

Bangladesh: Selected Issues and Statistical Appendix

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**International Monetary Fund
Washington, D.C.**

INTERNATIONAL MONETARY FUND

BANGLADESH

Selected Issues and Statistical Appendix

Prepared by Marijn Verhoeven, Qaizar Hussain, Abdel Senhadji and
Yan Sun (all APD), and Raj Nallari (PDR)

Approved by the Asia and Pacific Department

April 15, 2002

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I. BANGLADESH'S NONFINANCIAL STATE-OWNED ENTERPRISES¹

A. Background

1. After gaining independence in 1971, Bangladesh brought most of the economy under government control. Since then, the government has adopted an intermittent policy of gradual divestment. Bangladesh currently has over 200 nonfinancial state-owned enterprises (SOEs) under the purview of 41 sector corporations and 2 government departments (Annex Table I.1.1).

2. SOEs engage in a wide range of activities, including natural monopolies, manufacturing, urban development, and trading. Nevertheless, their direct contribution to the economy has been on a declining trend over the past decade. SOEs value-added in FY00/01 is estimated at about 3 percent of GDP, almost half of its FY90/91 level. SOEs investment is estimated to have reached 3 percent of GDP in FY00/01, compared with over 4½ percent for government investment and 23 percent for national investment. By end-FY00/01, employment in SOEs was about 250,000 persons, equivalent to less than ½ percent of the labor force and less than 1 percent of total formal employment, and some 20 percent lower than in the early 1990s (Table I.1).

Table I.1. Selected Indicators of Consolidated Nonfinancial SOEs, FY95/96–FY01/02

	FY95/96	FY96/97	FY97/98	FY98/99	FY99/00	Rev.Bud. FY00/01	Bud. FY01/02
Contribution of SOEs to GDP (in percent)	3.7	3.4	3.7	3.6	2.6	2.9	2.7
Total assets (in billions of taka)	657	679	719	762	817	816	906
Equity	219	238	227	244	234	207	198
Debt	438	442	483	518	583	608	708
Employment (in '000 persons)	267	268	253	246	244	246	252
Operational performance (in percent)							
Operating balance/operating revenues	2.5	-3.1	2.6	2.0	-5.7	-7.7	-6.5
Operating balance/assets	0.3	-0.7	0.4	0.5	-1.7	-2.6	-2.2

Source: SOE Monitoring Cell.

3. The SOEs are accountable to the line ministry in their sector. Each ministry monitors their day-to-day operations and has principal responsibility for the development of policy for the SOEs under their purview. Certain decisions, such as on administrative prices and privatization, are taken at the Cabinet level. Moreover, all SOEs expenditure decisions that

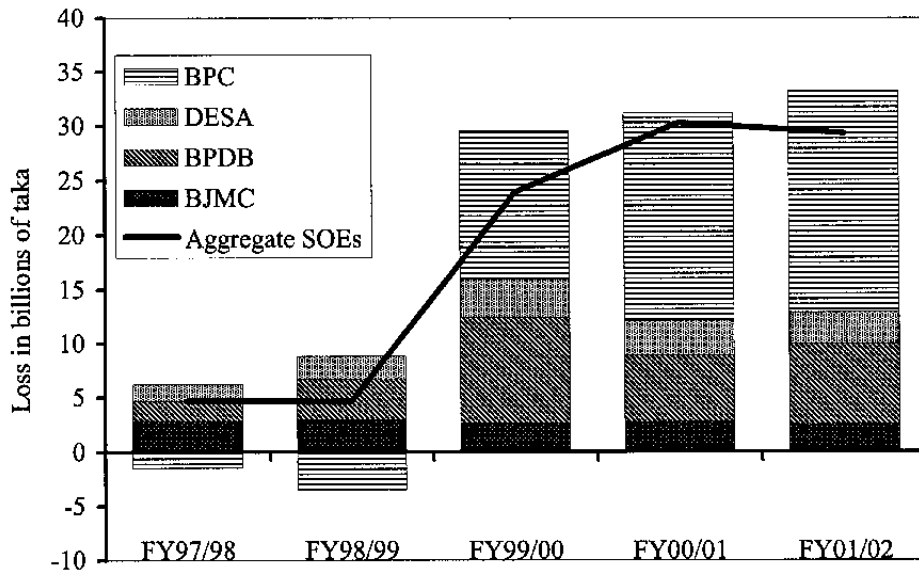
¹The main contributor to this chapter was Marijn Verhoeven (Resident Representative), with assistance from Jamshed uz Zaman.

have budgetary implications require approval by the Ministry of Finance. If the expenditure decisions involve the annual development program (ADP), they also require endorsement by the Ministry of Planning and final approval by the Executive Committee of the National Economic Council, which is the highest decision-making body on the ADP. The Ministry of Finance monitors the financial operations of the SOEs through a Monitoring Cell, which as of FY01/02 has started collecting unaudited data on a monthly basis for the major enterprises and quarterly for others. The quality and the timeliness of these data require significant improvement. The Ministry of Finance is now exploring with Fund staff on how best to strengthen the monitoring system.

B. Financial Performance of the SOEs

4. The financial performance of the SOEs has deteriorated markedly from an already weak base, especially since the mid-1990s. During the ten-year period ending June 2002, aggregate after-tax losses are expected to have reached over 1 percent of GDP. Ninety-seven percent of the losses are accounted by the losses of nine major corporations, which in turn account for 85 percent of the sector's operational revenues. The major loss-making corporations include the petroleum importer and wholesale distributor (BPC), the electricity distribution company (DESA), the electricity producer, transmitter, and distributor (BPDB), and the jute mills corporation (BJMC) (Figure I.1). There are also significant losses in four out of the six manufacturing corporations and the national airline Biman. The SOE Monitoring Cell is closely tracking performance in these corporations and a company

Figure I.1. Bangladesh: SOE Losses



Source: SOE Monitoring Cell.

involved in exploration and distribution of natural gas and other mineral resources (BOGMC), which is operating with a profit but in an unsustainable financial position because of underpricing of its natural gas. The remainder of this chapter focuses on the key factors underlying the performance of these ten main corporations.

5. The weak performance of the corporations in the **energy sector** can be attributed mostly to persistent large technical and commercial losses and inadequate domestic pricing. In FY00/01, the petroleum trading company (BPC) incurred a loss of Tk 19½ billion as prices of imported petroleum products rose while the government left domestic prices unchanged. As of early January 2002, domestic prices of energy were adjusted by rates of up to 31 percent (Table I.2). This was the first increase since November 2000, when prices were increased by between 9½ percent and 30 percent. The latest increases have markedly increased BPC's already existing profit margin on gasoline sales, while leaving the corporation with losses on its transactions in other petroleum products, albeit of smaller size.

Table I.2. Administered Prices for Selected Energy Items, 2001–02

	2001	As of January 2002	Increase
		(In taka)	(In percent)
Regular gasoline (per liter)	23.0	28.0	21.7
Diesel and kerosene (per liter)	15.5	17.0	9.7
Gas (single burner, per month)	210	275	31.0
Gas (double burner, per month)	330	350	6.1
Gas for nonresidential households	... 1/	... 1/	5.0

Sources: Power Cell of the Ministry of Energy; BOGMC; and BPC.

1/ Commercial and other nonresidential households are charged different prices.

6. The problems confronted by **electricity corporations** (BPDB and DESA) not only reflect large technical losses, but also a rapid rise in payment arrears from public and private customers, and uneconomic domestic pricing. At the end of 2001, BPDB system losses due to theft and inefficiencies averaged 14 percent of total output, compared with an international benchmark of 8 percent. In addition, the value of unpaid electricity bills rose to 2.7 percent of GDP. About 45 percent of the electricity arrears are owed by public institutions, mainly other SOEs. There are also significant intrasector arrears.

7. The government has recently adjusted electricity tariffs, but this may not be enough to improve the financial outlook of the sector. As of January 1, 2002, electricity prices were increased by up to 7 percent. The highest increase was for residential users and largely reflects the narrowing of the low-tariff “lifeline” for small residential users from up to

300 kWh per month to 100 kWh per month (Table I.3).² The World Bank has calculated that eliminating losses would require an average increase in electricity tariffs of over 25 percent at unchanged efficiency levels.

Table I.3. Administered Tariffs for Selected Users

	2001	As of January 2002	Increase
	(In taka per kWh)		(In percent)
Residential use			
0-100 kWh per month	2.15	2.15	0.0
101-300 kWh per month	2.15	2.30	7.0
301-500 kWh per month	3.30	3.45	4.5
501-700 kWh per month	4.35	4.50	3.4
Over 700 kWh per month	5.55	5.70	2.7
Commercial use	... 1/	... 1/	2-6

Sources: Power Cell of the Ministry of Energy; BOGMC; and BPC.

1/ Commercial users are charged different prices depending on the size of the company and the time of use.

8. Despite previous restructuring efforts,³ **jute mills** (BJMC) have continued to incur large losses reflecting a weak external demand, sizable overhead costs, and low labor productivity. However, the growth in losses has been somewhat contained in recent years, due to BJMC's efforts at slimming down its workforce (about 9 percent since FY95/96, to about 82,000 workers) and keeping the average wage level below the trends in the average wages of the SOEs in the manufacturing sector (Figure I.2).

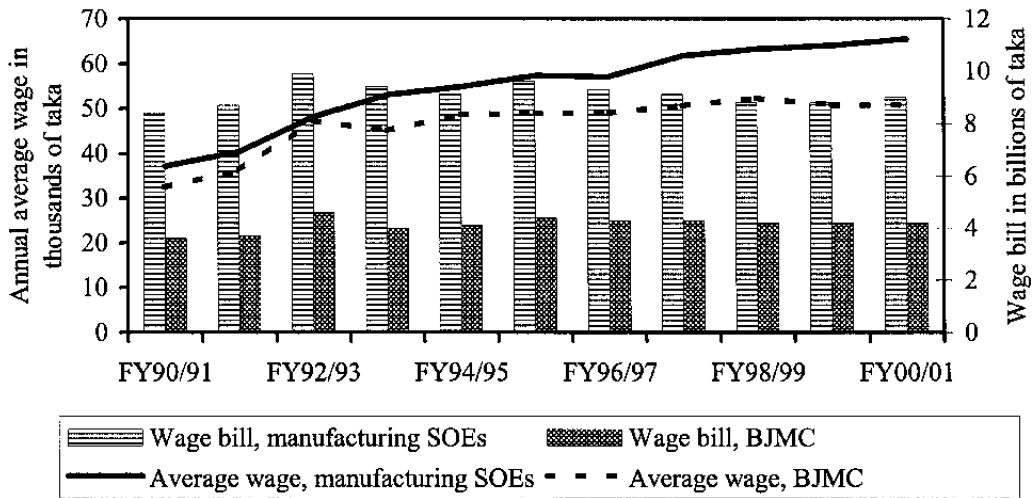
²The lifeline ceiling in other countries in the region varies from 20 kWh per month in parts of India and Indonesia to 100 kWh elsewhere in India. Pakistan has a lifeline for consumption up to 50 kWh. In the rural areas of Bangladesh, where electricity is supplied by REB and PBS, there is no lifeline tariff.

³A jute restructuring program, initiated in the early 1990s with support of the World Bank, was not implemented fully and failed to turn BJMC around. Under the program, 30,000 workers were retrenched and four mills closed. Also, the program financed BJMC's losses for a few years.

C. Resource Cost and Fiscal Impact of the SOE Sector Deficit

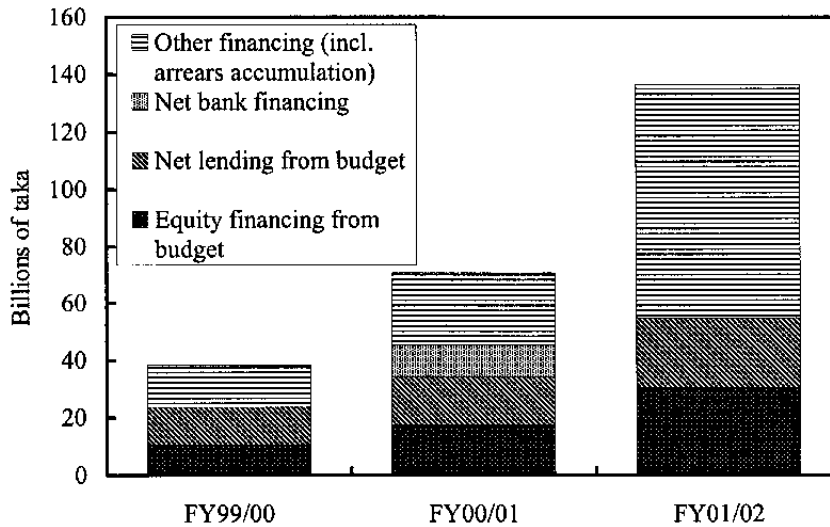
9. The deficit of the ten main SOE corporations amounted to an estimated Tk 71 billion (2.8 percent of GDP) in FY00/01, up from Tk 38 billion (1.6 percent of GDP) in FY99/00 (Annex Table I.1.2 and Figure I.3). About half of this deficit financing was covered by the budget through equity injections and net lending. The rest was covered by other means,

Figure I.2. Wage Developments in Manufacturing SOEs



Source: SOE Monitoring Cell.

Figure I.3. Bangladesh: Deficit of Ten Main SOEs, FY99/00-FY01/02 1/



Sources: SOE Monitoring Cell; and Annex Table I.1.3.

1/ Includes DESA, BPC, BOGMC, Biman, BPDB, BCIC, BSEC, BJMC, BTMC, and BSFIC.

including external borrowing and arrears accumulation. The budget deficit for the ten main SOEs was projected to increase substantially to Tk 136 billion (4.8 percent of GDP) in FY01/02, as a result of a budget increase in capital expenditure. However, only about 40 percent of the financing had been clearly identified at the time of budget approval.

10. In the absence of corrective measures, the main loss-making SOEs have increasingly relied on accumulating arrears as a form of financing their deficits. While total SOEs debt amounted to about 25 percent of GDP in FY00/01, the outstanding stock of arrears on debt-service payments to the government and banks and other payment obligations (including taxes) amounted to 23 percent of GDP at end-2001 (Figure I.4).⁴ In addition, BOGMC and BPC have external arrears in the form of overdue payments to international oil companies for the supply of natural gas under production sharing contracts amounting to about \$90 million in early 2002 (0.2 percent of GDP), or about double the level from a year earlier. The World Bank has estimated contingent liabilities of the government on account of external guarantees for SOE payments in FY00/01 at \$564 million (1.3 percent of GDP).⁵ Out of this total, \$187 million was associated with payments to international oil companies mentioned above and to independent power producers for deliveries of electricity, \$194 million was for an export loan, and \$183 million for guaranteed payments on suppliers credits (Box I.1). SOEs are likely to face severe difficulties in servicing the outstanding liabilities out of their own resources, especially given the slow growth in net operating revenues and a relatively small amount of receivables for the supply of services to the private sector and the government (about 1 percent of GDP, excluding inter-SOE arrears).

D. Administered Prices, Resource Allocation, and Subsidies

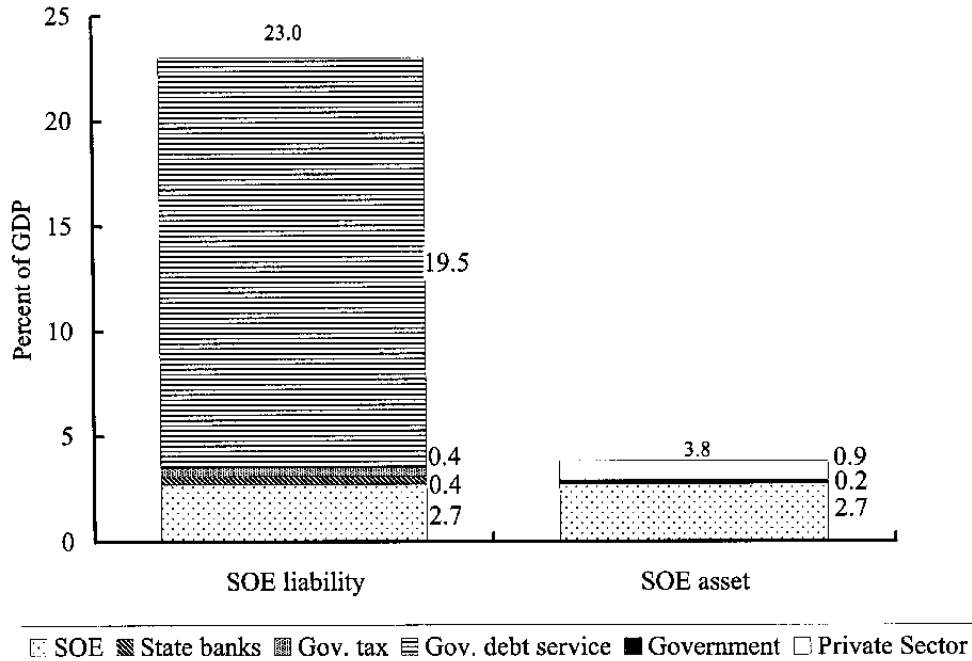
11. SOEs pricing policies have been uneconomic and the ensuing price distortions have required substantial subsidies and given rise to monopoly rents which in turn have led to a severe resource misallocation. Consumer and producer subsidies have been more common in the power and oil and gas sectors, but there have also been producer subsidies for sugar producers. A recent World Bank study estimates that subsidies in the power sector by BPDB and those in oil and gas by BOGMC amounted to about 0.8 percent of GDP in FY01/02. Consumers are also paying higher-than-competitive prices for sugar, certain petroleum products, and telephone services (Table I.4).

12. The extent of implicit subsidization and taxation through monopoly rents needs to be qualified because of the prevailing widespread cross-subsidization practices. The World

⁴Based on Ministry of Finance estimates for overdue payments owed by SOEs for debt servicing, which are disputed by the SOEs.

⁵This represents the payments that could maximally fall due in FY00/01 under these guarantees.

Figure I.4. Bangladesh: Outstanding Domestic Arrears of SOEs, end-2001



Sources: SOE Monitoring Cell; and Annex Table I.1.3.

Table I.4. Summary of SOE Subsidies and Monopoly Rents, FY99/00

SOE	Item	Recipient of Subsidy/Payer of Monopoly Rent	Average Subsidy(+)/ Monopoly Rent(-) 1/
BPDB	Electricity	Electricity distributors (DESA, REB, and PBS) and other consumers	0.94
BOGMC	Natural gas	BPDB and DESA (for electricity generation) and BCIC (for fertilizer production)	0.78
DESA	Electricity	Electricity consumers in Dhaka	0.76
BCIC	Urea fertilizer	Farmers	0.55
BSFIC/TCB	Sugar	Farmers 2/ Sugar consumers 3/	3.92 -2.62
BPC	Petroleum products	Consumers of petroleum products	-1.68 to -1.88
BTTB	Telephone charges	Telephone users	-2 to -3

Source: World Bank.

1/ Ratio of transaction price and economic price, defined as the prevailing price in a competitive market (for urea, sugar, petroleum products, and telephone charges) or as long-run marginal cost (for electricity and natural gas).

2/ Farmers receive a subsidy through above-market prices for their sales.

3/ Sugar consumers pay an above-market price, in the presence of import quotas.

Box I.1. Bangladesh: SOEs and Suppliers' Credits

Faced with increasing financing requirements and declining availability of funds from the budget and other sources of concessional financing, SOEs have progressively turned to external suppliers' credits to finance investments in power generation/distribution, bridges, roads, railways, dredgers, water supply, oil imports, and the telephone system. During FY96/97–FY01/02, disbursements under external suppliers credits to public sector agencies increased more than three-fold, and debt-service payments more than quadrupled.

Summary of Public Sector Suppliers' Credits, FY96/97–FY01/02

(In millions of U.S. dollars)

	FY96/97	FY97/98	FY98/99	FY99/00	FY00/01	FY01/02
Disbursements	5	494	155	300	152	439
Debt-service payments	23	32	44	55	83	222

The surge of external suppliers' credits raises questions about debt sustainability, as there are no safeguards that the projects financed by these credits will generate the resources required to cover future debt-service liabilities. Because most contracts include a government guarantee, and absent a comprehensive program to improve SOE performance, the burden of servicing much of this debt is likely to fall on the budget. Moreover, external suppliers' credits carry risks generally associated with such negotiated single-source contracts.

The current government has taken a number of steps to curb external suppliers' credits. Contracts that have yet to be implemented have been kept in abeyance until an ongoing review is finalized. In addition, new credits are under increased scrutiny by the interagency committee.

Sources: World Bank; and Ministry of Finance.

Bank has calculated that, due to differential pricing, the natural gas used for power generation in fertilizer production and by residential households was subsidized at an average of 30–37 percent in FY99/00 (relative to long-run marginal cost), while industrial and commercial users paid a tax of 9–36 percent. The pricing of electricity distributed by BPDB has an even larger element of cross-subsidization in FY01/02, with commercial users paying 23 percent more than the long-run marginal cost to support a subsidy of 39 percent for residential users and 53 percent for electricity used in irrigation.

E. The Case for Reform

13. SOEs in Bangladesh use resources at a level that cannot be justified by their role as producers and employers. As SOEs seem to be perennially short of resources, they cannot maintain an adequate standard of service delivery to customers who are able and willing to pay. For example, electricity supply is frequently interrupted and only 25 percent of the country is covered by the distribution net. Coverage of residential households by natural gas supply is a mere 4 percent.

14. The implicit subsidy and taxation through monopoly pricing are nontransparent. The social benefits derived from providing inputs to farmers and other producers at low prices are likely to be offset by the implicit taxation arising out of monopoly pricing for other inputs and consumer goods.

15. SOE reform has been very slow and partial over the last few years. The privatization program has stalled and is seriously hampered by opposition from vested interests, valuation problems, and a lack of an effective social safety net. In this context, adoption of the new privatization policy in early 2002 represents an important step forward (Box I.2).

16. The adjustment of energy prices as of the beginning of 2002 was long overdue, but will only produce a lasting improvement if it is followed with a hardening of SOEs budget constraints. Otherwise, the risk is that the additional revenues will continue to be used to finance unproductive spending. There are also renewed efforts to stem system losses and restructure the electricity sector.

17. However, more comprehensive strategy for SOE reform is needed, which should have two modules: one that aims at stemming the losses in the short term, and another that focuses on medium-term issues. The short-term action plan should build on the ongoing efforts at improving SOEs performance, and may include:

- The establishment of a consistent and realistic set of performance benchmarks for each SOE with an effective monitoring system. Data on the financial performance of SOEs should be available on a monthly basis with a lag of no longer than five weeks. Initially, the benchmarks and monitoring could be limited to the ten main SOEs, and the coverage should be broadened over time. The data from the monitoring system should be used to make continuous assessments on the progress toward the

Box I.2. Privatization in Bangladesh—Breaking the Gridlock

Between the mass nationalization of 1972 and 1981, some 345, mainly smaller, SOEs were divested. An additional 222 SOEs were privatized in the second round of privatization that took place in 1981–85. At this time, in contrast with earlier efforts, the emphasis shifted to the privatization of jute and textile mills.

It was not until 1993 that the Privatization Board was established to boost the stalled privatization process. During its tenure until 2000, the Board oversaw the privatization of an additional 41 nonfinancial SOEs and three banks. Receipts from almost a decade of privatization amounted to Tk 2.9 billion, or less than 0.2 percent of average GDP during this period (0.4 percent of GDP if inclusive of the sale of the three banks). The method of privatization varied: 25 enterprises were sold directly, of which 8 textile mills to their employees, and 16 were divested through sales of shares.

Progress with privatization has been hampered by a number of factors:

- Privatization is often opposed by vested interest groups, including workers and managers in SOEs. ,
- Valuation of enterprises has been difficult because of large debt arrears and problems in valuing the assets. In a number of cases, privatization has become entangled in the courts because of disputes over the valuation of assets and inventories, debt restructuring, and payments.
- The lack of an adequate social safety net to mitigate the impact of retrenchment.
- The absence of an effective regulatory environment for natural monopolies. This is a major obstacle for the divestment of a number of key SOEs, including those in the energy and utility sector and BTTB.

With the new Privatization Act of 2000, the Privatization Board has been replaced by the Privatization Commission. A new privatization policy was approved by the government in early 2002. Under the new rules, the Privatization Commission identifies a list of SOEs eligible for privatization in consultation with the line ministry and subject to Cabinet approval. In addition, the Commission takes control over enterprises on this list. The Commission has full autonomy in the divestment of listed enterprises of which the sales price does not exceed Tk 250 million (including any long-term debt that becomes the responsibility of the buyer). In all other cases, government final approval is required. The new rules allow for various methods for privatization, including liquidation of nonviable enterprise, commercialization, restructuring, and leasing. The Privatization Act has also insulated the process of privatization from court injunctions. The government is working on establishing a regulatory framework for the energy sector and telecommunications. As a first step, the draft Electricity Reform Act was approved by the Cabinet in February 2002. The approval of the Gas Act is also expected shortly.

The government has listed 46 SOEs in the manufacturing sector for privatization in the near future. To mitigate the social cost of divestment and overcome opposition, the government intends to establish a social safety net for laid-off workers, for instance by building on the voluntary separation scheme. In addition, the government plans to introduce a retraining program as well as other social safety net instruments.

Source: Privatization Commission.

established benchmarks, and policies should be reviewed in light of these assessments.

- The imposition of hard budget constraints. This could be achieved by imposing strict limits on borrowing from nationalized commercial banks and from abroad, and by initiating a process to regularize outstanding payment arrears. Access to budget resources should be made conditional on progress toward the performance benchmarks.
- Tracing steps to enhance revenue performance in the energy sector. Efforts could be made to intensify bill collection, including outsourcing of bill collection, and to introduce rational pricing policies for automatic price adjustment in the energy sector.
- Strengthening the regulatory environment, particularly in telecommunications.
- A thorough review of the SOEs investment program with a view to scrapping unproductive projects.

18. As regards the medium-term strategy needed to address deeper-seated issues of right-sizing the public sector and eliminating inefficiencies in the remaining SOEs, the World Bank has made a number of suggestions, including:

- Liquidating nonviable enterprises and privatizing SOEs whose functions can best be undertaken by the private sector. Commercializing the remaining SOEs and corporatize government enterprises.
- Introducing transparent accounting of financial flows between the budget and the SOEs, as well as of contingent liabilities.
- Restructuring the SOE workforce with the aim of making it smaller and more productive.
- Decentralizing wage-setting and linking corporation-wide wages to productivity gains.
- Adjusting differential prices for varying groups of customers so that they reflect differences in the cost of supply.

It should be noted that the two modules outlined above could be implemented at the same time.

Table I.1.1. Bangladesh: Nonfinancial State-Owned Enterprise Sector Corporations 1/

Manufacturing		Trading	
BTMC	Bangladesh Textile Mills Corporation	TCB	Trading Corporation of Bangladesh
BJMC	Bangladesh Jute Mills Corporation	BJC	Bangladesh Jute Corporation
BSEC	Bangladesh Steel and Engineering Corporation	Water Resources	
BSFIC	Bangladesh Sugar and Food Industries Corporation	BWDB	Bangladesh Water Development Board
BCIC	Bangladesh Chemical Industries Corporation	Agriculture	
BFIDC	Bangladesh Forest Industry Development Corporation	BADC	Bangladesh Agriculture Development Corporation
Utilities and Energy		BFDC	Bangladesh Fisheries Development Corporation
BPDB	Bangladesh Power Development Board	Construction	
DESA	Dhaka Electricity Supply Authority	RAJUK	Rajdhani Unnayan Kartripakhya (Capital Development Authority)
REB	Rural Electrification Board	CDA	Chittagong Development Authority
PBS	Palli Biddutayan Samity (Village Electrification Association)	KDA	Khulna Development Authority
BOGMC	Bangladesh Oil Gas and Mineral Corporation	RDA	Rajshahi Development Authority
BPC	Bangladesh Petroleum Corporation	Services	
CWASA	Chittagong Water and Sewerage Authority	BFFWT	Bangladesh Freedom Fighters' Welfare Trust
DWASA	Dhaka Water and Sewerage Authority	BFDC	Bangladesh Film Development Corporation
Transport and Communication		CAAB	Civil Aviation Authority of Bangladesh
BSC	Bangladesh Shipping Corporation	BSCIC	Bangladesh Small and Cottage Industries Corporation
BIWTC	Bangladesh Inland Water Transport Corporation	BEPZA	Bangladesh Export Processing Zone Authority
BIWTA	Bangladesh Inland Water Transport Authority	BHB	Bangladesh Handloom Board
BBC	Bangladesh Biman Corporation	BSB	Bangladesh Sericulture Board
BRTC	Bangladesh Road Transport Corporation	BTB	Bangladesh Tea Board
CPA	Chittagong Port Authority	BPRC	Bangladesh Parjata (Tourism) Corporation
CPDMB	Chittagong Port Dock Management Board		
MPA	Mongla Port Authority		
MPDMB	Mongla Port Dock Management Board		
BTTB	Bangladesh Telegraph and Telephone Board		
BR	Bangladesh Railway		

Sources: SOE Monitoring Cell; and World Bank.

1/ Including government departments (BTTB and BR).

