

Monthly Report On
Government Domestic Borrowing¹



May, 2022

Research Department
Money and Banking Wing
Bangladesh Bank

¹Prepared by Money and Banking Wing, Research Department, Bangladesh Bank (The Central Bank of Bangladesh). Feedbacks may be sent to Bishnu Pada Biswas, Director, Research Department, Bangladesh Bank (e-mail: bishnu.biswas@bb.org.bd), Nazmun Nahar Mily, Additional Director (e-mail: nazmun.mily@bb.org.bd), Arjina Akhter Efa, Joint Director (e-mail: arjina.efa@bb.org.bd), Shah Md. Sumon, Deputy Director (e-mail: sm.sumon@bb.org.bd) and Rozina Akter, Assistant Director (e-mail: rozina.akter@bb.org.bd).

Highlights of Government Domestic Borrowing during July-May of FY22

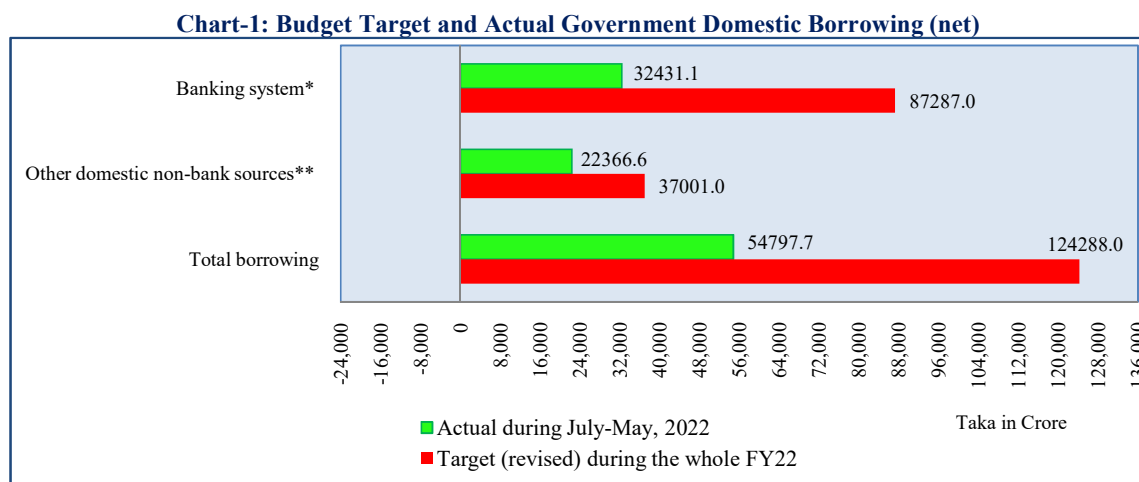
- **Target of Government Domestic Borrowing** for FY22 has been reset at Tk. 1,24,288.0 crore in the national budget (revised). Of which:
 - **Target of borrowing from the banking system** has been reset at Tk. 87287.0 crore.
 - **Target of borrowing from other domestic non-banking sources** has been set at Tk. 37,001.0 crore (including Tk. 32,000.0 crore through net sales of National Savings Schemes).
- During July-May of FY22, government net borrowing from the **banking system** stood at Tk. 32,431.1 crore (37.2 percent of the target reset in the national budget) which was Tk. 5,230.5 crore (6.6 percent of the target set in the national budget) in the corresponding period of the previous fiscal year.
- During July-May of FY22, government net borrowing from the **other non-banking domestic sources** stood at Tk. 22,366.6 crore (60.4 percent of the target set in the national budget) which was Tk. 39,115.5 crore (110.8 percent of the target set in the national budget) in the corresponding period of the previous fiscal year.
- Therefore, during July-May of FY22 government **total net domestic borrowing** both from the banking system and from the other non-banking domestic sources stood at Tk. 54,797.7 crore which was 44.1 percent of the target reset in the national budget (revised). Government total net domestic borrowing during July-May of FY21 was Tk. 44,346.0 crore which was 38.5 percent of the target set in the national budget.
- Net sales from the national savings schemes was Tk. 18,157.4 crore during July-May of FY22 which was 56.7 percent of the target set in the national budget. During the same period of the last fiscal year, the same was Tk. 37,386.0 crore which was 123.4 percent of the target set in the national budget.
- Bangladesh Government Investment *Sukuk* (BGIS) Bond was introduced on October 8, 2020 to expand Shariah based financing. In FY21, total of Tk. 8,000.0 crore was raised by two tranches issuance of 1st *Sukuk* against five year tenor project ‘Safe Water Supply to the Whole Country’.
- During July-May of FY22, two new auctions of BGIS were held against two projects of five year tenor each. Accordingly, Tk. 5,000.0 crore was collected with 2nd *Sukuk* issuance on December 30, 2021 for ‘Need Based Infrastructure Development of Government Primary Schools Project (1st Phase)’; and further Tk. 5,000.0 crore is raised through issuance of 3rd *Sukuk* on April 20, 2022 for ‘Important Rural Infrastructure Development Project on Priority Basis-3 (IRIDP-3)’.

