ANNUAL REPORT
1998-99

BANGLADESH BANK

BOARD OF DIRECTORS*

1.	Dr. Mohammed Farashuddin	Chairman
2.	Dr. A.K.M. Masihur Rahman	Director
3.	Dr. Wahid Uddin Mahmud	Director
4.	Dr. Saadat Husain	Director
5.	Alhaj Kh. Rashiduzzaman (Dudu)	Director
6.	Dr. Mohammad Sohrab Uddin	Director
7.	Mr. Abdul Muyeed Chowdhury	Director
8.	Dr. Anupam Sen	Director
9.	Mrs. Rokia A Rahman	Director
	Mr. Kazi Anwarul Mahbub	Secretary

* Dr. A.T.M. Shamsul Huda and Dr. A. I. Aminul Islam held the responsibility of the Director of the Board up to August 25, 1998 and December 6, 1998 respectively. Mr. Abdul Muyeed Chowdhury, Dr. Anupam Sen and Mrs. Rokia A Rahman were appointed as the Directors of the Board with effect from August 25, 1998, December 23, 1998 and June 17, 1999 respectively.

GOVERNOR

Dr. Mohammed Farashuddin

DEPUTY GOVERNORS

Dr. Mohammad Sohrab Uddin

Mr. Khondkar Ibrahim Khaled

Mr. Mohammad Ruhul Amin

EXECUTIVE DIRECTORS

Mr. Mohammad Abdul Mazid Khan

Mr. A.H. Tawfique Ahmed*

Mr. Kazi Anwarul Mahbub

Mr. Md. Harunor Rashid Bhuiyan

Mr. Didarul Islam

Mr. Md. Rabiul Islam

Mr. Md. Allah Malik Kazemi

Mr. Ziaul Hasan Siddiqui

Mr. Md. Nazrul Huda

Mr. Md. Murshid Kuli Khan

ECONOMIC ADVISER

Mr. Faruquddin Ahmed

EXECUTIVE DIRECTOR (COMPUTER)

Mr. Md. Nur Karim

* Mr. A. H. Tawfique Ahmed is on deputation with the Security Printing Corporation (Bangladesh) Limited, Gazipur.

DEPARTMENTS[*]
AND
GENERAL MANAGERS/EXECUTIVE DIRECTORS

Law Department	—
Financial Institutions Department	Mr. Md. Abul Kashem
International Department	Mr. Md. Khurshid-ul-Alam
Computer Department	Mr. Md. Nazmul Haque (Systems Manager)
	Mr. Md. Azizur Rahman Khan (Systems Manager)
Agricultural Credit Department	Mr. Ansar Uddin Ahmed
Agricultural Credit Project Department	Mr. Md. Abdus Samad
Agricultural Credit Inspection Department	Mr. Md. Shamsuddin
Credit Information Bureau	Mr. Jasim Uddin Ahmad
Research Department	Mr. Saifullah
	Mr. Md. Warisuzzaman
	Mr. Syed Ahmed Khan
Department of Public Relations and Publications	Mr. M. Golam Mustafa
Security Management Department	Major (Retd) Md. Abul Hossain
Audit and Inspection Department	Mr. Moniuddin Zahur Amin
Statistics Department	Mr. Md. Nazirul Islam Khan
	Mr. Abed Ali
Engineering Department	Mr. Md. Humayun Kabir
Problem Bank Monitoring Department	Mr. Mohammad Mustafa
Personnel Department	Mr. Sheikh Abdul Aziz
Bangladesh Bank Training Academy	Mr. Md. Didarul Islam (Executive Director)
Administration and Expenditure Department	Mr. Sayed Shaikhul Imam
Department of Banking Operation and Development	Mr. Nazir Ahmed Khan
Banking Regulation and Policy Department	Mr. Md. Yasin Ali
Department of Banking Inspection	Mr. Md. Asaduzzaman Khan
Foreign Exchange Policy Department	Mr. Naba Gopal Banik
Foreign Exchange Investment Department	Mr. S.M. Abul Kashem
Foreign Exchange Inspection Department	Mr. Makbul Ahmed-2
Monetary Management and Technical Unit	Mr. Habibullah Bahar
Currency Management and Accounts Department	Mr. Md. Abdul Matin
Industrial Credit Department	Mr. Mohammad Ali
Secretary's Department	Mr. Kazi Anwarul Mahbub (Executive Director)
—	Mr. Golam Moinuddin[**]

* As per alphabetical arrangement of the Bengali version of the Annual Report.

** On deputation with BASIC Bangladesh Ltd.

BRANCH OFFICES*
AND
GENERAL MANAGERS/EXECUTIVE DIRECTORS

Khulna Office	Mr. Mahfuzur Rashid
Chittagong Office	Mr. Md. Nazrul Huda (Executive Director)
	Mr. A.T.M. Nasir Uddin
Bogra Office	Mr. Md. Abdullah-Al-Mamun
Barisal Office	Mr. Sheikh Mawla Box
Motijheel Office, Dhaka	Mr. Md. Harunor Rashid Bhuiyan (Executive Director)
	Mr. Nazmul Hasan
Rajshahi Office	Mr. Md. Waliul Haque
Rangpur Office	Mr. Ashok Bandhu Das
Sadarghat Office, Dhaka	Mr. Md. Abdul Hamid Sarker
Sylhet Office	Mr. Khondoker Mazharul Haque

* As per alphabetical arrangement of the Bengali version of the Annual Report.

LETTER OF TRANSMITTAL
BANGLADESH BANK

Dhaka
Agrahayan 16, 1406
November 30, 1999

The Secretary
Ministry of Finance
Finance Division
Government of the People's Republic of Bangladesh
Dhaka.

Dear Sir,

In terms of the provision contained in Article 40(2) of the Bangladesh Bank Order, 1972, I have the honour to submit to the Government of the People's Republic of Bangladesh the enclosed Annual Report and the Audited Accounts of the Bank for the accounting period ended June 30, 1999.

Yours faithfully,

(Mohammed Farashuddin)
Governor

CONTENTS

CHAPTERS		PAGES

CHAPTERS			PAGES

CHAPTERS			PAGES

APPENDICES

CHAPTER I

ECONOMIC TRENDS

World Economic Trends

1.1 The contagion effect of the financial turmoil occurring due to the Asian crisis starting in the middle of 1997, continued to some extent in the world economy in 1999. The financial crisis occurring in Brazil at the beginning of 1999 intensified the instability prevailing in the world economy. The crisis in the financial sector of the emerging market economies including China and Russia intensified further. The conflict created in the Federal Republic of Yugoslavia (Serbia/Montenegro) had adversely affected the economies of the neighbouring countries and the countries of the Southeastern Europe. The economic recession in Japan worsened further towards the end of 1998, pointing to the projection of negative growth in 1999. As a result, world output growth rate has been estimated to decelerate from 2.5 percent in the preceding year to 2.3 percent in 1999.*

1.2 Although the contagion effect of the Asian crisis was declining gradually, a new phase of the crisis started throughout the world. The oil exporting countries took a number of measures to make good for the loss in export revenue suffered by them due to the Asian crisis. Total output growth in the Advanced Economies has been projected to decelerate to 2.0 percent in 1999 from 2.2 percent in 1998. Growth rate of total domestic production in the United States, the United Kingdom, Canada, Germany and France is expected to decline in 1999. Overall growth rate in the Euro-Area is also likely to decrease to 2.0 percent in 1999 as compared to 2.9 percent in 1998.

1.3 The adversely affected countries of the Asian region partially succeeded in overcoming the contagion effect of the financial turmoil. Growth rate of gross domestic product of South Korea is expected to grow by 2.0 percent in 1999 as compared to a decline of 5.5 percent in 1998. On the other hand, the rate of growth of gross domestic product of Malaysia of ASEAN Group-4 (Indonesia, Malaysia, the Philippines and Thailand) has been projected to increase, while that of other countries of the Group has been estimated to decline. It is expected that the combined growth rate of the countries of

* **Source :** World Economic Outlook, IMF, May, 1999.

the Asian region will increase to 4.7 percent in 1999 as compared to 3.8 percent in 1998. The combined growth rate of the developing countries is expected to come down to 3.1 percent in 1999 as compared to 3.3 percent in 1998.

1.4 The growth rate of world trade has been estimated to accelerate from 3.3 percent in 1998 to 3.8 percent in 1999. Consumer prices in the Advanced Economies have been expected to record an increase of 1.4 percent in 1999 as compared to 1.6 percent in the previous year. Consumer prices in the developing countries have been projected to record an increase of 8.8 percent in 1999 as against 10.4 percent in 1998.

Trends in the Economy of Bangladesh

1.5 The year 1998-99 was a transitional period for the economy of Bangladesh to overcome the crisis of the distressed economy and to continue the trend of implementation of reform programmes. During the year under report, the most devastating and prolonged flood of the century occurred and on the other hand, there was a stagnant situation of the world economy due to the Asian crisis. The wisdom and pragmatism in policy formulation of Bangladesh are reflected in successfully facing the above adverse situation with limited economic resources and weak infrastructural facilities. During the period under report, although there was an apprehension of large decline in the growth rate of gross domestic product of Bangladesh, the adoption of the right policy at the right time made it possible to have a bumper production of Boro and wheat crops and as a result, the growth rate of gross domestic product approached last year's level. According to the provisional estimate of the Bangladesh Bureau of Statistics, growth rate in the agricultural sector increased by 5.0 percent during the period under report as compared to 2.9 percent in the previous year. Despite substantial decline in the growth of industrial sector, gross domestic product showed an increase of 5.2 percent in 1998-99 due to the robust agriculture growth and increase in the rates of growth in other sectors (construction, gas, electricity, water and sanitary) as compared to those during the preceding year. Gross domestic product recorded a growth of 5.7 percent during the preceding year.

1.6 Overall production in the industrial sector was disrupted during 1998-99 due to the damage of the industrial infrastructure by flood, repeated hartal, law and order problems and load-shedding. As a result, the growth rate in the industrial sector declined substantially and stood at 2.5^{P} percent in 1998-99 as compared to 9.5 percent in the previous year. The new

P = Provisional.

Industrial Policy, 1999 has been formulated for the improvement of the industrial sector. Gross investment increased from 17.8 percent of GDP in the preceding year to 18.9[P] percent in 1999, while gross domestic savings declined from 8.6 percent of GDP in the previous year to 8.5[P] percent in 1999.

1.7 Different steps were taken to develop a modern tax system. Fiscal measures during the year under report were directed towards gradual decrease of import duties and other trade barriers following the basic trend of globalisation within the market economy paradigm. Measures like encouraging of local industries, simplification of the tax payment system, reduction of discretionary power of the tax officials, expansion of VAT, control of smuggling and increase of revenue through rationalisation of the tax burden were pursued in the fiscal policy during the year under report. Government revenue collection increased by 4.9 percent in 1998-99 as compared to the previous year. But the tax/GDP ratio declined to 9.1[P] percent in 1998-99 from 9.7 percent in 1997-98. On the other hand, revenue expenditure increased by 15.6 percent in 1998-99 as compared to the previous year. As revenue expenditure increased, compared to the revenue earnings, due to additional expenditure in post-flood rehabilitation and development activities, revenue surplus declined by 31.4 percent in the year 1998-99. As a result, overall budget deficit increased to 7.7[P] percent of GDP in 1998-99 as compared to 5.4 percent of GDP in the previous year. The share of domestic financing decreased from 45.3 percent of the development budget in the previous year to 41.5 percent in 1998-99. It has been apprehended that the effectiveness of the Bank Rate over the money market has been relatively low as the rate of interest obtainable on different savings instruments is much higher.