Table I.1.2. Bangladesh: Summary of Finances of Ten Main SOEs, FY99/00–FY01/02 1/

	Actual Budget		
	FY99/00	FY00/01	FY01/02
	(In billions of taka)		
Revenue	221.0	269.5	275.1
Operating revenue	216.9	264.8	294.0
Other	4.1	4.7	-18.9
Expenditure	256.3	334.9	406.8
Operating expenditure	211.1	265.4	291.5
<i>Of which: Workers compensation</i>	17.3	19.5	20.8
Non-operating expenditure	9.9	12.3	13.6
Capital expenditure	35.3	57.2	101.7
Cash balance before operations with the budget	-35.3	-65.4	-131.7
Direct tax	1.3	2.4	2.0
Dividends	1.7	2.8	2.7
Subsidy	0.0	0.0	0.0
Cash balance after operations with the budget	-38.3	-70.6	-136.4
Net financing from budget	23.6	34.2	54.7
Equity financing	10.4	17.3	30.5
Net lending	13.2	16.9	24.2
Loans received	33.1	41.6	50.4
Repayments	19.9	24.7	26.2
Net bank financing	0.0	11.0	...
Other financing (including arrears accumulation)	14.7	25.4	81.7
	(In percent of GDP)		
Revenue	9.3	10.6	9.7
Expenditure	10.8	13.2	14.3
Cash balance before operations with the budget	-1.5	-2.6	-4.6
Cash balance after operations with the budget	-1.6	-2.8	-4.8
Net financing from budget	1.0	1.4	1.9
Equity financing	0.4	0.7	1.1
Net lending	0.6	0.7	0.8
Net bank financing	0.0	0.4	0.0
Other financing (including arrears accumulation)	0.6	0.6	2.9
Memorandum item:			
Outstanding stock of arrears (end-period)	... 2/	23.0	...

Source: SOE Monitoring Cell.

1/ Includes DESA, BPC, BOGMC, Biman, BPDB, BCIC, BSEC, BJMC, BTMC, and BSFIC.

2/ Preliminary estimate as of end-2001.

Table I.1.3. Bangladesh: Domestic Payment Arrears of the Public Sector, FY01/02
(in billions of taka; end of period unless otherwise indicated)

Debtors	Creditors										Total (in percent of GDP)
	BOGMC	BPDB	DESA	BPC	REB	DWASA	NCBs	Gov. Tax	Gov. Debt Service	Total	
	Dec.	Dec.	Sep.	Dec.	Dec.	Dec.	Dec.	Oct	Jan.		
SOEs											
BOGMC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	28.3	34.3	1.4
BPDB	5.1	0.0	0.0	1.8	0.0	0.0	0.0	0.1	108.1	115.0	4.5
DESA	0.0	44.4	0.0	0.0	0.0	0.0	0.0	1.5	179.2	225.1	8.9
BPC	2.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	3.0	6.3	0.2
REB	0.0	0.3	0.7	0.0	0.0	0.0	0.0	0.0	24.9	25.9	1.0
DWASA	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	1.3	1.7	0.1
BTMC	0.2	0.1	0.0	0.0	0.0	0.0	3.9	0.1	3.6	7.9	0.3
BSEC	0.1	0.1	0.0	0.0	0.0	0.0	1.1	0.3	6.3	7.9	0.3
BSFIC	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	1.0	1.4	0.1
BCIC	1.4	0.2	0.0	0.3	0.0	0.0	0.4	1.1	36.0	39.4	1.6
BFIDC	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.8	0.9	0.0
BJMC	0.6	1.2	1.8	0.0	0.0	0.0	2.6	0.0	1.5	7.8	0.3
CWASA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0
BSC	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.7	1.1	0.0
Biman	0.0	0.0	0.0	3.8	0.0	0.0	0.0	0.2	0.0	4.0	0.2
BIWTC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6	2.6	0.1
BRTC	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	1.6	1.7	0.1
BADC	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1	18.9	19.5	0.8
Others	0.0	1.7	1.5	0.0	0.0	0.0	0.1	0.3	74.5	78.2	3.1
Total SOEs	9.3	48.1	4.6	5.8	0.0	0.0	9.4	11.0	493.2	581.5	23.0
Government											
Religious Affairs	0.0	0.9	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.7	0.0
Communications	0.0	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Education	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Establishment	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Fisheries	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Health and Family	0.0	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Home	0.0	0.3	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.4	0.0
Law and Justice	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local Gov.	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Disaster Management	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Public Works	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.3	0.0
Defense	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.0
Other ministries	0.3	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.5	0.0
Total Gov. ministries	0.4	2.2	0.6	1.0	0.3	0.1	0.0	0.0	0.0	4.6	0.2
Total private	4.8	4.8	9.2	0.1	1.6	1.2	...	...	...	21.7	0.9
Grand total	14.5	55.1	14.3	6.9	1.9	1.3	9.4	11.0	493.2	607.8	24.0
Memorandum items (in percent of GDP)											
SOEs	0.4	1.9	0.2	0.2	0.0	0.0	0.4	0.4	19.5	23.0	23.0
Government	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Private sector	0.2	0.2	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.9	0.9
Total	0.6	2.2	0.6	0.3	0.1	0.1	0.4	0.4	19.5	24.0	24.0

Source: SOE Monitoring Cell.

II. THE EXCHANGE RATE REGIME IN BANGLADESH¹

1. In recent years, Bangladesh has maintained a fixed yet adjustable exchange rate regime in the face of an expansionary fiscal policy, rapid growth of domestic credit, and unanticipated adverse external conditions. Although inflation has remained low, this policy has led to a steady erosion of the international reserve position, exacerbating the country's vulnerability to external shocks.

2. Rather than tightening fiscal and monetary policies to stem the loss of foreign exchange reserves, the authorities took measures aimed at: (i) restraining the demand for foreign exchange through the imposition of exchange and trade restrictions and extension of foreign exchange guarantees for oil imports; (ii) encouraging exports through preferential credit facilities and subsidies, reducing the cost of workers remittances through the banking system by setting special transfer facilities, and securing the repatriation of foreign exchange by imposing a comprehensive export surrender requirement scheme; and (iii) strengthening the gross foreign reserve position by incurring on nonconcessional external borrowing and delaying some external payment obligations. The decision to adjust the exchange rate was usually preceded by extensive deliberations within the government over several months, amid much speculation in the media, resulting in persistent uncertainty and increased misalignment until corrective actions were finally taken.

3. This chapter argues that, given the overall policy environment and external vulnerabilities, the usefulness of the fixed exchange rate system has run its course. Greater exchange rate flexibility is needed to ensure that the exchange rate sends appropriate market signals, and to enhance the authorities' ability to address more effectively and timely both domestic imbalances and external real shocks arising from a rapidly changing global environment.

A. Recent Exchange Rate Policies and Practices

4. The taka is currently pegged to a trade-weighted currency basket, but the reference currency in exchange rate management is the U.S. dollar. Although the Bangladesh Bank (BB) does not have the authority to conduct day-to-day exchange rate management,² it announces daily a buy-sell band for the U.S. dollar against the taka and trades with authorized dealers in the U.S. dollar only. Effective December 4, 2000, BB discontinued selling and buying U.S. dollars from authorized dealers at the pre-announced rates and instead set buy-sell rates for each transaction separately within the announced band. The

¹The main contributors to this chapter were Mr. Raj Nallari (ext. 35881) and Ms. Yan Sun (ext. 35371).

²Article 22 of the Bangladesh Bank Order of 1972 empowers BB to deal with authorized dealers at the buying and selling rates, but the responsibility for setting the exchange rates is with the Ministry of Finance.

authorized dealers then set their own buying and selling rates for the U.S. dollar and other currencies based on cross rates in international exchange markets.

5. The taka exchange rate against the U.S. dollar is supposed to be adjusted when the authorities consider that its value is misaligned with the currency basket of major trading partners, and when external and internal developments require such an adjustment.³ In practice, the authorities have devalued the taka against the U.S. dollar once every few months, the most recent episodes being 2 percent in July 1999, 5.9 percent in August 2000, 5.5 percent in May 2001, and 1.5 percent in January 2002 (Figure II.1).

6. Having opted for sporadic devaluation, the authorities resorted to other means to relieve pressures on the foreign exchange market. In addition to maintaining several longstanding restrictions on making payments and transfers for current international transactions,⁴ in December 2000 the government introduced margin requirements (set at different rates) on letters of credit for most commercial imports.⁵ These rates were further increased from 50 percent to 100 percent in November 2001.⁶

7. The authorities have also tightened the trade regime in recent years aimed at compressing imports. In the early 1990s, Bangladesh made considerable progress in trade liberalization by rapidly eliminating quantitative restrictions and reducing the top import tariff rates. The maximum tariff rate was reduced from 350 percent in 1990–91 to 37½ percent in 1997–98, and the unweighted average tariff rate fell from 89 percent in 1990–91 to 17 percent in 1995–96. However, this trend has been somewhat reversed in recent years. The unweighted average tariff rate increased to 21 percent during 1999–01 while surcharges and duties on imports were introduced frequently (including the most recent one in

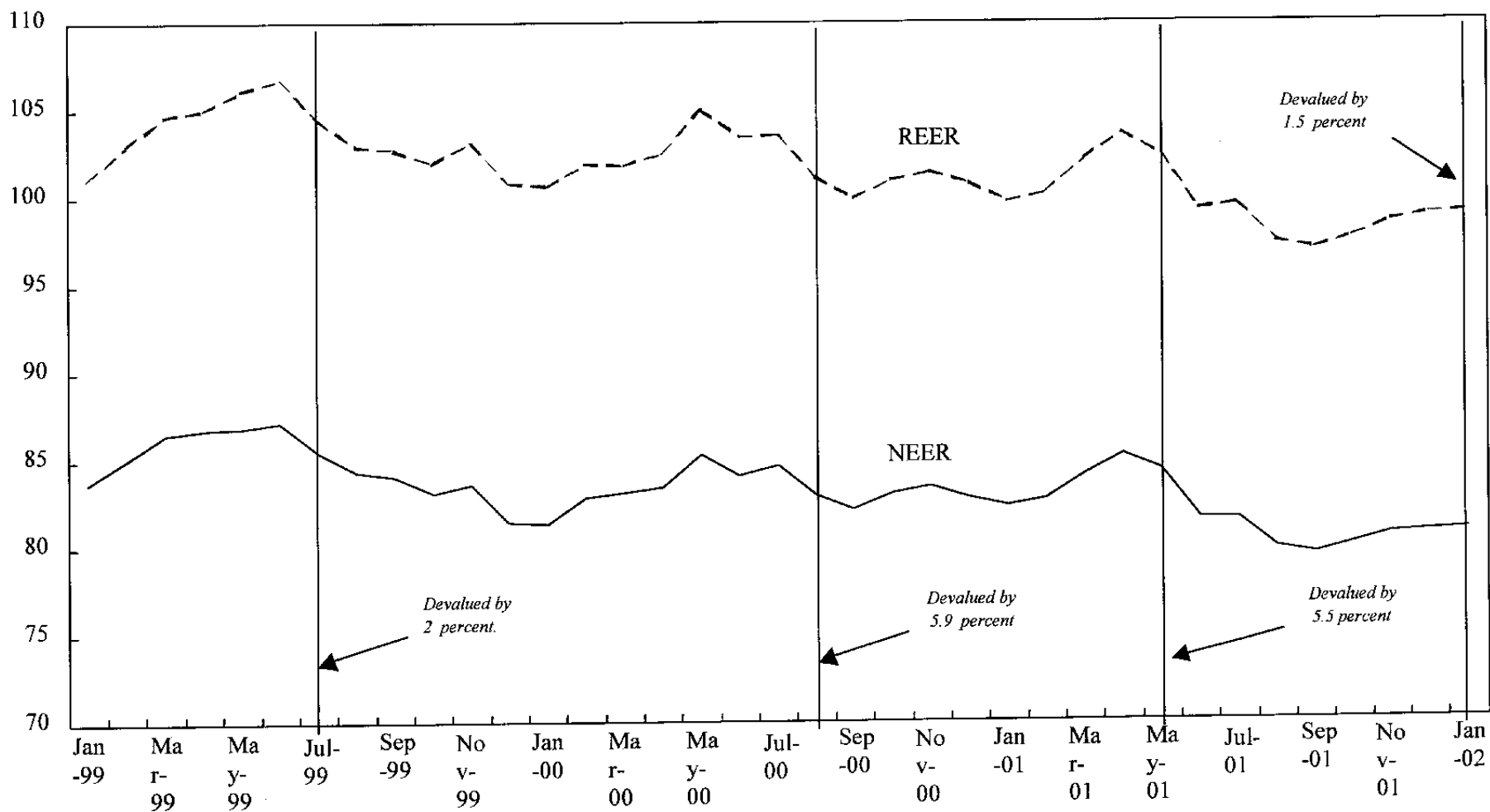
³A parallel market also exists; there has been a small premium since August 2000, which declined subsequently after recent devaluations.

⁴Including: (i) requirement for advance payments for imports of certain goods and services; (ii) restrictions on convertibility and transferability of current proceeds from nonresident taka accounts; (iii) limits on travel, education, and medical expenses abroad; and (v) prohibition on payments for other invisibles.

⁵In Bangladesh, the letters of credit are normal short-term facilities for import payments. As Bangladesh accepted the obligations under Article VIII, Sections 2, 3 and 4 in March 1994 to maintain full convertibility of the current account, this margin requirement constitutes a restriction under Article VII, Section 2(a) because it increases the price of making import payment (current transactions).

⁶On February 1, 2002, in response to an increase in rice and wheat prices following a decline in grain production, the authorities reduced the margin requirements on letters of credit for imports of rice and wheat from 100 percent to 25 percent.

Figure II.1. Bangladesh: Exchange Rate Adjustments, Jan. 1999 - Jan. 2002 1/



1/ Downward movement indicates depreciation.

December 2001), resulting in a combined average tariff rate of 25¾ percent in 2001. Following this increase, along with existing nontariff barriers, Bangladesh has become one of the most restrictive trade systems among Fund members in general, and the Asian region in particular.⁷

8. The authorities have also made efforts at securing the supply of foreign exchange. To this end, they have relied on a comprehensive foreign exchange surrender requirement system, which allows exporters to retain only 7½ percent of proceeds from ready-made garment exports and 40 percent from all other exports. The authorities have also used direct export subsidies and credit facilities for exports at the administered below-market interest rates to encourage exports. Administrative measures (including setting up official transfer points abroad at lower-than-commercial cost) have also been used to attract a higher level of workers' remittances through the banking system and away from the informal market.

9. To strengthen gross foreign reserves, the authorities have occasionally incurred nonconcessional external borrowing and delayed payments to foreign energy companies under joint-venture agreements. They have also provided foreign exchange guarantees to ensure oil imports, the most recent such transaction amounting to \$257 million.

10. Despite these measures, the taka has continued to go through prolonged cycles of overvaluation and the pressures on the balance of payments have remained unabated given the ongoing pursuit of expansionary financial policies. Net international reserves declined from \$853 million at end-2000 to \$479 million by end-January 2002.

B. Real Effective Exchange Rates, Cost of Doing Business, and International Competitiveness

11. While acknowledging the limitations of using traditional indicators of real effective exchange rates (REER) in assessing the external competitiveness of a country,⁸ the staff has

⁷According to the Fund's index of trade restrictiveness, Bangladesh is rated at 8 on a scale of 1 to 10, with 10 being the most restrictive. In a regional context, Bangladesh has the same trade restrictiveness as that of India, but it remains more restrictive than in Malaysia, Nepal, Pakistan, South Korea, Sri Lanka, and Thailand.

⁸For discussions on advantages and disadvantages of various competitiveness indicators, see Maciejewski, Edouard B., *"Real" Effective Exchange Rate Indices*, IMF Staff Papers, Vol. 30, 491–541 (September 1983); Marsh, Ian W., and Stephen P. Tokarick, *Competitiveness Indicators: A Theoretical and Empirical Assessment*, International Monetary Fund, Working Paper 29 (March 1994); and Zanello, Alessandro, and Dominique Desruelle, *A Primer on the IMF's Information Notice System*, International Monetary Fund, Working Paper 71 (May 1997).

estimated annual REER based on consumer price indices (CPI) and unit labor costs (ULC)⁹ for Bangladesh for the period 1989–01. Six such measures have been made using the weights provided by the *Information Notice System* (INS),¹⁰ and three new weights have been calculated to reflect recent emerging trade patterns since 1995–01. The new sets of weights were constructed based on the average export, import, and trade values.

12. Representative REER series (Figures II.2 and II.3) indicate a U-shaped behavior in each of the measurements.¹¹ In particular, the REER depreciated in the early 1990s, reflected in part in the improvement in Bangladesh's external competitiveness through trade liberalization. The CPI-based REER appreciated in late 1990s, owing to higher inflation in Bangladesh during 1998-99 relative to its partner countries and marked depreciation of the neighboring countries.¹²

13. Altogether these calculations do not suggest that the exchange rate in Bangladesh is grossly misaligned. However, the widening current account deficit (excluding capital grants) to GDP ratio, a weakening capital account, and declining net international reserves in the presence of increasing administrative measures all point to some erosion in competitiveness and business confidence since June 2000.

14. Moreover, indications are that the cost of doing business in Bangladesh, based on the *2001 Index of Economic Freedom*,¹³ is high compared with most countries worldwide and has significantly impaired the competitiveness of firms.¹⁴

⁹The ULC-based measures take into consideration the wage rates in the economy and in the manufacturing sector in particular, using both the simple average wage and weighted average wages in Bangladesh based on the share of each industry in total output.

¹⁰The standard INS weights are based on: manufacturing trade (MT); primary commodity trade (PCT); bilateral manufacturing imports (BMI); bilateral manufacturing exports (BME); and third market competition (TMC).

¹¹The decrease (increase) of REER implies a depreciation (appreciation).

¹²All Bangladesh's competitors have adopted more flexible exchange rate regimes and have adjusted more quickly than Bangladesh to rapidly changing external developments.

¹³Published by the Heritage Foundation, U.S.A.

¹⁴The index, which takes into account the state of financial intermediation and infrastructure and governance problems, was calculated for 155 countries and Bangladesh ranked 132nd among these countries.

Figure II.2. Bangladesh: Competitiveness Indicators, 1989-2001

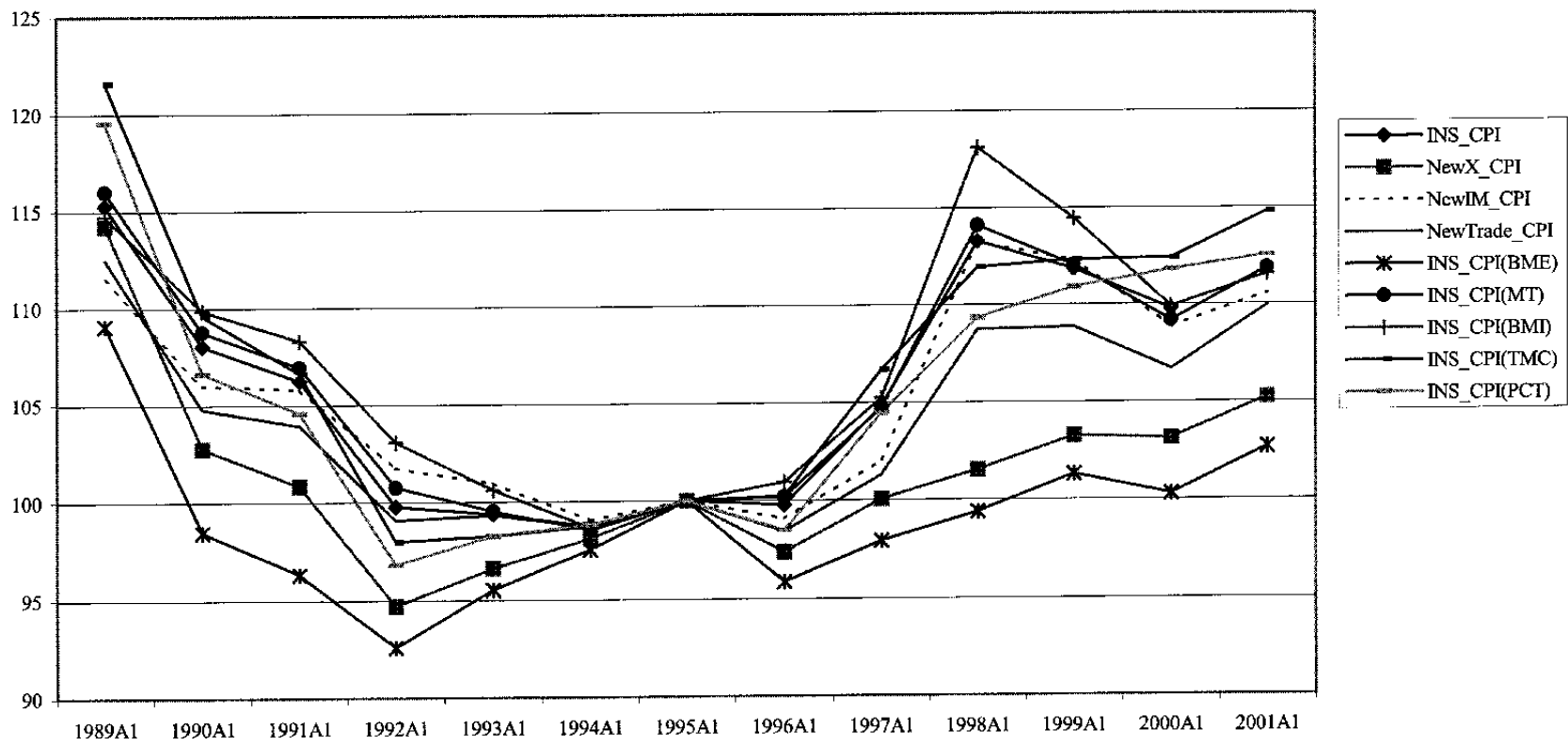
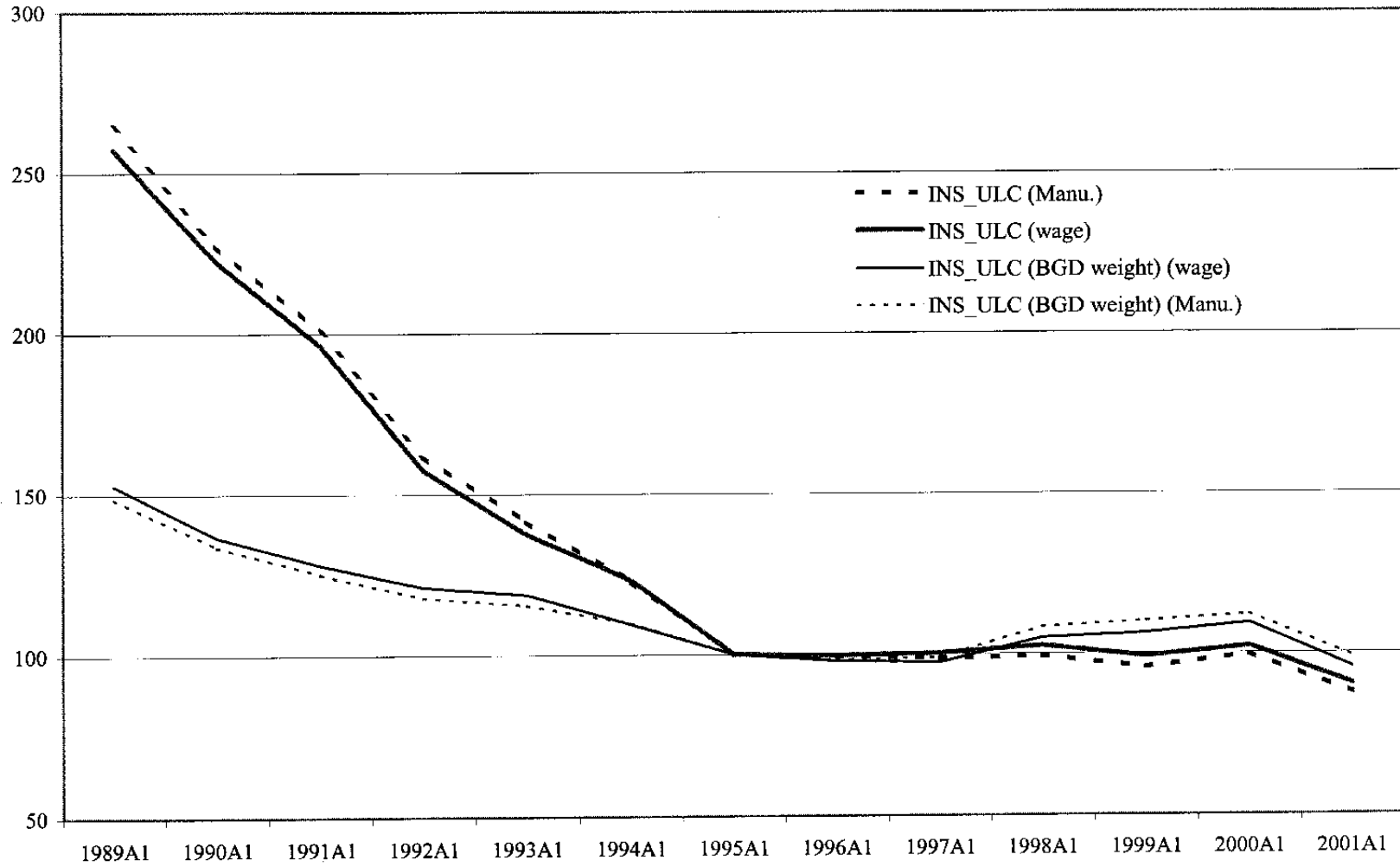


Figure II.3. Bangladesh: REER based on Unit Labor Costs, 1989-2001



C. Policy Alternatives

15. The above discussion indicates that the authorities' adherence to the current exchange rate regime represents a costly way to keep inflation low. With continued public sector deficits being financed by domestic borrowing, the achievements on inflation have come at the cost of a declining level of international reserves and increased recourse to administrative controls to support the regime. A lower reserve position has substantially reduced the authorities' ability to defend the peg and render the country more vulnerable to external shocks.

16. In such an environment, adopting a more flexible exchange rate policy would seem to have a number of advantages. In particular it would: (i) depoliticize the determination of the exchange rate and ensure quick adjustment of the exchange rate to market developments; (ii) provide a role for monetary policy in macroeconomic management and enhance the ability of the authorities to address external shocks in a timely manner; (iii) provide appropriate signals for the generation and allocation of savings and the conduct of monetary policy; and (iv) stem the loss of international reserves, thereby reducing the need to rely on distortions to address balance of payments problems.

17. Bangladesh's low export diversification also suggests advantages in shifting to greater flexibility in its exchange rate system. As exports are concentrated heavily on ready-made garments and a few primary commodities, such as cotton and jute, the country is vulnerable to terms-of-trade shocks in the context of a pegged exchange rate regime.¹⁵ Greater flexibility would also help Bangladesh face better the scheduled loss of preferential access of ready-made garment exports to the United States, Canada, and the European Union by end-2004 under the WTO agreements, and the expected heightened competition in textiles and clothing following the entry of China into the WTO.

18. There are several prerequisites to adopting a more flexible exchange rate system in order to fully reap the benefits of the new regime as a means to enhance macroeconomic management. To minimize exchange rate volatility, the move to a greater flexibility would have to be part of a comprehensive and credible stabilization effort—including, first and foremost, a tightening of fiscal policy and the imposition of hard budget constraints on enterprises. The vulnerability of financial intermediaries to large changes in the exchange rate would have to be reduced through measures to strengthen the banking sector, including limiting banks' foreign exchange and external borrowing, establishing and enforcing prudential regulations to limit foreign exchange, interest rate, credit, and liquidity risks, and monitoring capital movements to avoid destabilizing short-term capital flows.

¹⁵ According to the Gini-Hirschman indices of export commodity diversification and export geographic diversification, the degree of export concentration in Bangladesh became the highest in the last decade among its major competitors (China, India, Indonesia, Pakistan, Sri Lanka, and Thailand).

19. Greater flexibility would also require the following supporting changes in monetary management:

- Strengthening BB's liquidity forecasting framework to be able to adhere to a monetary program aimed at maintaining low inflation and restoring net international reserves to a comfortable level.
- Enhancing BB's ability to conduct open-market operations to control liquidity, while taking steps to develop the secondary market for securities as soon as possible. Open-market operations could be complemented by BB's standing facilities.
- Liberalizing all remaining administered domestic interest rates to complement a more flexible exchange rate regime. In this context, the interest rate structure of savings certificates would have to be linked to the interest rate obtained in the primary auctions of securities, and government intervention in the money market would have to be avoided. Primary auctions of government securities should be based on announced volumes on offer.
- Phasing out the exchange restrictions in order to deepen the liquidity of the foreign exchange market.
- Providing BB with independence to conduct of monetary and exchange rate policies free of political interferences.

D. Conclusions

20. In recent years, the sporadic adjustments in the exchange rate in the face of expansionary financial policies have resulted in a gradual, and persistent erosion of international reserves. To slow the reserve losses, the authorities resorted to exchange and trade restrictions and other distortionary measures. A move to a more flexible exchange rate arrangement would help mitigate pressures on the balance of payments and reduce external vulnerability. To support a new regime, the government will need to remove existing exchange and trade restrictions, adopt a tight fiscal and monetary program, and liberalize interest rates in a well-timed and sequenced approach, along with structural reforms in a number of key areas, including banking, SOEs, trade and export diversification.

