,152 (5.3)	9,359 (4.5)	19,407 (9.3)	15,971 (7.6)	17,587 (8.4)	30,973 (14.8)	19,862 (9.5)	2,08,866
2015-16	31,694 (13.3)	18593 (7.8)	52,510 (22.0)	15,322 (6.4)	16,375 (6.8)	24,104 (10.1)	17,876 (7.5)	20,313 (8.5)	33,113 (13.9)	8,533 (3.6)	2,38,433
2016-17	49,036 (18.2)	17,912 (6.7)	55,624 (20.7)	16,208 (6.0)	14,621 (5.4)	22,897 (8.5)	16,892 (6.3)	23,338 (8.7)	35,392 (13.1)	17,461 (6.5)	2,69,381
2017-18	47,490 (14.8)	21,574 (6.7)	66,194 (20.6)	20,523 (6.4)	28,561 (8.9)	38,292 (11.9)	19,539 (6.1)	21,149 (6.6)	47,765 (13.0)	16,772 (5.2)	3,21,868

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

Appendix-4: Commitment and Disbursement of Foreign Assistance

(Million US\$)

Fiscal Year	Opening Pipe Line	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	14,269.816	14,974.923	382.422	5,986.953	6,369.375
2018-19 ^P	44,529.211	1,547.04	8,248.82	9,795.86	255.99	5,954.07	6,210.06

Source: Economic Relations Division; P = provisional

Appendix-5

Debt Repayment

(Million US\$)

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	33,511.834
2018-19 ^P	1178.50	386.72	1565.22	37,712.34

Source: Economic Relations Division; P = Provisional

Appendix-6

Revenue Earnings

(Billion taka)

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)

Source: Finance Division, Ministry of Finance; p=provisional; (Figures in the bracket indicate percentage of GDP)