1.8 In order to gear up economic activities overcoming the damages of the devastating flood, a moderate expansionary monetary and credit policy was pursued during 1998-99. Nevertheless, money and credit flows were cautiously monitored in order to keep foreign exchange reserves stable and contain the inflation rate within tolerable limits. Although the demand for money and credit slightly increased as compared to the previous year, it remained within the projected limit. During the year under report, the Bank Rate remained unchanged at the previous year's level of 8.0 percent and due emphasis was given to increasing credit flow to the private sector. Besides, efforts were strengthened to recover overdue loans. The interest rate

[P] = Provisional

bands for lending to agriculture, export and small and cottage industries remained in force. In other sectors, the freedom of the banks to fix rates of interest rate on advances and deposits continued during the year under report. The rediscount policy of the Bangladesh Bank for limited use of loans to banks remained in force during the year under report.

1.9 A slightly expansionary credit policy alongwith strengthening the efforts for recovery of overdue loans was pursued during 1998-99. Two Financial Loan Courts and one Bankruptcy Court in Dhaka and two Financial Loan Courts and one Bankruptcy Court in Chittagong that were set-up during 1997-98, have started trials of the loan default cases of commercial banks. Apart from this, under the phase-wise programme of loan classification and provisioning against classified loans according to international standards, commercial banks have completed their classification during the fifth and last phase in December, 1998.

1.10 Broad money (M_2) increased by Tk. 7,157.60 crores or 12.8 percent to Tk. 63,026.70 crores during the year under report as compared to the increase of Tk. 5,158.10 crores or 10.2 percent in the preceding year. Narrow money (M_1) increased by Tk. 1,360.90 crores or 8.6 percent to Tk. 17,249.40 crores during the year under report as compared to the increase of Tk. 721.50 crores or 4.8 percent in the preceding year. Total domestic credit increased by Tk. 7,267.60 crores or 13.1 percent to Tk. 62,907.80 crores in 1998-99 as against the increase of Tk. 6,243.60 crores or 12.6 percent in the previous year. Credit to the private sector increased by Tk. 5,520.20 crores or 13.8 percent in 1998-99 as compared to the increase of Tk. 4,613.10 crores or 13.0 percent in the previous year. Reserve money increased by 8.3 percent in 1998-99 as compared to the increase of 9.9 percent in the preceding year.

1.11 Although the overall price level in the country slightly increased due to the decline in production of Aus and Aman crop after the flood in 1998-99 and an increase in the price of gas and electricity, but owing to the adoption of a pragmatic monetary policy, the inflation rate at the end of June, 1999 was somewhat lower than that was expected at the beginning of the year. The food sub-index on point to point (Base : 1985-86=100) basis increased by 17.6 percent in December, 1998. This rate of increase gradually declined and stood at 10.6 percent in June, 1999. Similarly, non-food sub-index increased by 4.3 percent in December, 1998. This rate of increase gradually declined and stood at 3.5 percent at the end of June, 1999. The general index (Base : 1985-86=100) of Consumer Price (national) as measured by twelve-months' average basis increased to 8.9 percent during the year under report as compared to 7.0 percent in the previous year. This increase is mainly due to the increase in food sub-index.

1.12 An amount of about Tk. 900 crores was disbursed from the Bangladesh Bank to specialised banks and Grameen Bank to mitigate the special demand for agricultural loans, industrial loans and small loans for post-flood rehabilitation. A number of new and modern steps have been taken in the Industrial Policy, 1999 for the rapid development of the industrial sector. The new Agricultural Extension Policy which was formulated to make the agricultural sector more productive and to assist the farmers and farming is being implemented. Besides, a National Agriculture Policy has been formulated and efforts have been strengthened to implement it.

1.13 Disbursement of industrial term loans increased during 1998-99 as compared to the previous year. Disbursement of industrial term loans stood at Tk. 1,330.10 crores in 1998-99 which is higher by Tk. 209.76 crores or 18.7 percent as against Tk. 1,120.34 crores disbursed during the previous year.

1.14 Disbursement of agricultural loans stood at Tk. 3,005.92 crores during 1998-99 which was Tk.1,363.08 crores or 83.0 percent higher than Tk.1,642.84 crores disbursed during 1997-98. Agricultural credit outstanding by the end of the year under report stood at Tk. 9,702.51 crores which was Tk. 1,187.47 crores or 14.0 percent higher than the outstanding of Tk. 8,515.04 crores during the preceding year.

1.15 In order to simplify loan classification procedures and to upgrade its standard to the international level, some amendments have been made in the existing loan classification and provisioning system which became effective from January 1, 1999. According to the new rules, all loans and advances will be classified into four categories, namely, continuous credit, demand loans, term loans, short term agricultural loans and micro-credit. While objective criteria for the classification of continuous credit and demand loans have remained unchanged, the same for term loans has been slightly changed. As per the new rules, banks will be required to send quarterly statements on classified loans, provision against such loans and interest suspense to the Bangladesh Bank within 30 days from the reference date. Banks have completed the determination of capital adequacy on the basis of June, 1998 and December, 1998 accounts against the new norms of maintaining capital equal to 8.0 percent of their former risk-weighted assets which were introduced from 1996 in place of liability based assets.

1.16 The issuance of different types of Government Treasury Bills continued during 1998-99. From April, 1997 the auctioning of the Bangladesh Bank Bill was discontinued and it was decided that only Government Treasury Bills would be issued through auctions. Under this decision, 30-day, 90-day, 180-day and 1-year treasury bills were issued through auctions till September 5, 1998. Afterwards, from September 6, 1998 treasury bills of the maturity of 28-day, 91-day, 182-day, 364-day, 2-year and 5-year were introduced in place of the above treasury bills and were issued through regular auctions at the market determined yields from the Bangladesh Bank.

1.17 According to the provisions of the Financial Institutions Act, 1993 and to bring discipline in the activities of the non-bank financial institutions, it has been made obligatory from May 12, 1997 for all non-bank financial institutions to maintain 2.5 percent of their total liabilities as cash reserve. But from May 5, 1998 a revised instruction was issued to the non-bank financial institutions for maintaining cash reserve at the rate of 2.5 percent against their term deposits received from individuals and institutions and their loans/borrowings repayable within a fixed time instead of 2.5 percent of their total liabilities. Subsequently, from January 24, 1999, this 2.5 percent cash reserve was made obligatory for all non-bank financial institutions in respect of their total term deposits received from individuals and institutions other than banks and their loans/borrowings repayable within a fixed time. Besides, it has been made obligatory to maintain liquid assets equivalent to 10.0 percent of their total liabilities (except paid-up capital and reserves, borrowings from the Bangladesh Bank, call-loans, and credit balances shown in the profit & loss account) from June 17, 1998. Moreover, an arrangement has been made for the regular monitoring of maintenance of cash reserve and liquid assets of those institutions. The minimum paid-up capital of the non-bank financial institutions has been raised from Tk. 5.00 crores to Tk. 10.00 crores.

1.18 A total of 19 non-bank financial institutions were given licenses till June 30, 1999 of which 2 were given during 1998-99. Among these, 6 are entirely local, 1 belongs to the Government, and 12 are established under local and foreign joint entrepreneurship. The paid-up capital and reserves of the above non-bank financial institutions stood at Tk. 565.64 crores. Financing by the above non-bank financial institutions in different sectors stood at Tk. 1,014.72 crores up to June 30, 1999.

1.19 A foreign bank entitled 'The Bank of Nova Scotia' started banking operation in Bangladesh during 1998-99. On the other hand, the scheduled banks opened 33 new branches and closed down 2 branches in Bangladesh during 1998-99. As a result, total bank branches increased by 31 to 5,983 as on June 30, 1999 from

5,952 in the previous year. Bank branches of the nationalised commercial banks stood at 3,616 at the end of June, 1999 as compared to 3,617 in same period of the previous year. Bank branches of the private commercial banks increased by 27 to 1,160 as compared to 1,133 in the previous year. During the year under report bank branches of the specialised banks increased by 2 to 1,175 as compared to 1,173 in the previous year and bank branches of the foreign banks increased by 3 to 32 as compared to 29 in the previous year.

1.20 Under the credit guarantee scheme with the finance of the different banks, a total of 187 sub-projects were in operation on June 30 ,1999 to help set up small industries against which credit guarantee coverage stood at Tk.29.52 crores. Under the Self-Employment Small Initiative Credit Programme of the voluntarily retired officers/staff, three banks sanctioned a total of Tk.5.16 crores as loans to 84 projects and disbursed Tk.4.92 crores to 80 projects up to June 30, 1999.

1.21 On the basis of the interim recommendation of the Bank Reform Committee which was established in 1996, the reform programmes are being implemented gradually. To overcome existing problem in the banking sector and to create dynamism in monetary management, a second phase of the reform programme under the title "Commercial Banking Restructuring Project" (CBRP) was put in place in May, 1997. The main objectives of the project are: (1) to create a legal environment congenial to loan recovery; (2) to strengthen the efforts to make nationalized banks more efficient; (3) to further strengthen the supervision and regulation capacity of the Bangladesh Bank; (4) to restructure the capital base of private banks; and (5) to train the bank officials. In order to achieve the above objectives, some programmes have already been implemented and others are under Government consideration.

1.22 The balance of payments of the country showed some deterioration during the year under report. This was mainly due to a fall in the rate of increase of export earnings and a large increase in food imports, which occurred as a result of the devastating flood in July-September, 1998. Despite a fall in the price of Bangladeshi export goods and a depressed situation in the world market, export earnings increased by 2.9 percent to US$ 5,324.0 million in 1998-99 as compared to an increase of 16.8 percent to US$ 5,172.0 million in the previous year. Total export earnings increased in 1998-99 mainly due to increased earnings from the export of ready-made garments (including those of knitwear and hosiery products), jute goods (including carpet) and chemical products. Import payments increased by 6.6 percent to US$ 8,018.0 million in 1998-99 as against 5.1 percent in 1997-98. The increase in import payments at a higher rate than in export earnings resulted in a rise in the trade deficit by US$ 342.0 million to US$ 2,694.0 million in 1998-99. Despite the increase of wage earners' remittances, the current account deficit increased by US$ 141.0 million to US$ 394.0 million during the year under report mainly due to a rise in trade deficit. As a result, the current account deficit increased to 1.1 percent of GDP in 1998-99 from 0.7 percent of GDP in the preceding year. The overall balance of payments showed a deficit of US$ 171.0 million in 1998-99 as against a surplus of US$ 82.0 million in 1997-98 mainly due to a rise in the current account deficit. In the year 1998-99, commodity aid, project aid and food aid increased by US$ 75.0[P] million, US$ 2.0[P] million and US$ 78.0[P] million respectively. In the year 1998-99, medium and long term (MLT) amortization payments increased by US$ 36.0 million to US$ 481.0[P] million.

1.23 In order to maintain the international competitiveness of Bangladesh Taka, to encourage the wage earners to send money through the banking channel and to expand export trade, Bangladesh continued to pursue a flexible exchange rate policy. As per this policy, the Taka-Dollar exchange rate was readjusted twice during 1998-99. As a result, the Taka-Dollar exchange rate stood at US$ 1= Tk. 48.50 on June 30, 1999 as against US$ 1 = Tk. 46.30 on June 30, 1998. As such, Bangladesh Taka depreciated by 4.5 percent against the US Dollar during 1998-99.

1.24 Outstanding amount of the external debt of Bangladesh which stood at 42.1[P] percent of the country's GDP increased by US$ 525.0 million to US$ 15,338.0[P] million by June 30, 1999. A total of US$ 481.0[P] million was paid as principal and interest against external debt during 1998-99 which was 9.0[P] percent of the country's export earnings compared to US$ 445.0 million or 8.6 percent of export earnings in 1997-98 .