III. THE BANKING SECTOR IN BANGLADESH¹

A. Introduction

1. Despite significant financial sector liberalization during the 1990s, the banking sector in Bangladesh remains mired in difficulties. While the performance of private banks (PCBs) appears to have improved in recent years—prompted by successive waves of privatization of smaller state banks and the entry of several new banks—the problems in the four dominant nationalized commercial banks (NCBs) and in the development finance institutions (DFIs) remain acute. This chapter outlines the structure and recent performance of the commercial banking sector and the DFIs (Sections B and C), as well as recent reform efforts and outstanding issues (Section D).

B. Overview of the Banking Sector

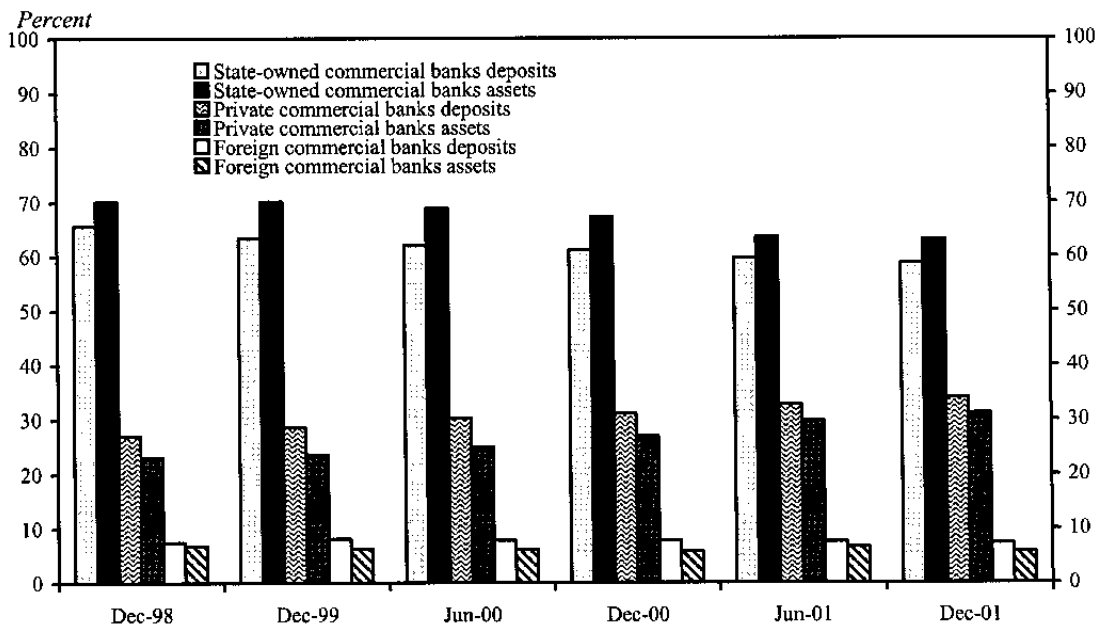
2. As of December 2001, the financial sector of Bangladesh consisted of the banking system, which includes the Bangladesh Bank (BB) and 51 licensed commercial banks, 3 cooperative institutions, 23 leasing and finance companies, and the stock and bond markets.² Of the 51 banks, there are 30 local PCBs, 12 foreign commercial banks (FCBs) which are mainly involved in international transactions, 4 NCBs, and 5 government-owned DFIs. The latter consist of agricultural and industrial development agencies, with assets comprised largely of loans to the target sectors and government security holdings, and liabilities comprised of deposits and refinance credit from BB.

3. Despite some decline in recent years, the banking system continues to be dominated by the NCBs. At end-2001, the state-owned banks accounted for almost 59 percent of overall banking sector deposits, PCBs 34 percent, and FCBs 7 percent; the dominance of the state-owned banks is even higher in terms of risk-weighted assets (Figure III.1).

¹The main contributor to this chapter was Mr. Qaizar Hussain (ext. 37334).

²Nonbank financial markets are relatively underdeveloped and do not constitute important sources of financing for investment and savings. The total market capitalization of all listed securities as of December 2001 amounted to \$1.1 billion (3 percent of GDP) with 250 listed securities. Nationalized savings certificates issued by the Treasury pay a premium interest rate and represent the main competition for funds for the banking system; their stock was around 9 percent of GDP at end-2001. The insurance industry is at an infant stage, although the number of leasing and finance companies has picked up sharply in the recent past.

Figure III.1. Bangladesh: Risk-Weighted Assets and Deposits of Banks



Source: Bangladesh Bank.

C. Performance of the Banking Sector

4. For the past few years, BB has used the U.S.-style CAMEL rating system to evaluate the Bangladesh banking system. As of June 2000, 8 banks were rated as strong (1), 15 as satisfactory (2), 13 as fair (3), and 13 as marginal (4). All four NCBs and four of the five DFIs had a marginal rating.³ A year later, however, the ratings improved somewhat: 7 banks were rated as strong, 20 as satisfactory, 6 as fair, and 15 as marginal, including again all the NCBs and 4 of the 5 DFIs. The following discussion uses the CAMEL elements to analyze the recent improvement in performance.

Capital adequacy

5. Since 1996, banks in Bangladesh have been required to adopt the Basle minimum capital standard equal to 8 percent of risk-weighted assets, with core capital equal to at least 4 percent of risk-weighted assets. The banking sector's average actual capital adequacy ratio has actually declined from 7.4 percent in December 1999 to 6.7 percent in December 2001;

³As part of the CAMEL rating system, banks are scored every six months on a scale of 1 (best) to 5 (worst) using five criteria: capital adequacy, asset quality, management quality, earnings performance, and liquidity. A composite score is then produced. Banks with scores of 1 or 2 are considered satisfactory, but a score of 5 indicates that examiners feel the bank is likely to fail.

declines were registered for all types of banks except the FCBs. At end-2001, capital ratios ranged from 16.8 percent for FCBs to only 3.9 percent for DFIs.

Asset quality

6. The loan classification and loss provisioning criteria, and their enforcement, continue to be less stringent in Bangladesh than international standards.⁴ Even so, nonperforming loans (NPLs) (as proxied by classified loans) to total loans are large, which rose from 32 percent in 1995 to 43 percent in June 1999 before falling to 31 percent by end-2001. Throughout this period, both the NCBs and DFIs recorded the highest ratio of classified loans, although they have been reduced somewhat from the peak in 1999 (Annex Table III.1.1).⁵ The recent improvement in the classified loans ratio can be attributed to the strengthening of supervision and the enforcement of regulations in 2000–01. For example, BB is now conducting both on-site and off-site supervision of banks, and inspections have been intensified based on bank performance.

7. Nonetheless, even after these recent improvements, commercial banks faced an overall provisioning shortfall of 44 percent, with NCBs accounting for the bulk of the shortfall. At end-2001, actual provisioning stood at 35 percent for NCBs, 77 percent for PCBs, 100 percent for DFIs, and 124 percent for FCBs. The high level of actual provisioning by DFIs is a new requirement by the government in light of their poor quality of lending in the past.

Management quality and conduct

8. A significant proportion of the bank system (NCBs and DFIs) is owned by the state (i.e., Ministry of Finance) and large sponsors or shareholders. Listed PCBs are primarily owned by sponsors (48 percent) and the general public (26 percent); the share of foreign ownership in the banking system is quite low, at less than 1 percent. Under the Bangladesh Bank Order (1972), the Ministry of Finance has the ultimate jurisdiction over the NCBs and DFIs (including supervision). The periodic appointments of military officers and political figures as heads of several NCBs have politicized credit decisions and weakened the asset quality of these agencies. Politicians and government officials could interfere the operations of the NCBs and DFIs, while their management is not generally held accountable for performance. Further, insider lending is legally sanctioned in Bangladesh. BB has recently set limit on banks loans to their own directors equivalent to 50 percent of the paid-in capital,

⁴Since 1997, loans are classified as “substandard” when overdue for 9–24 months (international standard: 4–6 months), “doubtful” for 24–36 months (international standard: 7–12 months), and “bad” for 36 months or more (international standard: 13 months or more). The provision requirements are for: unclassified loans: 1 percent; substandard: 10 percent (with 20 percent the international standard); doubtful: 50 percent; and bad loans: 100 percent.

⁵After excluding interest suspense, the ratio of classified loans to total loans for all banks (as of December 2001) dropped from 31 percent to 24 percent.

and a limit on the directors' shareholdings in any bank equivalent to no more than 10 percent of its capital. However, enforcement of these actions remains inadequate.

Earnings performance

9. Financial indicators of the banking system during 1996/97–2000/01 (Annex Table III.1.2) showed that FCBs enjoyed the highest level of net profit per loan (5.8 percent for 2000/01), followed by PCBs (2.3 percent), whereas DFIs faced negative net profit rates for the entire period. NCBs net profits were marginally positive, and indicated some increase in 2000/01. The ranking of net profit per loan is closely related to income per loan, and FCBs have the lowest expenditure per loan. Both measures of loan productivity (lending per branch and per employee) ranked FCBs as the highest, followed by PCBs, DFIs, and NCBs. Over the years, both these measures have remained virtually stable for DFIs, while lending per branch increased for NCBs with little change in lending per employee.

Liquidity

10. Presently, the commercial banks' deposits are subject to a statutory liquidity requirement (SLR) of 20 percent, of which 4 percent as cash reserve requirement (CRR) with the central bank and the remainder as qualifying "secure" assets under the SLRs, either in cash or government securities. Until February 2002, banks were allowed to count their foreign exchange deposits with BB as cash reserves, which weakened BB's monetary control significantly. The large amount of treasury bill holdings by banks in order to satisfy the SLR have crowded out credit to the private sector and increased the spread between banks' lending and deposit rates.⁶

11. Liquidity indicators measured by liquid assets/deposits and excess (shortfall) liquid assets/deposits indicated that all banks had excess liquidity during the period 1995–2001. FCBs have the highest liquidity ratios and DFIs the lowest. In terms of excess liquidity ratios, NCBs and PCBs have the lowest. The level of excess liquidity in DFIs has shown some increase mainly because of recent limitations imposed on new lending.

D. Outstanding Reform Priorities

12. In response to the high level of classified loans and other weaknesses identified above, the authorities have introduced several reforms in recent years. While these efforts have been a promising start, and indeed have started to show some results, they proved to be insufficient to address problems related to ownership structure, poor asset quality, governance, and inefficiency. A more comprehensive reform program is needed. The forthcoming Financial Sector Assessment Program (FSAP) to be jointly conducted by the

⁶The weighted average rates on lending and deposits were 13.1 percent and 9.5 percent as of October 2001. Both the PCBs and the FCBs had lending margins around 1 percentage point higher than the DFIs and the NCBs.

IMF and the World Bank will help the authorities to develop such a program to reform the banking sector.

13. Strengthening **prudential control and supervision** will be an essential component of the reform strategy. Recent efforts have focused on enhancing asset quality, improving loan classification, placing BB officials on the Boards of banks, and better monitoring and enforcement of the net open foreign exchange positions. However, the banking law does not include procedures for the winding-up of problem banks, and the BB lacks the legal right to enforce corrective measures over the NCBs and DFIs. Both of these issues need to be addressed expeditiously. In particular, bringing the supervision of banks under BB will be important in this regard.

14. Effective **corporate insolvency and associated debt-recovery procedures** form an important pillar of banking sector efficiency. These procedures include formal laws and informal rules for enforcement of debt contracts, bankruptcy liquidation, and the rehabilitation of distressed firms. In Bangladesh, the corporate insolvency procedures continue to favor the government, employees, insiders, and debtors. Indeed, relative to other Asian economies, the process of insolvency and debt-recovery procedures in Bangladesh is amongst the slowest and most expensive.⁷ Specifically, the debt-recovery process is highly debtor-friendly and the time spent for winding up a corporation, both formally and informally—about 7–8 months—is the longest among the sample economies studied. The judicial process with regard to debt recovery is also the slowest among the sample economies, with defendants typically using loopholes in the bankruptcy laws to delay judgments (Box III.1 and Annex Table III.1.3). Further efforts in this area are required if debt resolution is to be expedited.

15. **Ownership rules and procedures** have been at the core of the weaknesses of the banking sector, enabling government interference in implicit directed credits to preferred sectors and activities, as well as extensive (legally sanctioned) insider lending. In this context, **privatization** of banks must be reactivated, which should be accompanied by structural reforms of the banking sector, including strengthening prudential regulations and supervision, effective resolution of NPLs, and improving capital adequacy. The improved performance of several local banks that have already been privatized suggests potential benefits from this approach. The improved efficiency would also help in lowering the borrowing-lending rate spreads and ensuring that interest rates respond more quickly to changes to monetary conditions.

16. Finally, continued **macroeconomic stability and development of the financial system** with better primary and secondary treasury bill markets, lowering artificially high interest rates in national savings certificates, which compete for bank deposits, and the

⁷See Hussain, Q., and C. Wihlborg, 1999, "Corporate Insolvency Procedures and Bank Behavior: A Study of Selected Asian Economies," IMF Working Paper No. WP/99/135.

removal of all administered interest rates, will assist in enhancing the stability and efficiency of the banking sector in Bangladesh.

Box III.1. Bangladesh: Evolution of Laws to Enhance Recovery of Delinquent Loans

There are several legal measures available to banks for loan recovery:

Filing money suit/title suit under Artha Rin Adalat (Court) Act, 1990: Prior to this Act, there were no special laws for recovery of defaulted loans, making it difficult to take legal action against the delinquent borrowers and thereby to safeguard the interest of banks. Following recommendations of the 1990 Financial Sector Reforms Program (FSRP), a legal framework for loan loss recovery for all financial institutions was established. Various amendments have been made during 1990–97 in order to improve enforcement of this Act.

Filing bankruptcy cases under Bankruptcy Act, 1997: The Bankruptcy Act was intended to expedite bankruptcy declarations. The order of payment priority at bankruptcy established under the Act is: a) all taxes and other debts of a like nature due to the government; b) all wages or salaries, not exceeding Tk 2000 due to any clerk, servant, laborer, or workman in respect of services rendered to the debtor during the period of six months immediately before the filing date; c) all bank debt; d) all unsecured claim; and e) any subordinate claim. Nonetheless, to date enforcement of the Act has remained difficult. As of end-2000, the number of suits settled amounted to only 16 percent of total suits filed in the bankruptcy courts, while actual recovery was only 8 percent of the amount claimed at settlement, and 0 percent of the amount claimed at the filing date (see Annex Table III.1.4).

Other legal actions: These include: (i) filing criminal cases for breach of trust, including unauthorized sale of mortgaged property or assets created out of bank loan, migration to other places without repaying bank dues, fake loans, and so forth; (ii) filing a summary procedure suit under the Civil Procedure Code whereby the defendant is given a limited time, say one month, to explain the reasons why he/she should be allowed to defend the case; and (iii) recovery of loans through the sale of mortgaged property or taking over management of the defaulting concern (restricted to some banks and DFIs). However, for all these actions, since most collateral consists of immovable property and land registration procedures inadequately define property rights, it is generally difficult for creditors to rely on collateral and conduct the loan recovery process.

Sources: Moral, M.L.H., A. J. Chaudhury, and M. M. Siddique, 2000, "Enforcement Status of Laws Relating to Defaulted Bank Loans," Bangladesh Institute of Bank Management, Dhaka (October); and Fund staff discussions with authorities.

Table III.1.1. Trends in Classified Loans to Total Loans as of End-December
(In percent; includes interest suspense)

Year	NCBs	PCBs	FCBs	DFIs	All Banks
1995	31.0	39.4	5.4	....	32.0
1996	32.6	34.8	4.7	....	31.5
1997	36.6	31.4	3.6	65.7	37.5
1998	40.4	32.7	4.1	66.7	40.7
1999	45.6	27.1	3.8	65.0	41.1
2000	38.6	22.0	3.4	62.6	34.9
2001	37.0	17.0	3.3	61.8	31.5

Source: Banking Regulation and Policy Department, Bangladesh Bank, 2001.

Table III.1.2. Bangladesh: Financial Efficiency Parameters by Bank Type, 1996/97-2000/01

Efficiency Parameter	Bank Type	1996/97	1997/98	1998/99	1999/2000	2000/01
(In percent)						
Income per loan outstanding 1/	All banks 2/	13.3	14.1	15.7	15.0	...
	NCBs	14.6	13.8	15.8	17.4	18.5
	DFIs	5.7	18.0	14.9	12.6	...
	FCBs	15.8	16.1	19.4	17.1	19.0
	PCBs	14.4	13.0	14.8	12.3	15.1
Expenditure per loan outstanding	All banks 2/	12.5	13.4	14.9	14.4	...
	NCBs	13.0	13.6	15.7	17.3	17.1
	DFIs	12.8	27.0	23.7	20.5	...
	FCBs	7.1	8.8	11.5	9.6	8.8
	PCBs	12.7	10.8	12.1	10.5	12.0
Net profit per loan outstanding	All banks 2/	0.3	0.2	0.3	0.0	...
	NCBs	1.5	0.2	0.1	0.0	1.0
	DFIs	-7.1	-9.2	-9.1	-8.1	...
	FCBs	4.3	3.9	4.6	4.4	5.8
	PCBs	1.1	1.6	2.1	1.2	2.3
(In millions of taka)						
Loan outstanding per branch	All banks 2/	48.0	48.9	52.6	61.6	...
	NCBs	40.5	42.5	43.8	44.6	55.9
	DFIs	35.8	19.5	25.1	31.7	...
	FCBs	921.7	1,012.0	1,039.3	1,179.3	1,024.9
	PCBs	67.9	80.0	85.3	117.2	149.9
Loan outstanding per employee	All banks 2/	2.8	2.8	3.1	3.5	...
	NCBs	2.3	2.4	2.5	2.5	3.2
	DFIs	2.5	1.4	1.8	2.3	...
	FCBs	21.9	24.9	25.9	27.1	28.9
	PCBs	3.6	4.1	4.4	6.0	7.4

Sources: Bangladesh Bank, Economic Trends, 2001; and Fund staff estimates.

1/ Total loans outstanding for all categories of banks are adjusted for classified loans.

2/ Excluding the central bank. For NCBs, PCBs, and FCBs figures are based on calendar year, while DFIs are based on fiscal year.

Table III.1.3. Summary Evaluation of Processes for Debt Recovery

	Bangladesh	Indonesia	Korea	Malaysia	Philippines	Taiwan Province of China	Thailand
	<i>1 = low cost(or not expensive), easy, very efficient, quick; 3 = very expensive, very difficult, inefficient and very slow</i>						
1. Process for acquiring security (collateral) over land	3.00	2.75	1.25	1.25	1.5	1.5	1.5
2. Process for acquiring security over other property	2.55	2.75	1.25	1.25	1.5	1.5	1.5
3. Process for enforcement of security over land	3.00	3	1.25	1.25	2	1.75	1.25
4. Process for enforcement of security over other property	2.50	2.5	1.25	1.25	2	1.5	1.75
5. Process for debt collection	2.75	2.5	1.25	1.25	3	2	1.5
6. Process for winding up insolvent corporation	3.00	2.5	1.25	2	3	2	1.5
7. Process for reorganization/restructuring	3.00	2.5	1.75	2	2.25	2.25	1.5
8. Time for winding up	7-8 months	4-6 months	6-12 months	6-12 months	>6 months	>6 months	>6 months
9. Time for formal reorganization	7-8 months	12-18 months	2-4 months	8-12 months	>18 months	8-12 months	>18 months (since 98)
10. Time for informal workout	7-8 months	4-8 months	2-4 months	2-4 months	12-18 months	12-18 months	>18 months
11. Incidence of bankruptcy/liquidation	very low	very low	low	high	N/A	very low	low
12. Incidence of reorganization/restructuring	N/A	N/A	high	high	N/A	very low	very low (since 98)
Workouts preferred because:							
13. Bankruptcy procedures are a real alternative	No	Adverse effect	government encourages workout	yes	no	no	yes
14. Better outcome than under formal procedures	No	no	no, for secured creditors	yes	no	yes	No
Predictability of positive outcome of:							
15. Process for security enforcement; land	5.00	5	2	2	2	2	2
16. Process for security enforcement; other than land	4.50	5	4	2	2	1	3
17. Judicial handling of security enforcement	5.00	5	3	2	3	2	2
18. Judicial handling of debt collection	5.00	5	3	2	3	1	2
19. Judicial handling of bankruptcy/liquidation	5.00	5	4	2	4	5	4
20. Judicial handling of rehabilitation	5.00	5	4	3	4	5	5

Sources: Asian Development Bank, Local Study of Insolvency Law Regimes (1998) for Asian economies prior to the crisis; and banking expert in Bangladesh (2001).

Table III.1.4. Statement of Suits Filed and Settled in Insolvency Court for
Period Ending December 2000

(In millions of taka for amount claimed and recovery)

Type of Bank	Suits Filed (Cumulative)		Suits Settled (Cumulative)			Suits Under Trial		
	Number of Suits	Amount Claimed	Number of Suits	Amount Claimed	Actual Recovery	Number of Suits	Amount Claimed	Recovery Against Claim
NCBs (4)	95	6,446	10	130	5	95	6,316	12
PCBs (17)	93	3,511	22	198	43	71	3,314	5
DFIs (5)	38	6,083	5	273	1	33	5,810	0.3
FCBs (13)	1	7	-	0	0	1	7	0
Total	227	16,041	37	600	50	19	15,440	17

Source: Bangladesh Bank.

IV. GROWTH REQUIREMENTS FOR POVERTY REDUCTION IN BANGLADESH¹

A. Introduction

1. Reducing poverty in a visible way within a reasonable period of time remains Bangladesh's main policy challenge. The 2000 Household Expenditure Survey shows that poverty in Bangladesh has declined significantly during the 1990s owing to a relatively good growth performance (about 5 percent per year on average; Table IV.1). In 2000–01, 34 percent of Bangladesh's population was *very poor* (under the lower poverty line) and 50 percent was *poor* (under the upper poverty line) as compared, respectively, to 43 percent and 59 percent in 1991–92.² Rural poverty experienced a greater decline during the period, but it remained higher than urban poverty. Notwithstanding this progress, much more remains to be done. Bangladesh still has the highest incidence of poverty in South Asia, the third highest absolute number of poor in the world after India and China, and its per capita GDP (\$366 in 2000) is one of the lowest in the world.

Table IV.1. Trends in Poverty: Headcount Rate
(In percent)

	Upper Poverty Line			Change (Upper Poverty Line)			Lower Poverty Line		
	1991-92	1995-96	2000	1995-96	2000	Decade	1991-92	1995-96	2000
National	58.8	51.0	49.8	-7.8	-1.2	-9.0	42.7	34.4	33.7
Urban	44.9	29.4	36.6	-15.5	7.2	-8.3	23.3	13.7	19.1
Rural	61.2	55.2	53.0	-6.0	-2.2	-8.2	46.0	38.5	37.4

Source: *Bangladesh: Poverty Assessment*, World Bank, 2001.

2. A faster pace in the reduction of poverty would require putting Bangladesh's economy on a higher sustainable growth path. The simulation exercise presented in this chapter shows the growth path required to achieve the IDA ceiling of \$885. The implied poverty paths for both the rural and urban areas are also computed.

¹The main contributor to this chapter was Mr. Abdelhak Senhadji (ext. 38380).

²Very poor (poor) refers to individuals living under the lower (upper) poverty line, using the cost of basic needs method. The lower and upper poverty lines in 2000 for rural Dhaka were Tk 548 and Tk 893 per person per month, respectively.

B. Growth Scenario for Achieving the IDA Operational Ceiling by 2027

3. The growth scenario presented below is based on the sources of growth accounting framework. A production function has been estimated for Bangladesh. The description of the data and details of the estimation method are given in Annex IV.1. Assuming constant returns to scale, the sources of growth accounting framework used is based on the following aggregate production function:

$$Y_t = AK_t^\alpha (H_t L_t)^{1-\alpha} \quad (1)$$

where Y_t is real output, A is total factor productivity (TFP), L_t is total employment, and H_t is an index of human capital and therefore $H_t L_t$ should be interpreted as skill-augmented labor.³ The parameter $(1-\alpha)$ yields the share of labor. Taking logs and totally differentiating yields:

$$\hat{y}_t = \hat{a} + \alpha \hat{k} + (1-\alpha)(\hat{h} + \hat{l}) \quad (2)$$

where the lower case variables with a “hat” represent the growth rate of the corresponding variables described above. Equation (2) implies that three factors contribute to the growth rate of real GDP: TFP growth, the growth rate of physical capital, and the growth rate of skill-augmented labor. The key parameter is the share in GDP of physical capital (α). As outlined in Annex I, its point estimate in Bangladesh is 32 percent, which implies that the share of labor is 68 percent. These values are within the range of values found in the literature (see references in Annex IV.1).

4. In the simulation exercise, the path for \hat{y}_t is given by the underlying objective to achieve the IDA ceiling (\$885 per capita in 2000) within 25 years.⁴ The level of GDP per capita in Bangladesh in 2000 was \$366, which represents 40 percent of the target level. The interest of this exercise is to assess the feasibility of this objective and examine the combination of factor accumulation, both in physical and human capital, and TFP growth that will achieve the target per capita income level. Annex IV.2 shows the methodology used for the projection of population and labor force.

³Because there are no reliable data for Bangladesh, employment was proxied by labor force.

⁴IDA uses this operational ceiling of \$885 to determine access to highly concessional resources.

5. In the benchmark simulation, the population growth path is given by UN projections.⁵ These projections assume a stepwise decline in population growth from 2 percent in FY00/01 to 1.1 percent in FY26/27. The simulation can be divided into two periods. Most of the reforms and transitional dynamics take place during the first period (FY02/03–FY06/07). During the second period (FY07/08–FY21/27), the economy reaches a steady growth path for GDP per capita of 4.8 percent per year necessary to achieve the IDA ceiling level of income per capita by FY26/27. Note that real GDP growth during that period varies slightly because of the declining population growth.⁶

6. The simulation results are summarized in Table IV.2 and Figures IV.1 and IV.2. During the adjustment period (FY01/02–FY06/07), growth first declines sharply in FY01/02 due to the current unfavorable external environment and the required fiscal and monetary adjustments. Subsequently, growth picks up progressively as appropriate macroeconomic policies and structural reforms help build confidence and a favorable environment for domestic investment. Among the prerequisites for buoyant private investment are improvements in infrastructure, and education and training of the labor force. Thus, the projections make allowance for a modest increase in public investment during the adjustment period despite the necessary fiscal adjustment. The projections also show increased spending in education and on poverty reduction. As the fiscal constraint relaxes, owing to higher growth, public investment reaches 8½ percent of GDP. Private investment increases steadily but its pace picks up only after the adjustment period once the investment environment has significantly improved.

7. TFP growth from the implementation of the structural reform program is the main engine of growth during the adjustment period. Table IV.2 shows TFP steadily increasing during the adjustment period to reach 2.1 percent by FY05/06.⁷ While this implies

⁵The UN projections are only available for five-year intervals. Linear interpolation has been used to construct the annual series.

⁶Alternatively, the growth requirement for achieving the IDA ceiling could have been expressed in terms of a constant growth rate for real GDP (instead of real GDP per capita). The difference would have been that the convergence path for GDP per capita as shown in the first panel of Figure IV.1 would have not been smooth but have reflected the discrete jumps in the population growth path.

⁷Note that TFP includes everything that is not accounted for by factor accumulation. This includes changes in the regulatory framework, changes in the external environment including variations in terms of trade, and all other factors that have a bearing on the efficiency of factor inputs. For example, the negative TFP figure for FY01/02 reflects the fact that output growth is low with respect to the growth rate of factor inputs. The negative external environment during FY01/02 (including an important negative terms-of-trade shock) contributed to a large extent to the negative TFP growth.