Government Domestic Borrowing during July-May of FY22

Government borrows to finance the budget mainly from two domestic sources: banking system and other non-banking domestic sources. Government borrowing from the banking system consists of borrowing from the central bank and scheduled banks. From banking system, government borrows mainly through advances, overdraft, and issuance of treasury bills and bonds. However, balances of government deposits and other funds are net out from the banking system borrowing. On the other hand, government borrowing from non-banking domestic sources includes savings instruments introduced by the Department of National Savings and government T-bills and Bonds held by non-bank financial institutions, insurance companies, individual investors, etc.

1. Government Domestic Borrowing Target for FY22

As per national budget (revised) of the government, the target of total domestic borrowing has been reset at Tk. 1,24,288.0 crore, of which Tk. 87,287.0 crore has been estimated to borrow from banking system and Tk. 37,001.0 crore from the other non-banking domestic sources. Accordingly, during July-May of FY22, government has borrowed (net) Tk. 54,797.7 crore from domestic sources which is 44.1 percent of the revised target (Chart-1).



Notes: *=Banking system includes Bangladesh Bank and scheduled banks.

**=Other domestic non-bank sources include national savings schemes and T-bills & Bonds held by other than banks.

Sources: Debt Management Department, Statistics Department, Bangladesh Bank; Department of National Savings; and Ministry of Finance (MoF).

2. Borrowing from Banking System

During July-May of FY22, government borrowed (net) Tk. 22,366.0 crore from scheduled banks (SBs) and Tk. 10,065.1 crore from Bangladesh Bank (BB). Hence, government borrowing (net) from banking system stood at Tk. 32,431.1 crore during the period under report of FY22, and it was 37.2 percent of the target reset in the national budget (revised).

3. Borrowing from Other Domestic Non-banking sources

During July-May of FY22, government borrowed Tk. 18,157.4 crore through net selling of national savings schemes and also borrowed Tk. 4,209.1 crore from the institutions and individuals other than banks through issuance of T-bills and Bonds. Therefore, government total borrowing (net) from the non-banking domestic sources stood at Tk. 22,366.6 crore during the period under report which was 60.4 percent of the target set in the national budget.

4. Total Domestic Borrowing

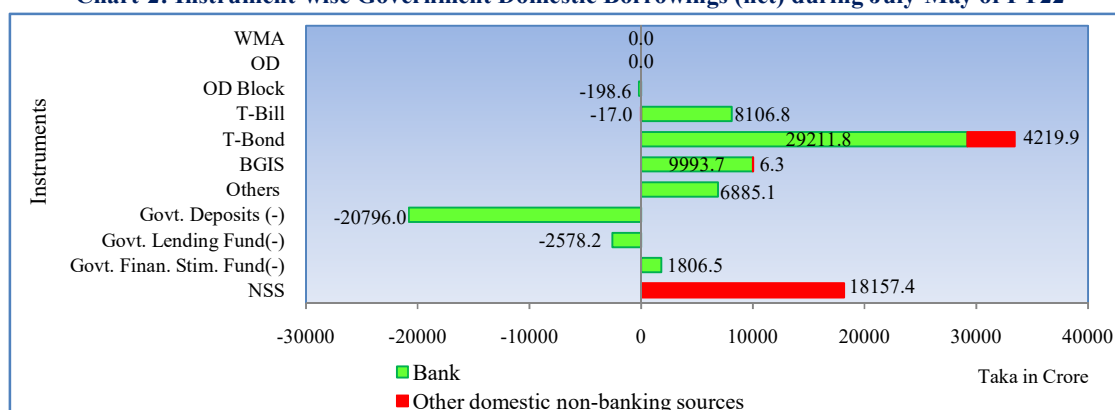
During July-May of FY22, total net domestic borrowings of the government stood at Tk. 54,797.7 crore which was 23.6 percent higher than that of the same period of the previous fiscal year (Table-1). Source and instrument-wise outstanding and flow of net government domestic borrowings are shown in Table-1 and Chart 2.