Short-Term Prospects

1.25 Gross domestic product is expected to register desired growth rates in the years ahead provided it becomes possible to implement the reform programmes incorporated in the new Industrial Policy and other sectors of the economy and different rehabilitation programmes undertaken in the agricultural and industrial sectors of the country. Comprehensive efforts need to be continued to provide necessary support to the agricultural sector which still plays the most significant role in the overall economic growth of the country. However, increased buoyancy in economic activities and acceleration of rate of growth of gross

[P] Provisional.

domestic product depend on the substantial improvement of the law and order situation, expansion of infrastructure and socio-economic stability in the country.

1.26 Successful implementation of the new Industrial Policy is expected to accelerate the pace of industrialisation as well as enhance the industrial sector's share to 25 percent of gross domestic product and 20 percent of the total employed labour force within the next decade. For strengthening the process of economic development through industrialisation, effective steps need to be taken to build up a vibrant and dynamic private sector. Rapid industrialisation would be possible through a labour intensive industrial production policy and concerted measures for enhancement of efficiency of productivity. To this end, higher priority needs to be given to decentralised expansion of small and medium scale industrial units. More comprehensive efforts would need to be taken in the time ahead for effecting quick technological change to keep pace with the changing world and face the challenge of the 21st century as well as for coping with the intensely competitive situation arising out of the globalisation of the economic system. For this purpose, effective measures need to be taken for opening up new horizons of export market on competitive basis and pursuing an outward looking rather than an inward looking economic policy, together with continuation of the facilities and incentives given for encouraging local and foreign investments. For encouraging non-traditional exports, adequate financial assistance may be provided for market expansion which alongside development of domestic industries could lead to substantial increase in export earnings.

1.27 Both the volume and nature of investment are important for the development of the industrial sector in Bangladesh because there is no alternative to the expansion of export-oriented industries for attracting long-term foreign capital. The ready-made garments exports of Bangladesh will face harder competition after the expiry of the Multi-Fibre Arrangement (MFA) in 2005. But the required backward linkage of this sector has not yet been developed. Necessary investment should be made to develop early linkage to the world market in those sectors in which Bangladesh has comparative advantage. At the same time, attention needs to be given to manufacture new garments of better quality, standard and design. Besides, special emphasis should be given to investments in the manufacture of those identified as special priority export commodities sectors including frozen fish, higher value added agro-based products and leather. Immediate attention should be given to increase exports of computer software in the medium term. However, it may be mentioned here that a number of facilities have already been provided to this sector including withdrawal of all types of duties and taxes for encouraging exports of software. All concerned should avail of these facilities by taking more initiatives to increase exports of software.

1.28 The geographical spread and inter-linkage of the different industries in Bangladesh are not balanced. Steps for development of infrastructural facilities and other necessary long-term measures need to be taken for balancing the horizontal and vertical structure of the industrial sector. In order to meet the domestic demand, development of agro-based industries, food processing, light engineering and electronics, etc. should be in line with the development of the basic industries.

1.29 The role of the energy sector is very important for increasing industrial production. Since the overall production in the industrial sector is being hampered due to load-shedding, reform programmes have been undertaken for the generation, transmission and distribution of electricity. In this context, efforts should be strengthened to minimize system loss. At this initial stage, works relating to construction of necessary line and establishment of the National Load Despatch Centre for transmission of electricity to be produced in the Meghnaghat Power Centre has been started by the Power Grid Company of Bangladesh (PGCB). The PGCB will take over gradually the power transmission system of the whole country and will take up the responsibility of operation, conservation and expansion. New power centres with a production capacity of 1000 Megawatt in the government sector and 1200 Megawatt in the private sector are expected to be in operation by 2001/02, if the construction of plants now at hand throughout the country could be completed. In order to increase the overall gas supply of the country, more importance has been given to the exploration and expansion programme of gas resources. Timely and successful implementation of these programmes and initiatives are expected to remove the problem of load-shedding and dirth of gas supply to a large extent in future which, in turn, will play a positive role in increasing the industrial production of the country.

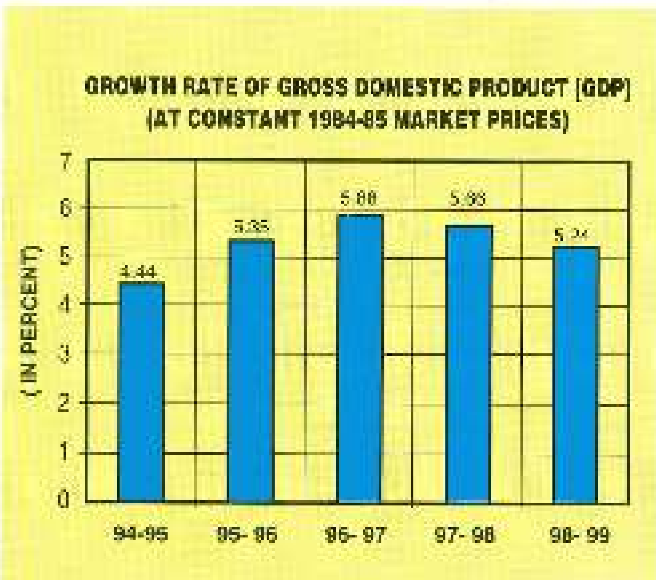
1.30 Pursuance of a moderately expansionary monetary and credit policy together with a flexible exchange rate regime is expected to bring forth added momentum to overall economic activities. Besides, successful implementation of these policies will have a positive impact in increasing export earnings and improving balance of payments position. However, overall production in the country might suffer setback if timely and realistic steps are not taken to improve the law and order situation, which might also influence the export earnings in 1999-2000. Although the contagion effect of the financial turmoil that occurred in the middle of 1997 in Asia eased gradually, a new phase of crisis has emerged throughout the world. The economic crisis in China, Russia, Latin America including Brazil, Yugoslavia and its neighbouring countries as well as the South-eastern European countries and Japan is threatening new crisis in the world economy. The impact of the steps taken by the oil exporting countries to pick up oil prices to make good for the loss of their export earnings due to Asian crisis and the contagion effect of the new crisis looming in the world economy might grip the whole world including Bangladesh. As a result, investment in Bangladesh and wage earners' remittances may suffer a set back. In this context, comprehensive reform of the domestic economic system for availing of the opportunities in the globalised economic environment seems to be the only way to increase export earnings and investment in Bangladesh. Moreover, more comprehensive and realistic initiatives and measures are needed to materialise the hopes and aspirations of social justice through poverty alleviation, human resource development and achievement of rapid economic growth in the coming years.

CHAPTER II

MAJOR SECTORS

Gross Domestic Product (GDP)

2.1 Despite massive damage of Aus and Aman crops due to devastating and prolonged flood of the century and decline in the rate of growth of industrial sector, growth rate of the gross domestic product (at constant 1984-85 market prices) of Bangladesh, according to provisional estimates of the Bangladesh Bureau of Statistics, stood at 5.2 percent in 1998-99 as compared to 5.7 percent in the preceding year, as a result of increased agricultural production including bumper production of Boro and wheat due to post flood rehabilitation measures taken by the Government. The rate of growth in the agriculture sector increased substantially to 5.0 percent in 1998-99 from 2.9 percent during the preceding year. On the other hand, the rate of growth in the industrial sector during the year under report decreased to 2.5 percent from 9.5 percent in the preceding year. The growth rate in construction sector decreased to 6.5 percent during the year under report from 7.0 percent in the preceding year. The combined growth rate of electricity, gas, water and sanitary sectors declined to 2.4 percent during the year under report as compared to 3.0 percent in the preceding year. The combined growth rate for the remaining sectors declined to 5.8 percent as compared to 6.5 percent in the previous year. The detailed description of GDP has been given in the Table-2 of the Annexure.



Agriculture Sector

2.2 Overall growth of the agriculture sector, despite damages to Aus and Aman crops caused by devastating floods, stood at 5.0 percent in 1998-99 due to increased growth of 4.3* percent in the crop sector as a result of bumper production of Boro and wheat. Production of Aus and Aman crops stood at 16.17 lakh tons and 77.36 lakh tons respectively during the year under report which were 13.7 percent and 12.6 percent lower as compared to 18.74 lakh tons and 88.50 lakh tons respectively in the preceding year. Production of Boro, on the other hand, stood at 105.52 lakh tons which was 29.7 percent higher than 81.37 lakh tons in the previous year. A total of 199.05 lakh tons of rice was produced during the year under report which was 5.5 percent higher than the preceding year's level of 188.61 lakh tons. Production of wheat stood at 20.00 lakh tons during 1998-99 which was 10.9 percent higher than 18.03 lakh tons produced in the preceding year. Total food production in the country increased by 12.41 lakh tons or 6.0 percent to 219.05 lakh tons in 1998-99 as compared to 206.64 lakh tons in the preceding year owing to increased production of rice and wheat. Food production had increased by 1.6 percent during the previous year.

Industrial Sector

2.3 Growth rate of the industrial sector decreased substantially to 2.5 percent in 1998-99 as against 9.5 percent in the previous year owing to massive damages caused to industrial infrastructures by devastating floods. Efforts for transferring the state-owned industrial/commercial enterprises to the private sector to achieve greater efficiency and increased production continued during the year under report. The Privatisation Board transferred 18 state owned industrial/ commercial enterprises to the private sector during the period 1993-99 including 6 during the period 1996-99. Besides, the Privatization Board issued Letter of Intent for transferring 8 state owned industrial/ commercial enterprises to the buyers and decision was finalised to handover Government shares of another 9 state owned industrial/commercial enterprises through ICB. The Board identified other 50 state owned industrial/commercial enterprises in different sectors for transferring to the private sector.

2.4 Efforts for expanding production base of the economy through increased industrial investment and encouraging private sector to play key role for increasing industrial production and investment also continued during the year under report. To ensure unfettered expansion of the private sector, all

* Source : Bangladesh Economic Review , 1999

industrial sectors were opened for private investment except the following four categories viz. (a) arms, ammunition and defence accessories and machineries; (b) nuclear energy production; (c) security printing (paper currency) and mint; and (d) afforestation and mechanical extraction in the protected forest areas. Besides, measures which were continued during the year for rapid increase of industrial production by attracting foreign investment include: (1) Tax holiday for 5-7 years on the basis of location (100% up to 10 years and 50% for the next period in case of Export Processing Zones) and 15 years for power generation; (2) imposition of import duty at the maximum rate of 5.0 percent on machineries and spare parts, but no import duty on the import of machineries by 80% or above export-oriented industries; (3) simplification of the procedure for repatriation of dividend, capital invested, royalty, technical fee etc. by foreign investors; (4) extension of the same facilities to foreign investors as admissible to domestic investors regarding Tax holiday, royalty and technical fee etc.; (5) exemption from double taxation subject to bilateral agreement; (6) tax exemption on royalty, technical fee and salary of the foreign workers working in Bangladesh; and (7) permission to foreign citizens having investment of at least US$ 75,000 to live permanently in Bangladesh and provision to give citizenship to those foreign investors who have invested up to US$ 5,00,000.