Table IV.2. Selected Economic Indicators
Simulation of Achieving IDA Income Level in 25 Years Using WB Population Projections

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2011/12	2016/17	2021/22	2026/27
Activity											
Nominal GDP (Millions of US dollars)	47	47	47	50	54	59	64	95	138	199	286
Ratio of Actual GDP to IDA Level	39.8	38.4	36.5	37.6	39.2	41.2	43.5	53.6	65.9	81.2	100.0
Real GDP Growth	5.2	3.8	4.5	5.0	6.5	7.0	6.5	6.3	6.0	6.0	5.9
Real GDP Per Capita Growth		3.1	1.9	2.6	3.1	4.6	5.1	4.8	4.8	4.8	4.8
Total Factor Productivity Growth	0.4	-0.4	0.0	0.4	1.7	2.1	1.5	1.5	1.4	1.3	1.3
ICOR	4.8	5.8	5.4	5.2	4.2	4.2	4.1	5.3	5.9	6.0	5.9
Capital-Output Ratio	2.2	2.2	2.3	2.3	2.4	2.4	2.4	2.7	3.0	3.2	3.2
Inflation	1.6	3.1	2.0	2.0	1.8	1.5	1.5	1.5	1.5	1.5	1.5
Labor Market											
Population (million)	131	133	136	138	141	143	146	158	169	179	190
Annual Growth Rate	2.0	1.8	1.8	1.8	1.8	1.8	1.7	1.4	1.2	1.1	1.1
Share of Urban Population	25.1	25.7	26.3	26.9	27.5	28.1	28.7	31.9	35.2	38.5	41.8
Labor Force (million)	71	73	75	77	80	82	84	95	105	114	123
Annual Growth Rate	3.1	3.0	3.0	2.9	2.9	2.7	2.7	2.2	1.8	1.6	1.5
As Percent of Population	54	55	55	56	56	57	58	60	62	64	65
Growth in the Index of Human Capital (H)	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.7	1.0	1.7	2.3
Saving-Investment Gap (% of GDP)											
Consumption	84.2	84.9	83.3	81.9	80.4	78.6	77.1	75.8	74.5	73.2	72.0
Public Consumption	6.2	4.5	4.4	4.3	4.3	4.4	4.3	4.3	4.3	4.3	4.3
Private Consumption	77.9	80.4	79.0	77.5	76.1	74.3	72.8	71.5	70.2	68.9	67.7
Investment	22.4	22.5	22.7	24.6	25.8	27.3	28.5	31.0	33.8	33.7	32.7
Public Investment	6.7	5.5	6.5	6.8	7.1	7.1	7.3	7.5	7.0	7.0	7.0
Private Investment	15.7	15.7	16.7	17.8	18.7	20.2	21.2	23.5	26.8	26.7	25.7
Domestic Saving (excluding transfers)	15.8	15.1	16.7	18.1	19.6	21.4	22.9	24.2	25.5	26.8	28.0
Saving-Investment Gap (excluding transfers)	6.5	6.1	6.5	6.5	6.2	5.9	5.6	6.8	8.3	7.0	4.7
Transfers (in percent of GDP)	4.9	5.1	5.0	5.1	5.2	5.2	5.3	4.9	4.6	4.3	4.0
Current Account Deficit (% of GDP)	0.8	1.0	1.6	1.3	1.0	0.7	0.3	1.9	3.7	2.7	0.7
Poverty Indicators											
National Headcount Rate Below Upper Poverty Line	47.9	46.7	45.2	43.4	40.9	38.3	35.6	26.1	19.2	14.1	10.4
Rural Headcount Rate Below Upper Poverty Line	50.9	49.7	48.1	46.2	43.6	40.8	37.9	27.8	20.5	15.0	11.0
Urban Headcount Rate Below Upper Poverty Line	35.2	34.3	33.2	31.9	30.1	28.1	26.1	19.2	14.1	10.4	7.6
National Headcount Rate Below Lower Poverty Line	32.4	31.6	30.6	29.4	27.7	25.9	24.1	17.7	13.0	9.6	7.0
Rural Headcount Rate Below Lower Poverty Line	35.9	35.1	33.9	32.6	30.7	28.8	26.7	19.6	14.4	10.6	7.8
Urban Headcount Rate Below Lower Poverty Line	18.4	17.9	17.3	16.7	15.7	14.7	13.6	10.0	7.4	5.4	4.0

Figure IV.1. Selected Economic Indicators, 2002-27

Simulation of Achieving IDA Income Level in 25 Years Using World Bank Population Projections

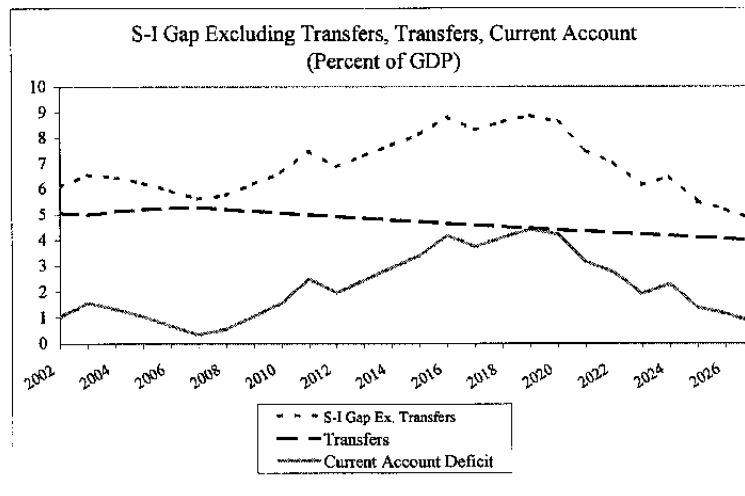
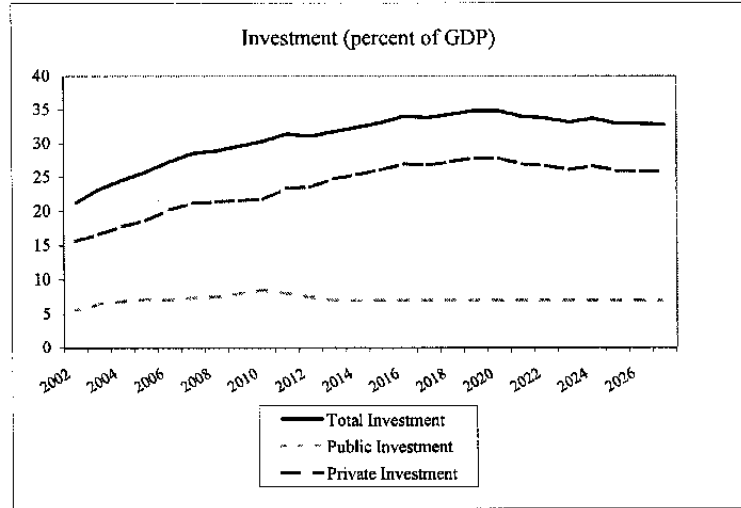
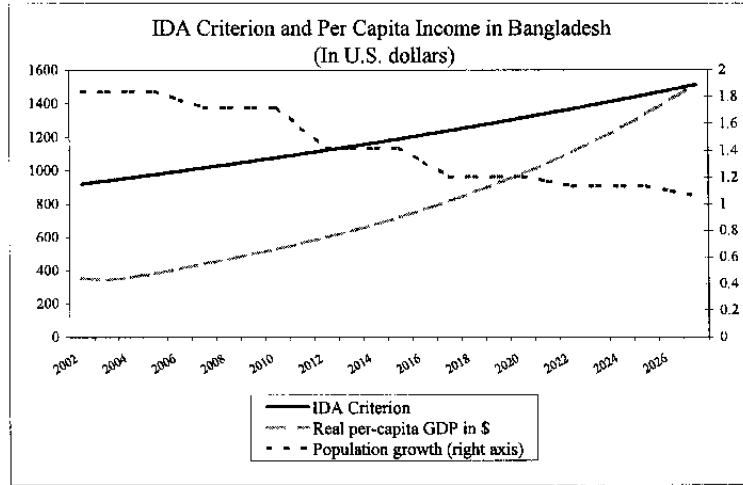
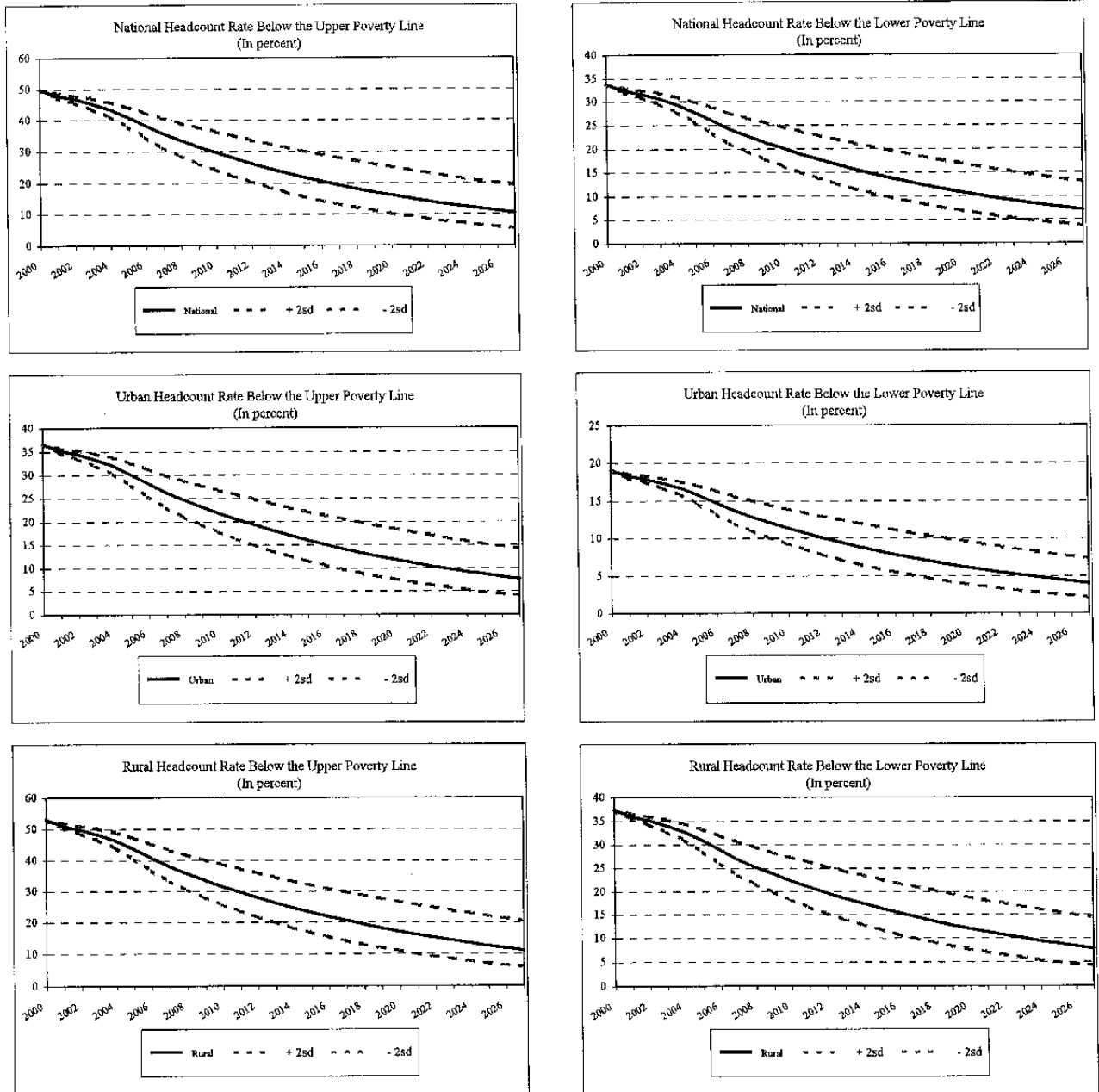


Figure IV.2. Poverty Reduction Implied by the Growth Scenario



important efficiency gains, the Bangladesh economy is still very far from the efficiency frontier and therefore has significant room for improvement. However, as the economy approaches the efficiency frontier, TFP growth will decelerate toward a more sustainable level. In this scenario, it is assumed that after TFP growth reaches a peak of about 2 percent per annum in FY05/06, it starts declining progressively toward its steady-state level of 1¼ percent per annum. To sustain growth, the fall off in TFP growth rate has to come from an acceleration in the growth of factor accumulation. Thus, as TFP growth decelerates, investment both in physical and human capital increase to maintain the constant annual growth rate of 4.8 percent for real GDP per capita.

8. Investment as a share of GDP reaches a maximum of 35 percent by FY18/19 before starting to decline. Even with this ambitious investment plan, the growth of contribution from human capital (as measured by the index H) will have to increase from 0.3 percent in FY00/01 to 2 percent per annum by the end of the simulation period. Obviously, lower levels of human capital growth would have to be compensated either by higher investment or higher TFP growth.

9. An interesting insight from this framework is that TFP growth and improvements in human capital have a much more powerful effect on growth than physical capital accumulation. The reason is twofold. First, physical capital accumulation is subject to decreasing returns while TFP is not and, while human capital is also affected by decreasing returns, returns on human capital decrease at a much slower speed than that of physical capital. Second, what matters for growth is the growth rate of physical capital not the growth rate of investment or investment as a share of GDP. Because the stock of physical capital is about ten times larger than investment, even a significant increase in investment translates into only relatively small increases in the stock of physical capital.

10. The execution of the ambitious plan shown in this scenario requires significant additional resources. So far, Bangladesh has benefited from significant transfers, totaling 5 percent of GDP in FY00/01 alone. About ½ percent of GDP is from official sources and 4½ percent from private sources, of which almost 4 percent originate from workers' remittances. There is a high degree of uncertainty about the projection of these flows over long periods of time. The view reflected here is that these flows may taper off over time as the capacity of neighboring countries to absorb Bangladeshi workers may decrease, and donors' commitment may fade away as the economy reaches a higher sustainable growth path. Consequently, it is assumed that total transfers decline over time to reach 4 percent by FY26/27. However, it is expected that domestic saving will fill the gap. Indeed, there is strong empirical evidence of a negative relationship between consumption as a share of GDP and GDP per capita, to a large extent reflecting the typical decline in household income share as their income increases. Because public consumption is already relatively low (about 4½ percent of GDP), it is assumed that the contraction in the share of consumption in GDP will come from the private sector for which consumption declines from 78 percent of GDP in FY00/01 to about 68 percent in FY26/27. Consequently, domestic saving (excluding transfers) as a share of GDP increases from 15 percent in FY01/02 to 28 percent in FY26/27. The current account deficit increases steadily to reach

4.4 percent of GDP by FY18/19, before gradually declining to less than 1 percent by the end of the simulation period.

C. Poverty Reduction Implied by the Growth Scenario

11. Recent empirical studies have attempted to estimate the link between GDP per capita growth and poverty by estimating the elasticity of poverty with respect to GDP per capita growth.⁸

12. Unfortunately, these are only estimates for the elasticity of poverty with respect to the growth of consumption per capita (Table IV.3). All the elasticity estimates are larger than one which implies that poverty would decline rapidly if the economy were to sustain higher growth levels of consumption per capita. To obtain a direct link between poverty and GDP per capita growth, we multiplied the elasticities in Table IV.3 by two-thirds which is the ratio of GDP per capita growth to consumption per capita growth during the 1990s (the estimation period).

Table IV.3. Elasticity Estimates of Poverty with Respect to Growth for Bangladesh Using the Headcount Rate

	Upper Poverty Line		Lower Poverty Line	
	Elasticity	Standard Error	Elasticity	Standard Error
National	-1.88	0.24	-2.56	0.36
Urban	-2.20	0.34	-3.01	0.56
Rural	-1.29	0.26	-1.76	0.37

Source: *Bangladesh: Poverty Assessment*, World Bank, 2001. These estimates were obtained from the 2000 Bangladesh Household Expenditure Survey. All these estimates are significant at 5 percent level.

13. Assuming that the growth rates required to achieve IDA operational level of income by FY26/27 can be achieved and the elasticities implied by Table IV.3 prevail, poverty, as measured by the headcount rate, would decline rapidly, reaching less than 8 percent for both the rural and urban areas by the end of the simulation period under the lower poverty line, and 11 percent and 7¾ percent for the rural and urban areas, respectively, under the upper

⁸However, the impact of GDP per capita growth on the poor will also depend on how the growing income is divided among the population. In general, if inequality is positively related to GDP per capita growth, its impact on poverty will be dampened by the increased inequality induced by growth.

poverty line.⁹ Under this scenario, Bangladesh could achieve the United Nations International Development Goals (IDG) by FY07/08.¹⁰ These results are consistent with recent World Bank findings.¹¹

14. Having said this, these results need to be interpreted with caution. In particular, the simulation assumes that there are no changes in the distribution of income as the economy grows (i.e., the *net elasticity of poverty with respect to GDP per capita growth* remains constant. It is likely, however, that such elasticity will decrease over time. Consequently, the degree of confidence of this result is likely to decline as the forecasting horizon lengthens.

D. Conclusions

15. A simulation exercise, based on the sources of growth accounting framework, suggests that Bangladesh would need to sustain an average annual growth rate of about 6–6½ percent over the next 25 years to reach the present IDA operational per capita income ceiling of \$885. Achieving this objective will require both significant improvements in productivity as well as much higher factor accumulation, which can best be attained under a stable macroeconomic environment, rapid implementation of the structural reforms, improved governance, and adequate infrastructure.

16. Using recent elasticity estimates of poverty with respect to GDP per capita growth, the simulations show that if such growth path were to be reached, poverty would be significantly reduced. Indeed, Bangladesh could achieve the IDG of reducing extreme poverty earlier than the target date of 2015.

⁹The upper and lower poverty lines represent a confidence interval around the point estimates at a 95 percent confidence level.

¹⁰The IDG goals, to which Bangladesh is a signatory, set targets for reductions in poverty, improvements in health and education, and protection of the environment. The goal for poverty is to reduce the proportion of people living in extreme poverty and proportion of malnourished children by at least one-half by 2015.

¹¹See *Bangladesh: Poverty Assessment*, World Bank, 2001.

ESTIMATION OF THE PRODUCTION FUNCTION

The share of labor in aggregate output has been estimated using the following production function:

$$Y_t = AK_t^\alpha (H_t L_t)^{1-\alpha} \quad (1)$$

where Y_t is real output, A is total factor productivity (TFP), L_t is total employment, and H_t is an index of human capital. The parameter $(1-\alpha)$ yields the share of labor. Expressing Y_t and K_t in per capita (in efficiency units) and taking logs yields:

$$\log(Y_t / (H_t L_t)) = \log(A) + \alpha \log(K_t / H_t L_t) \quad (2)$$

The estimation of the production function raises the issue of whether to estimate it in levels or in first differences. As is well known, the first difference operator removes all the long-run information in the data. One important insight from the cointegration literature is that we know much more about the long-run than the short-run relationship between macroeconomic variables. Consequently, by differencing, we disregard the most valuable part of information in the data. In the context of production function estimation, this point is particularly relevant because the business cycle frequencies of the production process may be dominated by variations in capacity utilization factors that are difficult to measure, especially for developing countries. Therefore, for this study, the estimation of the production function is estimated in levels.

It will be shown below that the two variables entering the production function cannot reject the unit root assumption at conventional significance levels. Using a residual cointegration test shows that the variables are cointegrated. The cointegrating vector has been estimated using the Fully-Modified (FM) estimator which takes into account potential endogeneity of capital and the skill-augmented labor (that is, $H_t L_t$). Furthermore, this method is also robust with respect to the likely autocorrelation of the error term. The FM estimator is an optimal single-equation method based on the use of ordinary least squares with semi-parametric corrections for serial correlation and potential endogeneity of the right-hand variables. The FM estimator has the same asymptotic behavior as the full systems maximum likelihood estimators.¹

¹For details see Hansen, Bruce E., 1992, "Efficient Estimation and Testing of Cointegrating Vectors in the Presence of Deterministic Trends," *Journal of Econometrics*, Vol. 53 (July–September), pp. 87–121; Phillips, Peter C.B., and Bruce E. Hansen, 1990, "Statistical Inference in Instrumental Variables Regression with I(1) Processes," *Review of Economic Studies*, Vol. 57 (January), pp. 99–125; and Phillips, Peter C.B., and Mico Loretan, 1991, "Estimating Long-Run Economic Equilibria," *Review of Economic Studies*, Vol. 58 (May), pp. 407–436.

Source of data

The remainder of this section briefly describes the series Y_t , K_t , L_t , and H_t . K_t was constructed using the *perpetual inventory* method based on the investment series. The geometric depreciation rate was set at 4 percent per year, a value widely used in literature for developing countries. The initial capital stock was derived by assuming an initial capital-output ratio of 2. Because the estimation period starts in 1985 while the construction of K starts in 1977, reasonable variations in the initial capital stock do not change the results significantly. Indeed, using alternative values of 1.5 and 2.5 did not significantly alter the results. Real GDP (Y_t) and labor force (L_t) were taken from the IMF’s *World Economic Outlook* (WEO) database.

The index H_t was provided by Barry Bosworth for 1985 to 1994. The series was extended to 2000, using a quadratic trend. This series was constructed following Barro and Lee’s (1994)² methodology based on educational attainment. H_t is defined as follows:

$$H_t = \sum_{j=1}^7 W_{jt} P_{jt}$$

where P_{jt} represents the share of the population that completed the level of education j , where j varies from 1 (corresponding to the share of the population with no schooling) to 7 (corresponding to beyond secondary education). W_{jt} represents aggregation weights based on the observed relative earnings of the different educational groups.³

Estimation results

The unit-root hypothesis is tested using the Augmented-Dickey-Fuller (ADF) test, which amounts to running the following set of regressions for the two variables entering the production function (equation (2)):

$$y_t = \mu + \gamma + \phi_0 y_{t-1} + \sum_{i=1}^{k-1} \phi_i \Delta y_{t-i} + \xi_t, \quad k = 1, \dots, 5 \tag{3}$$

The lag length (k) in the ADF regression is selected using the Schwarz Information Criterion (SIC). The following table presents the test results.

²See Barro, Robert J., and Jong-Wha Lee, 1994, “International Comparisons of Educational Attainment,” *Journal of Monetary Economics*, Volume 32 (December), pp. 363–394.

³For further details see Collins, Susan, and Barry Bosworth, 1996, “Economic Growth in East Asia: Accumulation Versus Assimilation,” *Brookings Papers on Economic Activity* : 2, pp. 135–203.

ADF Test Results

	ADF Statistic	Lag Length k
$\log(Y_t/(H_tL_t))$	-1.97	2
$\log(K_t/(H_tL_t))$	-0.82	2

The critical values for the 1 percent, 5 percent, and 10 percent levels are - 4.89, -3.82, and -3.36. Therefore, the unit-root hypothesis cannot be rejected even at the 10 percent level. The estimated production share of the physical capital (α), using the FM estimator, is 0.32 with a t -statistic of 6.71, and thus the estimate is statistically significant at the 1 percent level.

PROJECTION OF EXOGENOUS VARIABLES

Population

Interpolated using the World Bank 5-year figures for 2000–50. For 1990–99, growth rates from WEO population series were used to extend World Bank series backward.

Labor force

WEO figures for 1990–06 were used. For 2007–26, a logistic function for the ratio (labor force/population) was estimated and the estimated function was used to project labor force.¹ The estimated logistic function is:

$$lf_t / pop_t = \exp[-1.10182 + .00442(t - 2006)] \quad (4)$$

where lf_t/pop_t is the ratio of labor force to population in year t .

¹The choice of the functional form takes into account the fact that the ratio of labor force to population is bounded between 0 and 1.

Table 1. Bangladesh: Gross Domestic Product at Current Prices, 1996/97–2000/01

(In billions of taka)

	1996/97	1997/98	1998/99	1999/00	Prov. 2000/01
Agriculture and forestry	350	381	430	447	456
Crops and horticulture	260	284	324	334	341
Animal farming	57	60	64	69	69
Forest and related services	34	37	42	44	47
Fishing	96	109	125	137	134
Mining and quarrying	18	20	21	23	26
Natural gas and crude petroleum	10	10	11	13	15
Other mining and quarrying	8	9	10	10	11
Manufacturing	271	313	328	348	379
Large- and medium-scale	190	222	235	249	270
Small-scale	80	91	93	99	109
Electricity, gas, and water	26	26	28	31	33
Electricity	22	22	24	26	28
Gas	3	3	3	3	4
Water	1	1	1	1	2
Construction	122	139	156	176	193
Wholesale and retail trade	220	248	272	292	325
Hotel and restaurants	10	12	13	15	16
Transport, storage, and communication	156	167	180	197	221
Land transport	110	120	131	145	161
Water transport	23	23	24	25	26
Air transport	2	3	3	4	4
Support transport services, storage	6	6	7	8	9
Post and telecommunications	14	15	16	16	21
Financial intermediation	28	30	34	36	39
Bank	22	24	26	28	30
Insurance	4	5	6	7	8
Others	1	1	1	2	2
Real estate, renting, and business activities	163	176	196	211	224
Public administration and defense	44	50	56	62	67
Education	36	41	47	54	59
Health and social works	39	44	48	54	57
Community, social, and personal services	154	170	185	204	217
GDP at current market price	1,807	2,002	2,197	2,371	2,533

Source: Bangladesh Bureau of Statistics.

Table 2. Bangladesh: Sectoral Growth Rates at Constant Prices, 1996/97–2000/01 1/

(Annual percentage change)

	1996/97	1997/98	1998/99	1999/00	Prov. 2000/01
Agriculture and forestry	5.6	1.6	3.2	6.9	5.5
Crops and horticulture	6.4	1.1	3.1	8.1	6.2
Animal farming	2.6	2.6	2.7	2.7	2.8
Forest and related services	4.0	4.5	5.2	4.9	4.9
Fishing	7.6	9.0	10.0	8.9	-4.5
Mining and quarrying	3.6	5.8	1.3	9.5	9.8
Natural gas and crude petroleum	-1.0	4.8	-2.5	14.6	14.0
Other mining and quarrying	10.2	7.0	6.2	3.5	4.2
Manufacturing	5.1	8.5	3.2	4.8	6.3
Large- and medium-scale	3.3	9.3	4.2	4.9	6.0
Small-scale	7.8	6.8	0.8	5.8	7.0
Electricity, gas, and water	1.9	2.0	6.0	6.8	7.4
Electricity	2.0	1.3	6.8	6.9	7.6
Gas	1.4	5.3	0.6	5.6	6.1
Water	2.5	7.2	6.4	8.1	7.1
Construction	8.6	9.5	8.9	8.5	8.7
Wholesale and retail trade	5.5	6.0	6.5	7.3	6.0
Hotel and restaurants	5.0	6.5	6.7	6.9	7.0
Transport, storage, and communication	5.5	5.7	5.9	6.1	7.9
Land transport	5.4	6.8	6.6	6.3	6.4
Water transport	-0.8	-0.9	1.6	1.8	0.6
Air transport	-10.7	16.9	14.5	16.8	4.6
Support transport services, storage	0.7	3.4	4.2	13.2	18.1
Post and telecommunications	25.6	7.4	6.0	5.6	26.9
Financial intermediation	5.1	5.3	5.4	5.5	5.5
Bank	2.3	3.5	3.9	3.9	4.0
Insurance	13.3	15.0	13.1	13.1	13.5
Others	45.3	6.5	6.2	5.5	0.0
Real estate, renting, and business activities	3.5	3.8	3.8	3.8	3.4
Public administration and defense	5.5	5.9	5.7	6.0	5.9
Education	4.8	8.1	7.7	7.7	7.1
Health and social works	3.9	4.6	4.6	4.8	4.9
Community, social, and personal services	2.8	2.9	3.0	3.1	3.2
Import duty	9.6	2.6	2.0	1.3	...
GDP at constant market price	5.4	5.2	4.9	5.9	5.2

Source: Bangladesh Bureau of Statistics.

1/ Data based on 1995/96 benchmark and prices.

Table 3. Bangladesh: Gross Domestic Product by Expenditure at Current Prices, 1996/97–2000/01

	1996/97	1997/98	1998/99	1999/00	Prov. 2000/01
(In billions of taka)					
Consumption	1,520	1,653	1,808	1,947	2,079
Private	1,441	1,559	1,707	1,839	1,965
General government	79	95	101	108	114
Investment	374	433	488	546	585
Private	248	306	340	370	402
Public	127	127	148	176	184
Domestic demand	1,894	2,086	2,296	2,493	2,664
Net exports	-109	-99	-120	-124	-155
Exports of goods and nonfactor services	217	267	290	331	390
Imports of goods and nonfactor services	326	366	410	456	545
Gross domestic expenditure (GDE)	1,785	1,987	2,175	2,368	2,509
Statistical discrepancy	22	15	22	2	23
GDP at market prices	1,807	2,002	2,197	2,371	2,533
Net factor income from abroad	58	65	76	87	88
Gross national income	1,865	2,067	2,272	2,458	2,621
Net current transfers from abroad	44	22	26	37	23
Gross disposable national income	1,910	2,089	2,298	2,495	2,644
Gross national saving	390	436	490	548	565
Gross domestic saving 1/	266	334	368	421	430
Gross domestic saving 2/	287	349	389	424	453
Foreign saving 3/	-6	-12	-19	-1	-43
(In percent of GDP)					
Consumption	84.1	82.6	82.3	82.1	82.1
Private	79.7	77.9	77.7	77.5	77.6
General government	4.4	4.7	4.6	4.6	4.5
Investment	20.7	21.6	22.2	23.0	23.1
Private	13.7	15.3	15.5	15.6	15.9
Public	7.0	6.4	6.7	7.4	7.3
Domestic demand	...	...	...	...	...
Net exports	-6.0	-4.9	-5.5	-5.2	-6.1
Exports of goods and nonfactor services	12.0	13.3	13.2	14.0	15.4
Imports of goods and nonfactor services	18.0	18.3	18.7	19.2	21.5
Statistical discrepancy	1.2	0.7	1.0	0.1	0.9
GDP at market prices	100.0	100.0	100.0	100.0	100.0
Memorandum items:					
Gross national saving	21.6	21.8	22.3	23.1	22.3
Gross domestic saving 1/	15.9	17.4	17.7	17.9	17.9
Gross domestic saving 2/	15.9	17.4	17.7	17.9	17.9
Foreign saving 3/	-0.35	-0.6	-0.9	0.0	-1.7

Source: Bangladesh Bureau of Statistics.