Table 1: Source-wise Outstanding and Flow of net Government Domestic Borrowings

Sources	July-May FY22		July- May FY21		% Changes (May'22 over June'21 [#])	% Changes (May'21 over June'20 ^{##})
	Outstanding at end May'22	Flow (July-May 2022)	Outstanding at end May'21	Flow (July-May 2021)		
Banks*	230301.2	32431.1	176418.0	5230.5	16.4	3.1
Other domestic non-banking sources**	407651.8	22366.6	380010.1	39115.5	5.8	11.5
Total	637953.0	54797.7	556428.0	44346.0	9.4	8.7

Notes: *=Banks includes Bangladesh Bank and scheduled banks, **=Other domestic non-banking sources include net selling of savings instruments and T-bills & Bonds held by non-bank financial institutions (NBFIs), insurance companies, individuals etc.,
[#]=In June 2021, outstanding net government domestic borrowing was Tk. 583155.3 crore,
^{##}=In June 2020, outstanding net government domestic borrowing was Tk. 512082.0 crore,
 Sources: Debt Management Department, Statistics Department, Bangladesh Bank; and Department of National Savings.

Chart-2: Instrument-wise Government Domestic Borrowings (net) during July-May of FY22



Notes: WMA=Ways and Means Advances, OD=Overdraft, BGIS=Bangladesh Govt. Investment Sukuk (Ijarah Sukuk), NSS=National Savings Schemes, Others include government currency liabilities, advances to food & other ministries, advances to auto & semi autonomous bodies etc.

Sources: Debt Management Department, Statistics Department, Bangladesh Bank; and Department of National Savings.

5. Government Islamic Securities

i) Bangladesh Government Islamic Investment Bond (BGIIB)²

Due to interest bearing nature, Islamic banks for a long time were unable to invest their surplus liquidity in the country's existing instruments of the money market. In order to absorb surplus liquidity from the Islamic banking system, and to create Islamic Shariah-based monetary policy instrument, government introduced Bangladesh Government Islamic Investment Bond (BGIIB) in 2004 with the minimum tenor of 3 months.

During July-May of FY22, investments to BGIIB fund by Islamic banks³ decreased by Tk. 7,494.8 crore while borrowing from that fund increased by Tk. 2,625.0 crore due to issuance of bonds. Therefore, Islamic banks' balances of BGIIB fund decreased by Tk. 10,119.8 crore during July-May of FY22.

ii) Bangladesh Government Investment *Sukuk* (BGIS) Bond

In order to expand Shariah based financing in development activities, government introduced Bangladesh Government Investment *Sukuk* (BGIS) Bond for the first time on October 8, 2020 by issuing 'Bangladesh Government Investment *Sukuk* Guidelines, 2020'. In FY21, total of Tk. 8,000.0 crore was raised by two tranches issuance of 1st *Sukuk* under *Ijarah* mode against five year tenor project named 'Safe Water Supply to the Whole Country'.

During FY22, government further apprised the offer of *Ijarah Sukuk* for two projects of the five years tenor each. Accordingly, an amount of Tk. 5,000.0 crore was collected with the issuance of 2nd *Sukuk* on December 30, 2021 for 'Need Based Infrastructure Development of Government Primary Schools Project (1st Phase)'. Moreover, an amount of Tk. 5,000.0 crore has been raised through issuance of 3rd *Sukuk* on April 20, 2022 against 'Important Rural Infrastructure Development Project on Priority Basis-3 (IRIDP-3)'. Hence, the outstanding amount of *Sukuk* up to the end of May, 2022 stood at Tk. 18,000.0 crore.