2.5 According to the provisional estimate of Bangladesh Bureau of Statistics, the average general index (Base: 1988-89=100) of Industrial Production (all industries) increased by 2.1 percent to 198.43 during 1998-99. The sub-indices of 'manufacturing' and 'electricity' also increased by 1.9 percent and 5.8 percent respectively to 199.61 and 191.65 during 1998-99 as compared to the preceding year. The sub-index of 'mining', on the other hand, declined by 4.3 percent to 172.07 during 1998-99 as compared to the preceding year. Out of 22 selected industrial commodities, production of 13 items increased while that of 9 items decreased during the year under report. Industrial commodities which showed increases in output during the year under report were : newsprint (+181.4 percent to 21.58 thousand metric tons), finished leather (+33.7 percent to 162.10 lakh square metres), petroleum products (+24.6 percent to 1,461.32 thousand metric tons), ceramic (+19.5 percent to 3,580 thousand dozens), readymade garments (+10.8 percent to Tk. 14,290.70 crores), cement (+3.3 percent to 580.56 thousand metric tons), cotton cloth (+3.1 percent to 105.69 lakh metres), leather footwear (+1.5 percent to 3,692 thousand pairs), matches (+1.1 percent to 120.80 lakh gross boxes), motor vehicle and motorcycle (+0.8 percent to 11,282), cotton yarn (+0.7 percent to 53.23 thousand metric tons), tea (+0.3 percent to 53.69 thousand metric tons) and paper (+0.1 percent to 38.29 thousand metric tons). On the other hand, commodities showing decline in production were : iron, steel & M S products (-19.2 percent to 145.37 thousand metric tons), chemical fertilizers (-11.4 percent to 17.99 lakh metric tons), jute textiles (-10.1 percent to 369.31 thousand metric tons), rubber footwear (-8.6 percent to 219.15 thousand dozen of pairs), sugar (-8.3 percent to 152.60 thousand metric tons), edible oil (-5.3 percent to 25.51 thousand metric tons), natural gas (-4.2 percent to 7,622 million cubic metres), cigarettes (-2.8 percent to 19.35 billion sticks) and pharmaceuticals (-1.3 percent to Tk. 1,160.65 crores).

Investments in Private Sector Industries

2.6 A total of 1,696 industrial units involving an investment outlay of Tk. 14,919.66 crores were registered by the Board of Investment in the private industrial sector during 1998-99. These include 161 joint venture/100% foreign investment project having an investment outlay of Tk. 9,242.60 crores. In the preceding year, 1,588 industrial units involving total investments of Tk. 20,368.44 crores were registered in this sector, of which 140 industrial units involving investments of Tk. 15,307.92 crores were joint venture/100% foreign investment.

Food Situation

2.7 Despite a decline in the production of Aus and Aman in 1998-99, the internal procurement increased due to bumper production of Boro and wheat. Total availability and distribution of foodgrains increased during the year under report due to import of substantial quantity of foodgrains by the public and private sectors. Total availability of foodgrains in the country increased by 38.26 lakh tons to 245.64 lakh tons during the year under report which was 18.5 percent higher than 207.38 lakh tons in the preceding year. The daily average per capita availability of foodgrains increased by 76.22 grams or 17.0 percent to 525.36 grams during 1998-99 from 449.14 grams during the preceding year. Total and daily average per capita availability of foodgrains are shown in Table-2.1.

TABLE-2.1
TOTAL AND DAILY AVERAGE PER CAPITA AVAILABILITY OF FOODGRAINS IN BANGLADESH

(In Lakh Tons)

Sources of Availability of Foodgrains	1997-98	1998-99P	Changes
1	2	3	4
1. Net Domestic Production (excluding 10% for seed, feed and wastage)	185.98	197.14	+11.16 (+6.00)
2. Total Off-take	16.21	21.35	+5.14 (+31.71)
3. Private Import	11.35	34.67	+23.32 (+205.46)
4. Internal Procurement	6.16	7.52	+1.36 (+22.08)
5. Total Availability for Consumption (1+2+3−4)	207.38	245.64	+38.26 (+18.45)
6. Total Population (in million)	126.50	128.10	+1.60 (+1.26)
7. Daily Average Per Capita Availability (in gram)	449.14	525.36	+76.22 (+16.97)

P Provisional.

Note : Figures in the parentheses indicate percentage changes over the year.

Sources: (i) Ministry of Food and (ii) Bangladesh Bureau of Statistics.

2.8 A mixed trend was observed in the market prices of foodgrains during 1998-99. The average minimum wholesale price of coarse rice gradually increased from Tk. 1,201.00 per quintal at the end of June, 1998 to Tk. 1,446.00 per quintal at the end of March, 1999 because of lower production of Aus and Aman due to devastating floods during the year under report. However, foodgrain prices began to decline and stood at Tk. 1,190.00 per quintal at the end of June, 1999 because of bumper production of Boro and wheat owing to favourable weather coditions and necessary steps taken by the Government. As a result, the prices of foodgrains decreased by Tk. 11.00 or 0.9 percent during 1998-99 as compared to the previous year.

2.9 The primary target for import of foodgrains (including food aid) was fixed at 17.50 lakh tons during 1998-99. However, subsequently the target was re-fixed at 55.05[P] lakh tons in view of the massive damage of Aus and Aman crop due to floods. Against this, 54.65 lakh tons of foodgrains (rice 30.56 lakh tons and wheat 24.09 lakh tons) were imported during the year under report. The import of foodgrains during 1997-98 had stood at 19.39 lakh tons (rice 10.93 lakh tons and wheat 8.46 lakh tons).

2.10 The primary target for internal procurement of foodgrains was fixed at 7.50 lakh tons during 1998-99. Later on, at the backdrop of flood damages, the procurement target was revised down at 3.60 lakh tons. The target for internal procurement of foodgrains during the year under report was again re-fixed at 7.81[P] lakh tons in view of the bumper production of Boro and wheat. Against this, actual procurement of foodgrains stood at 7.52 lakh tons (rice 4.94 lakh tons and wheat 2.58 lakh tons) during the year under report as compared to 6.16 lakh tons (rice 3.99 lakh tons and wheat 2.17 lakh tons) during the preceding year.

2.11 The procurement prices of Aman paddy and rice were raised to Tk. 760.00 and Tk. 1,200.00 per quintal respectively on October 20, 1998 from Tk. 700.00 and Tk. 1,070.00 per quintal fixed on December 4, 1997. Procurement prices of Irri/Boro paddy and rice were also raised to Tk. 825.00 and Tk. 1,300.00 per quintal respectively on May 10, 1999 from Tk. 755.00 and Tk. 1,200.00 per quintal respectively on May 4, 1998. The procurement price of wheat which was fixed at Tk. 880.00 per quintal on February 16, 1998 remained unchanged during 1998-99.

2.12 The primary target for release of foodgrains from the Government stocks during 1998-99 was fixed at 17.18 lakh tons. Later on, the target was re-fixed at 24.78 lakh tons. Against this a total of 21.35 lakh tons of foodgrains (rice 5.31 lakh tons and wheat 16.04 lakh tons) was released from the Government stocks. Of this, 6.98 lakh tons were distributed under Food for Works Programme, 4.64 lakh tons under VGF card, 2.87 lakh tons under Food for Education Programme, 2.04 lakh tons under Vulnerable Group Development (VGD) and 4.82 lakh tons under other programmes. This was 31.5 percent higher than the distribution of 16.21 lakh tons (rice 5.28 lakh tons and wheat 10.93 lakh tons) during 1997-98.

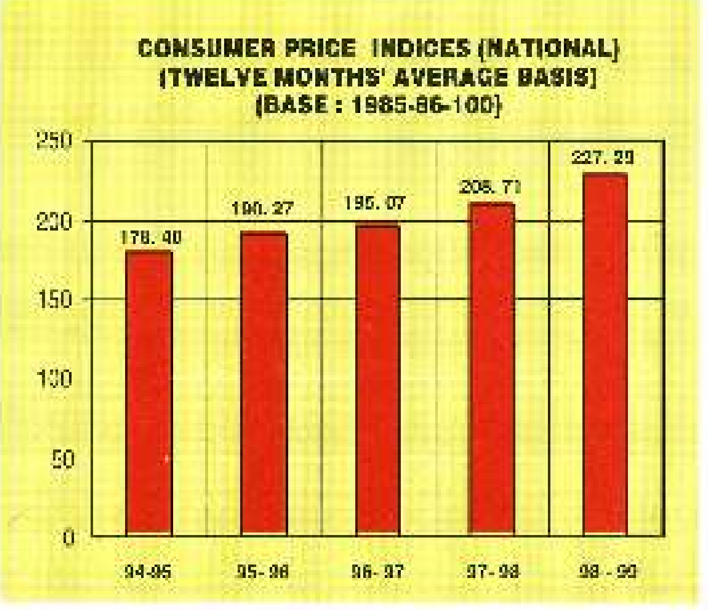
2.13 Stock of foodgrains with the Government increased by 90.3 percent to 11.99 lakh tons (rice 6.95 lakh tons and wheat 5.04 lakh tons) at the end of June, 1999 as compared to 6.30 lakh tons (rice 3.52 lakh tons and wheat 2.78 lakh tons) at

[P] Provisional.

the end of June, 1998 as a result of higher internal procurement and increased import of foodgrains in the public and private sectors in order to improve the food situation of the country.

Price Situation

2.14 The overall price situation in the country showed an uptrend during 1998-99 because of short-fall of Aus and Aman production and disruption of industrial production due to prolonged and devastating floods, the rise in gas and electricity prices, devaluation of Taka and increase of Government borrowings from the banking sector. The rate of inflation as computed by the Bangladesh Bureau of Statistics on the basis of twelve-month average Consumer Price Index at the National level (Base: 1985-86=100) stood at 8.9 percent during 1998-99 as compared to 7.0 percent during 1997-98. The increase in prices during the year was more pronounced in the sub-index for 'food' than in the sub-indices for 'non-food'. The sub-index for 'food' increased by 11.8 percent, while that for 'non-food' items rose by 4.0 percent during 1998-99. The increases in these sub-indices in the previous year were 7.1 percent and 6.7 percent respectively. Of the different sub-indices of the Consumer Price Index, the sub-index for 'food, beverage and tobacco' increased by 11.8 percent to 229.91 while the 'non-food' sub-index increased by 4.0 percent to 223.10. The magnitude of increases in different 'non-food' sub-indices were: 'clothing and footwear': 4.0 percent to 171.46, 'gross rent, fuel and lighting' : 4.2 percent to 231.01, 'furnitures, house-hold equipments and operation' : 3.3 percent to 199.67, 'medical care and health expenses': 6.8 percent to 274.37, 'transport and communications': 1.4 percent to 238.99, 'recreation, entertainment, education and cultural services': 7.1 percent to 279.66 and 'miscellaneous goods and services': 3.3 percent to 214.09 respectively.



Savings and Investments

2.15 According to the provisional estimates of Bangladesh Bureau of Statistics, gross domestic savings at current market prices during 1998-99 increased by Tk. 1,508.70 crores or 11.3 percent to Tk. 14,821.30 crores. Gross domestic savings as percentage of GDP decreased from 8.6 percent in the preceding year to 8.5 percent during the year under report. Gross investments at current market prices increased by Tk. 5,474.60 crores or 19.8 percent to Tk. 33,060.90 crores during 1998-99. The ratio of gross investments to GDP increased from 17.8 percent in the preceding year to 18.9 percent during the year under report.

CHAPTER III

MONEY AND BANKING

3.1 Pragmatic and timely measures were taken in the field of monetary management during 1998-99 in order to accelerate the overall economic activities of the country through recovery of losses of devastating flood that occurred at the beginning of the year under report. Huge amount of financing was needed to rehabilitate agricultural and industrial sectors badly affected by the flood. A slightly expansionary monetary policy was pursued during the year under report with a view to reviving economic activities of the country through ensuring adequate flow of credit to the affected sectors. Monetary and credit policies were pursued, simultaneously, to maintain stability in foreign exchange reserves and keep the rate of inflation at a tolerable limit. Trends in monetary and credit flows of the country were regulated through targeted management of Reserve Money. Though some expansionary trends were witnessed in the monetary and credit situation of the country during the year under report, it remained at desired level. However, foreign exchange reserves declined slightly at the end of June,1999 as compared to the end of June, 1998.