1/ GDE minus consumption.

2/ GDP minus consumption.

3/ National saving minus gross investment.

Table 4. Bangladesh: Agricultural Production, 1996/97–2000/01

	1996/97	1997/98	1998/99	1999/00	2000/01
(In millions of metric tons; unless otherwise indicated)					
Foodgrain	20	21	22	25	27
Rice	19	19	20	23	25
Aus	2	2	2	2	2
Aman	10	9	8	10	11
Boro	7	8	11	11	12
Wheat	1	2	2	2	2
Jute (million bales)	5	6	5	4	5
Tea (million kilograms)	53	51	56	57	51 1/
Cotton ('000 bales)	79	78	84	78	78 1/
Oilseed	1	1	1	0	0
Pulses	1	1	1	0	0
Potatoes	2	2	3	3	3
Tobacco ('000 metric tons)	38	37	29	35	40
Sugarcane	8	7	7	7	7
Fruits	2	2	1	1	2
Vegetables	1	1	2	2	2
(In millions of acres)					
Area under cultivation	34	34	33	35	...
Foodgrain	27	27	27	28	...
Rice	26	25	25	26	...
Aus	4	4	4	3	3
Aman	14	15	13	14	14
Boro	7	7	9	9	9
Wheat	2	2	2	2	2
Jute	1	1	1	1	1
Other	5	5	5	5	...
(In thousands; end of period)					
Operating irrigation equipment					
Deep tubewells	25	25	27	24	24
Shallow tubewells	630	690	736	708	887
Low-lift pumps	63	64	93	58	68

Sources: Bangladesh Bureau of Statistics; Ministry of Agriculture; Ministry of Food; and BADC.

1/ Provisional.

Table 5. Bangladesh: Jute Goods Statistics, 1996/97–2000/01

	1996/97	1997/98	1998/99	1999/00	2000/01
	(In thousands of metric tons)				
Total availability	549	611	651	607	603
Initial stock	29	51	141	118	120
Production	520	560	510	489	483
Domestic use	90	100	87	93	87
Exports 1/	407	370	433	424	414
Hessian	79	70	106	86	76
Sacking	153	140	138	124	145
Carpet backing	33	30	26	34	32
Other	142	130	164	180	161
Adjustments	1	0	13	-30	33
Closing stock	51	141	118	120	69
	(In U.S. dollars per metric ton)				
Memorandum item:					
Export prices					
Hessian	873	710	626	655	673
Sacking	581	545	409	403	390
Carpet backing	806	750	715	698	691

Sources: Bangladesh Jute Mills Corporation; and Ministry of Jute.

1/ Figures shown do not correspond to balance of payments data; some private mill production of jute yarns and twine is not included.

Table 6. Bangladesh: Public Food Distribution, 1997/98–2001/02

(In thousands of metric tons)

	1997/98	1998/99	1999/00	2000/01	Est. 2001/02
Opening stocks	861	629	1,198	1,091	867
Rice	395	351	695	563	422
Wheat	466	278	503	528	445
Domestic procurement	617	752	968	1,088	902
Rice	399	495	757	823	602
Wheat	218	257	211	265	300
Imports	796	1,996	870	491	697
Rice	92	393	5	32	0
Aid imports	0	59	5	32	0
Commercial imports	92	334	0	0	150
Wheat	704	1,603	865	459	697
Aid imports	549	1,174	865	459	497
Commercial imports	155	429	0	0	200
Offtake	1,621	2,134	1,901	1,774	1,576
Rice	529	530	876	983	691
Ration sales	125	142	132	128	135
Food for work	3	8	335	315	110
Food for education	71	60	112	141	100
VGD, VGF, and relief	167	318	297	399	346
Open market sales	163	2	0	0	0
Wheat	1,092	1,604	1,025	791	885
Ration sales	102	109	140	106	113
Food for work	466	690	420	274	468
Food for education	270	227	174	160	150
VGD, VGF, and relief	247	571	271	218	139
Flour mills	8	7	20	5	15
Open market sales	0	0	0	28	0
Losses	24	46	18	29	29
Rice	6	14	26	13	14
Wheat	18	31	44	16	15
Closing stocks	629	1,198	1,091	867	861
Rice	351	695	563	422	319
Wheat	278	503	528	445	542

Source: Ministry of Food.

Table 7. Bangladesh: Fertilizer Statistics, 1997/98–2001/02

	1997/98	1998/99	1999/00	2000/01	2001/02 1/
	(In thousands of metric tons)				
Total availability	2,319	2,286	2,604	2,646	2,119
Opening stock	130	452	388	462	858
Domestic production	1,883	1,607	1,704	1,883	773
Imports	306	227	512	301	488
Sales	1,867	1,898	2,142	1,788	839
Local	1,867	1,874	...	...	...
Exports	0	24	...	...	...
Closing stock	452	388	462	858	1,280
	(In taka per metric ton)				
Domestic wholesale prices					
Urea	4,800	4,800	4,800	4,800	4,800
Single superphosphate	3,900	3,900	3,900	3,900	3,900
Triple superphosphate	8,500	8,500	8,500	8,500	8,500

Source: Bangladesh Chemical Industries Corporation.

1/ Figures as of December 2001.

Table 8. Bangladesh: Manufacturing Production by Main Categories, 1996/97–2000/01 1/

	Weights	1996/97	1997/98	1998/99	1999/00	2000/01
		(Volume index; 1988/89 = 100)				
Overall	100	179	196	204	214	227
Food, beverages, and tobacco	22	163	171	169	181	187
Jute, textiles, and leather	38	196	222	248	262	281
<i>Of which: Garments</i>	9	507	667	700	766	841
Wood products	0	151	158	169	176	183
Paper and paper products	5	259	260	285	288	298
Chemicals, fertilizer, petroleum, and rubber	24	179	183	181	185	198
Nonmetallic products	3	141	150	202	248	259
Basic metal products	2	173	186	163	170	187
Fabricated metal products	6	96	103	107	98	99
		(Annual percentage change)				
Overall	100	3	9	4	5	6
Food, beverages, and tobacco	22	-1	5	-1	7	3
Jute, textiles, and leather	38	9	17	8	6	7
<i>Of which: Garments</i>	9	15	32	5	10	10
Wood products	0	10	5	6	5	4
Paper and paper products	5	-1	1	10	1	3
Chemicals, fertilizer, petroleum, and rubber	24	-2	3	-1	2	7
Nonmetallic products	3	24	6	35	22	5
Basic metal products	2	8	8	-12	4	10
Fabricated metal products	6	6	7	2	-9	1

Source: Bangladesh Bureau of Statistics.

1/ Excluding mining and electricity.

Table 9. Bangladesh: Energy Statistics, 1997/98–2001/02

	1997/98	1998/99	1999/00	Rev. 2000/01	Est. 2001/02
(In thousands of metric tons)					
Petroleum products					
Imports	1,422	2,222	2,206	2,265	2,465
Domestically refined	1,426	973	1,340	1,319	1,350
Consumption	2,578	3,000	3,487	3,572	3,715
Exports and change in stocks	270	195	59	12	100
(In millions of cubic feet)					
Natural gas					
Production	282,007	307,476	331,247	372,690	387,630
Consumption	265,432	291,042	309,533	349,471 1/	365,000
Power	123,551	140,817	148,865	175,267	180,675
Fertilizer	80,074	82,707	84,900	88,431	85,775
Industry	32,315	35,793	41,978	47,990	58,035
Commercial	4,607	4,705	4,845	5,154	5,840
Domestic	24,885	27,020	28,945	31,855	34,675
System losses	16,575	16,434	21,714	23,219	22,630
(In millions of kilowatt hours)					
Electricity					
Generation	12,882	13,872	14,319	14,828	...
Of which: Based on natural gas	10,897	12,278	12,603	13,266	...
System losses (gross)	2,706	...	...	...	...
System losses (net)	2,018	2,286	2,270	2,252	...

Sources: Data provided by the Bangladesh authorities; BPDB; BOGMC; and BPC.

1/ Including 774 million cubic feet for use by the production and transport and distribution companies.

Table 10. Bangladesh: Retail Prices of Petroleum Products, 1996/97–2000/01

(End of period)

	1996/97	1997/98	1998/99	1999/00	2000/01
	(In taka per liter)				
Premium gasoline	14.65	23.00	23.00	23.00	25.00
Regular gasoline	13.70	21.00	21.00	21.00	23.00
Kerosene	12.70	12.95	12.95	12.95	15.50
Diesel oil	12.70	12.95	12.95	12.95	15.50
Fuel oil	4.51	5.00	5.00	5.00	6.50
Jet oil	16.62	16.62	16.62	16.62	19.05
	(In U.S. dollars per gallon)				
Premium gasoline	1.27	1.85	1.79	1.71	1.74
Regular gasoline	1.19	1.68	1.63	1.56	1.60
Kerosene	1.10	1.03	1.01	0.96	1.08
Diesel oil	1.10	1.03	1.01	0.96	1.08
Fuel oil	0.39	0.41	0.39	0.37	0.45
Jet oil	1.44	1.32	1.29	1.24	1.33
Memorandum item: Average crude price (US\$/barrel)	20.90	12.48	12.61	25.15	31.05

Source: Bangladesh Petroleum Corporation.

Table 11. Bangladesh: Consumer Price Index, National
(Based on 1985/86 weights; percentage change)

Period	General	Food beverage and tobacco	Nonfood							
			Total nonfood	Clothing and footwear	Gross rent fuel and lighting	Furniture furnishing household equipments and operation	Medical care and health expenses	Transport and communi- cations	Recreation enter- tainment education and cultural services	Misc. goods and services
Weights	100.0	64.5	35.5	5.9	15.0	2.6	1.4	3.3	3.0	4.3
(Annual average percentage changes)										
1991/92	4.6	4.2	5.3	3.1	6.2	4.2	7.6	1.9	8.5	5.3
1992/93	2.7	1.9	4.3	3.5	5.1	3.0	6.1	1.3	5.6	4.4
1993/94	3.3	2.9	3.9	1.6	4.6	2.3	4.3	2.3	5.8	5.0
1994/95	8.9	9.3	8.2	1.9	11.4	2.3	4.5	10.5	10.1	5.7
1995/96	6.7	7.0	5.8	4.5	7.3	5.2	2.6	1.4	10.4	3.9
1996/97	2.5	1.4	4.8	4.7	5.3	6.3	1.1	3.0	5.7	4.1
1997/98	7.0	7.1	6.7	4.6	6.3	9.8	4.8	5.8	6.8	10.5
1998/99	8.4	11.8	4.0	4.0	4.2	3.3	6.7	1.4	7.1	3.2
1999/00	3.9	4.1	3.4	4.2	2.1	2.5	5.6	7.3	3.1	3.2
2000/01	1.6	1.0	2.8	2.9	2.2	2.2	4.0	5.1	3.0	2.4
(End of period, 12-month percentage changes)										
1999/00										
July	6.5	8.9	2.9	4.2	3.1	3.4	5.9	4.0	4.2	3.0
August	4.6	6.0	2.6	4.3	2.8	3.0	5.6	4.2	3.6	3.0
September	4.0	5.2	2.3	4.2	2.5	3.0	5.7	4.9	3.3	2.9
October	3.9	4.3	3.3	4.1	2.4	2.6	6.0	6.5	2.9	2.6
November	3.9	4.1	3.5	4.2	2.5	2.7	6.1	7.9	2.9	2.9
December	3.8	3.9	3.6	4.5	2.4	2.1	5.6	8.2	3.1	3.7
January	3.8	3.8	3.6	4.6	2.1	1.9	6.4	9.0	3.0	3.7
February	3.2	3.1	3.5	4.4	1.9	2.2	5.8	9.0	3.0	3.6
March	3.2	3.1	3.5	4.2	1.9	2.6	5.5	9.2	3.1	3.5
April	3.1	2.9	3.4	4.2	1.8	2.6	5.4	9.7	3.0	3.4
May	2.2	2.1	2.5	3.4	0.9	2.2	4.5	7.7	2.4	2.9
June	2.3	2.2	2.5	3.8	1.0	2.0	4.7	7.3	2.3	2.9
2000/01										
July	2.2	2.0	2.5	3.5	1.1	1.7	3.6	7.2	2.3	2.9
August	2.2	2.0	2.6	3.6	1.1	1.7	3.8	7.8	2.2	3.0
September	2.1	1.7	2.6	3.5	2.4	2.0	3.7	7.4	2.0	2.9
October	1.1	0.9	2.1	3.5	2.4	2.0	3.2	6.0	1.9	2.9
November	0.8	0.4	2.0	3.2	2.4	2.1	3.7	4.7	1.8	2.8
December	0.7	0.5	1.7	2.5	2.4	2.3	3.8	4.5	1.4	1.7
January	0.3	-0.2	1.9	2.5	2.4	2.3	3.6	4.2	4.1	1.8
February	1.0	0.0	2.0	2.4	2.4	2.4	3.9	4.3	4.3	2.0
March	1.5	0.8	2.8	2.5	2.4	2.3	4.2	4.2	4.2	2.0
April	1.6	0.9	2.9	2.5	2.4	2.4	4.3	3.7	4.4	2.2
May	1.5	0.7	3.1	2.8	2.5	2.5	5.0	3.9	4.9	2.1
June	1.7	0.9	3.1	2.5	2.6	2.8	4.8	4.0	5.0	2.3
2001/02										
July	1.8	0.9	3.3	2.6	2.5	3.0	5.1	4.2	5.8	2.5
August	1.7	0.9	3.2	2.4	2.5	3.0	5.0	3.8	7.0	2.4
September	1.7	1.2	2.7	2.5	1.3	2.8	5.1	3.6	6.9	2.4
October	1.7	1.1	2.8	2.4	1.5	2.9	5.0	3.8	6.8	2.5
November	1.2	0.4	2.8	2.5	1.4	3.0	5.1	4.2	8.8	2.5
December	2.0	0.9	4.1	2.6	3.8	3.5	5.5	5.1	9.0	1.4

Source: Bangladesh Bureau of Statistics.

Table 12. Bangladesh: Labor Market Statistics, 1990/91–1999/00 1/

	1990/91	1995/96	1998/99	1999/00
Total population (in millions)	112	122	-128	131
Male	57	63	...	...
Female	54	59	...	...
Population growth rate (percent) 2/	2	2	-2	1
Total labor force (in millions) 3/	51	56	...	58
Male	31	35	...	36
Female	20	21	...	22
Types of employment (in percent)	100.0	100.0	...	100.0
Formal	11.7	12.4	...	13.1
Nonformal	87.9	87.6	...	86.9
Family-based	47.2	40.1	...	37.0
Daily basis	13.9	17.9	...	17.6
Self-employment	26.8	29.6	...	32.3
Employment by sector (in percent)	100.0	100.0	...	100.0
Agriculture, forest, fisheries	66.4	63.2	...	62.5
Mining and quarrying	...	...	...	0.5
Manufacturing	11.8	7.5	...	7.6
Electricity, gas, and water	0.1	0.2	...	0.2
Construction	1.0	1.8	...	2.1
Trade services	8.5	11.2	...	12.0
Transport and communication	3.2	4.2	...	4.6
Finance and business service	0.6	0.4	...	0.5
Community and personal service	3.8	9.3	...	10.0
Others	4.5	2.2	...	10.0
Wage rate index (general) (1969-70=100)	1,482	1,900	-2,259	2,390
Agriculture	1,321	1,738	-1,950	2,037
Manufacturing	1,575	2,064	-2,522	2,701
Construction	1,487	1,754	-2,163	2,286
CPI for industrial workers (1969-70=100)	1,386	1,674	-1,921	1,973

Source: Bangladesh Bureau of Statistics.

1/ Based on labor force surveys.

2/ Natural growth rate (crude birth rate minus crude death rate).

3/ Aged 10 years and above.

Table 13. Bangladesh: Central Government Operations, 1997/98-2001/02 1/

	1997/98	1998/99	1999/00	Budget 2000/01	Est.	Budget 2001/02
(In billions of taka)						
Total revenue	185.5	188.9	203.7	243.0	228.1	274.6
Tax	147.0	153.1	158.4	192.8	191.1	220.2
NBR taxes	138.0	144.3	148.8	180.0	181.2	207.3
VAT, supplementary duties, excises	74.5	76.1	83.8	94.1	102.2	112.8
Income and profits	20.0	22.2	23.3	38.0	30.7	41.0
International trade	43.5	46.0	41.6	47.9	48.3	53.5
Non-NBR taxes	9.0	8.8	9.6	12.8	9.9	12.9
Nontax	38.5	35.8	45.3	50.3	37.0	54.3
Total expenditure	267.0	300.8	341.9	390.2	357.3	429.6
Current expenditure	143.2	166.1	184.3	203.2	197.2	222.6
Pay and allowances	46.5	41.3	56.0	58.2	63.1	61.4
Interest	23.3	31.2	37.6	37.5	40.5	45.6
Subsidies and transfers	41.3	44.4	46.7	53.4	49.3	63.1
Unallocated expenditure	0.7	32.0	7.5	18.1	10.2	19.9
Food account surplus(-)/deficit(+)	3.2	7.0	0.4	4.0	6.5	9.8
Annual Development Program (ADP) 2/	113.0	123.2	152.0	172.5	152.6	187.5
Non-ADP capital and net lending	7.5	4.5	5.1	10.5	1.0	9.7
Residual 3/	0.0	0.0	0.0	-5.8	1.0	0.0
Overall budget deficit	81.5	111.9	138.2	147.1	130.2	155.0
Net foreign financing 4/	50.0	61.9	61.7	69.4	51.4	77.5
Disbursements	65.5	79.3	82.7	94.2	73.7	102.2
Amortization	-15.5	-17.4	-21.0	-24.8	-22.3	-24.7
Net domestic financing	31.5	50.0	76.5	77.7	78.8	77.5
Banking system 5/	12.6	27.1	38.6	35.1	36.8	28.6
Other domestic 6/	18.9	22.8	37.9	42.6	42.0	48.9
(In percent of GDP)						
Total revenue	9.3	8.6	8.6	9.6	9.0	9.7
Tax	7.3	7.0	6.7	7.6	7.5	7.8
NBR taxes	6.9	6.6	6.3	7.1	7.2	7.4
VAT, supplementary duties, excises	3.7	3.5	3.5	3.7	4.0	4.0
Income and profits	1.0	1.0	1.0	1.5	1.2	1.5
International trade	2.2	2.1	1.8	1.9	1.9	1.9
Non-NBR taxes	0.5	0.4	0.4	0.5	0.4	0.5
Nontax	1.9	1.6	1.9	2.0	1.5	1.9
Total expenditure	13.3	13.7	14.4	15.4	14.1	15.2
Current expenditure	7.2	7.6	7.8	8.0	7.8	7.9
Food account surplus(-)/deficit(+)	0.2	0.3	0.0	0.2	0.3	0.3
Annual Development Program (ADP) 2/	5.6	5.6	6.4	6.8	6.0	6.7
Non-ADP capital and net lending	0.4	0.2	0.2	0.4	0.0	0.3
Residual 3/	0.0	0.0	0.0	0.0	0.0	0.0
Overall budget balance	-4.1	-5.1	-5.8	-5.8	-5.1	-5.5
Net foreign financing 4/	2.5	2.8	2.6	2.7	2.0	2.8
Net domestic financing	1.6	2.3	3.2	3.1	3.1	2.8
Bank 5/	0.6	1.2	1.6	1.4	1.5	1.0
Nonbank 6/	0.9	1.0	1.6	1.7	1.7	1.7
Memorandum items:						
Public debt	44.4	43.2	48.9	50.2	52.9	53.5
External	31.8	29.0	34.4	34.4	35.3	35.3
Domestic	12.6	14.2	14.4	15.8	17.6	18.2

Sources: Data provided by the Bangladesh authorities; and Fund staff estimates.

1/ Fiscal year ending June 30.

2/ Includes capital spending, net lending, and from 1997/98, the Food-for-Work program.

3/ Difference between revenues and expenditures above-the-line and the estimated total financing below-the-line.

4/ Includes foreign grants and loans.

5/ Consistent with net claims on central government in the monetary accounts; excludes net claims on railways, telephone and telegraph, and other bodies.

6/ Includes financing through National Savings schemes, prize and wage bonds, and the surplus of the National Provident Fund.

Table 14. Bangladesh: Central Government Revenues, 1997/98-2001/02 1/

	1997/98	1998/99	1999/00	Budget 2000/01	Est.	Budget 2001/02
(In billions of taka)						
Total revenue	185.5	188.9	203.7	243.0	228.1	274.6
Tax revenue	147.0	153.1	158.4	192.8	191.1	220.2
NBR taxes	138.0	144.3	148.8	180.0	181.2	207.3
VAT and supplementary duties	69.8	70.9	81.6	89.8	96.8	108.3
VAT	46.4	47.2	52.9	59.4	63.1	69.8
Import	29.5	30.4	30.6	33.9	36.0	39.8
Domestic	16.9	16.8	22.3	25.5	27.1	30.0
Supplementary duties	23.4	23.7	28.7	30.4	33.7	38.5
Import	6.2	7.7	11.6	8.6	9.5	14.0
Domestic	17.2	15.9	17.1	21.8	24.1	24.5
Excise taxes	2.2	1.8	0.0	2.8	0.0	3.0
Customs duties	43.5	46.0	41.6	47.9	48.3	53.5
Income and profit taxes	20.0	22.2	23.3	38.0	30.7	41.0
Other taxes	2.5	3.4	2.2	1.6	5.4	1.5
NonNBR taxes	9.0	8.8	9.6	12.8	9.9	12.9
Nontax revenue	38.5	35.8	45.3	50.3	37.0	54.3
(In percent of GDP)						
Total revenue	9.3	8.6	8.6	9.2	9.0	9.7
Tax revenue	7.3	7.0	6.7	7.3	7.5	7.7
NBR taxes	6.9	6.6	6.3	6.8	7.2	7.3
VAT and supplementary duties	3.5	3.2	3.4	3.4	3.8	3.8
VAT	2.3	2.1	2.2	2.2	2.5	2.5
Supplementary duties	1.2	1.1	1.2	1.1	1.3	1.4
Excise taxes	0.1	0.1	0.0	0.1	0.0	0.1
Customs duties	2.2	2.1	1.8	1.8	1.9	1.9
Income and profit taxes	1.0	1.0	1.0	1.4	1.2	1.4
Other taxes	0.1	0.2	0.1	0.1	0.2	0.1
NonNBR taxes	0.5	0.4	0.4	0.5	0.4	0.5
Nontax revenue	1.9	1.6	1.9	1.9	1.5	1.9

Sources: Data provided by the Bangladesh authorities; and Fund staff estimates.

1/ Fiscal year ending June 30.

Table 15. Bangladesh: Central Government Current Expenditure by Economic Classification, 1997/98-2001/02 1/

	1997/98	1998/99	1999/00	Budget 2000/01	Est.	Budget 2001/02
(In billions of taka)						
Current expenditure	143.2	166.1	184.3	203.2	197.2	222.6
Goods and services	78.6	59.0	92.5	94.2	97.2	94.0
Pay and allowances	46.5	41.3	56.0	58.2	63.1	61.4
Operations and maintenance	6.2	5.6	7.9	8.7	8.9	9.5
Works	2.3	0.7	2.7	2.6	2.7	3.0
Other contingencies	23.7	11.3	25.8	24.8	22.4	20.1
Interest payments	23.3	31.2	37.6	37.5	40.5	45.6
Domestic	16.0	24.9	30.8	29.3	31.9	35.9
Foreign	7.3	6.3	6.9	8.2	8.6	9.7
Subsidies and current transfers	41.3	44.4	46.7	53.4	49.3	63.1
Unallocated	0.7	32.0	7.5	18.1	10.2	19.9
Recoveries (-)	-0.7	-0.5	0.0	0.0	0.0	0.0
(In percent of GDP)						
Current expenditure	7.2	7.6	7.8	7.7	7.8	7.8
Goods and services	3.9	2.7	3.9	4.2	3.8	3.3
<i>Of which</i> : Pay and allowances	2.3	1.9	2.4	2.2	2.5	2.2
Interest payments	1.2	1.4	1.6	1.4	1.6	1.6
Subsidies and current transfers	2.1	2.0	2.0	2.0	1.9	2.2

Source: Data provided by the Bangladesh authorities.

1/ Fiscal year ending June 30.

Table 16. Bangladesh: Annual Development Program by Sector, 1997/98-2001/02 1/

	1997/98	Est.			Budget 2001/02
		1998/99	1999/00	2000/01	
(In billions of taka)					
Agriculture and water resources	25.4	27.5	36.8	37.0	34.7
Agriculture	6.0	6.1	7.2	8.8	9.4
Rural development	9.0	12.7	18.9	18.2	16.5
Water and flood control	10.4	8.8	10.7	10.0	8.9
Industry	1.2	1.0	2.6	3.7	3.9
Power, scientific research, and natural resources	18.8	21.0	27.3	29.5	30.7
Transport 2/	22.6	22.5	26.9	26.3	34.6
Communication	3.9	3.9	5.1	4.9	6.6
Physical planning and housing	6.0	6.9	10.8	12.1	14.6
Education	14.9	16.9	19.8	22.9	24.3
Health, population, and family planning	11.7	10.2	12.5	17.0	17.3
Social welfare 3/	1.6	1.7	1.7	2.3	2.4
Other sectoral	1.4	0.9	0.1	0.0	0.0
Non-sectoral expenditure					
Block allocations	10.9	8.7	7.6	10.5	13.3
<i>Of which: Food for Work</i>	5.7	5.3	4.9	3.5	3.7
Technical assistance	3.0	3.2	3.5	5.1	4.1
Self-financing	1.7	1.8	2.7	2.6	2.6
Domestic	1.7	1.8	2.7	2.5	2.5
Foreign	0.0	0.0	0.0	0.1	0.1
Total ADP	122.0	125.1	154.7	175.0	190.0
(In percent of total ADP)					
Agriculture and water resources	20.8	22.0	23.8	21.2	18.3
Agriculture	4.9	4.9	4.7	5.0	4.9
Rural Development	7.4	10.1	12.2	10.4	8.7
Water and flood control	8.5	7.0	6.9	5.7	4.7
Industry	1.0	0.8	1.7	2.1	2.0
Power, scientific research, and natural resources	15.4	16.8	17.6	16.9	16.2
Transport 2/	18.5	17.9	17.4	15.0	18.2
Communication	3.2	3.1	3.3	2.8	3.5
Physical planning and housing	5.0	5.4	7.0	6.9	7.7
Education	12.2	13.5	12.8	13.1	12.8
Health, population, and family planning	9.6	8.2	8.1	9.7	9.1
Social welfare 3/	1.3	1.3	1.1	1.3	1.2
Other sectoral	1.2	0.8	0.0	0.0	0.0
Non-sectoral	12.8	11.0	8.9	10.4	10.5
<i>Of which: Food for Work</i>	4.6	4.2	3.1	2.0	1.9
Total ADP	100.0	100.0	100.0	100.0	100.0
Memorandum items:					
ADP financing (in billions of taka)					
Domestic	70.9	79.1	97.3	100.4	107.8
Foreign	51.1	46.0	57.4	74.6	82.2

Source: Ministry of Planning, Implementation, Monitoring, and Evaluation Division.

1/ Data are not always consistent with the CGA data reported earlier in the summary fiscal tables.

2/ Includes Jamuna Bridge.

3/ Includes employment.

Table 17. Bangladesh: Central Government Food Account, 1997/98-2001/02

(In billions of taka)

	1997/98	1998/99	1999/00	Est. 2000/01	Budget 2001/02
Expenditures	21.3	28.3	22.1	26.9	29.3
Imports	10.0	17.5	4.8	5.8	9.4
Grants and loans	5.7	11.1	4.4	5.8	5.6
Commercial (cash)	4.3	6.5	0.4	0.0	3.9
Domestic procurement	8.0	7.0	13.5	15.8	13.6
External freight	0.2	0.2	0.3	0.2	0.4
Other expenses 1/	3.1	3.6	3.6	5.1	5.9
Receipts	18.1	21.3	21.7	17.0	19.6
Gross sales receipts	6.8	3.4	4.7	5.8	7.7
Nonmonetized distribution 2/	11.4	17.8	17.0	11.2	11.9
Food for work	6.2	7.1	9.6	8.9	6.9
Vulnerable group	5.2	10.7	7.4	2.4	4.9
Food account balance	-3.2	-7.0	-0.4	-6.5	-9.8
Subsidies on sales	-3.9	-3.3	-3.6	...	...
Expenditure on change in stocks	0.7	-3.7	3.2	...	...

Sources: Ministry of Finance; Ministry of Food; and Fund staff estimates.

1/ Includes establishment costs, other operating expenses, and reconciliation differences.

2/ This item represents the valuation of nonmonetized distribution. In effect, it represents transfers to the food account from other expenditure categories.

