

Monthly Report On
Government Domestic Borrowing¹



June, 2022

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Highlights of Government Domestic Borrowing of FY22

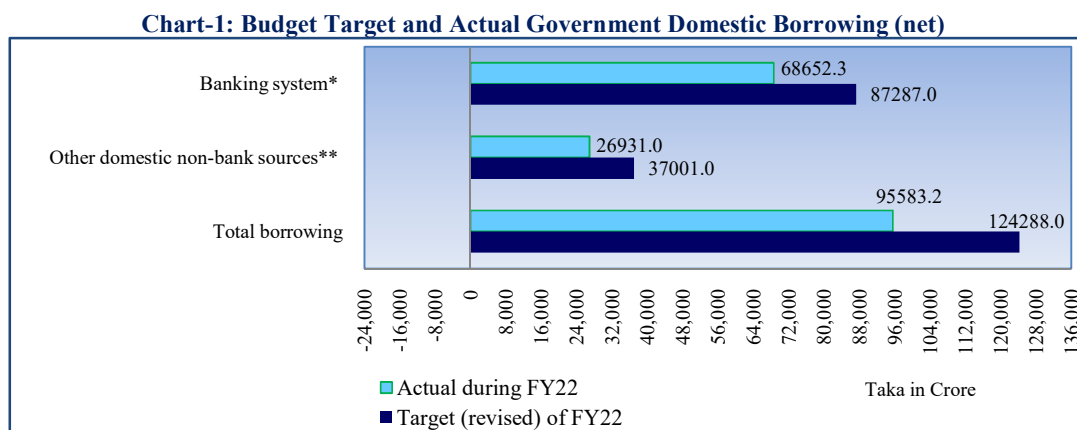
- **Target of Government Domestic Borrowing** for FY22 was reset at Tk. 1,24,288.0 crore in the national budget (revised). Of which:
 - **Target of borrowing from the banking system** was reset at Tk. 87287.0 crore.
 - **Target of borrowing from other domestic non-banking sources** was Tk. 37,001.0 crore (including Tk. 32,000.0 crore through net sales of National Savings Schemes).
- In FY22, government net borrowing from the **banking system** stood at Tk. **68,652.3** crore (**78.7** percent of the target reset in the national budget) which was Tk. 26,682.7 crore (33.5 percent of the target set in the national budget) in the previous fiscal year.
- In FY22, government net borrowing from the **other non-banking domestic sources** stood at Tk. **26,931.0** crore (**72.8** percent of the target set in the national budget) which was Tk. 44,390.6 crore (125.7 percent of the target set in the national budget) in the previous fiscal year.
- Therefore, government **total net domestic borrowing** both from the banking system and from the other non-banking domestic sources in FY22 stood at Tk. **95,583.2** crore which was **76.9** percent of the target reset in the national budget (revised). Government total net domestic borrowing in FY21 was Tk. 71,073.3 crore which was 61.8 percent of the target set in the national budget.
- Net sales from the national savings schemes was Tk. **19,915.8** crore in FY22 which was **62.2** percent of the target set in the national budget. In FY21, it was Tk. 41,959.5 crore which was 138.5 percent of the target set in the national budget.
- In FY22, two new auctions of Bangladesh Government Investment *Sukuk* (BGIS) Bond 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 was 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 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 was reset at Tk. 1,24,288.0 crore, of which Tk. 87,287.0 crore was estimated to borrow from banking system and Tk. 37,001.0 crore from the other non-banking domestic sources. Accordingly, in FY22, government borrowed (net) Tk. 95,583.2 crore from domestic sources which was 76.9 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

In FY22, government borrowed (net) Tk. 40,217.3 crore from Bangladesh Bank (BB) and Tk. 28,435.0 crore from Scheduled Banks (SBs). Hence, government borrowing (net) from banking system in FY22 stood at Tk. 68,652.3 crore and it was 78.7 percent of the target reset in the national budget (revised).

3. Borrowing from Other Domestic Non-banking sources

In FY22, government borrowed Tk. 19,915.8 crore through net selling of national savings schemes and also borrowed Tk. 7,015.2 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. 26,931.0 crore during the period under report which was 72.8 percent of the target set in the national budget.