3.2 Money supply or Narrow Money (M_1) increased by Tk. 1,360.90 crores or 8.6 percent to Tk. 17,249.40 crores during 1998-99 as compared to the expansion of 4.8 percent in the preceding year. Broad Money (M_2) rose by Tk. 7,157.60 crores or 12.8 percent to Tk. 63,026.70 crores during the year under report. This was slightly higher compared to the programmed expansion of 12.5 percent for the year under report. The rate of increase of Broad Money (M_2) was 10.2 percent in the preceding year.

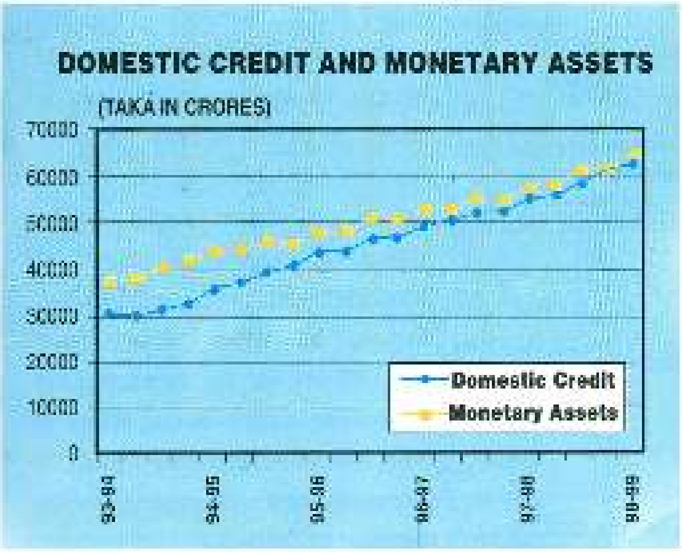
3.3 Reserve money[1/] increased by 8.3 percent to Tk. 14,742.70 crores during 1998-99 as compared to the rise of 9.9 percent in the preceding year. The Reserve/Deposit Ratio[2/] of the banks decreased from 0.088 at the end of June of the preceding year to 0.085 at the end of the year under report. The Currency/ Deposit Ratio also declined to 0.164 during 1998-99 from 0.175 in the previous year.

1/ Reserve Money : Currency outside banks + Cash reserves including deposits in the WES clearing account of the Deposit Money Banks (DMB) with the Bangladesh Bank + Cash in tills of the DMB.

2/ a) Reserve of the banks: Cash reserves including deposits in the WES clearing account of the DMB with the Bangladesh Bank.

b) Deposits of the Banks: Demand Deposits + Time Deposits + Government Deposits + Restricted Deposits.

3.4 Total domestic credit went up by Tk. 7,267.60 crores or 13.1 percent to Tk. 62,907.80[3/] crores during 1998-99 as compared to the programmed expansion of 13.6 percent for the year. The actual expansion of domestic credit was 12.6 percent in 1997-98.



Narrow Money (M_1)

3.5 Of the components of Narrow Money (M_1), currency outside banks increased by Tk. 533.30 crores or 6.5 percent to Tk. 8,686.60 crores and demand deposits went up by Tk. 827.60 crores or 10.7 percent to Tk. 8,562.80 crores during 1998-99. The quarterly trend of the changes in Narrow Money (M_1) and its components during 1998-99 is shown in Table-3.1.

TABLE-3.1

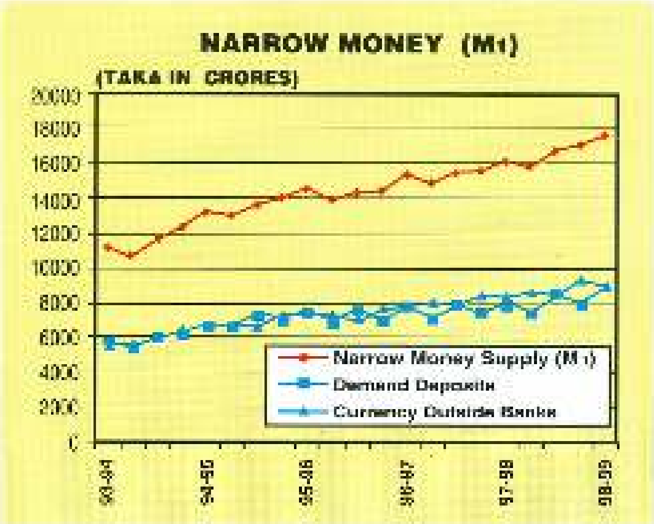
NORROW MONEY (M_1)

(Taka in Crores)

As on	Currency Outside Banks	Demand Deposits@	Money Supply (M_1)	Changes in Money Supply : increase (+)/decrease(-)
1	2	3	4	5
June 30, 1998	8,153.30	7,735.20	15,888.50	+591.00
September 30, 1998	8,332.60	7,224.40	15,557.00	-331.50
December 31, 1998	8,075.60	8,321.50	16,397.10	+840.10
March 31, 1999	9,043.70	7,649.50	16,693.20	+296.10
June 30, 1999	8,686.60	8,562.80	17,249.40	+556.20

@ Exclude Government deposits with banks and inter-bank items but include deposits of non-scheduled banks with the Bangladesh Bank.

3/ Includes adjustment of Bonds issued by the Government.



Causes of the changes in Narrow Money (M_1)

3.6 An analysis of the causes of the change in Narrow Money (M_1) during 1998-99 reveals that expansion of credit to the private sector, government sector and other asset (net) to the tune of Tk. 5,520.20 crores, Tk. 1,976.60[3/] crores and Tk. 281.00 crores respectively totalling Tk. 7,777.80 crores exerted expansionary impact on money supply. However, accruals of Tk. 5,796.70 crores in time deposits, and credit decline of Tk. 229.20 crores in public sector and a deficit of Tk. 391.00 crores in foreign sector (net) contributed largely to offset the above expansionary influences. As a result, the expansion of money supply during the year under report amounted to Tk. 1,360.90 crores. The causes of the change in money supply are shown in Table-3.2.

TABLE-3.2

CAUSES OF THE CHANGE IN NARROW MONEY (M_1)

(Taka in Crores)

Particulars	June 30, 1998	June 30, 1999	Changes
1	3	4	5
1. Currency Outside Banks	8,153.30	8,686.60	+533.30
2. Demand Deposits*	7,735.20	8,562.80	+827.60
Narrow Money (M_1)	**15,888.50**	**17,249.40**	**+1,360.90**
Causes :			
Expansion (+)/Contraction (−)			
1. Credit to the Government Sector (including public)			**+1,747.40**
i) Government Sector (net)			+1,976.60
ii) Public Sector			-229.20
2. Credit to the Private Sector			+5,520.20
3. Time Deposits (increase-)			−5,796.70
4. Foreign Assets (net)			−391.00
5. Other Assets (net)			+281.00
Total :			**+1,360.90**

* Exclude Government deposits with banks and inter-bank items but include deposits of non-scheduled banks with the Bangladesh Bank.

3/ Includes adjustment of bonds issued by the Government.

Broad Money (M_2)

3.7 Broad Money (M_2) increased by Tk. 7,157.60 crores or 12.8 percent to Tk. 63,026.70 crores during 1998-99 as compared to the increase of Tk. 5,158.10 crores or 10.2 percent in the preceding year. Of the components of Broad Money, time deposits rose by 14.5 percent, demand deposits by 10.7 percent and currency outside banks by 6.5 percent during 1998-99 as compared to the increases of 12.5 percent, 1.9 percent and 7.6 percent respectively in the preceding year. The percentage shares of time deposits, demand deposits and currency outside banks in Broad Money stood at 72.6, 13.6 and 13.8 percent respectively at the end of June, 1999 as compared to 71.6, 13.8 and 14.6 percent respectively at the end of June, 1998. The changes in Broad Money (M_2) and its different components during 1997-98 and 1998-99 are shown in Table-3.3.

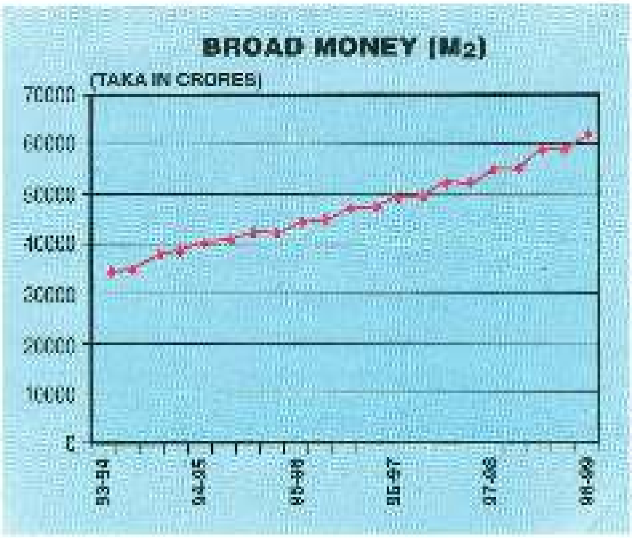
TABLE-3.3

BROAD MONEY (M_2)

(Taka in Crores)

Particulars	June 30, 1997	June 30, 1998	June 30, 1999	Percentage Changes	
				1997-98	1998-99
1	2	3	4	5	6
1. Currency Outside Banks	7,574.60	8,153.30	8,686.60	+7.6	+6.5
2. Demand Deposits*	7,592.40	7,735.20	8,562.80	+1.9	+10.7
3 Time Deposits*	35,544.00	39,980.60	45,777.30	+12.5	+14.5
Total (M_2) :	**50,711.00**	**55,869.10**	**63,026.70**	**+10.2**	**+12.8**

* Exclude Government deposits with banks and inter-bank items but include deposits of non-scheduled banks with the Bangladesh Bank.



Reserve Money

3.8 Reserve Money increased by Tk. 1,125.10 crores or 8.3 percent to Tk. 14,742.70 crores during 1998-99 as compared to the rise of Tk. 1,223.10 crores or 9.9 percent during the preceding year. Of the components of Reserve Money, currency outside banks increased by Tk. 533.30 crores or 6.5 percent in 1998-99 as compared to the rise of Tk. 578.70 crores or 7.6 percent in the preceding year. The scheduled banks' balances with the Bangladesh Bank increased by Tk. 488.20 crores or 10.8 percent during the year under report as compared to the increase of Tk. 601.20 crores or 15.3 percent in the preceding year. Scheduled banks' cash in tills increased by Tk. 103.60 crores or 11.2 percent during the year under report as compared to the rise of Tk. 43.20 crores or 4.9 percent in the preceding year. An analysis of the causative factors of the changes in Reserve Money during the year under report reveals that the increase in Bangladesh Bank's credit to the government sector (net) by Tk. 1,064.40 crores and credit to the scheduled banks by Tk. 873.40 crores contributed to the expansion of reserve money. On the other hand, a contraction of Tk. 687.70 crores in net foreign assets, credit to other financial institutions by Tk. 39.20 crores and decline of Tk. 85.80 crores in other assets (net) partly off-set the expansionary impact of those sectors. A comparative statement of the components of Reserve Money and its sources is given in Table-3.4.