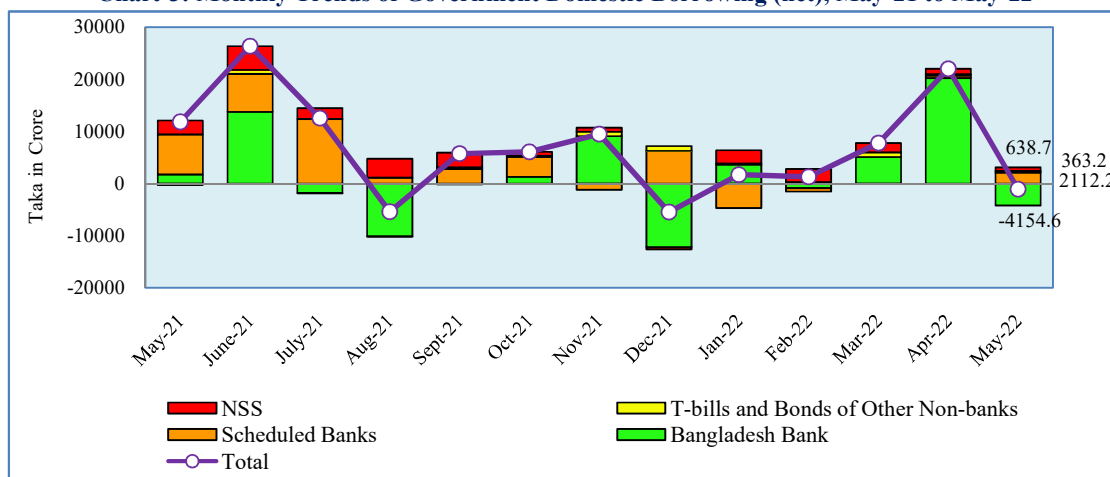
6. Monthly Trends of Domestic Borrowing (May, 2022)

In May 2022, government borrowed Tk. 2,112.2 crore from scheduled banks, Tk. 638.7 crore from national savings schemes and Tk. 363.2 crore from other non-banking sources through issuance of T-bills and Bonds. On the other hand, government repaid Tk. 4,154.6 crore outstanding debt to Bangladesh Bank in May 2022 (Chart-3).

² BGIIB is a pool of funds formed by the Islamic banks and individuals where government provides guarantee against this fund.

³ Including Islamic Branches and Windows of Conventional Banks.

Chart-3: Monthly Trends of Government Domestic Borrowing (net), May'21 to May'22



Note: NSS=National Savings Schemes.

Sources: Debt Management Department and Statistics Department, Bangladesh Bank; Department of National Savings.

7. Concluding Remarks

During July-May of FY22, domestic borrowing from the banking system has soared compared to the same period of FY21 but remained much below the target set in the revised budget because of strong cash balances of the government. On the other hand, net non-bank borrowing continued a slower growth during July-May of FY22 compared to the same period of FY21 due mainly to lower net sales of National Savings Certificates.

Since the revised budget target was still not fulfilled during July-May of FY22, the scenario paved the way that, net domestic borrowing might increase further at the end of FY22. Large deficit financing provides a signal that public sector activities have geared up in the economy which is favorable for attaining desired high growth.

However, due to enhanced borrowing of the government, yield curve of treasury bills and bonds has already largely shifted upward which may also create an upward pressure on banks' lending rates and influence in triggering inflation in the coming months which are not desirable for the macroeconomic stability viewpoint. Therefore, the government needs to emphasize on setting a priority on spending in such a way so that supply of essential commodities can sufficiently be increased in the short-run while expenditures on longer term maturity projects can be contained.

Table I : Government Domestic Borrowing from the Banking System during July-May, FY22

Annex-1
(Provisional)
(Taka in crore)