Table 18. Bangladesh: Consolidated Accounts of Nonfinancial Public Enterprises, 1997/98-2001/02

(In billions of taka)

	1997/98	1998/99	1999/00	2000/01	Budget 2001/02
Operating revenue 1/	186.7	210.6	211.8	264.7	294.0
Operating expenditure	183.6	211.5	225.6	285.2	313.2
Wages and salaries	15.9	17.5	16.8	19.5	20.8
Purchases of goods and services	151.2	175.8	189.8	245.9	270.7
Depreciation	16.5	18.2	19.0	19.8	21.7
Operating surplus	3.1	-0.9	-13.8	-20.5	-19.2
Nonoperating income	3.6	3.7	3.8	4.7	5.3
Interest payments	-9.8	-10.2	-9.3	-12.0	-13.4
Income before taxes	-3.1	-7.4	-19.3	-27.8	-27.3
Profit distribution	2.0	3.3	1.9	3.0	2.9
Dividends	1.8	3.1	1.7	2.8	2.7
Profit sharing	0.2	0.2	0.2	0.2	0.2
Income tax	1.2	1.5	1.3	2.4	2.0
After-tax retained income	-6.3	-12.2	-22.5	-33.2	-32.2
Gross savings 2/	10.2	6.5	-3.5	-13.0	-10.4
Gross fixed capital formation	31.6	50.9	27.9	57.2	101.7
Financing	21.4	44.4	31.4	70.2	112.1
Net long-term borrowing	5.6	13.7	10.9	16.9	24.2
Drawings	18.0	30.0	30.0	41.6	50.4
Repayments	-13.0	-16.1	-19.1	-24.7	-26.2
Equity injection	8.9	10.9	5.1	17.3	30.5
Finance deficit 3/	6.9	19.8	15.3	36.5	57.6
Memorandum items:					
Total assets 4/	717.3	759.4	769.9	815.6	905.7
Equity	234.3	230.7	215.1	207.2	198.2
Debt	483.0	528.7	554.8	608.4	707.5
Employment (thousands) 4/	252.5	249.5	238.2	246.1	252.2
Profitability (in percent)					
Operating surplus/operating revenues	1.7	-0.4	-6.5	-7.7	-6.5
Operating surplus/assets	0.4	-0.1	-1.8	-2.6	-2.2

Source: Ministry of Finance, Monitoring Cell, Finance Division.

1/ Does not include changes in inventories.

2/ Defined as after-tax retained income plus depreciation.

3/ Includes arrears to government and changes in domestic bank debt (including arrears).

4/ End of period.

Table 19. Bangladesh: Profits of Nonfinancial Public Enterprises, 1998/99–2001/02

(In millions of taka)

	1998/99	1999/00	Budget 2000/01	Revised 2000/01	Budget 2001/02
Manufacturing					
BTMC	-494.1	-528.6	-487.6	-498.1	-405.2
BJMC	-2,988.3	-2,631.4	-2,356.1	-2,726.7	-2,514.2
BSEC	34.9	8.6	22.9	12.4	83.4
BSFIC	633.5	489.0	139.4	-598.1	-159.3
BCIC	-1,497.9	2,100.0	-499.7	-1,457.3	-378.7
BFIDC	-127.7	48.5	-90.7	76.6	86.8
Electricity, gas, water					
PDB	-5,186.8	-9,772.9	-6,770.8	-6,163.9	-7,445.5
DESA	-2,305.9	-3,514.1	-2,904.8	-3,215.9	-2,942.7
CWASA	-29.8	-46.5	-42.5	-58.7	-62.7
DWASA	53.4	233.9	292.5	150.4	182.4
BOGMC	1,777.7	1,303.1	1,355.4	1,822.8	1,930.4
Transport and communication					
BSC	-315.7	29.3	37.1	38.2	160.5
BIWTC	-12.4	-9.7	2.4	35.0	50.5
CPA	1,266.4	1,026.6	1,370.3	185.8	597.2
MPA	210.2	92.0	94.2	20.2	77.1
BIMAN	95.1	-93.4	499.7	-357.3	-102.9
BRTC	-107.8	-104.4	-147.2	-111.7	-51.2
Commercial					
BPC	-13,544.3	-13,607.8	-17,309.7	-19,079.8	-20,353.2
BJC	3.6	-2.2	-1.4	1.4	0.7
TCB	-27.1	16.4	103.8	197.7	112.3
Agriculture and fishery					
BFDC (Fish)	5.7	6.5	5.0	10.9	13.5
BADC	-269.3	-290.3	-288.2	-314.7	-307.2
CDA	84.2	84.8	126.2	127.7	142.6
RAJUK	243.6	163.4	184.5	191.8	179.5
KDA	47.8	50.5	16.2	51.8	9.6
RDA	-56.4	-52.3	-9.2	1.9	3.8
Services					
BFDC	6.8	15.2	34.0	23.1	31.1
BFFWT	156.9	125.6	123.7	124.7	127.5
BTB	3.1	-7.5	-3.3	2.2	2.4
BIWTA	-302.9	-17.4	-51.3	-123.6	75.5
BPRC	18.0	7.4	11.1	14.3	15.7
BWDB	14.4	40.3	37.7	43.4	46.2
REB	472.4	216.8	224.9	404.6	572.9
PBS	-23.9			-161.0	-174.6
SRTI					
BSCIC	-93.6	-95.3	-98.7	-73.9	-76.9
EPZA	346.7	129.5	121.9	173.7	182.0
CAAB	1,060.9	660.3	694.8	941.4	950.2
BHB		0.0	0.0	0.0	0.0
BSB	-1.1	-1.1	0.6	0.4	0.2
Total	-20,849.7	-23,927.2	-25,562.9	-30,288.3	-29,340.3

Source: Ministry of Finance, Monitoring Cell, Finance Division.

Table 20. Bangladesh: Domestic Debt, 1997/98-2001/02 1/

(In millions of taka; end of period)

	1997/98	1998/99	1999/00	2000/01	2001/02 Dec.
Savings certificates, by maturity	...	...	...	...	...
8 years	40,853	50,610	63,708	80,535	87,663 2/
6 years	30	...	...	...	...
5 years	18,898	16,687	14,281	12,717	11,729 2/
3 years (abol. Oct.93)	208	180	173	171	170 2/
Sanchaya Patra	...	...	...	...	...
Sanchay stamp	...	...	...	...	...
Sanchaya Patra, 1997, 5 years, 6 months profit	5,700	6,510	7,308	8,358	9,090 2/
Family certificate, 1997, 5 years	2,653	3,871	5,208	6,587	7,443 2/
Other- 3 month profit 3 years	1,548	10,086	20,332	31,075	38,244 2/
Jamanat Sanchaya Patra	...	...	6	27	41 2/
Prize bonds					
50 taka	40	39	37	35	34
100 taka	1,533	1,589	1,667	1,776	1,816
5-year wage earners' bond (nonbanks)	...	...	...	8,509	8,973
3-year national investment bond	7,981	3,161	4,862	6,237	7,116
Banks	5,206	...	...	...	...
Nonbanks	2,775	3,161	4,862	6,237	7,116
Bonds for bank recapitalization	37,496	35,029	34,102	34,634	34,371
Banks	37,496	35,029	34,102	34,634	34,371
5 percent 15-year nonnegotiable Treasury bonds (2008)	23,741	23,741	23,741	23,741	23,741
5 percent 25-year Treasury bonds (jute recap.)	8,723	8,288	7,860	7,433	7,169
2018	4,787	4,551	4,314	4,078	3,841
2019	3,319	3,155	2,992	2,828	2,828
2020	616	582	555	527	500
7 percent 3-year BTMC, BADC bond	257	257	257	...	...
7 percent 3-year jute bond	2,032	...	...	...	...
5 percent 15-year agr bond, 2011	1,450	1,450	1,450	...	...
7 percent 10 year jute bond	2,244	2,244	2,244	2,244	2,244
Other long-term government bonds	5,408	5,901	6,324	8,619	9,568
1-3 years	3,500	2,200	1,500	1,500	1,500
Banks	3,500	2,200	1,500	1,500	1,500
3-year (T&T)	3,500	2,200	1,500	1,500	1,500
3-year (BSRS)	500	500	1,500	0	...
4-25 years	1,908	3,701	4,824	7,119	8,068
Bangladesh Bank: Nonnegotiable					
Ad hoc TBs for Pak Notes	1,986	1,986	1,986	1,986	1,986
Banks					
10-year Treasury bonds for E.Pak liabilities	638	638	638	638	638
5 percent 5-year BIMAN bond	570	570	...	...	...
8 percent 5-year BIMAN bond	...	...	...	500	500
Other bonds	...	...	...	5,981	6,931
Government money financing					
Bangladesh Bank	...	...	...	...	...
Advances	...	...	...	...	...
Loans and advances	640	640	640	640	...

Sources: Bangladesh Bank; and National Savings Directorate.

1/ Fiscal year ends June 30.

2/ Excluding post offices.

Table 21. Bangladesh: Monetary Survey, 1997/98-2001/02 1/

	1997/98	1998/99	1999/00				2000/01				2001/02	
			Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In billions of taka; end of period)												
Net foreign assets	68.5	64.0	75.0	82.9	80.2	85.7	94.7	96.1	80.8	75.6	70.2	72.4
Bangladesh Bank	45.7	35.0	45.2	43.7	47.0	43.6	40.4	46.1	40.3	25.1	27.3	24.7
Deposit money banks	22.8	29.1	29.8	39.2	33.3	42.2	54.4	50.0	40.5	50.5	42.9	47.7
Net domestic assets	490.2	566.2	571.5	607.0	634.6	661.9	680.3	726.8	743.9	796.1	814.0	871.2
Domestic credit	579.1	660.4	663.2	700.6	722.7	747.6	771.7	813.4	840.6	886.8	918.7	957.5
Central government, net	72.1	93.0	96.9	109.4	126.3	125.2	138.7	147.8	155.6	162.0	181.5	191.2
Other nonfinancial public sector	1.2	1.3	1.3	1.3	1.3	1.4	1.3	1.4	1.4	1.4	1.4	1.4
Nonfinancial public enterprises	44.1	42.5	42.2	42.6	42.9	43.9	44.5	47.7	47.7	54.4	51.9	54.1
Nonbank financial institutions	29.3	35.0	38.1	37.6	36.8	37.3	38.5	39.5	39.6	41.2	43.3	42.9
Private sector	432.4	488.6	484.7	509.8	515.4	539.9	548.7	577.1	596.3	627.7	640.5	667.9
Other items, net	-88.9	-94.2	-91.6	-93.6	-88.2	-85.7	-91.4	-86.7	-96.7	-90.7	-104.8	-86.3
Broad money	558.7	630.3	646.5	689.9	714.8	747.6	775.0	822.8	824.7	871.7	884.1	943.6
Narrow money	143.2	155.1	152.1	166.0	179.3	178.4	178.1	196.3	196.3	199.8	198.0	216.5
Currency in circulation	81.5	86.9	90.0	93.9	109.0	101.8	105.9	116.9	120.2	114.8	121.4	127.9
Demand deposits	61.7	68.2	62.1	72.1	70.3	76.6	72.2	79.5	76.1	85.0	76.6	88.6
Quasi-money	415.5	475.2	494.5	523.9	535.5	569.3	596.9	626.5	628.4	671.9	686.2	727.1
(Annual percentage change)												
Net foreign assets	4.0	-6.5	6.4	6.7	33.8	33.9	26.3	15.9	0.8	-11.8	-25.9	-24.6
Net domestic assets	11.1	15.5	15.9	16.8	17.6	16.9	19.0	19.7	17.2	20.3	19.6	19.9
Domestic credit	13.3	14.0	12.4	14.2	12.6	13.2	16.4	16.1	16.3	18.6	19.1	17.7
Central government, net	19.7	29.0	32.6	51.9	37.9	34.5	43.1	35.1	23.2	29.4	30.9	29.4
Private sector	14.7	13.0	9.8	9.6	9.7	10.5	13.2	13.2	15.7	16.3	16.7	15.7
Other items, net	27.6	5.9	-5.2	0.1	-13.5	-9.0	-0.2	-7.4	9.7	5.8	14.6	-0.4
Broad money	10.2	12.8	14.7	15.5	19.2	18.6	19.9	19.3	15.4	16.6	14.1	14.7
Memorandum item:												
Broad money multiplier	4.39	4.66	4.89	4.89	4.62	4.84	5.28	5.01	5.09	5.37	5.34	4.74

Sources: Bangladesh Bank; and Fund staff estimates.

1/ Fiscal year ending June 30.

Table 22. Bangladesh: Accounts of the Monetary Authorities, 1997/98-2001/02 1/

	1997/98	1998/99	1999/00				2000/01				2001/02	
			Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In billions of taka; end of period)												
Net foreign assets 2/ 3/	45.7	35.0	45.2	43.7	47.0	43.6	40.4	46.1	40.3	25.1	27.3	24.7
Foreign assets	80.1	74.2	82.2	83.3	81.9	81.7	74.9	81.9	74.1	74.1	65.2	74.1
Foreign liabilities	34.4	39.2	37.1	39.6	34.9	38.1	34.5	35.8	33.8	49.0	37.9	49.3
Net domestic assets 2/ 3/	81.6	100.3	87.0	97.5	107.8	110.9	106.3	118.2	121.8	137.1	138.4	174.4
Domestic credit	91.2	111.7	97.1	106.8	118.4	121.4	111.8	128.9	128.8	149.6	145.6	179.8
Central government, net	39.5	50.7	38.7	50.8	62.8	64.2	57.1	71.0	69.7	91.7	87.4	121.2
Other domestic sectors	51.7	61.0	58.4	56.0	55.6	57.2	54.6	57.9	59.2	57.8	58.2	58.6
Deposit money banks	37.5	46.2	43.6	41.3	41.2	42.9	40.6	43.9	45.1	43.7	44.3	45.8
Nonfinancial public enterprises	2.3	2.1	2.1	2.1	1.8	1.8	1.6	1.6	1.6	1.6	1.3	1.3
Nonmonetary financial institutions	11.9	12.6	12.6	12.6	12.5	12.5	12.5	12.5	12.5	12.5	12.5	11.5
Private sector												
Other items, net 2/ 3/	-9.5	-11.4	-10.0	-9.3	-10.6	-10.5	-5.5	-10.7	-7.1	-12.5	-7.2	-5.5
Reserve money	127.3	135.3	132.2	141.2	154.8	154.5	146.7	164.3	162.0	162.2	165.7	199.1
Currency in circulation	90.8	97.1	97.9	106.1	118.1	112.6	115.3	130.1	131.6	128.3	131.8	141.1
Deposits of deposit money banks	36.6	38.1	34.3	35.1	36.7	41.8	31.3	34.2	30.5	33.9	33.9	58.0
(Annual percentage change)												
Net foreign assets	10.5	-23.5	-8.8	-15.4	26.9	24.6	-10.7	5.6	-14.2	-42.3	-32.4	-46.4
Net domestic assets	11.2	22.9	16.3	23.0	13.5	10.6	22.2	21.2	12.9	23.6	30.2	47.5
Domestic credit	14.2	22.5	21.0	26.3	8.6	8.6	15.1	20.7	8.8	23.2	30.3	39.5
Central government	24.4	28.5	31.5	70.7	24.3	26.5	47.8	39.8	10.9	43.0	53.0	70.7
Deposit money banks	4.1	23.3	18.9	0.7	-5.5	-7.2	-7.0	6.2	9.5	1.9	9.3	4.5
Other items, net 2/ 3/	48.1	19.6	85.1	74.5	-24.5	-8.4	-45.7	15.3	-33.1	19.7	31.8	-49.2
Reserve money	11.0	6.2	6.3	7.9	17.3	14.2	10.9	16.4	4.7	5.0	13.0	21.2
Memorandum items:												
Taka/US\$ exchange rate (e.o.p.)	46.3	48.5	49.5	51.0	51.0	51.0	54.0	54.0	54.0	57.0	57.0	57.0
Taka/SDR exchange rate (e.o.p.)	61.7	64.8	68.7	70.0	68.7	68.2	70.1	70.4	68.1	71.0	73.5	71.6

Sources: Bangladesh Bank; and Fund staff estimates.

1/ Fiscal year ending June 30.

2/ IMF accounts calculated from TRE data.

3/ Calculated using end of period exchange rates and gold prices.

Table 23. Bangladesh: Reserves of Deposit Money Banks, 1997/98-2001/02

	1997/98	1998/99	1999/00				2000/01				2001/02	
			Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In billions of taka; end of period)												
Required liquid assets 2/	97.5	110.2	112.8	120.6	121.9	129.5	133.5	141.9	140.7	144.8	148.4	151.8
NCBs 3/	64.5	71.0	72.1	76.2	76.1	80.0	81.2	86.5	84.1	86.0	88.2	89.2
Private banks	25.3	29.9	30.9	33.8	34.7	38.5	40.0	43.5	44.4	46.8	47.7	50.0
Foreign banks	7.7	9.3	9.8	10.6	11.1	11.0	12.3	11.9	12.3	12.0	12.5	12.6
Actual liquid assets	117.1	138.1	149.4	161.7	157.6	172.9	178.3	184.7	179.7	175.7	197.5	203.7
NCBs 3/	72.5	80.1	85.8	91.4	89.0	97.8	102.9	107.5	105.6	99.4	117.1	114.7
Private banks	33.0	39.8	41.2	44.6	43.5	51.5	51.8	55.6	54.0	53.7	59.8	67.3
Foreign banks	11.6	18.2	22.4	25.7	25.1	23.6	23.6	21.6	20.2	22.6	20.5	21.7
Excess liquidity	19.6	27.9		41.1	35.7	43.4	44.8	42.7	39.0	30.9	49.1	51.9
NCBs 3/	8.0	9.1	13.7	15.2	12.9	17.8	21.7	21.0	21.4	13.4	29.0	25.5
Private banks	7.7	9.9	10.3	10.8	8.8	13.0	11.8	12.1	9.6	7.0	12.1	17.3
Foreign banks	3.9	8.9	12.6	15.1	14.0	12.6	11.3	9.6	7.9	10.6	8.0	9.1
Total deposits	500.0	567.7	582.3	622.0	629.0	668.9	690.3	733.7	728.2	750.2	780.9	841.2
NCBs 3/	322.4	354.8	360.7	381.0	380.4	400.2	405.9	432.4	420.7	430.0	442.5	473.6
Private banks	139.2	165.8	172.2	187.5	192.7	213.5	222.2	241.1	245.8	259.6	275.6	303.3
Foreign banks	38.4	47.1	49.4	53.5	55.9	55.2	62.2	60.2	61.7	60.7	62.9	64.4
(In percent of respective deposits)												
Memorandum items:												
Excess liquidity	3.9	4.9	6.3	6.6	5.7	6.5	6.5	5.8	5.4	4.1	6.3	6.2
NCBs 2/	2.5	2.6	3.8	4.0	3.4	4.4	5.3	4.9	5.1	3.1	6.6	5.4
Private banks	5.5	6.0	6.0	5.8	4.6	6.1	5.3	5.0	3.9	2.7	4.4	5.7
Foreign banks	10.2	18.9	25.5	28.2	25.0	22.8	18.2	15.9	12.8	17.5	12.8	14.1

Source: Bangladesh Bank, Department of Banking Operations and Development.

1/ Data refer to the last Thursday of the month in contrast to that in Tables 21 and 22 where they refer to the last day of the month.

2/ Liquid asset requirements against all deposits, including government and interbank deposits, are 20 percent at the present. Specialized banks are excluded from the requirement, while the requirement for the Islami Bank, Al Baraka Bank, Al Arafah Islami Bank, and Social Investment Bank Ltd. is 10 percent of deposits.

3/ Nationalized commercial banks.

Table 24. Bangladesh: Interest Rate Structure of the Banking Sector, 1999/00–2001/02 1/

(In percent per annum; end of period)

	1999/00				2000/01				2001/02	
	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Bangladesh Bank rate 2/	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0 5/
Deposit money banks' minimum deposit rates 3/										
Savings accounts										
With checking facilities	6.5 - 8.5	5.25 - 8.5	5.25 - 8.55	5.25 - 8.55	5.25 - 8.55	5.25 - 8.5	4.5 - 8.5	4.5 - 8.5	4.5 - 8.5	4.5 - 8.5
For rural areas	6.0 - 8.0	6.6 - 8.0	5.5 - 8.0	5.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.0-8.0
Fixed-term deposits										
3 months to under 6 months	7.0 - 10.25	5.75 - 10.25	5.75 - 10.0	4.9 - 10.0	4.9 - 10.0	5.75 - 10.0	6.25 - 10.0	6.25 - 10.0	6.25-9.75	6.25-9.75
6 months to under 1 year	7.25 - 10.75	5.75 - 10.75	5.75 - 10.0	5.1 - 10.5	5.1 - 10.5	5.75 - 10.5	6.75 - 10.5	6.75 - 10.5	6.75-10.0	6.75-10.0
1 year to under 2 years	7.5 - 11.5	7.5 - 11.5	7.0 - 11.5	5.3 - 11.5	5.3 - 11.5	7.0 - 11.5	7.25 - 11.5	7.25 - 11.5	7.0-11.25	7.0-11.25
2 years to under 3 years	8.25 - 12.0	7.25 - 12.0	7.25 - 12.0	7.25 - 12.0	7.25 - 12.0	7.25 - 12.0	7.25 - 12.0	7.25 - 12.0	7.25-11.5	7.25-11.5
3 years and over	9.0 - 12.5	7.5 - 12.5	7.25 - 12.5	7.25 - 12.0	7.25 - 12.5	7.25 - 12.5	7.25 - 12.5	7.25 - 12.5	7.25-12.0	7.25-12.0
Deposit money banks' lending rate bands										
Export credit	8.0 - 10.0	8.0 - 10.0	8.0 - 10.0	8.0 - 10.0	8.0 - 10.0	8.0 - 10.0	8.0 - 10.0	8.0 - 10.0	8.0-10.0	7.0-10.0
Agriculture 4/	...	...	...	...	...	...	...	...	9.0-16.0	8.0-16.0
Memorandum items:										
28-day treasury bill note	7.0	6.2	6.1	6.1	6.1	6.4	6.5	6.1	6.1	3.4
91-day treasury bill note	8.0	6.6	6.3	6.3	6.4	6.4	7.0	6.8	6.6	4.9

Sources: Bangladesh Bank, Banking Regulation and Policy Department (BRPD); and Fund staff estimates.

1/ Fiscal year ending June 30.

2/ Effective on July 12 and July 26, 1999, Bangladesh Bank removed lending rates bands from small and cottage industries and agricultural sectors. The deposit rates quoted are the floor rates for the various maturities.

3/ Both minimum - maximum rates are represented.

4/ Includes service charge of 4 percent with the exception of the rates applicable to Exports.

5/ Effective October 24, 2001.

Table 25. Bangladesh: Interest Rate Structure of Nonbank Financial Institutions and Government Debt, 1997/98–2001/02 1/

	1997/98	1998/99	1999/00				2000/01				2001/02		
			Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Interest rates on deposits with													
Post Office Savings Bank													
Ordinary account	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Fixed deposit account													
One year	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Two years	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Three years	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Interest rates on government ways and means advances													
	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Interest rates on selected savings instruments													
8-year Defense Savings Certificates	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	15.8	15.8
5-year Bangladesh Savings Certificates	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	12.5	12.5
5-year Wage Earners' Development Bonds	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8

Source: Bangladesh Bank, Statistics Department.

1/ Fiscal year ending June 30.

Table 26. Bangladesh: Deposit Money Banks' Credit by Economic Sector, 1997/98–2000/01 1/ 2/

(In billions of taka; end of period)

	1997/98	1998/99	1999/00				2000/01			
			Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Total credit	531.0	599.6	613.2	640.8	649.3	675.7	707.2	736.9	759.0	784.9
Advances	420.7	474.8	475.1	492.6	502.3	523.7	533.2	555.9	573.7	610.3
Agriculture	69.9	80.4	79.2	81.6	82.1	86.5	86.7	89.9	90.5	93.1
Public	6.2	7.3	7.1	7.0	6.7	7.7	8.7	8.6	8.7	8.3
Private	63.7	73.1	72.1	74.6	75.4	78.8	78.0	81.3	81.8	84.8
<i>Of which:</i>										
Crop finance	63.9	73.5	72.3	74.5	75.6	79.7	79.9	83.0	84.3	86.5
Public	5.8	6.9	6.6	6.6	6.2	7.3	8.0	8.3	8.2	7.6
Private	58.1	66.6	65.7	67.9	69.4	72.4	71.9	74.7	76.1	78.9
Manufacturing	192.3	211.5	211.5	210.1	215.5	220.2	224.7	223.0	236.2	243.6
Public	28.6	34.8	34.2	33.6	32.9	37.2	37.0	27.8	32.3	33.3
Private	163.7	176.7	177.3	176.5	182.6	183.0	187.7	195.2	203.9	210.3
Wholesale and retail	69.3	86.4	82.8	91.5	88.0	92.8	91.0	98.5	105.0	106.9
Public	0.3	0.9	0.3	0.7	0.4	0.3	1.1	2.8	1.1	1.2
Private	69.0	85.5	82.5	90.8	87.6	92.5	89.9	95.7	103.9	105.7
Transportation	9.4	7.6	7.5	7.9	8.2	8.1	8.1	8.9	10.1	9.9
Public	1.7	0.5	0.5	0.4	0.4	0.3	0.5	0.4	0.3	0.5
Private	7.7	7.1	7.0	7.5	7.8	7.8	7.6	8.5	9.8	9.4
Community	41.3	52.9	56.8	64.4	58.0	62.2	62.9	70.1	78.3	87.5
Public	1.9	1.8	1.7	1.8	1.6	1.6	1.8	1.5	2.3	1.6
Private	39.4	51.1	55.1	62.6	56.4	60.6	61.1	68.6	76.0	85.9
Other	38.5	36.0	37.3	37.1	50.5	53.9	59.8	65.5	53.6	69.3
Public	6.8	1.7	3.9	1.3	5.3	0.3	...	4.0	2.5	7.0
Private	31.7	34.3	33.4	35.8	45.2	53.6	59.8	61.5	51.1	62.3
Internal bills	20.1	20.4	18.8	22.4	21.5	22.7	23.9	32.0	32.0	35.2
Public	0.7	1.0	0.9	0.6	0.8	0.6	0.9	7.3	6.5	10.1
Government	0.3	0.6	0.5	0.3	0.3	0.2	0.3	0.5	0.4	0.4
Other	0.4	0.4	0.4	0.3	0.5	0.4	0.6	6.8	6.1	9.7
Private	19.4	19.4	17.9	21.8	20.7	22.1	23.0	24.7	25.5	25.1
Investment	90.2	104.4	119.3	125.8	125.5	129.3	150.1	149.0	153.3	139.4
Public	53.8	96.3	111.4	119.1	119.6	123.4	144.2	143.0	147.2	133.3
Government 3/	76.3	89.3	104.4	112.1	112.7	116.6	136.8	136.2	140.5	126.6
Other 4/	7.5	7.0	7.0	7.0	6.9	6.8	7.4	6.8	6.7	6.7
Private	6.4	8.1	7.9	6.7	5.9	5.9	5.9	6.0	6.1	6.1

Source: Bangladesh Bank, Statistics Department.

1/ Fiscal year ending June 30.

2/ This table may not be fully consistent with the monetary survey owing to coverage and timing differences.

3/ Includes government securities and treasury bills.

4/ Includes House Building Finance Corporation and Investment Corporation of Bangladesh.

Table 27. Bangladesh: Deposit Money Banks' Credit to Nonfinancial Public Enterprises, 1998/99-2001/02 1/ 2/

(In millions of taka, end of period)

	1998/99				1999/00				2000/01				2001/02
	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.
Advances to major corporations	47,886	49,644	48,593	49,771	52,820	52,031	53,324	56,179	56,418	54,697	54,498	64,663	65,219
Industry	36,665	37,428	36,989	38,158	37,737	37,940	38,963	39,063	37,637	31,845	32,470	35,081	33,134
Bangladesh Jute Mills Corp.	16,966	17,301	17,445	17,342	17,371	17,066	17,264	17,865	17,087	16,471	16,196	15,865	15,754
Bangladesh Textile Mills Corp.	6,545	6,972	6,273	6,724	6,710	6,839	6,843	6,636	6,848	6,280	5,676	6,228	6,108
Bangladesh Steel and Engineering Corp.	8,342	8,955	9,198	9,299	9,006	9,482	9,855	9,238	8,597	3,509	3,507	3,581	2,628
Bangladesh Sugar and Food Industries Corp.	2,933	2,256	2,279	2,808	2,628	2,613	2,529	2,792	2,983	2,785	3,600	3,780	3,859
Bangladesh Chemical Industries Corp.	1,879	1,944	1,794	1,985	2,022	1,940	2,472	2,532	2,122	2,800	3,491	5,627	4,785
Energy	762	2,136	1,930	1,273	1,920	3,798	2,517	5,817	8,128	11,861	11,211	16,156	18,029
Bangladesh Petroleum Corp.	531	1,869	1,654	1,062	1,699	3,570	2,261	5,561	7,865	11,679	11,069	16,021	17,861
Bangladesh Power Development Board	231	267	276	211	221	228	256	256	263	182	142	135	168
Transportation	1,489	1,004	665	668	666	548	491	507	493	502	499	719	993
Bangladesh Shipping Corp.	1,354	886	549	552	553	381	381	384	386	387	389	445	444
Biman Bangladesh Airlines	14	...	...	...	...	...	...	14	...	9	5	...	453
Bangladesh Road Transport Corp.	121	118	116	116	113	167	110	109	107	106	105	274	101
Agriculture	2,121	2,334	2,297	2,311	2,314	2,347	2,330	1,891	1,886	1,693	1,852	1,857	1,863
Bangladesh Jute Corp.													
Bangladesh Agricultural Development Corp.	2,121	2,334	2,297	2,311	2,314	2,347	2,330	1,891	1,886	1,693	1,852	1,857	1,863
Other	6,849	6,742	6,712	7,361	10,183	7,398	9,023	8,901	8,274	8,796	8,466	10,850	11,195

Source: Bangladesh Bank, Department of Banking Operations and Development.