TABLE-3.4

CHANGES IN THE COMPONENTS OF RESERVE MONEY AND ITS SOURCES

(Taka in Crores)

Particulars	Yearly change : Increase (+)/Decrease (-)	
	1997-98	1998-99
1	2	3
Reserve Money	**+1,223.10 (+9.87)**	**+1,125.10 (+8.28)**
Components of Reserve Money		
1. Currency Outside Banks	+576.70	+553.30
	(+7.64)	(-6.54)
2. Deposits of Scheduled Banks	+601.20	+468.20
with the Bangladesh Bank*	(+15.26)	(+10.75)
3. Cash in tills of the Scheduled Banks	+43.20	+103.60
	(+4.91)	(+11.22)
Sources of Reserve Money		
1. Net Credit to the Government Sector	+806.60	+1,064.40
	(+17.97)	(+20.10)
2. Credit to Scheduled Banks	+148.10	+873.40
	(+4.14)	(+23.28)
3. Credit to Other Financial Institutions	+212.20	-39.20
	(+17.79)	(-2.78)
4. Foreign Assets (net)	+384.70	-657.70
	(+7.66)	(-12.74)
5. Other Assets (Net)	**-329.50**	**-85.80**
	(-17.35)	(-3.85)
a. Bangladesh Bank Bill	0	0
b. Other Assets	-329.50	-85.80

Note : Figures in the parentheses indicate percentage changes.

* Including balances in the Wage Earners' Clearing Account.

Income Velocity of Money

3.9 The income velocity of money (GDP/M_2) increased slightly to 2.78 during 1998-99 from 2.77 in the preceding year. The income velocity of money is shown in Table-3.5.

TABLE-3.5

INCOME VELOCITY OF MONEY

(Taka in Crores)

Year	GDP at current market price	Broad Money (M_2)*	Income Velocity of Money
1	2	3	4=(2÷3)
1996-97	1,40,304.5	50,711.00	2.77 (-2.81)
1997-98	1,54,833.4	55,889.10	2.77 (0)
1998-99	1,74,925.6	63,026.70	2.78 (+0.36)

Note: Figures in the brackets indicate percent changes.

* End June position.

Domestic Credit

3.10 Total domestic credit increased by Tk. 7,267.60 crores or 13.1 percent to Tk. 62,907.80@ crores during 1998-99 as compared to the increase of Tk. 6,243.60 crores or 12.6 percent in the preceding year. An expansion of credit to the Government and Private Sectors to the extent of Tk. 1,976.60 crores (21.3%) and Tk. 5,520.20 crores (13.8%) respectively contributed to the expansion in total domestic credit during the year under report. On the other hand, credit to the public sector declined by Tk. 229.20 crores or 3.7 percent. Credit to the Government, Public and Private Sectors had gone up by 15.7 percent, 6.4 percent and 13.0 percent respectively in the preceding year. Particulars/data relating to total domestic credit has been shown in Table-4 of the Annexure and its yearly change in the Table-3.6.

@ Including adjustment of bonds issued by the Government.

TABLE-3.6

DOMESTIC CREDIT

(Taka in Crores)

Particulars	Annual change : Increase (+)/Decrease (-)	
	1997-98	1998-99
1	2	3
Total Domestic Credit	**+6,243.60**	**+7,267.60**
	(+12.6)	**(+13.1)**
a) Government Sector	+1,254.80	+1,976.60
	(+15.7)	(+21.3)
b) Public Sector	+375.70	-229.20
	(+6.4)	(-3.7)
c) Private Sector	+4,613.10	+5,520.20
	(+13.0)	(+13.8)

Note: Figures in the parentheses indicate percentage changes.

Bank Credit

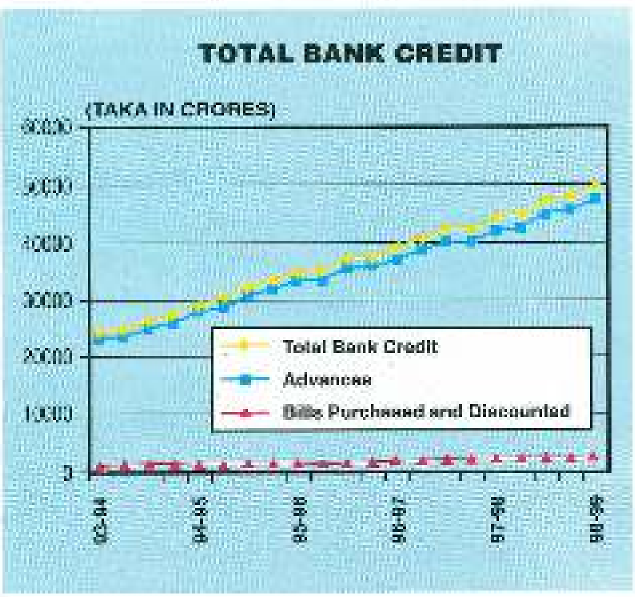
3.11 The outstanding bank credit (excluding foreign bills and inter-bank items) increased by Tk. 5,444.90 crores or 12.4 percent to Tk. 49,522.80 crores during 1998-99 as compared to the rise of Tk. 5,119.00 crores or 13.1 percent in the preceding year. Of the components of bank credit, advances increased by Tk. 5,410.20 crores or 12.9 percent and the bills purchased and discounted went up by Tk. 34.70 crores or 1.7 percent during the year under report. The quarterly movements of bank credit are shown in Table-3.7.

TABLE-3.7
BANK CREDIT*

(Taka in Crores)

As on	Advances	Bills	Total Bank Credit	Advances as % of total bank credit	Bills as % of total bank credit
১	২	৩	৪	৫	৬
June 30, 1998	42,072.40	2,005.50	44,077.90	95.5	4.5
September 30, 1998	42,578.10	1,980.30	44,558.40	95.6	4.4
December 31, 1998	44,974.00	2,197.70	47,171.70	95.3	4.7
March 31, 1999	45,698.00	2,055.20	47,753.20	95.7	4.3
June 30, 1999	47,482.60	2,040.20	49,522.80	95.9	4.1

*Excluding foreign bills and inter-bank items.



crores or 14.2 percent to Tk. 59,234.00 crores during 1998-99 as compared to the rise of Tk. 5,251.80 crores or 11.3 percent in the preceding year. Of this increase, time deposits went up by Tk. 5,796.70 crores or 14.5 percent to Tk. 45,777.30 crores, govt. deposits by 719.00 crores or 17.2 percent to Tk. 4,891.60 crores, demand deposits increased by Tk. 827.60 crores or 10.7 percent to Tk. 8,562.80 crores during the period under report. Restricted deposits increased

Bank Deposits

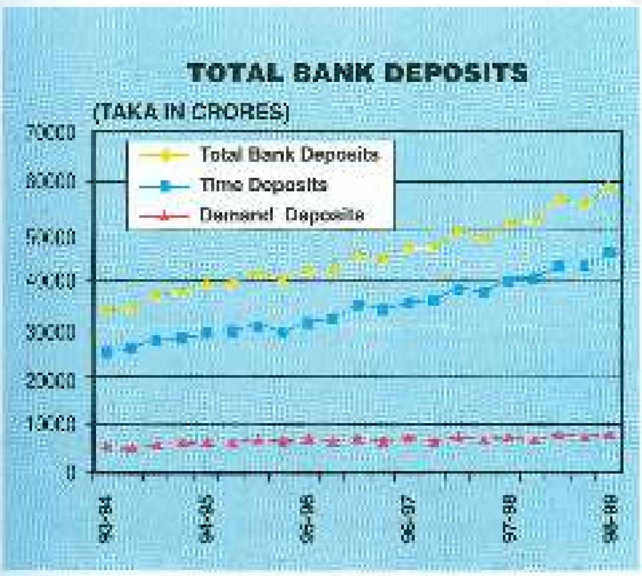
3.12 Bank deposits (excluding inter-bank items) increased by Tk. 7,343.60 by Tk. 0.30 crore. The quarterly movements of bank deposits are shown in Table-3.8.

TABLE-3.8
BANK DEPOSITS*

(Taka in Crores)

As on	Demand Deposits	Time Deposits	Government Deposits	Total Deposits	Demand deposits as % of Total Deposits	Time Deposits as% of Total Deposits	Government Deposits as % of Total Deposits
1	2	3	4	5	6	7	8
June 30, 1998	7,735.20	39,980.60	4,172.60	51,890.40	14.9	77.0	8.1
Sept. 30, 1998	7,224.40	40,821.90	4,319.80	52,366.30	13.8	78.0	8.2
Dec. 31, 1998	8,321.50	43,356.50	5,007.50	56,691.30	14.7	76.5	8.8
March 31, 1999	7,649.50	43,281.50	4,550.90	55,484.60	13.8	78.0	8.2
June 30, 1999	8,562.80	45,777.30	4,891.80	59,234.00	14.5	77.3	8.2

* Excluding inter-bank items but including restricted deposits.



Deposit Pension Scheme

3.13 Deposit Pension Scheme was withdrawn in 1994-95 following a Government decision. But the accounts already opened under this scheme will continue till their maturity. After closing of this scheme many banks of public and private sectors have introduced similar schemes on their own initiatives. The year-wise outstanding position of deposit under the discontinued Pension Scheme are shown in Table-3.9.

TABLE-3.9

OUTSTANDING POSITION OF DEPOSIT UNDER THE DISCONTINUED DEPOSIT PENSION SCHEME

(Taka in Crores)

Date	Deposit Banlance	Changes
1	2	3
June 30, 1991	1,036.00	+239.96 (+30.14)
June 30, 1992	1,397.83	+361.83 (+34.93)
June 30, 1993	1,807.97	+410.14 (+29.34)
June 30, 1994	2,162.27	+354.30 (+19.60)
June 30, 1995	2,475.74	+313.47 (+14.50)
June 30, 1996	2,825.22	+349.48 (+14.12)
June 30, 1997	3,061.57	+236.35 (+8.37)
June 30, 1998	3,254.43	+192.86 (+6.30)
June 30, 1999	3,376.89	+122.46 (+3.76)

Note: Figures in the parentheses indicate percentage changes over the year.

Rural and Urban Deposits and Credit

3.14 The share of rural deposits in total deposits stood at 22.3 percent at the end of March, 1999 which was 22.7 percent at the end of March, 1998. The share of rural credit in total credit declined from 17.4 percent at the end of March, 1998 to 17.3 percent at the end of March, 1999. The amount of deposits mobilised and the outstanding credit extended to the rural areas at the end of March, 1999 stood at Tk. 12,405.39 crores and Tk. 9,031.70 crores respectively as compared to Tk. 11,170.84 crores and Tk. 7,966.25 crores respectively at the end of March, 1998. It may be observed that of the total credit, the share of credit to the rural areas was lower as compared to the share of rural deposits while the share of credit to total credit was higher in the urban areas as compared to the share of urban deposits. The percentage share of bank deposits and credit in rural and urban areas are shown in Table-3.10.

TABLE-3.10

PERCENTAGE SHARE OF BANK DEPOSITS AND CREDIT IN RURAL AND URBAN AREAS

Date	Deposit (in Percent)		Credit (in Percent)	
	Rural	Urban	Rural	Urban
1	2	3	4	5
June 30, 1992	21.5	78.5	19.9	80.1
December 31, 1992	21.9	78.1	19.8	80.2
June 30, 1993	21.8	78.2	19.0	81.0
December 31, 1993	22.7	77.3	19.3	80.7
June 30, 1994	22.1	77.9	19.9	80.1
December 31, 1994	21.9	78.1	19.9	80.1
June 30, 1995	22.0	78.0	19.7	80.3
December 31, 1995	22.1	77.9	19.8	80.2
June 30, 1996	22.7	77.3	19.7	80.3
December 31, 1996	22.1	77.9	19.1	80.9
June 30, 1997	22.7	77.3	18.6	81.4
December 31, 1997	23.1	76.9	17.8	82.2
March 31, 1998	22.7	77.3	17.4	82.6
June 30, 1998	22.9	77.1	16.9	83.1
December 31, 1998	22.6	77.4	17.1	82.9
March 31, 1999	22.3	77.7	17.3	82.7

Credit/Deposit Ratio

3.15 The credit/deposit ratio (excluding the specialised banks) of the scheduled banks stood at 0.76 at the end of June, 1999. The ratio had stood at 0.78 at the end of June, 1998.