Sl. No.	Particulars	Issue and Maturity date	Objectives	Outstanding as on 30 June 21	Outstanding as on 30 April 22	Outstanding as on 31 May 22	Change (+) / (-)	
							May 22 8=(7-6)	July-May 22 9=(7-5)
1	2	3	4	5	6	7		
A. Bangladesh Bank								
1.	Ways and Means Advances		To increase Government cash balance	0.0	1889.7	0.0	-1889.7	0.0
2.	Overdraft			0.0	0.0	0.0	0.0	0.00
3.	Overdraft Block			198.6	0.0	0.0	0.0	-198.6
4.	Devolvement			25091.3	27874.9	38383.8	10508.9	13292.4
	a) Treasury Bills			1440.0	2676.7	9082.9	6406.1	7642.8
	b) Treasury Bonds			23651.3	25198.1	29300.9	4102.7	5649.6
5.	Government Currency Liabilities			2025.9	2025.9	2025.9	0.0	0.0
6.	Advances to Govt. against RFI from IMF			4126.8	4126.8	4126.8	0.0	0.0
7.	Advances to Autonomous and Semi-autonomous Bodies			0.0	0.0	0.0	0.0	0.0
8.	Accrued Interest			273.0	655.2	511.9	-143.3	238.9
9.	Government Deposits [@] (-)			-2773.7	-86.0	-13720.9	-13634.9	-10947.2
10.	Balances of GILB Fund in BB (-)			-15805.8	-7112.9	-5683.0	1429.9	10122.8
11.	Govt. Lending Fund(-)			-5210.4	-7228.1	-7653.6	-425.5	-2443.2
A.	Total : (1+...+11)			7925.7	22145.6	17990.9	-4154.6	10065.1
B. Scheduled Banks (SBs)								
1.	Government Treasury Bills			49370.3	47307.2	49834.3	2527.1	464.0
	i) Treasury Bills (Less than 1 year)		To increase Government cash balance	49370.3	47307.2	49834.3	2527.1	464.0
2.	Bangladesh Govt. Treasury Bonds (BGTB)			203734.3	227387.9	228196.5	808.7	24462.2
	i) 2-years Bangladesh Govt. Treasury Bonds			38939.0	36318.8	36433.3	114.5	-2505.7
	ii) 3-years(FRTB) Bangladesh Govt. Treasury Bonds ³		To increase long-term investment of different Banks, NBFIs and employees GF of different companies	112.2	0.0	0.0	0.0	-112.2
	iii) 5-years Bangladesh Govt. Treasury Bonds			43826.2	53326.5	55152.8	1826.3	11326.6
	iv) 10-years Bangladesh Govt. Treasury Bonds			61235.2	69241.7	68448.1	-793.7	7212.9
	v) 15-years Bangladesh Govt. Treasury Bonds			30415.9	35361.3	35060.1	-301.3	4644.2
	vi) 20-years Bangladesh Govt. Treasury Bonds			29205.8	33139.5	33102.3	-37.2	3896.5
3.	Others Treasury Bonds			7064.3	6164.3	6164.3	0.0	-900.0
	a) 1 Year and above but less than 5 years (Specialized Bonds)			0.0	0.0	0.0	0.0	0.0
	i) 3-Years interest free Frozen Food Treasury Bond 2021	Issued 25 June-2018 and maturity date 25 June-2021	To repay the loan of Frozen Food Industries	0.0	0.0	0.0	0.0	0.0
	b) 5 Years and above (Specialized Bonds)			7064.3	6164.3	6164.3	0.0	-900.0
	i) 12-years to 15-years (BPC) Treasury Bond bearing 5.0 percent interest ²	Issued 25 Sep-2007 and Maturity date from 25 Sep-2015 to 25 Sep-2022	To repay the loan of Bangladesh Petroleum Corporation	1822.5	922.5	922.5	0.0	-900.0