4. Total Domestic Borrowing

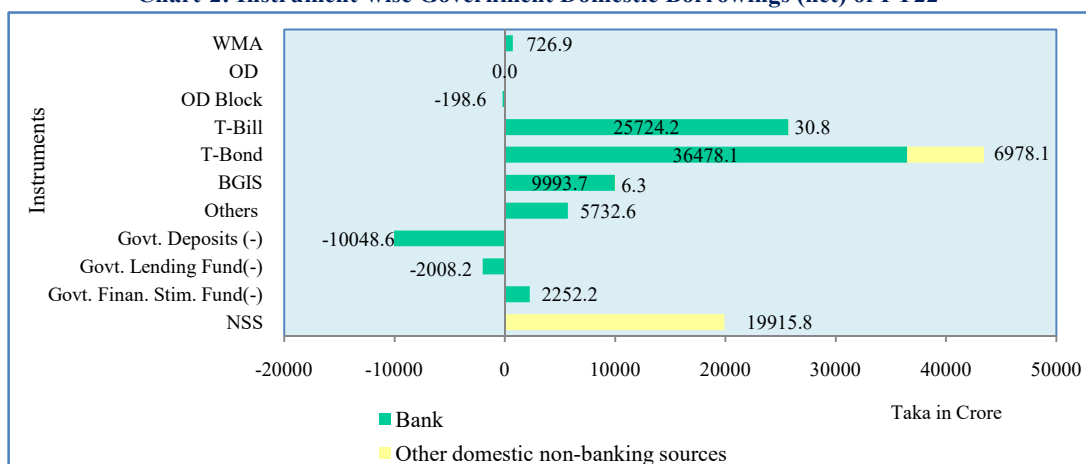
Total net domestic borrowings of the government stood at Tk. **95,583.2** crore in FY22 which was 34.5 percent higher than the previous fiscal year (Table-1). Source and instrument-wise outstanding and flow of net government domestic borrowings are shown in Table-1 and Chart 2.

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

Sources	FY22		FY21		% Changes (June'22 over June'21)	% Changes (June'21 over June'20 [#])
	Outstanding at end June'22	Flow (July-June 2022)	Outstanding at end June'21	Flow (July-June 2021)		
Banks*	266522.4	68652.3	197870.1	26682.7	34.7	15.6
Other domestic non-banking sources**	412216.2	26931.0	385285.2	44390.6	7.0	13.0
Total	678738.5	95583.2	583155.3	71073.3	16.4	13.9

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 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) 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 a minimum tenor of 3 months.

In FY22, investments to BGIIB fund by Islamic banks³ decreased by Tk. 8,366.0 crore while borrowing from that fund increased by Tk. 2,075.0 crore due to issuance of bonds. Therefore, Islamic banks' balances of BGIIB fund decreased by Tk. 10,441.0 crore in 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'.

In 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 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 June, 2022 stood at Tk. 18,000.0 crore.

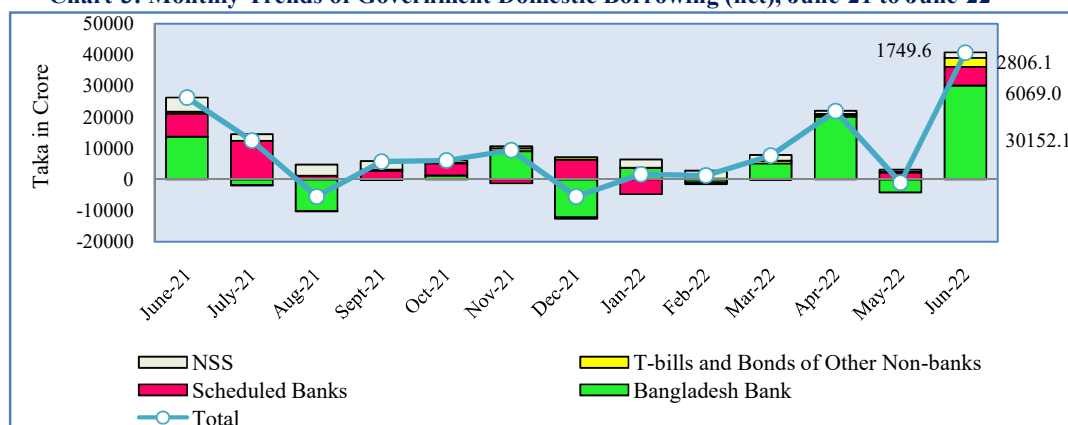
6. Monthly Trends of Domestic Borrowing (June, 2022)

In June 2022, government borrowed Tk. 30,152.1 crore from Bangladesh Bank and Tk. 6,069.0 crore from scheduled banks. In addition, government also borrowed Tk. 2,806.1 crore from other non-banking sources through issuance of T-bills and Bonds and Tk. 1,749.6 crore from national savings schemes in June 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), June'21 to June'22



Note: NSS=National Savings Schemes.