Scheduled banks' Borrowings from the Bangladesh Bank

3.16 The scheduled banks' borrowings from the Bangladesh Bank increased by Tk. 914.80 crores to Tk. 4,956.20 crores as on June 30, 1999 from Tk. 4,041.40 crores as on June 30, 1998.

Scheduled banks' Balances with the Bangladesh Bank and their Cash in Tills

3.17 The scheduled banks' balances with the Bangladesh Bank increased by Tk. 905.20 crores to Tk. 5,244.60 crores and their cash in tills increased by Tk. 103.60 crores to Tk. 1,026.90 crores during the year under report. The scheduled banks' comparative position in this respect is shown in Table-8 of the Annexure.

Cash Reserve Requirements of the Scheduled Banks with the Bangladesh Bank

3.18 Cash Reserve Requirements of the scheduled banks with the Bangladesh Bank remained unchanged at 5 percent of their total liabilities (Demand and Time Deposits)* during 1998-99. However, new procedure for maintaining cash reserves was introduced effective from October 1, 1998. According to the new procedure, the average liabilities (excluding inter-bank liabilities) of all the Thursdays of a particular month will be reckoned to determine the every day's Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) of the following second month.

* Excluding inter-bank items.

Statutory Liquidity Requirement of the Scheduled Banks with the Bangladesh Bank

3.19 Statutory Liquidity Requirement of all scheduled banks, except the banks operating under Islamic Shariah and the specialised banks, remained unchanged at 20 percent of their total liabilities (Demand and Time Deposits)*. Statutory Liquidity Requirement for the Islamic banks remained unchanged at 10 percent of their total liabilities. On the other hand, the exemption from the liquidity requirement as allowed earlier to specialised banks continued during the year under report. However, new procedure for maintaining cash reserves was introduced effective from October 1, 1998. According to the new procedure, the average liabilities (excluding inter-bank liabilities) of all the Thursdays of a particular month will be reckoned to determine the everday's Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) of the following second month.

Bank Rate

3.20 Bank Rate remained unchanged at 8.0 percent up to end June, 1999 as compared to the rate of previous year. Data relating to the Bank Rate have been given in Table-9 of the Annexure.

Interest Subsidy to Banks

3.21 In order to increase productivity and employment in the country by encouraging investments in the small and cottage industries, the provision for extending interest subsidy at a rate of 3.0 percent to this sector against term loans extended by banks continued during the year under report. Data/information relating to the rate of subsidy are given in Table-9 of the Annexure.

Credit Operation from the Export Development Fund (EDF)

3.22 Loan amounting to US$ 84.74 million was extended to the exporters during 1998-99 from the Export Development Fund created with the joint collaboration of the Government of Bangladesh (GOB) and the International Development Association (IDA). The credit was disbursed through the commercial banks for import of necessary raw materials, spare parts, packaging materials for production of non-traditional exports. This amount of the loan was 12.6 percent lower as compared to that in the preceding year. Most of the loan was availed of by exporters of ready-made garments.

Financial Sector Reform

3.23 Implementation of reform measures introduced with a view to ensuring a more effective role of the financial sector in the economic development of the country also continued during 1998-99. In order to encourage market-based determination of interest rates, complete freedom given to banks in fixing interest rates on loans and advances to all the sectors except agriculture, export and small and cottage industries remained in force. Complete freedom given to banks to fix their own deposit rates by withdrawing deposit floor rates also remained in force during the year under report. Details of the steps taken under the Financial Sector Reform Programme are described below :

1) Indirect Monetary Management

The 30-Day, 90-Day, 180-Day and 1-Year Government treasury bills, used as a tool for indirect control in monetary management, were issued till September 5, 1998 through auction from the Bangladesh Bank at market determined rates. Thereafter, these bills were replaced by the 28-Day, 91-Day, 182-Day, 364-Day, 2-Year and 5-Year treasury bills and were issued through weekly auctions from the Bangladesh Bank at market determined yields from September 6, 1998.

2) Strengthening of Commercial Bank Management

Commercial banks completed the fifth and last phase of their loan classification in December, 1998 under the phase-wise programme undertaken to upgrade the loan classification and provisioning standard to international level. In order to simplify loan classification procedures, some amendments have been made in the existing loan classification and provisioning system which became effective from January 1, 1999. According to the new rules, all loans and advances will be classified into four categories, namely, continuous credit, demand loans, term loans and short-term agricultural loans and microcredit. While the objective criteria for classification of continuous credit and demand loans has remained unchanged, the same for term loans has been slightly changed. In respect of term loans repayable within a maximum period of 5 years, the basis of classification as "substandard" and "doubtful" has remained unchanged i.e., if the amount of defaulted loan is equal to or more than the instalments payable within 6 months and 12 months, the same will continue to be classified respectively as 'substandard' and 'doubtful' as before. Such loans will be classified as 'bad loan' if the amount of the defaulted loan is equal to or more than the instalment payable within 18 months. Term loans repayable over more than 5 years will be classified as "substandard", 'doubtful" and "bad loans", if the amount of overdue loans is equal to or more than the instalment payable within 12 months, 18 months and 24 months respectively. Short term agricultural and microcredits would be treated as irregular loans if not repaid in due time. These loans would be treated as "substandard", 'doubtful" and 'bad loan' if they remained irregular for 12 months, 36 months and 60 months respectively. In the cases of continuous, demand and term loans, whether or not classifiable on the basis of objective criteria, would be classified upon qualitative judgement if any uncertainty or doubt arises about their recovery. However, these loans would be de-classified when their qualitative standard improve. The required provision against the classified loans remained the same as before in the cases of continuous, demand and term loans, i.e., 20% for substandard loan, 50% for doubtful loan and 100% for bad loan. However, in the case of short term agricultural loans and microcredit the required provision will be 100% for bad loans and 5% for all types of loans. Banks will be required to submit quarterly statements on classified loans, provision against such loans and interest suspense to the Bangladesh Bank within 30 days from the reference date. Banks have completed determination of their capital adequacy on the basis of June, 1998 and December, 1998 accounts as per the new norms of maintaining capital equal to 8% of risk-weighted assets introduced from 1996 in place of the former liability-based assets. The Financial Loan Courts and the Bankruptcy Courts established to expedite recovery of defaulted loans continued to prosecute the loan default cases of the commercial banks.

3) Strengthening Central Bank's Supervision

The early warning system for the problem-stricken banks through CAMEL* rating introduced as a measure of strengthening and modernizing central bank's supervision and inspection was continued during the year. The 'Problem Bank Monitoring Department' established in the Bangladesh Bank has been keeping activities of the problem banks under careful review and taking necessary steps accordingly. The activities of this Department are aimed at ensuring implementation of time-bound planning of the problem banks and progressive improvement of their financial position. As part of the task of problem bank supervision, regular meetings are being held after every two months with high level executives of each of the problem banks to discuss the financial progress. Different issues including shortfall in capital and provision, recovery position of classified loans, progress of the recovery programme of large defaulted loans, investment situation etc. come up in these discussions when necessary counsels are given to the concerned bank management. As a benign impact of this intensive supervision arrangement, gradual improvement of the overall condition of the weak banks is being discernible. The 'Large Loan Monitoring Cell' of the Bangladesh Bank continued to

*CAMEL = Capital, Assets, Management, Earnings and Liquidity.

provide advises to the commercial banks in taking necessary precautions while sanctioning large loans. The 'Credit Information Bureau' continued to supply important data/information on defaulted loans to banks and other financial institutions as per their requirement. In order to strengthen bank supervision, a high-powered 'Supervision Committee' has been formed in the Bangladesh Bank which meets every month to discuss on-going issues.

4) Commercial Banking Restructuring Project (CBRP)

In order to overcome the prevailing problems in the banking sector and to bring dynamism in monetary management, a second phase of reform programme under the name 'Commercial Banking Restructuring Project (CBRP)' was put in place in May, 1997. The main objectives of the project were : (1) to create a legal environment congenial to loan recovery; (2) to strengthen the efforts to make nationalised banks more efficient; (3) to strengthen further the supervision and regulation capacity of the Bangladesh Bank; (4) to restructure capital base of the private banks; and (5) to train the bank officials. A number of steps have already been taken to achieve the above objectives.

Monetary/Credit Policy and Banking Support Measures

3.24 The Monetary and credit policies of the country were guided to accelerate the pace of economic activities during 1998-99. Important steps taken by the Bangladesh Bank to this end were as under :

1) The system of paying interest on L/C margin deposit was withdrawn during the year under report. It may be mentioned that previously banks were required to pay interest on L/C margin deposit at the rate applicable to savings deposits.

2) Any loan or advances classified as sub-standard, doubtful or bad as per the norms of loan classification introduced by the Bangladesh Bank would be treated as overdue as per section 5(c) of the Bank Company Act, 1991 and the persons/ Institutions or any person having interest in an institution in whose favour such loans or advances have been extended shall be treated as defaulters.

3) New procedures were introduced to determine the Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) of the banks. These were determined earlier on the basis of total liabilities

of the last working day or Thursday of the week. According to the new procedure, the average liabilities (excluding inter-bank liabilities) of all the Thursdays of a particular month will be reckoned to determine the everyday's Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) of the following second month.

4) In order to help overcome the problems of the flood-affected industries, repayment instalments for September, October and November,1998 of the loans extended to them were suspended and were allowed to be repaid within a maximum period of six months with effect from December,1998. Moreover, directives were issued to sanction loans on priority basis to those industries established and operated under own finance of the entrepreneur, industries having maximum loan of Tk. 50 lakhs, export-oriented industries and the industries having good track record of regular loan repayment up to July, 1998.

5) For phase-wise upgradation of the loan classification and provisioning standard to the international level, revised and simplified procedures of loan classification and provisioning were introduced alongside strengthening of credit discipline.

6) Steps were taken to monitor the impact of reform measures on improvement of loan portfolio quality of banks during and after the financial sector reform programme.