1/ Fiscal year ending June 30.

2/ These data may not be fully consistent with the monetary survey owing to coverage and timing differences.

Table 28. Bangladesh: Financial System
(As of February 2002)

Nationalized Commercial Banks	Private Commercial Banks	Foreign Banks	Specialized Banks	Specialized Institutions	Cooperative Institutions	Other Public Institutions	Leasing and Finance Companies
Sonali Bank	Arab-Bangladesh Bank	Standard and Chartered Grindlays Bank 19/	Bangladesh Shipba Bank	Bangladesh House Building Finance Corporation	Land Mortgage Cooperative Bank	Sadharan Bima Corporation (insurance)	United Leasing Company Ltd.
Janata Bank	The City Bank	American Express Bank	Rajshahi Krishi Unnayan Bank	Investment Corporation of Bangladesh	Bangladesh Samabaya Bank	Jiban Bima Corporation (insurance)	Industrial Development Leasing Company of Bangladesh, Ltd.
Agrani Bank	Dhaka Bank 1/	Habib Bank	Bangladesh Shipba Rin Sangstha 25/		Other Cooperative Banks/Societies	Bangladesh Post Office Savings Scheme	Industrial Promotion & Development Company of Bangladesh, Ltd.
Rupali Bank	International Finance Investment and Commerce Bank	Muslim Commercial Bank	Bangladesh Krishi Bank			Anser VDP Bank 26/	Saudi-Bangladesh Industrial & Agricultural Investment Company, Ltd.
	National Bank	State Bank of India	Bank of Small Industries and Commerce, Bangladesh 22/			Karmersangsihan Bank 27/	Phoenix Leasing Company Ltd.
	National Credit and Commerce Bank	Credit Agricole Indosuez (The Bank) 20/					Union Capital Ltd.
	Prime Bank 2/	National Bank of Pakistan 21/					Uttara Finance and Investment company Ltd.
	Pubali Bank	Citi Bank NA 22/					The UAE-Bangladesh Investment Company Ltd.
	Southeast Bank 3/	Hanvit Bank 23/					International Leasing and Financial Services Ltd.
	Uttara Bank	The Hongkong Shanghai Banking Corporation Ltd. 24/					GSP Finance Company (Bangladesh) Ltd.
	United Commercial Bank 4/	Shamil Bank of Bahrain 30/					Prime Finance & Investment Ltd.
	Al-Baraka Bank 5/						Bahrain-Bangladesh Finance & Investment Company Ltd.
	Islami Bank Bangladesh 5/						Bay Leasing & Investment Ltd.
	Eastern Bank 6/						Delta-BRAC Housing Finance Corporation Ltd.
	Al-Arafah Islamic Bank 7/						Vanik Bangladesh Ltd.
	Social Investment Bank 8/						Peoples Leasing & Financial Services Ltd.
	Dutch Bangla Bank 9/						Infrastructure Development Company Ltd. (IDCOL)
	Mercantile Bank 10/						Bangladesh Industrial Finance Company Ltd.
	Standard Bank 11/						National Housing Finance and Inv. Ltd.
	Export Import Bank of Bangladesh 12/						Midas Financing Ltd.
	One Bank 13/						First Lease International Ltd.
	Bangladesh Commerce Bank 14/						Bangladesh Finance and Investment Ltd.
	The Mutual Trust Bank 15/						Industrial and Infrastructure Development Finance Co., Ltd. 32/
	First Security Bank 16/						
	The Premier Bank 17/						
	Bank Asia 18/						
	The Trust Bank 11/						
	Shahjalal Bank Ltd. 28/						
	Jamuna Bank Ltd. 29/						
	BRAC Bank Ltd. 31/						

Source: Bangladesh Bank, Department of Banking Operation and Development and Research Department.

1/ Effective July 5, 1995.

2/ Effective April 17, 1995.

3/ Effective May 25, 1995.

4/ Effective September 21, 1994.

5/ Operates according to Islamic banking practices.

6/ Former Bank of Credit and Commerce International, Ltd. was converted into Eastern Bank, Ltd. effective August 16, 1992.

7/ Effective September 25, 1995.

8/ Effective November 22, 1995.

9/ Effective June 3, 1996.

10/ Effective June 2, 1999.

11/ Opened on June 3, 1999

12/ Effective August 3, 1999.

13/ Effective July 14, 1999.

14/ Effective September 16, 1999.

15/ Effective October 24, 1999.

16/ Effective October 25, 1999.

17/ Effective October 26, 1999.

18/ Effective November 27, 1999. The Bank Nova Scotia was merged with Bank Asia from February 15, 2001

19/ Former ANZ Grindlays Bank merged with Standard Chartered Bank on September 24, 2000.

20/ Former Banque Indosuez was converted into Credit Agricole Indosuez (The Bank) effective November 18, 1994.

21/ Effective August 31, 1994.

22/ Effective June 24, 1995.

23/ Former Hanil Bank was converted into Hanvit Bank effective May 19, 1999.

24/ Effective December 3, 1996.

25/ Bangladesh Shipba Rin Sangstha was converted into a specialized bank effective February 9, 1993.

26/ Effective November 1996.

27/ Effective September 22, 1998.

28/ Effective May 10, 2001

29/ Effective June 3, 2001

30/ Former Faisal Islamic Bank of Bahrain was renamed on January 8, 2001

31/ Effective July 2, 2001

32/ Opened on January 23, 2001, but not yet in operation.

Table 29. Bangladesh: Agricultural Credit Disbursement and Recovery, 1997/98–2001/02 1/

(In billions of taka)

	1997/98	1998/99	1999/00	2000/01	2001/02 2/
Overdue at beginning of period	53.1	54.9	54.0	64.6	67.6
Current amount due	1.8	-1.0	10.6	32.3	17.2
Total amount due	54.9	53.9	64.6	96.9	84.8
Amount recovered	17.0	19.2	30.0	28.8	16.5
Gross disbursements	16.4	30.1	28.5	30.2	15.1
Net disbursements	-0.6	10.9	-1.5	1.4	-1.4
Outstanding credit at end-period	85.2	97.0	106.5	111.3	113.8
Change in outstanding credit	2.6	11.9	9.5	4.8	2.4
Implied interest capitalization	3.2	0.9	10.9	3.4	3.9
Proportion of recovery to:					
Gross disbursements	103.4	63.7	105.1	95.3	109.5
Total amount due	31.0	35.5	46.4	29.7	19.5
Current amount due	965.3	1955.1	282.6	89.1	95.9
Growth in outstanding credit	3.1	13.9	9.8	4.6	2.2
Overdue amounts/outstanding credit 3/	64.4	64.5	55.7	50.7	60.7

Source: Bangladesh Bank, Agricultural Credit Department.

1/ Includes operations of the nationalized commercial banks and the Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, Bangladesh Samabaya Bank, Ltd., and Bangladesh Rural Development Board.

2/ As of January 2002.

3/ Ratio of overdue amounts at the beginning of the period to credit outstanding at end of the previous period.

Table 30. Bangladesh: Structure of the Financial System, 1997-2001

(As of December)

	1997	1998	1999	2000	2001
Number of banks	38	40	49	49	51
Nationalized commercial banks	4	4	4	4	4
Private commercial banks	18	17	27	27	30
Foreign commercial banks	12	13	13	13	12 1/
Specialized banks	4	5	5	5	5

Source: Bangladesh Bank, Banking Regulation and Policy Department.

1/ The Bank Nova Scotia was merged with the Bank Asia on February 15, 2001.

Table 31. Bangladesh: Industrial Loan Recovery by Bangladesh Shilpa Bank, 1996/97–2000/01

	1996/97	1997/98	1998/99	1999/00	Prov. 2000/01
(In millions of taka)					
Overdue at beginning of period	9,310	10,395	11,536	11,224	10,595
Principal due in current period	726	1,198	1,796	620	940
Total due	10,036	11,593	13,332	11,844	11,535
Amount recovered	609	1,025	659	758	1,017
Reschedulings, adjustments and transfers	289	1,580	3,979	1,610	1,315
Accrued interest	1,256	2,548	2,529	1,119	1,479
Overdue at end of period	10,394	11,536	11,223	10,595	10,682
Gross disbursements	203	962	74	361	134
Total outstanding credit (end of period)	17,502	19,439	19,866	19,210	18,602
(In percent)					
Amount recovered/total due	6.1	8.8	4.9	6.4	8.8
Total overdue/outstanding credit (end of period)	59.4	59.3	56.5	55.2	57.4

Source: Bangladesh Shilpa Bank.

Table 32. Bangladesh: Industrial Loan Recovery by Bangladesh Shilpa Rin Sangstha Bank, 1996/97–2000/01

	1996/97	1997/98	1998/99	1999/00	Prov. 2000/01
	(In millions of taka)				
Overdue at beginning of period	4,516	13,191	14,491	15,372	15,725
Principal due in current period	318	302	234	184	191
Total due	4,834	13,493	14,725	15,556	15,916
Amount recovered	291	303	262	278	351
Accrued interest and other adjustments 1/	8,648	1,301	909	447	-125
Overdue at end of period	13,191	14,491	15,372	15,725	15,440
Gross disbursements	114	249	285	151	72
Total outstanding credit (end of period)	15,640	16,883	17,753	17,853	17,465
	(In percent)				
Amount recovered/total due	6.0	2.2	1.8	1.8	2.2
Total overdue/outstanding credit (end of period)	84.3	85.8	86.6	88.5	88.9

Source: Bangladesh Shilpa Rin Sangstha Bank.

1/ Including write-offs and waived and rescheduled interest.

Table 33. Bangladesh: Summary Performance Indicators in the
Banking System, 1997–2001

(In percent; end of period)

	1997	1998	1999	2000	2001
Classified loans by group of bank 1/	32.7	35.4	36.3	29.8	26.4
Domestic banks	34.8	37.7	38.7	31.8	28.0
Nationalized commercial banks	36.6	40.4	45.6	38.6	37.0
Private domestic banks	31.4	32.7	27.1	22	17.0
Foreign banks	3.4	4.1	3.8	3.4	3.3
Memorandum item:					
Specialized development banks	65.7	66.7	65.0	62.6	61.8
Total classified loans by category 1/ 2/	32.7	35.4	36.3	29.8	26.4
Substandard 3/	10.6	5.2	5.0	4.4	5.6
Doubtful 3/	15.7	8.2	9.0	6.6	5.9
Bad 3/	73.8	86.7	85.6	89	88.5
Loan market shares 1/	100.0	100.0	100.0	100.0	100.0
Domestic banks	93.4	93.1	93.0	93.0	93.4
Nationalized commercial banks	61.5	60.7	58.4	55.0	51.5
Private domestic banks	31.9	32.4	34.6	38.0	41.9
Foreign banks	6.6	6.9	7.0	6.9	6.6
Actual provisioning in percent of required provisioning	48.6	44.2	43.5	47.0	47.7
Domestic banks	47.4	43.0	42.5	46.0	46.6
Nationalized commercial banks	45.2	38.5	36.0	37.3	34.8
Private domestic banks	52.2	54.4	61.0	67.5	77.0
Foreign banks	137.5	132.4	121.0	122.6	124.2

Source: Bangladesh Bank, Banking Regulation and Policy Department.

1/ In percent of total loans.

2/ Includes overdue agriculture short-term loans of 4.6 and 4.8 percent of all classified loans in 1994 and 1995, respectively.

3/ In percent of classified loans.

Table 34. Bangladesh: Total Loans and Overdue Loans, 1997–2001

	1997	1998 1/	1999 1/	2000 1/	2001
	(In percent of total loans)				
Total loans					
Nationalized commercial banks					
Public sector loans	44.1	...	...	...	58.9
Private Sector loans	199.4	...	...	...	284.7
Total loans	243.5	...	...	...	343.6
Private commercial banks					
Public sector loans	4.1	...	...	...	5.7
Private sector loans	117.2	...	...	...	257.8
Total loans	121.3	...	...	...	263.5
Domestic commercial banks					
Public sector loans	48.2	...	...	...	64.6
Private sector loans	316.6	...	...	...	542.6
Total overdue loans	364.8	...	...	...	607.1
Nationalized commercial banks					
Public sector loans	14.1	17.5	20.8	12.3	11.8
Private sector loans	80.5	...	...	...	106.9
Total overdue loans	94.6	...	...	...	118.8
Private commercial banks					
Public sector loans	2.7	3.7	3.7	3.8	2.7
Private sector loans	35.6	...	...	...	44.0
Total overdue loans	38.3	...	...	...	46.6
Domestic commercial banks					
Public sector loans	16.8	21.1	24.5	16.2	14.5
Private sector loans	116.1	...	...	...	150.9
Total overdue loans	132.9	...	...	...	165.4
	(In percent of total loans)				
Overdue loans					
Domestic commercial banks					
Public sector loans	34.9	42.7	47.1	29.6	22.5
Private sector loans	36.7	...	...	...	27.8
Total overdue loans	36.4	...	...	...	27.2
Nationalized commercial banks					
Public sector loans	32.0	38.9	87.2	24.7	20.1
Private sector loans	40.4	...	...	...	37.6
Total overdue loans	38.9	...	...	...	34.6
Private commercial banks					
Public sector loans	65.9	87.2	87.2	79.8	47.2
Private sector loans	30.4	...	...	...	17.1
Total overdue loans	31.6	...	...	...	17.7
	(In percent of total overdue loans)				
Distribution of overdue loans					
Domestic commercial banks					
Public sector loans	12.6	...	...	...	8.8
Private sector loans	87.4	...	...	...	91.2
Total overdue loans	100.0	...	...	...	100.0
Nationalized commercial banks					
Public sector loans	14.9	...	...	...	10.0
Private sector loans	85.1	...	...	...	90.0
Total overdue loans	100.0	...	...	...	100.0
Private commercial banks					
Public sector loans	7.0	...	...	...	5.8
Private sector loans	93.0	...	...	...	94.3
Total overdue loans	100.0	...	...	...	100.0

Source: Bangladesh Bank, Department of Banking Operation and Development (DBOD).

1/ Private sector related data are available.

Table 35. Bangladesh: Banks' Liquidity Positions, 1998–2001

	1998		1999		2000		2001	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.
(In millions of taka)								
Nationalized commercial banks								
Total deposits (incl. govt deposits) 1/	305,438	351,665	354,847	380,972	400,239	432,437	440,645	473,570
Demand deposits (excl. govt & DMB deposits)	54,055	51,703	47,786	53,852	59,136	60,147	60,026	63,691
Time deposits (excl govt.& DMB deposits)	228,049	194,351	199,708	217,702	232,902	267,891	271,554	290,812
Deposits in BB	...	25,933	22,669	22,493	25,795	20,735	23,987	40,179
Cash in vault	...	4,709	4,969	5,155	5,186	4,707	4,150	4,789
Eligible securities	...	52,781	50,313	2,005	64,485	79,551	71,071	66,583
Total liquid assets (cash and eligible securities)	65,255	85,773	80,037	91,443	97,818	107,468	101,587	114,657
Statutory liquidity requirement	61,088	70,333	70,969	76,194	80,048	86,487	84,423	89,194
Excess/(shortfall) liquid assets	4,167	15,440	9,068	18,974	21,374	26,263	17,165	25,463
Borrowing from BB	173	1,349	2,709	1,228	1,261	952	728	644
Private national banks								
Total deposits (incl. govt deposits) 1/	131,044	156,593	165,789	187,555	213,484	241,109	266,717	303,258
Demand deposits (excl. govt & DMB deposits)	31,205	37,184	37,101	43,085	44,718	51,392	56,043	60,781
Time deposits (excl govt.& DMB deposits)	96,841	98,377	107,245	120,809	140,734	161,696	180,175	210,392
Deposits in BB	...	16,479	17,604	15,922	19,641	18,574	20,159	27,655
Cash in vault	...	4,165	4,032	4,815	4,327	6,080	5,756	6,566
Eligible securities	...	15,891	16,188	21,457	25,526	28,075	28,230	29,634
Total liquid assets (cash and eligible securities)	30,969	38,767	39,827	44,499	51,503	55,626	56,791	67,332
Statutory liquidity requirement	26,209	28,350	29,893	33,748	38,523	43,509	44,539	50,020
Excess/(shortfall) liquid assets	7,226	10,418	9,934	13,680	16,402	15,266	12,252	17,312
Borrowing from BB	17	1,010	1,012	909	8,600	1,052	672	272
Foreign banks								
Total deposits (incl. govt deposits) 1/	36,265	43,241	47,053	53,462	55,145	60,199	61,651	64,411
Demand deposits (excl. govt & DMB deposits)	12,497	102,865	15,377	17,895	21,663	20,947	24,358	27,269
Time deposits (excl govt.& DMB deposits)	23,046	28,292	30,938	34,000	32,747	37,914	36,298	36,364
Deposits in BB	...	48,756	7,612	9,499	9,076	8,063	11,378	8,911
Cash in vault	...	514	479	1,326	586	912	791	762
Eligible securities	...	10,306	10,179	14,862	13,880	12,532	11,229	12,003
Total liquid assets (cash and eligible securities)	11,594	17,202	18,279	25,726	23,584	21,565	23,436	21,676
Statutory liquidity requirement	7,253	8,597	9,346	10,611	10,945	11,944	12,374	12,589
Excess/(shortfall) liquid assets	4,340	8,605	8,933	15,760	12,517	9,213	11,062	9,087
Borrowing from BB	...	236	214	273	209	203	109	81
Specialized banks								
Total deposits (incl. govt deposits) 1/	25,454	29,217	31,394	34,561	37,834	42,431	46,305	49,174
Demand deposits (excl. govt & DMB deposits)	4,001	4,184	3,916	4,267	4,563	5,163	5,358	5,693
Time deposits (excl govt.& DMB deposits)	20,828	20,965	23,273	25,795	28,454	30,531	34,073	36,345
Deposits in BB	...	1,754	2,447	2,266	1,990	2,040	2,338	2,818
Cash in vault	...	268	422	384	438	436	430	364
Eligible securities	...	2,583	2,715	2,275	2,592	3,775	3,974	3,827
Total liquid assets (cash and eligible securities)	4,199	4,857	6,081	5,184	5,488	6,507	7,229	7,275
Statutory liquidity requirement	5,090	2,183	2,360	2,339	2,447	2,687	2,799	3,070
Excess/(shortfall) liquid assets	2,370	2,674	3,722	2,884	3,144	3,960	4,430	4,205
Borrowing from BB	40,740	42,417	45,619	43,129	44,375	44,409	45,915	47,781
All banks								
Total deposits (incl. govt. deposits) 1/	498,201	580,715	599,083	656,550	706,702	776,175	815,318	890,414
Demand deposits (excl. govt & DMB deposits)	101,758	107,049	104,180	119,099	130,081	137,648	145,785	157,434
Time deposits (excl govt.& DMB deposits)	368,764	341,985	361,165	398,306	434,836	498,031	522,099	573,913
Deposits in BB	...	50,510	50,332	50,181	56,502	49,411	57,861	79,564
Cash in vault	...	9,656	9,902	11,681	10,536	2,136	11,128	12,481
Eligible securities	...	81,561	79,396	100,599	106,483	123,933	114,509	112,047
Total liquid assets (cash and eligible securities)	112,017	146,599	144,224	166,852	178,392	191,165	189,044	210,940
Statutory Liquidity Requirement	99,640	109,462	112,569	122,892	131,963	144,627	144,135	154,872
Excess/(Shortfall) Liquid Assets	18,103	37,137	31,656	51,298	53,436	54,701	44,909	56,068
Borrowing from BB	40,930	45,011	49,553	45,539	46,705	46,617	47,424	48,778

Source: Data provided by the Bangladesh Bank, Department of Banking Operation and Development.

1/ As defined for purposes of Statutory Liquidity Requirement.

Table 36. Bangladesh: Banks' Foreign Exchange Positions, 1997-2001

(In millions of U.S. dollars)

	Foreign exchange liabilities	Foreign exchange assets	Net position (assets less liabilities)
National commercial banks			
Jun. 1997	344.0	555.3	211.3
Dec. 1997	383.2	518.0	134.8
Jun. 1998	387.0	488.4	101.4
Dec. 1998	283.8	441.2	157.4
Dec. 1999	296.1	553.0	256.9
Jun. 2000	360.4	519.0	158.6
Dec. 2000	323.2	562.5	239.3
Jun. 2001	300	447.2	147.2
Dec. 2001	348.2	501.9	153.7
Domestic foreign banks			
Jun. 1997	...	2.4	2.4
Dec. 1997	0.2	7.1	6.9
Jun. 1998	4.6	15.3	10.7
Dec. 1998	...	10.2	10.2
Dec. 1999	0.2	8.2	8.0
Jun. 2000	0.3	11.3	11.0
Dec. 2000		22.6	22.6
Jun. 2001		22.7	22.7
Dec. 2001	0.2	18.1	17.9
Private commercial banks			
Jun. 1997	28.7	136.8	108.1
Dec. 1997	37.8	167.1	129.3
Jun. 1998	57.3	183.8	126.5
Dec. 1998	56.2	210.2	154.0
Dec. 1999	71.2	257.9	186.7
Jun. 2000	99.0	315.2	216.2
Dec. 2000	144.1	402.2	258.1
Jun. 2001	128.0	306.2	178.2
Dec. 2001	164.5	335.4	170.9
Foreign commercial banks			
Jun. 1997	88.2	110.8	22.6
Dec. 1997	87.3	135.7	48.4
Jun. 1998	82.3	145.3	63.0
Dec. 1998	95.4	133.3	37.9
Dec. 1999	96.8	93.2	-3.6
Jun. 2000	85.2	181.4	96.2
Dec. 2000	102.4	216.1	113.7
Jun. 2001	120.2	182.8	62.6
Dec. 2001	159.0	225.5	66.5
Total			
Jun. 1997	480.9	805.3	344.4
Dec. 1997	508.5	827.9	319.4
Jun. 1998	531.2	832.8	301.6
Dec. 1998	435.4	794.9	359.5
Dec. 1999	464.3	912.3	448.0
Jun. 2000	544.9	1026.9	482.0
Dec. 2000	569.7	1203.4	633.7
Jun. 2001	548.2	958.9	410.7
Dec. 2001	671.9	1080.9	409.0

Source: Bangladesh Bank, Statistics Department.

Table 37. Bangladesh: Capital Adequacy, 1999–2001

	1999 Dec.	2000 June	2000 Dec.	2001 June	2001 Dec.
(In billions of taka)					
Total bank assets	1,865.8	1,995.8	2,095.4	2,182.9	1,619.1
Domestic commercial banks and institutions	1,766.2	1,887.4	1,966.4	2,024.2	1,256.9
National commercial banks	1,210.8	1,282.6	1,356.6	1,390.3	725.9
Specialized banks	205.9	210.2	174.5	180.5	187.0
Private banks	349.5	394.7	435.4	453.4	531.0
Foreign banks	100.6	108.4	129.0	158.7	175.3
Risk weighted assets	622.3	648.2	703.8	744.6	800.3
Domestic commercial banks and institutions	583.5	608.8	662.8	695.4	595.3
National commercial banks	306.9	318.9	322.3	320.0	346.1
Specialized banks	129.6	127.6	150.9	153.7	159.0
Private banks	147.0	162.3	189.6	221.7	249.2
Foreign banks	38.8	39.4	41.0	49.3	46.0
Required capital	51.8	53.5	61.5	63.8	68.5
Domestic commercial banks and institutions	48.4	50.1	53.9	56.1	48.4
National commercial banks	24.6	25.5	25.8	25.6	27.7
Specialized banks	10.4	10.2	12.1	12.3	12.7
Private banks	13.5	14.3	16.0	18.2	20.7
Foreign banks	3.4	3.4	7.6	7.8	7.4
Actual capital	45.9	48.9	47.1	48.4	53.2
Domestic commercial banks and institutions	39.8	42.3	39.6	41.0	39.2
National commercial banks	16.1	16.2	14.1	14.3	14.7
Specialized banks	7.5	7.7	4.9	5.6	6.3
Private banks	16.2	18.3	20.7	21.1	24.6
Foreign banks	6.1	6.6	7.5	7.4	7.7
Capital surplus (-) or shortfall (+)	5.9	4.6	14.4	15.5	15.3
Domestic commercial banks and institutions	8.6	7.8	14.3	15.1	9.2
National commercial banks	8.5	9.3	11.7	11.3	13.0
Specialized banks	2.9	2.5	7.2	6.7	6.5
Private banks	-2.7	-4.0	-4.6	-2.9	-3.9
Foreign banks	-2.7	-3.2	0.1	0.4	-0.3
Provisioning surplus (-) or shortfall (+)	49.0	51.6	41.4	44.9	45.2
Domestic commercial banks and institutions	48.9	51.6	41.1	44.8	44.6
National commercial banks	37.9	40.4	35.5	38.9	38.8
Specialized banks	2.0	3.2	-0.8	0.0	0.6
Private banks	9.0	8.1	6.9	6.2	5.8
Foreign banks	0.0	-0.1	-0.2	-0.2	0.0
Shortfall (+) in capital plus provisioning	54.9	56.2	55.8	60.4	60.5
Domestic commercial banks and institutions	57.6	-59.4	55.5	59.9	53.8
National commercial banks	46.4	-49.7	47.2	50.1	51.9
Specialized banks	4.9	-5.6	8.0	6.7	7.0
Private banks	6.3	-1.1	2.3	-3.4	1.9
Foreign banks	-2.7	3.2	0.2	0.2	-0.3
(In percent)					
Capital adequacy ratio	7.4	7.5	6.7	6.5	6.7
Domestic commercial banks and institutions	6.8	6.9	6.0	5.9	6.6
National commercial banks	5.3	5.1	4.4	4.5	4.2
Specialized banks	5.8	6.1	3.2	3.6	3.9
Private banks	11.0	11.3	10.9	9.5	9.9
Foreign banks	15.8	16.8	18.4	15.0	16.8
Actual capital in percent of required capital	88.6	91.4	76.6	75.8	77.6
Domestic commercial banks and institutions	82.2	84.4	73.4	73.1	81.1
National commercial banks	65.6	63.5	54.5	56.0	53.0
Specialized banks	72.0	75.8	40.2	45.3	49.1
Private banks	120.3	127.7	128.9	115.8	118.7
Foreign banks	179.2	193.3	99.2	95.4	104.2

Source: Bangladesh Bank, Department of Banking Operation and Development.

Table 38. Bangladesh: Balance of Payments 1997/98–2001/02

(In millions of U.S. dollars)

	1997/98	1998/99 6/	1999/00 6	2000/01	2001/02 Dec.
Trade balance	-2,352	-3,018	-2,804	-3,047	-1,291
Exports	5,172	5,324	5,762	6,477	2,973
Imports	-7,524	-8,342	-8,566	-9,524	-4,264
Net services	82	-66	-284	-365	-54
Receipts	798	798	946	869	418
Payments	-716	-864	-1,230	-1,234	-472
Transfers	2,017	2,235	2,670	2,296	1,348
Official current transfers	267	260	443	196	136
Private transfers	1,750	1,975	2,227	2,100	1,212
<i>Of which: Workers' remittances</i>	1,526	1,706	1,949	1,882	1,122
Current account balance 1/	-253	-849	-417	-1116	2.5
Capital account balance	272	539	527	536	59
Aid disbursements 2/	1,052	1,215	1,132	1174	428
Commodity loans	42	205	3	40	8
Project aid 3/	1,010	1,010	1,129	1134	420
Concessional debt amortization	-308	-341	-396	-414	-225
Other medium-long term capital, net	-50	-30	104	5	0
Foreign direct and portfolio inv.	252	671	487	419	49
Other capital flows (trade credits) 4/	-674	-975	-800	-648	-204
Errors and omissions	108	82	169	151	-107
Overall balance	127	-227	278	-429	-56
Financing items	-127	227	-278	429	56
Bangladesh Bank	-176	274	-117	329	7
Assets (- increase)	-14	210	-79	302	1
Liabilities	-162	65	-38	27	6
Fund credit, net	-107	27	-85	-86	-22
ESAF and other Fund disb.	0	138	0	0	0
Fund repayments	-107	-111	-85	-86	0
Other, net	-10	-19	0	0	0
Adjustment 5/	-45	56	47	103	-28
Commercial banks	49	-47	-161	100	49
Memorandum items:					
Current account balance/GDP 1/	-0.6	-1.9	-0.9	-2.8	...
Current account balance/GDP (incl. grants)	0.1	-1.1	-0.3	-2.4	...
Gross reserves (in millions of U.S. dollars) 5/ (In months of imports of goods and non-factor services)	1,751 2.6	1,522 2.0	1,599 2.0	1,302 1.5	1,300 1.7

Sources: Data provided by the Bangladesh authorities; and Fund staff estimates.