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

7. Concluding Remarks

Government domestic borrowing from the banking system increased in FY22 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 in FY22 compared to the same period of FY21 due mainly to lower net sales of National Savings Certificates (NSCs).

Large deficit financing provides a signal that public sector activities have geared up in the economy which is favorable for attaining desired high growth. Moreover, as NSCs profit is higher compared to other market instrument rates, fewer financing through NSCs source might contribute to reduce government interest debt burden.

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-June, FY22

Annex-1
(Provisional)
(Taka in crore)

Sl. No.	Particulars	Issue and Maturity date	Objectives	Outstanding as on 30 June 21	Outstanding as on 31 May 22	Outstanding as on 30 June 22	Change (+) / (-)	
							June 22	July-June 22
1	2	3	4	5	6	7	8=(7-6)	9=(7-5)
A. Bangladesh Bank								
1.	Ways and Means Advances		To increase Government cash balance	0.0	0.0	726.9	726.9	726.9
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	38383.8	53193.8	14810.0	28102.5
	a) Treasury Bills			1440.0	9082.9	18775.1	9692.2	17335.1
	b) Treasury Bonds			23651.3	29300.9	34418.7	5117.8	10767.4
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	511.9	400.6	-111.3	127.6
9.	Government Deposits ^(*) (-)			-2773.7	-13720.9	-80.2	13640.7	2693.5
10.	Balances of GILB Fund in BB (-)			-15805.8	-5683.0	-5372.4	310.6	10433.4
11.	Govt. Lending Fund(-)			-5210.4	-7653.6	-6878.4	775.2	-1668.0
A.	Total : (1+...+11)			7925.7	17990.9	48143.0	30152.1	40217.3
B. Scheduled Banks (SBs)								
1.	Government Treasury Bills			49370.3	49834.3	57759.5	7925.1	8389.1
	i) Treasury Bills (Less than 1 year)		To increase Government cash balance	49370.3	49834.3	57759.5	7925.1	8389.1
2.	Bangladesh Govt. Treasury Bonds (BGTB)			203734.3	228196.5	230345.0	2148.5	26610.7
	i) 2-years Bangladesh Govt. Treasury Bonds			38939.0	36433.3	34227.2	-2206.1	-4711.8
	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	55152.8	55590.9	438.1	11764.7
	iv) 10-years Bangladesh Govt. Treasury Bonds			61235.2	68448.1	68460.4	12.3	7225.2
	v) 15-years Bangladesh Govt. Treasury Bonds			30415.9	35060.1	37161.9	2101.8	6746.0
	vi) 20-years Bangladesh Govt. Treasury Bonds			29205.8	33102.3	34904.6	1802.3	5698.8
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		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	To increase Government cash balance	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		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	To repay the loan of Hanif Flyover	554.0	554.0	554.0	0.0	0.0
4.	Bangladesh Govt. Investment Sukuk (BGIS) ⁴⁾			7800.0	17793.7	17793.7	0.0	9993.7
	05 Years Bangladesh Govt. Investment Sukuk (Ijarah 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	301988.9	312062.5	10073.6	44093.5
6.	Prize Bond			28.4	28.8	25.3	-3.5	-3.1
7.	Other Securities of Govt.			5.2	5.4	5.6	0.2	0.4
8.	Advances to Food Ministry			1002.0	777.9	1378.2	600.3	376.2
9.	Advances to Other Ministries			1499.5	1351.5	1337.3	-14.2	-162.2
10.	Advances to Auto./Semi-Autonomous Bodies			3279.1	9848.7	8459.9	-1388.8	5180.8
11.	Accrued Interest			3123.9	3569.0	3344.4	-224.6	220.5
12.	Deposits of Ministries and Departments (-)			-34984.3	-35566.6	-35759.9	-193.3	-775.6
13.	Deposits of Auto./Semi-Autonomous Bodies (-)			-61192.3	-70458.8	-73158.8	-2700.0	-11966.5
14.	SBS's Balances of GILB Fund (i+ii)			15487.2	5367.4	5046.2	-321.2	-10441.0
	i) Investment to GILB Fund			16753.0	9258.2	8387.0	-871.2	-8366.0
	ii) Borrowing from GILB Fund (-)			-1265.8	-3890.8	-3340.8	550.0	-2075.0
15.	Borrowing from Govt. on Lending(-)			-1863.9	-1998.9	-2204.1	-205.2	-340.2
16.	Borrowing from Govt. Financial Stimulus Fund(-)			-4409.4	-2602.9	-2157.2	445.7	2252.2
B.	Total : (5+...+16)			189944.4	212310.4	218379.4	6069.0	28435.0
Grand Total : (A+B)				197870.1	230301.2	266522.4	36221.1	68652.3