	ii) 11-years to 13-years BJMC Treasury Bond bearing 5.0 percent interest	Issued 23 Oct-2011 and maturity date 23 October 2020, 22 & 2024	To repay the loan of BJMC	1314.1	1314.1	1314.1	0.0	0.0
	iii) 8-years SPTB-2021 bearing 7.0 percent interest	Issued 29 June-2013 and maturity date 29 June-2021	To increase Government cash balance	0.0	0.0	0.0	0.0	0.0
	iv) 10-years SPTB-2023 bearing 7.0 percent interest	Issued 29 June-2013 and maturity date 29 June-2023		1935.1	1935.1	1935.1	0.0	0.0
	v) 07-years Hanif Flyover SPTB-2026 bearing 5.0 percent interest	Issued 30 Sep-2019 and maturity date 30 Sep-2026	To repay the loan of Hanif Flyover	1438.5	1438.5	1438.5	0.0	0.0
	vi) 07-years interest free Hanif Flyover SPTB-2026	Issued 30 Sep-2019 and maturity date 30 Sep-2026		554.0	554.0	554.0	0.0	0.0
4.	Bangladesh Govt. Investment Sukuk (BGIS) ⁴			7800.0	17793.7	17793.7	4994.0	9993.7
	05 Years Bangladesh Govt. Investment Sukuk (Jarah Sukuk) ¹	Issued 29 Dec-2020, 06 June-2021 and maturity date 29 Dec-2025	To raise fund for the project 'Safe Water Supply to the Whole Country'					
		Issued 30 Dec-2021 and maturity date 30 Dec-2026	To purchase definite assets of 'Need Based Infrastructure Development of Government Primary Schools	7800.0	17793.7	17793.7	0.0	9993.7
		Issued 20 Apr-2022 and maturity date 20 Apr-2027	To construct and develop 'Important Rural Infrastructure Development Project on Priority Basis-3 (IRIDP-3)'					
5.	Sub-Total : (1+2+3+4)			267969.0	298653.1	301988.9	3335.8	34019.9
6.	Prize Bond			28.4	15.6	28.8	13.2	0.4
7.	Other Securities of Govt.			5.2	5.5	5.4	-0.1	0.2
8.	Advances to Food Ministry			1002.0	419.4	777.9	358.5	-224.1
9.	Advances to Other Ministries			1499.5	1349.3	1351.5	2.2	-148.0
10.	Advances to Auto./Semi-Autonomous Bodies			3279.1	8698.0	9848.7	1150.7	6569.6
11.	Accrued Interest			3123.9	3703.4	3569.0	-134.4	445.1
12.	Deposits of Ministries and Departments (-)			-34984.3	-34831.2	-35566.6	-735.4	-582.3
13.	Deposits of Auto./Semi-Autonomous Bodies (-)			-61192.3	-69868.7	-70458.8	-590.1	-9266.5
14.	SBs's Balances of GILB Fund (i+ii)			15487.2	6808.9	5367.4	-1441.5	-10119.8
	i) Investment to GILB Fund			16753.0	10899.7	9258.2	-1641.5	-7494.8
	ii) Borrowing from GILB Fund (-)			-1265.8	-4090.8	-3890.8	200.0	-2625.0
15.	Borrowing from Govt. on Lending(-)			-1863.9	-1981.2	-1998.9	-17.7	-135.0
16.	Borrowing from Govt. Financial Stimulus Fund(-)			-4409.4	-2773.9	-2602.9	171.0	1806.5
B.	Total : (5+...+16)			189944.4	210198.2	212310.4	2112.2	22366.0
Grand Total : (A+B)				197870.1	232343.8	230301.2	-2042.4	32431.1