1/ Excludes official capital grants. Previously, all grants were reported in the capital account.

2/ Includes official capital grants.

3/ Includes non-ADP financing and capital grants.

4/ Includes valuation adjustment.

5/ Gross foreign reserves of Bangladesh Bank, including nonresident foreign currency deposits and other special accounts.

6/ For the year 1998/99 and 1999/00, the official estimates of imports, investment income payments, and FDI are significantly lower than the staff estimates presented in the table, reflecting the adjustments in staff estimates to account for unrecorded FDI inflows.

Table 39. Bangladesh: Exports by Main Product Categories, 1997/98–2001/02

(In millions U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Jul.-Jan.
Raw jute	108	72	72	67	30
Volume (millions of bales)	2	2	2	2	1
Average unit value	59	41	41	45	49
Jute goods (excl. carpets)	279	302	263	229	135
Volume ('000 of tons)	447	488	423	372	224
Average unit value	624	619	622	616	603
Tea	48	39	18	22	13
Volume (millions of kgs)	27	23	13	18	10
Average unit value	2	2	1	1	1
Leather and leather products	190	168	195	254	117
Volume (millions of square feet)	128	187	197	212	103
Average unit value	1	1	1	1	1
Frozen shrimps and fish	294	274	344	363	177
Volume (millions of pounds)	73	70	98	77	103
Average unit value	4	4	4	5	1
Ready-made garments	2,843	2,985	3,083	3,364	1,882
Volume (million dozens)	66	65	67	71	39
Average unit value index	43	46	46	47	47
Knitwear and hosiery products	940	1,035	1,270	1,496	837
Volume (million dozens)	33	37	45	53	29
Average unit value index	29	28	28	28	28
Naphtha, furnace oil and bitumen	11	5	11	10	4
Chemical Products (fertilizers)	59	59	60	68	26
Agricultural Products	0	22	18	13	9
Other exports	390	352	420	594	305
Total exports 1/	5,161	5,313	5,752	6,467	3,534
	(Annual percentage change)				
Memorandum items:					
Value	17	3	8	12	-6
Volume	22	6	7	...	...
Unit price	-4	-3	1	...	...

Sources: Bangladesh Bank; and Fund staff estimates.

1/ Excludes goods procured in ports and repairs on goods.

Table 40. Bangladesh: Imports by Main Product Categories, 1997/98–2001/02

	1997/98	1998/99	1999/00	2000/01	2001/02 Jul.-Dec.
	(In millions of U. S. dollars)				
Total 1/	7,520	8,006	8,403	9,363	3,564
Foodgrains	369	997	381	380	84
Rice	247	680	115	180	4
Wheat	122	317	266	200	80
Edible oil	216	287	256	230	102
Oilseeds	93	100	90	70	35
Petroleum products	295	270	406	575	140
Crude petroleum	140	118	232	273	125
Cotton	207	233	277	375	140
Staple fiber	48	39	43	42	18
Yarn	327	283	300	325	140
Fertilizer	108	120	140	132	45
Cement	152	105	80	46	10
Textiles	1,264	1,109	1,153	1,320	542
Capital goods	2,072	1,969	2,133	2,400	809
Aircraft	0	0	0	0	0
Other	2,229	2,376	2,912	3,196	1,374
	(Annual percentage change)				
Memorandum items:					
Value	5.1	6.5	5.0	11.4	...
Volume	11.5	12.2	5.7	12.3	...
Unit price	-5.7	-5.1	-0.7	-0.7	...

Sources: Bangladesh Bank; and Fund staff estimates.

1/ Excludes goods procured in ports and repairs on goods.

Table 41. Bangladesh: Geographical Distribution of Foreign Trade, 1996/97–2000/01

(In percent of total)

	1996/97	1997/98	1998/99	1999/00	2000/01
Exports					
United States	31.3	32.0	35.7	36.9	36.2
Canada	1.7	2.0	2.0	2.1	2.0
Western Europe	47.9	49.0	48.4	47.9	48.8
Eastern Europe	1.3	1.0	1.0	1.2	0.7
India	0.8	1.0	1.3	1.4	1.1
Pakistan	1.2	1.2	0.8	0.6	0.7
Japan	2.5	2.7	1.7	1.7	1.4
Hong Kong, SAR	2.8	3.0	1.9	1.8	2.0
Singapore	0.5	1.0	0.5	0.4	0.6
Iran, Islamic Republic of	1.2	1.0	0.7	0.9	0.7
China	1.2	1.0	0.3	0.1	0.2
Other	7.6	5.1	5.7	5.0	5.6
Total	100.0	100.0	100.0	100.0	100.0
Imports					
United States	4.5	5.0	3.8	3.9	3.0
Canada	1.1	1.0	1.0	1.1	1.2
Western Europe	12.7	13.0	12.3	12.7	12.7
Eastern Europe	1.8	2.0	2.4	2.5	0.4
India	13.8	15.0	15.4	9.9	16.8
Pakistan	1.0	1.0	1.0	1.0	1.4
China	8.6	10.0	6.0	6.8	9.5
Hong Kong, SAR	6.1	6.0	5.6	5.4	6.9
Singapore	4.4	5.0	6.9	8.3	11.8
Korea, Republic of	5.4	7.0	3.6	3.8	5.6
Malaysia	2.9	3.0	1.6	1.3	2.1
Indonesia	1.9	1.0	2.3	9.9	2.7
Thailand	1.2	1.0	1.7	1.8	2.9
Saudi Arabia	1.3	1.0	0.7	2.3	2.1
Australia	2.5	2.0	2.5	2.4	3.0
Japan	8.8	9.0	6.2	8.2	5.2
Other	22.0	18.0	27.0	18.7	12.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Bangladesh Bank.

Table 42. Bangladesh: Worker's Remittances, 1997/98–2001/02

(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Jul.- Dec.
Bahrain	32	39	42	44	25
Germany	2	5	5	3	3
Iran, Islamic Republic of	1	0	0	0	0
Iraq	0	0	0	0	0
Japan	20	39	35	12	7
Kuwait	213	230	245	246	128
Libya	1	0	0	0	0
Malaysia	78	68	54	31	20
Oman	88	92	93	84	46
Qatar	58	64	63	63	40
Saudi Arabia	589	685	916	917	515
United Arab Emirates	107	125	130	145	113
United Kingdom	65	54	72	56	36
United States	203	239	241	226	151
Others	68	66	52	51	38
Total	1,526	1,706	1,949	1,882	1,122

Sources: Bangladesh Bank; and Fund staff estimates.

Table 43. Bangladesh: Services Account, 1997/98–2001/02 1/

(In millions of U.S. Dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Jul.-Dec.
Services (net)	82.2	65.8	-29.0	-245.8	-48.4
Nonfactor services (net)	182.3	197.8	192.0	19.3	75.9
Receipts	707.1	707.1	849.4	769.0	320.7
Transportation	93.0	92.9	99.5	79.1	31.5
Travel	67.9	49.3	51.3	48.9	16.6
Other	546.2	564.9	698.6	641.0	272.6
Payments	-524.8	-509.3	-657.4	-739.7	-244.8
Transportation	-178.5	-190.9	-185.6	-223.6	-99.6
Travel	-165.8	-141.7	-295.5	-265.8	-45
Other	-180.5	-176.7	-176.3	-250.3	-100.2
Investment income (net)	-100.1	-135.3	-221.0	-265.1	-124.3
Receipts	90.8	91.1	96.5	97.3	23.1
Payments	-190.9	-226.4	-317.5	-362.4	-147.4
Interest payments	-157.8	-160.1	-169.8	-177.6	-59.6
Profits and dividends	-43.7	-71.6	-157.2	-193.2	-87.8

Source: Bangladesh Bank.

1/ For the year 1998/99-2001/02, the official estimates of investment income payments presented in this table are significantly lower than the staff estimates in the balance of payments, reflecting the adjustments made in staff estimates to account for service payments on unrecorded FDI inflows.

Table 44. Bangladesh: External Aid Commitments and Disbursements, 1997/98–2001/02

(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Jul-Dec.
Food Aid					
Opening Pipeline	160	119	211	55	250
Commitments	52	269	51	245	0
Disbursements	93	177	142	51	58
Grants 1/	93	177	142	51	58
Loans	0	0	0	0	0
Adjustment 2/	0	0	-65	0	0
Closing pipeline	119	211	55	250	192
Commodity Aid					
Opening Pipeline	30	124	155	40	75
Commitments	219	363	175	222	13
Disbursements	120	324	283	184	59
Grants 1/	77	119	280	145	59
Loans	42	205	3	39	0
Adjustment 2/	-5	-8	-7	0	0
Closing pipeline	124	155	40	79	30
Project Aid					
Opening Pipeline	4,507	4,653	5,615	5,657	5,549
Commitments	1,520	2,017	1,254	1,585	0
Disbursements	1,039	1,035	1,150	1,134	73
Grants 3/	333	374	304	309	0
Loans	706	662	846	825	73
Adjustment 2/	-336	-20	-72	-204	0
Closing pipeline	4,653	5,615	5,647	5,904	5,476
Total Aid					
Opening Pipeline	4,697	4,896	5,980	5,752	5,874
Commitments	1,790	2,649	1,481	2,053	13
Disbursements	1,251	1,536	1,575	1,369	190
Grants	503	669	726	504	117
Loans	749	867	849	865	73
Adjustment 2/	-340	-29	-143	-204	0
Closing pipeline	4,896	5,980	5,742	6,233	5,697

Source: Economic Relations Division, Ministry of Finance.

1/ "Official current transfers" in the current account in Table 38 include technical assistance-related inflows and, as a result, exceed the sum of food aid and commodity aid grants as recorded in this table.

2/ Includes cancellation and exchange rate adjustments.

3/ Included in "Project aid" in the capital account in Table 38.

Table 45. Bangladesh: External Aid Disbursements by Donors, 1997/98–2001/02

(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Jul.-Nov.
Bilateral donors	490	638	785	706	208
Australia	10	7	8	7	0
Belgium	0	0	0	0	0
Canada	15	27	28	19	9
China	2	0	18	26	0
Denmark	19	33	29	5	1
France	31	11	1	6	0
Finland	0	0	0	0	0
Germany	49	37	21	43	3
India	0	7	4	20	2
Japan	172	235	390	316	128
Kuwait	3	6	8	36	0
Netherlands	21	43	28	19	0
Norway	19	10	19	17	0
Romania	0				
Saudi Arabia	14	4	4	0	0
Sweden	27	22	20	16	0
Switzerland	2	9	4	7	1
United Kingdom	35	52	61	53	0
United States	26	69	92	39	0
U.S.S.R.	0	0	0	0	0
Suppliers' credits	42	46	43	75	64
Other	6	22	7	1	0
Multilateral donors	762	898	790	663	251
Asian Development Bank	240	218	283	236	85
IDA	332	477	354	299	118
European Union	57	39	5	32	17
IFAD	13	11	15	0	0
UNDP	30	37	7	17	0
World Food Program	43	81	68	1	22
UNICEF	22	19	27	49	4
Ford Foundation	0				
Islamic Development Bank	14	12	16	16	0
OPEC Fund	11	4	6	8	3
Other	0	0	9	4	1
Total aid disbursements	1,252	1,536	1,575	1,369	459

Source: Economic Relations Division, Ministry of Finance.

Table 46. Bangladesh: External Debt, 1997/98–2001/02 1/

(In millions of U.S. dollars)

	1997/98	1998/99	1999/00 3/	2000/01	2001/02 Jul.-Dec.
Outstanding debt (end-period)	14,033	15,145	16,188	16,729	17,028
Medium- and long-term debt 2/	13,418	14,354	15,727	16,227	16,517
Food credits	0	0	0	...	...
Aircraft loans	270	252	111	...	...
Petroleum loans	0	0	98	...	...
IMF 3/	320	354	272	172	149
Other	11	-1	4	...	...
Debt service payments	-623	-612	-651	-670	-295
IMF 3/	-108	-116	-94	-86	-22
Other	-515	-496	-557	-584	-273
Principal payments	-465	-453	-481	-492	-226
IMF 3/	-107	-111	-85	-78	-16
Other	-358	-341	-396	-414	-210
Interest payments	-158	-160	-170	-178	-66
IMF 3/	-1	-5	-9	-8	-3
Other	-157	-155	-161	-170	-63
Debt indicators					
Outstanding debt					
In percent of GDP	31.8	32.5	34.4	35.3	...
In percent of current receipts	181.8	186.6	180.1	176.7	...
Outstanding IMF credit 3/					...
In percent of GDP	0.8	0.8	0.7	0.4	...
In percent of current receipts	2.3	2.3	1.7	1.0	...
Debt service					...
In percent of GDP	1.4	1.5	2.1	1.1	...
In percent of current receipts	7.8	7.8	8.4	7.5	...
Debt service to the IMF 3/					...
In percent of GDP	0.3	0.3	0.3	0.2	...
In percent of current receipts 2/	1.4	1.4	1.4	1.4	...
In percent of total debt service	17.7	18.3	14.4	12.8	...

Sources: Economic Relations Division, Ministry of Finance; World Bank; and Fund staff estimates.

1/ Fiscal year ending June 30.

2/ Debt recorded by the Economic Relations Division of the Ministry of Finance on an original maturity basis.

3/ Excludes the IMF Trust Fund.

Table 47. Bangladesh: Gross Official Reserves, 1998/99–2001/02

(In millions of U.S. dollars; end of period)

	1998/99	1999/00	2000/01	2001/02 Sep.	2001/02 Dec.
Gold 1/	21	31	30	31	31
SDRs	10	3	1	20	1
Foreign exchange	1,492	1,565	1,271	1,098	1,268
Other	...	...	...	...	...
Total 2/	1,522	1,599	1,302	1,149	1,300

Source: Bangladesh Bank.

1/ National valuation.

2/ The figures for total reserves may differ from the ones presented in the official balance of payments because of valuation differences.

Bangladesh: Summary of the Tax System as of March 2002

Tax	Nature of Tax	Exemptions and Deduction	Rates
A. General Government			
1. Taxes on income			
1.1 Individuals	<p>Annual global income tax</p> <p>Taxable income includes employment income, income from securities, income from housing property, income from a business, profession, capital gains, agricultural income, and income from other sources.</p> <p>Filing takes place on an individual basis.</p> <p>Taxability is based on the residential status of the taxpayers and not on citizenship or domicile. A non-resident person is liable to income tax on income received or deemed to have been received in BGD and all income which accrued or arose or is deemed to have been accrued or arisen in BGD.</p> <p>Capital gains are taxed under the income tax law at varying rates depending on the length of time an asset is held. Only capital losses can offset capital gains.</p>	<p>Exemptions are:</p> <ul style="list-style-type: none"> * Any person due to, or received by, an assessee in respect of any income year in which he was in BGD for a period in all amounting to 182 days or more. * some interest, e.g. on certain government securities up to Taka 5,000, and interest from certain debentures up to Taka 20,000. * first Tk 100,000 of dividend income in some cases; however, limited to dividend from shares in public limited comp. listed at the stock exchange * Tk 40,000 additional to threshold of Tk 100,000 for persons whose only source of income is from agriculture. * gratuities. <p>Deductions for accommodation and cars for salaried employees of non-governmental organizations and firms:</p> <ul style="list-style-type: none"> * rent in cash to employee from employer: first Tk 10,000 per month or 50 percent of the basic salary, whichever is less; * rent-free accommodation from employer: rental value or 25 percent of basic salary; * conveyance allowance: if no conveyance provided by employer or owned or maintained by the employee, then the first Tk 12,000 allowance are exempt; <p>Investment Tax Credit at 15 percent is admissible subject to a maximum of Tk 200,000, and 20 percent of total income on the following:</p> <ul style="list-style-type: none"> * Contribution to deferred annuity, contribution to Provident Fund to which the Provident Fund Act 1925 applies. * Self contribution to approved Superannuation Fund. * Investment in approved debenture or debenture stock, stock and shares of public companies. * Contribution to deposit schemes. * Life insurance premium. * Contribution to Zakat Fund, donation to any socio-economic or cultural development institution established in BGL by Aga Khan Development Network, rural charitable hospital, organization for retarded people, and national savings certificate. * Contribution to Benevolent Fund and Group Insurance. <p>Note: The maximum limit may be extended up to further Tk 25,000 in case it is invested in the primary share of companies listed with stock exchange.</p>	<p>Annual income (Resident)</p> <p>Tk 100,000</p> <p>Tk 100,001-150,000</p> <p>Tk 150,001-300,000</p> <p>Tk 300,001 and above</p> <p>Nonresident</p> <p>Marginal rate of inc. in bracket</p> <p>0 percent</p> <p>10 percent</p> <p>18 percent</p> <p>25 percent</p> <p>25 percent</p>

Tax	Nature of Tax	Exemptions and Deduction	Rates
1.2. Companies	<p>Tax is imposed on income of companies under a classical system of taxation. Resident companies are taxed on worldwide income. Nonresident companies are taxed on BGL income.</p> <p>Loss carryforward is allowed for a maximum of 6 years.</p> <p>Avoidance of double taxation: * in the case of residents in BGD, an ordinary credit (i.e. up to the amount calculated at the BGD tax rate) is available with respect to double taxation on income accruing or arising in a foreign country with which there is no reciprocal arrangement for the avoidance of double taxation. The credit is subject to the overall country limitation. No relief is available in respect of income which is deemed to accrue or arise in BGD. * Double tax treaties apply for several countries (Belgium, Canada, China, Denmark, France, Germany, India, Italy, Japan, Malaysia, Netherlands, Pakistan, Poland, Republic of Korea, Romania, Singapore, Sri Lanka, Sweden, and Thailand.)</p> <p>Inter-corporate dividends between Bangladeshi companies are chargeable at a concessional rate of 15 percent.</p> <p>Capital gains are chargeable to income tax; there is no separate tax on capital gains. Gains are, however, taxed at varying rates depending on the length of time an asset is held.</p>	<p>Exempt for business income are: * income of religious and charitable institutions under certain conditions; * incomes of co-operative societies engaged in certain businesses, particularly if derived from agricultural or rural credit, cottage industries, etc under certain conditions. * certain categories of income such as those from fish, duck, poultry, cattle, horticulture etc.</p> <p>Deductions from business income are inter alia allowed for: * expenditure incurred wholly and exclusively for the purposes of the business; * bad debts; * interest payments (no ceilings); * depreciations: There are three categories of depreciation (i) normal depreciation (12 percent for general buildings, 24 percent for factory buildings); (ii) accelerated depreciation (which can only be claimed if the company is eligible for a tax holiday but chooses to forgo the holiday exemptions); (iii) investment allowance (for certain vessels and for plant and machinery eligible for accelerated depreciation.) * scientific research expenses</p> <p>Exporters have a tax rebate of 50 percent of the income from exports.</p> <p>Tax rebates of 5-10 percent for owners of small and cottage industries located in less developed and least developed areas on basis of production performance.</p> <p>Tax holidays have been available for industrial undertakings, tourist industry and physical infrastructure facilities.</p> <p>For undertakings set up between July 1, 2000 and June 30, 2005, tax holidays range between 5 and 7 years provided 30 percent of the exempted income is invested during the period of exemption or within 1 year from the end of the period in any new industrial undertaking or in any productive assets being stocks and shares of a public company or bonds or securities issued by the Government. The undertaking cannot be formed by splitting up or by reconstruction or reconsideration of business already in existence or by transfer to a new business which was being carried on in BGL at any time before the commencement of the new business.</p> <p>The location of the undertaking is an important factor for deciding the nature and duration of tax incentives. The country is divided into two regions; (i) Dhaka, and Chittagong divisions excluding the Hill districts of Rangamati, Bandarban and Khagrachari; and (ii) Rajshahi, Khulna, Silhet and Barisal divisions and the Hill districts of Rangamati, Bandarban and Khagrachari.</p>	<p>Type of Enterprise</p> <p>Marginal rate in percent</p> <p>Banks, financial institutions, and public autonomous bodies. Local authorities (including export processing zones, port authorities, etc.) are taxed at 25 percent corporate rate if their activities relate to public services. Non-publicly traded companies</p> <p>Publicly traded companies</p> <p>100 percent accelerated depreciation is applied for plants and machineries with environment protection purposes.</p>

Tax	Nature of Tax	Exemptions and Deduction	Rates
1.3 Withholding	Withholding of tax for certain transactions .	No exemptions.	<p data-bbox="1413 180 1885 199">Income Withholding are</p> <p data-bbox="1413 232 1885 251">Salary Applicable income tax rate</p> <p data-bbox="1413 256 1885 276">Interest on securities:</p> <p data-bbox="1430 280 1885 300"> Companies 35 percent</p> <p data-bbox="1430 305 1885 324"> Individuals 25 percent</p> <p data-bbox="1413 329 1885 349">Dividends 10 percent</p> <p data-bbox="1413 354 1885 373">Interest on bank deposits 10 percent</p> <p data-bbox="1413 378 1885 397">Indenting commission 5 percent</p> <p data-bbox="1413 402 1885 422">Contractors, Suppliers 1-4 percent</p> <p data-bbox="1413 427 1885 446">Importers 3 percent on value</p> <p data-bbox="1413 451 1885 470">House property income in excess of Tk 15,000 3-5 percent on rent</p> <p data-bbox="1413 500 1885 519">Biri manufactures 3 percent</p> <p data-bbox="1413 524 1885 544">Auction sale 3 percent</p> <p data-bbox="1413 548 1885 568">Manpower agency commission 10 percent</p> <p data-bbox="1413 573 1885 592">Insurance agency commission 5 percent</p> <p data-bbox="1413 597 1885 617">Winnings in lotteries 20 percent</p> <p data-bbox="1413 621 1885 641">Commission on goods distribution 5 percent</p> <p data-bbox="1413 646 1885 665">Transfer of immovable property 10 percent</p> <p data-bbox="1413 670 1885 690">Professional/technical services 5 percent</p> <p data-bbox="1413 695 1885 714">Interest on savings instruments 10 percent</p> <p data-bbox="1413 719 1885 738">L.C. commission 5 percent</p> <p data-bbox="1413 743 1885 763">Service fees of doctors 10 percent</p> <p data-bbox="1413 792 1885 812">General insurance survey fees 5 percent</p> <p data-bbox="1413 816 1885 836">Foreign buyer's commission 2.5 percent</p>
1.4 Winnings of lottery	Tax imposed on lottery winnings and similar income.	No exemptions.	<p data-bbox="1413 980 1766 1047">Tax payable at the rate applicable to total income including lottery income or at the rate of 20 percent, whichever is less.</p>

Tax	Nature of Tax	Exemptions and Deduction	Value of gift	Rates
1.5 Gift tax	Tax imposed on the value of gifts made by donor.	<p>Exempt are:</p> <ul style="list-style-type: none"> * gifts under Tk 20,000; * assets situated outside of Bangladesh; * gifts to the government or local authority; * gifts made by will; * gifts to institution established for charitable purposes and recognized by government (upto Tk 100,000 or total income of donor, whichever is less); * insurance policies or annuities to any relative (other than a wife) supported by the taxpayer with a value not exceeding Taka 20,000 per year; * gifts made to son, daughter, father, mother, spouse, own brother, own sister; * gifts made to any dependent relative on the occasion of marriage; * gifts made in contemplation of death; * gifts made to any educational institution recognized by Government or University or Educational Board; * gifts made by government or local authority to any hospital; * flood- or disaster-related fund recognized by Government; * gifts made by any statutory institution established under any law of the country; * gifts made by any religious or charitable institution established under law; * gifts made by any charitable institution or made out to any tax-exempt fund. 	<ul style="list-style-type: none"> Tk 20,001-500,000 Tk 500,001-1,500,000 Tk 1,500,001-3,500,001 Tk 3,500,001 and above 	<ul style="list-style-type: none"> Marginal rate 5 percent 10 percent 15 percent 20 percent

Tax	Nature of Tax	Exemptions and Deduction	Rates
2. Taxes on goods and services			
2.1 Import duties	Ad valorem tax on imported goods.	Special concessional rates apply to spare parts, electrical equipment, agricultural inputs, and other products under agreement. Export-oriented industry may import machinery duty free. Non export-oriented industry pay 5 percent customs duty on machinery import. Special lower rate for cars imported under the taxicab facility. Customs duties on imports used to produce exports can be refunded through the Duty Exemption and Drawback Office (DEDO).	There are 5 tariff bands with a maximum rate of 37.5 percent and a minimum rate of 0 percent (0, 5, 15, 25, and 37.5)
2.2 Export duties	Effective rates of export duty on all commodities are zero.		
2.3 Infrastructure surcharge	Ad valorem tax on all imports. There are plans to extend this tax to selected domestic goods.	Exempt are: * imports of defense stores; * imports of diplomatic and privileged persons; * imports for blind-deaf and dumb and other handicapped persons; * relief goods imported for disaster management; * imports for export purposes.	2.5 percent
2.4 VAT			
2.4.1 Value-added tax	Invoice method VAT applied to manufactures, imports, and selected services and goods at the domestic wholesale and retail level. Exports are zero-rated. VAT is levied on the base inclusive of customs duties and supplementary duties. Wholesalers and retailers may register for VAT.	Exempt are: * firms with turnover less than Tk 2 million per annum; * education, public administration, housing, and charitable health services. Construction faces a reduced tax of 4.5 percent without credit for invoiced tax. Exempt are the following goods: animals, meat, eggs, hides, fish, vegetables, fruit, grain, flour, cattle and poultry feed, primary milk products, insecticides, jute cuttings, oilseeds, a few chemicals and drugs, fertilizers, domestic textiles, some plastics, metal products, a wide range of machinery and scientific apparatus.	15 percent.

Tax	Nature of Tax	Exemptions and Deduction	Rates	
2.4.2 Supplementary Duty	<p>Although denominated as supplemental VATs, these taxes are actually applied like excise taxes. For imports, the supplemental tax is levied on value including customs duties and excluding VAT; for domestic goods, it is levied on value excluding VAT.</p> <p>Supplementary duties apply to luxury goods imported into BGL, non-essential and socially undesirable and other goods produced and supplied in BGL, and similar services rendered in BGL.</p>		The rates range from 2.5 percent to 350 percent (foreign cigarettes).	
2.5 Turnover tax	<p>Tax on sales of firms with turnover less than Tk 2 million per annum that do not qualify as cottage industries (defined as those firms with capital less than Tk 500,000 and turnover less than Tk 2 million).</p> <p>The tax is levied on the turnover in respect of goods and services specified by the NBR.</p>		4 percent.	
2.6 Excise tax	Specific sales tax levied on hand-made cigarettes (biri), domestic textiles, and bank services.		Product/service	Rate
			Biri	Tk 30 per thousand.
			Textiles	Tk 0.5 per meter for fabric Tk 1.5 per kilo for yarn
			Bank services	between Tk 0 and Tk 5, 000 per deposit account per annum, depending on the balance.
2.7 Foreign travel tax	Imposed on all foreign travel by Bangladesh nationals, persons with a permanent residence or owning property or a business in BGL and persons enjoying other facilities not available to foreign nationals.		Type and Destination	Rate per person
			Air travel:	
			* America, Europe, Africa, Australia and Far East	Tk 1,800
			* SAARC countries;	Tk 600
			* other countries;	Tk 1,300
			Overland and Sea travel	rates vary between Tk 250 and Tk 600.
2.8 Air ticket tax	Tax collected on all airline tickets.		Foreign flights	Tk 300 per ticket
			Domestic flights	Tk 50 per ticket
2.9 Taxes on insurance	Tax (VAT) on premiums paid for general insurance policies.		15 percent.	
2.10 Narcotics duty	Tax on alcoholic beverages administered by the Department of Narcotics and Control.		Tax yield Tk 270 million in 1999/2000.	

Tax	Nature of Tax	Exemptions and Deduction	Rates	
2.11 Advertisement tax	Tax imposed on expenses on advertisements made through cinema slides and films, radio, and television (except for tenders and employment notices).		15 percent	
2.12 Electricity duties	Tax applied to electricity consumption.		15 percent on specified truncated duties.	
2.13 Motor vehicles	Specific tax on taxicabs and buses based on seating capacity.		Type of motor vehicle	Annual Rate
			Taxicabs and buses carrying up to 4 passengers	Tk 1,200
			4-6 passengers	Tk 1,400
			6-15 passengers	Tk 2,400
			15-30 passengers	Tk 3,000
			above 30 passengers	Tk 4,200
			Double decker buses	Tk 5,000
2.14 Entertainment tax	A tax is imposed on each persons as guest for entertainment.	The first 100 guests are exempted.	Taka 25 per person	
2.15 Irrigation tax	Water rates are levied in respect of projects completed by the Water Development Board.			
B. Local taxes				
1 Thana vehicles tax	Specific tax imposed on vehicles.		May vary by thana.	
2 Local property taxes	Property taxes imposed by union parishads on structures and nonagricultural land. Two separate taxes are imposed, the union rate and the chowkidari rate (for funding local police).	Exempt is agricultural land.	For the union rate, a maximum of 7 percent of annual rental value; for the chowkidari rate, a rate sufficient to cover costs for local law enforcement and the cost of tax collection.	