Notes:

^(*) Including other deposits.¹⁾ 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)'.²⁾ In FY21, amount of Tk. 7799.97 crore was raised through two tranche (29 Dec'20 & 10 June'21) issuance of 1st Sukuk from Banking source (Islamic Banks, Islamic Windows and Conventional Banks).³⁾ During FY22, amount of Tk. 4999.7 crore through 2nd Sukuk and Tk. 4993.96 crore by 3rd Sukuk have been raised on 30 Dec'21 and 20 April'22 respectively from Banking source (Islamic Banks, Islamic Windows and Conventional Banks).⁴⁾ An amount of Tk. 900.0 crore was paid in September 2021 against the outstanding of Tk. 1822.5 crore in June 2021.⁵⁾ An amount of Tk. 112.2 crore was paid in March 2022 against the outstanding of Tk. 112.2 crore in June 2021.

* Including GILB Fund, Govt. Lending Fund and Govt. Financial Stimulus Fund.

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

Annex-2

(Taka in Crore)

Sl. No.	Particulars	July-June, 2021			July-June, 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	3.1	-2.2
2.	5-year Bangladesh Savings Certificate	9550.2	6443.1	2877.6	3107.1	9366.4	6219.0	3027.4	3147.4
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	42794.8	20333.3	14660.3	22461.5	53146.1	29564.9	17671.1	23581.2
7.	3-month interest bearing Savings Certificate	31518.4	24139.6	7805.5	7378.8	32999.5	27873.3	8663.2	5126.2
8.	Jamanat Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9.	Pensioner Savings Certificate	7403.0	3841.0	3015.4	3562.1	8140.1	5937.4	3451.0	2202.7
10.	Post Office Savings Bank	18954.9	14470.3	3937.2	4484.6	3218.6	16001.2	5562.0	-12782.6
	a) General Account	1963.5	2377.6	102.6	-414.1	476.3	1320.5	271.5	-844.2
	b) Fixed Account	16981.1	12080.4	3830.9	4900.7	2742.3	14680.7	5290.6	-11938.4
	c) Bonus Account	10.3	12.3	3.7	-2.0	0.0	0.0	0.0	0.0
11.	Postal Life Insurance	114.8	122.6	36.8	-7.8	129.6	134.6	39.2	-4.9
12.	Prize Bond	82.9	41.1	40.4	41.8	87.2	43.7	39.6	43.6
13.	Wage Earners' Development Bond	1566.0	550.5	1282.3	1015.5	866.3	1281.6	1338.4	-415.3
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	22.8	21.3	15.4	1.5	15.0	118.5	21.9	-103.5
16.	US \$ Investment Bond	180.3	265.1	125.7	-84.8	101.7	978.2	186.0	-876.5
17.	Total : (1+...+16)	112188.2	70228.7	33797.5	41959.5	108070.5	88154.8	40002.7	19915.8
			Outstandings as on June 2021		Net Changes July-June, 2021	Outstandings as on June 2022		Net Changes July-June, 2022	
18.	Govt. Treasury Bills/Bonds/BGIS		41191.4		2431.1		48206.5		7015.2
	i) Government Treasury Bills		458.5		-1599.7		489.3		30.8
	ii) Bangladesh Govt. Treasury Bonds (BGTBs)		40532.9		3830.8		47511.0		6978.1
	a) 2-year Bangladesh Government Treasury Bonds		1817.6		642.6		1226.5		-591.1
	b) 3-year(FRTB) Bangladesh Government Treasury Bonds		0.0		0.0		0.0		0.0
	c) 5-year Bangladesh Government Treasury Bonds		7956.3		24.7		8992.2		1035.9
	d) 10-year Bangladesh Government Treasury Bonds		16879.1		1864.2		19086.5		2207.4
	e) 15-year Bangladesh Government Treasury Bonds		6814.0		496.4		8146.2		1332.2
	f) 20-year Bangladesh Government Treasury Bonds		7065.8		802.9		10059.6		2993.8
	iii) Bangladesh Government Investment Sukuk (BGIS) [#]		200.03		200.03		206.3		6.3
	a) 05 Years Bangladesh Govt. Investment Sukuk (Ijarah Sukuk) ^{1/}		200.03		200.03		206.3		6.3
19.	Total Non-bank Government Borrowing (net) : (17+18)				44390.6				26931.0

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).