Notes:

[@] Including other deposits.

¹ BGIS (Jarah Sukuk) was introduced for the first time on October 08, 2020. In FY21, 1st Sukuk for Tk. 8000.0 crore was issued against 'Safe Water Supply to the Whole Country' project with two tranche (29 Dec'20 and 10 June'21) issuance. During FY22, 2nd Sukuk for Tk. 5000.0 crore has been issued against 'Need Based Infrastructure Development of Government Primary Schools Project(1st Phase)' on 30 December 2021. 3rd Sukuk has also been issued for Tk. 5000.0 crore on 20 April 2022 against 'Important Rural Infrastructure Development Project on Priority Basis-3 (IRIDP-3)'.
² An amount of Tk. 900.0 crore was paid in September 2021 against the outstanding of Tk. 1822.5 crore in June 2021.
³ An amount of Tk. 112.2 crore was paid in March 2022 against the outstanding of Tk. 112.2 crore in June 2021.
⁴ Including GILB Fund, Govt. Lending Fund and Govt. Financial Stimulus Fund.

Table-II: Government Domestic Borrowing from Other than Bank during July-May, FY22

Annex-2

(Taka in Crore)

Sl. No.	Particulars	July-May, 2021			July-May, 2022			Net Sale	
		Sale	Repayment		Sale	Repayment			
			Principal	Interest		Principal	Interest		
1	2	3	4	5	6 = (3-4)	7	8	9	10 = (7-8)
National Savings Schemes									
1.	Defence Savings Certificate	0.0	0.7	0.9	-0.7	0.0	2.2	2.7	-2.2
2.	5-year Bangladesh Savings Certificate	7990.2	5510.9	2493.2	2479.4	8074.4	5262.3	2541.0	2812.1
3.	3-year Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.	Bonus Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.	6-month interest bearing Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6.	Family Savings Certificate	37981.4	17794.1	13241.6	20187.3	48335.4	26469.3	16078.0	21866.1
7.	3-month interest bearing Savings Certificate	27627.3	21743.5	6987.6	5883.8	29682.0	25663.1	7867.5	4019.0
8.	Jamanat Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9.	Pensioner Savings Certificate	6665.9	3185.4	2692.4	3480.5	7332.2	5234.3	3133.2	2098.0
10.	Post Office Savings Bank	17471.6	13174.9	3568.3	4296.7	2856.7	14436.8	4985.8	-11580.1
	a) General Account	1937.5	2160.0	87.5	-222.5	432.9	1237.2	248.2	-804.3
	b) Fixed Account	15523.9	11002.7	3477.1	4521.2	2423.9	13199.7	4737.6	-10775.8
	c) Bonus Account	10.3	12.3	3.7	-2.0	0.0	0.0	0.0	0.0
11.	Postal Life Insurance	104.6	112.1	33.4	-7.5	109.0	122.8	41.6	-13.8
12.	Prize Bond	76.9	38.4	34.1	38.5	82.3	43.4	32.5	38.8
13.	Wage Earners' Development Bond	1439.1	409.2	1134.5	1029.9	810.2	1074.5	1167.5	-264.3
14.	3-year National Investment Bond	0.0	0.2	0.0	-0.2	0.0	0.2	0.0	-0.2
15.	US \$ Premium Bond	21.8	21.3	15.3	0.5	9.9	87.9	21.0	-78.0
16.	US \$ Investment Bond	178.9	181.3	103.6	-2.4	58.2	796.2	157.3	-738.0
17.	Total : (1+...+16)	99557.8	62171.8	30304.8	37386.0	97350.4	79192.9	36027.9	18157.4
			Outstandings as on May 2021		Net Changes July-May, 2021		Outstandings as on May 2022		Net Changes July-May, 2022
18.	Govt. Treasury Bills/Bonds/BGIS		40489.8		1729.5		45400.5		4209.1
	i) Government Treasury Bills		410.1		-1648.1		441.4		-17.0
	ii) Bangladesh Govt. Treasury Bonds (BGTBs)		40079.7		3377.5		44752.7		4219.9
	a) 2-year Bangladesh Government Treasury Bonds		1836.6		661.5		1274.0		-543.6
	b) 3-year(FRTB) Bangladesh Government Treasury Bonds		0.0		0.0		0.0		0.0
	c) 5-year Bangladesh Government Treasury Bonds		7760.5		-171.0		8722.1		765.8
	d) 10-year Bangladesh Government Treasury Bonds		16811.7		1796.8		18570.0		1690.9
	e) 15-year Bangladesh Government Treasury Bonds		6807.0		489.4		7685.0		870.9
	f) 20-year Bangladesh Government Treasury Bonds		6863.8		600.9		8501.7		1435.9
	iii) Bangladesh Government Investment Sukuk (BGIS) [#]		0.03		0.03		206.3		6.3
	a) 05 Years Bangladesh Govt. Investment Sukuk (Ijarah Sukuk) ^{1/}		0.03		0.03		206.3		6.3
19.	Total Non-bank Government Borrowing (net) : (17+18)				39115.5				22366.6

Notes:

[#] BGIS (Ijarah Sukuk) was introduced for the first time on October 08, 2020. In FY21, 1st Sukuk for Tk. 8000.0 crore was issued against 'Safe Water Supply to the Whole Country' project with two tranche (29 Dec'20 and 10 June'21) issuance.

During FY22, 2nd Sukuk for Tk. 5000.0 crore has been issued against 'Need Based Infrastructure Development of Government Primary Schools Project(1st Phase)' on 30 December 2021.

3rd Sukuk has also been issued for Tk. 5000.0 crore on 20 April 2022 against 'Important Rural Infrastructure Development Project on Priority Basis-3 (IRIDP-3)'.

^{1/} In FY21, amount of Tk. 200.03 crore was raised through two tranche (29 Dec'20 & 10 June'21) issuance of 1st Sukuk from Non-bank sources (Individual Investor, Others).

During FY22, amount of Tk. 0.26 crore through 2nd Sukuk and Tk. 6.04 crore by 3rd Sukuk have been raised on 30 Dec'21 and 20 April'22 respectively from Non-bank sources (Individual Investor, Others).