7) Government Treasury Bill Auctions

a) 30-Day Government Treasury Bill

Eight auctions of the '30-Day Treasury Bill" were held during 1998-99. In all 566 bids for a total of Tk. 4,512.00 crores were offered in these auctions of which 374 bids for a total of Tk. 3,791.00 crores were accepted. The weighted average annual rate of return to the buyers ranged between 8.3 percent and 8.5 percent. As no auctions of the bill were held from September, 1998, there was no outstanding balance against the bill at the end of June, 1999. The '28-Day Treasury Bill' was introduced from September, 1998 in place of the "30-Day Treasury Bill'.

b) 90-Day Government Treasury Bill

Eight auctions of the '90-Day Treasury Bill" were held during 1998-99. In all 32 bids for a total of Tk. 162.00 crores were offered in these auctions of which 17 bids for a total of Tk. 98.00 crores were accepted. The weighted average annual rate of return to the buyers ranged between 9.0 percent and 9.1 percent. As no auctions of the bill were held from September, 1998, there was no outstanding balance against the bill at the end of June, 1999. The "91-Day Treasury Bill" was introduced from September, 1998 in place of the "90-Day Treasury Bill".

c) 180-Day Government Treasury Bill

Eight auctions of the "180-Day Treasury Bill" were held during 1998-99, in which 11 bids for a total of Tk. 50.00 crores were offered. As no bids were accepted, there was no outstanding balance against the bill at the end of June, 1999. The "182-Day Treasury Bill" was introduced from September, 1998 in place of the "180-Day Treasury Bill".

d) 1-Year Government Treasury Bill

During 1998-99 eight auctions of the "1-Year Treasury Bill" were held. In all 114 bids for a total of Tk. 828.50 crores were offered in these auctions of which 56 bids for a total of Tk. 574.50 crores were accepted. The weighted average annual rate of return to the buyers ranged between 10.2 percent and 10.3 percent. The outstanding balance against the bill stood at Tk. 574.50 crores at the end of June, 1999. The "364-Day Treasury Bill" was introduced from September, 1998 in place of the "1-Year Treasury Bill".

e) 28-Day Government Treasury Bill

Forty two auctions of the "28-Day Treasury Bill" were held during 1998-99. In all 1,649 bids for a total of Tk. 22,807.90 crores were offered in these auctions of which 856 bids for a total of Tk. 17,259.10 crores were accepted. The weighted average annual rate of return to the buyers ranged between 7.5 percent and 8.6 percent. The outstanding balance against the bill stood at Tk. 1,762.50 crores at the end of June, 1999.

f) 91-Day Government Treasury Bill

Forty two auctions of the "91-Day Treasury Bill" were held during 1998-99. In all 243 bids for a total of Tk. 1,329.15 crores were offered in these auctions of which 107 bids for a total of Tk. 620.35 crores were accepted. The weighted average annual rate of return to the buyers ranged between 8.4 percent and 9.1 percent. The outstanding balance against the bill stood at

Tk. 125.00 crores at the end of June, 1999.

g) 182-Day Government Treasury Bill

Forty two auctions of the "182-Day Treasury Bill" were held during 1998-99. In all 162 bids for a total of Tk. 788.80 crores were offered in these auctions of which 72 bids for a total of Tk. 371.50 crores were accepted. The weighted average annual rate of return to the buyers ranged between 8.9 percent and 9.6 percent. The outstanding balance against the bill stood at Tk. 371.50 crores at the end of June, 1999.

h) 364-Day Government Treasury Bill

Forty two auctions of the "364-Day Treasury Bill" were held during 1998-99. In all 603 bids for a total of Tk. 3,196.05 crores were offered in these auctions of which 197 bids for a total of Tk. 1,204.30 crores were accepted. The weighted average annual rate of return to the buyers ranged between 9.3 percent and 10.8 percent. The outstanding balance against the bill stood at Tk. 1,204.30 crores at the end of June, 1999.

i) 2-Year Government Treasury Bill

Forty two auctions of the "2-Year Treasury Bill" were held during 1998-99. In all 602 bids for a total of Tk. 3,831.49 crores were offered in these auctions of which 114 bids for a total of Tk. 830.26 crores were accepted. The weighted average annual rate of return to the buyers ranged between 9.5 percent and 12.1 percent. The outstanding balance against the bill stood at Tk. 830.26 crores at the end of June, 1999.

j) 5-Year Government Treasury Bill

Forty two auctions of the "5-Year Treasury Bill" were held during 1998-99. In all 32 bids for a total of Tk. 141.95 crores were offered in these auctions. As no bids were accepted, there was no outstanding balance against the bill at the end of June, 1999.

Expansion of the Banking System/Bank Branches

3.25 The Bank of Nova Scotia, a new foreign bank commenced banking operation during the year under report. At the same time, Society General (the bank) closed its operation in Bangladesh and its total assets and liabilities were taken over by the Bank of Nova Scotia. Under the programme of the bank branch expansion, the scheduled banks opened 33 new branches and closed 2 branches in Bangladesh during 1998-99. As a result, total bank branches increased by 31 to 5,983 as on June 30, 1999 from 5,952 in the previous year. The number of branches of Nationalized Commercial Banks declined by 1 from 3,617 in the preceding year to 3,616 during the year under report. The branches of Private Commercial Banks increased by 27 to 1,160 during the year from 1,133 in the preceding year. The branches of the Specialised Banks increased by 2 to 1,175 during the year under report from 1,173 in the preceding year, while branches of the foreign banks increased by 3 to 32 during the year from 29 in the preceding year. Total number of bank branches in rural areas decreased by 2 to 3,620 (60.6% of the total) at the end of June, 1999 from 3,622 (60.9% of the total) at the end of June, 1998. Branches of the Bangladeshi Commercial Banks operating abroad remained unchanged at 15 during the year under report. During 1998-99, the number of nationalized/Government-owned banks remained unchanged at 9. The number of private banks increased by 2 to 19 during the year under report. The number of foreign banks remained unchanged at 13. Data relating to expansion of bank branches are given in Table-3.11.

TABLE-3.11
EXPANSION OF BANK BRANCHES

Particulars	Number of Branches		
	1997-98	1998-99	Changes
1	2	3	4=(3-2)
Nationalized Banks	3,617	3,616	-1
Private Commercial Banks	1,133	1,160	+27
Specialised Banks	1,173	1,175	+2
Foreign Banks	29	32	+3
Total:	**5,952**	**5,983**	**+31**

Non-Bank Financial Institutions

3.26 Activities /financing of business of the non-bank financial institutions are conducted under the Financial Institutions Act and Regulations. Activities of the non-bank financial institutions in respect of financing industry, trade and housing sector etc. of the country expanded remarkably in recent years. Till 1998-99, a total number of 19 non-bank financial institutions were given licences of which 2 were given during the year under report. Of these, 6 institutions are wholly under private domestic ownership, 1 under Government ownership and 12 under joint venture of local and foreign ownership. Paid up capital and reserve fund of the licensed non-bank financial institutions amounted to Tk. 565.64 crores. With a view to regulating activities of the non-bank financial institutions in the light of the Financial Institutions Act, 1993, it has been made obligatory from May 12, 1997 for all non-bank financial institutions to maintain 2.5 percent of their total liabilities as cash reserve. But from May 5, 1998 revised instruction was issued to them for maintaining cash reserve at the rate of 2.5 percent against their term deposits received from individuals and institutions and their loans/borrowings repayable within a fixed time instead of 2.5 percent of their total liabilities. Subsequently, from January 24, 1999 this 2.5 percent cash reserve was made obligatory for all non-bank financial institutions in respect of their total term deposits received from individuals and institutions other than banks and their loans/borrowings repayable within a fixed time. Besides, it has been made obligatory to maintain liquid assets equivalent to 10.0 percent of their total liabilities (except paid-up capital and reserves, borrowings from the Bangladesh Bank, call-loan, credit balance shown in the profit & loss account) from June 17, 1998. Moreover, arrangement has been made for regular monitoring of maintenance of cash reserve and liquid assets of these institutions. The minimum paid-up capital of the non-bank financial institutions has been raised from Taka 5.00 crores to Tk. 10.00 crores. Amount of financing of the licensed non-bank financial institutions in various sectors stood at Tk. 1,014.72 crores up to June 30, 1999. With a view to assisting the financial institutions in mobilizing mid and long term resources, the World Bank/IDA have recently decided to sanction an aid amounting to US $ 46.9 million to a proposed project titled Financial Institutions Development Project. As per agreed minutes signed between the Government of Bangladesh and the World Bank, a facility titled 'Credit Bridge and Standby Facilities' (CBSF) has been set up by the Bangladesh Bank under the policy of the project . With the proposed credit line of the World Bank/IDA, assistance will be given to the financial institutions to mobilize mid and long term resources under this project.

Group-wise Comparative Position of Banks

3.27 The share of nationalized commercial banks in total deposits of banks decreased slightly to 57.5 percent at the end of June, 1999 as compared to 59.2 percent at the end of the previous year. The share of private commercial banks increased to 29.0 percent as compared to

28.0 percent of the previous year. Share of the foreign banks increased to 7.5 percent during the year under report as compared to 7.0 percent in the preceding year. On the other hand, the share of the specialised banks increased to 6.0 percent as compared to 5.8 percent of the previous year. The share of the nationalized commercial banks in total bank credit decreased to 50.3 percent at the end of the year under report from 51.5 percent of the previous year. The share of private commercial banks increased to 27.3 percent from 26.2 percent of the previous year. The share of foreign banks to total bank credit decreased to 6.0 percent from 6.2 percent of the previous year. The share of specialised banks increased to 16.4 percent as compared to 16.2 percent of the previous year. Group-wise comparative position of deposits and credit of the banks at the end of 1998 and 1999 are shown in Table-3.12.

TABLE-3.12

PERCENTAGE SHARES OF THE GROUP-WISE BANKS IN TOTAL BANK DEPOSITS AND BANK CREDIT

Group-wise Banks	Percentage share of Bank Deposits (excluding inter-bank & Govt. deposits)		Percentage share of Bank Credit (excluding inter-bank and foreign bills)	
	June 30, 1998	June 30, 1999	June 30, 1998	June 30, 1999
1	2	3	4	5
1. Nationalized Commercial Banks	59.19	57.54	51.45	50.29
2. Private Banks	27.98	29.01	26.16	27.27
3. Foreign Banks	7.03	7.52	6.22	5.98
4. Specialised Banks	5.80	5.93	16.17	16.46
Total:	**100.00**	**100.00**	**100.00**	**100.00**

3.28. Total deposits of the Government Sector with banks are shown in Table 3.13.

TABLE-3.13

GOVERNMENT SECTOR DEPOSITS WITH BANKS

(Taka in Crores)

Period	Demand Deposits	Percentage Share of Demand Deposits in Total Deposits	Time Deposits	Percentage Share of Time Deposits in Total Deposits	Total Deposits	Annual Percentage change in Total Deposits
1	2	3	4	5	6	7
June 30, 1997	1,144.60	32.71	2,354.50	67.29	3,499.10	+6.16
June 30, 1998	1,287.70	30.86	2,884.90	69.14	4,172.60	+19.25
June 30, 1999	1,424.50	29.12	3,427.10	70.88	4,851.60	+17.25

Inspection of Banks

3.29 The Bangladesh Bank carried out a comprehensive inspection of 1,102 branches of 31 scheduled banks during 1998-99 under its routine programme of inspection. A total number of 149 special inspection including special inspection in respect of 528 complaints received from different sources including public sources was carried out during the year under report. In addition, activities relating to monitoring and implementation on the basis of the inspection reports were also continued during the year under report.

CHAPTER IV

CAPITAL MARKET AND INDUSTRIAL FINANCE

4.1 Capital market, an important ingredient of the financial system, plays a significant role in the economy of the country. The two stock exchanges, Development Financial Institutions (DFIs), banks and other financial institutions of the country continued financing the industrial and other productive activities during 1998-99 like the previous years. However, a bearish trend continued in the capital market during the year under report due to lack of confidence of investors, liquidity crisis, dearth of institutional investors, inactivity of foreign investors and introduction of various savings schemes at an attractive rate of interest etc.

4.2 In order to gear up the activities of stock exchanges of the country, the following notable measures were taken during 1998-99 :

(i) Introduction of automated trading system in Dhaka Stock Exchange following automation of the Chittagong Stock Exchange;

(ii) Provision for acceptance of income invested in primary and secondary market shares but not taxed earlier without asking any question subject to payment of tax at the rate of 7.5 percent;

(iii) Exemption of tax on income from mutual funds accruing to the issuing companies;

(iv) Fixation of income tax at 35 percent instead of 40 percent in respect of publicly traded banks, insurance companies and financial institutions;

(v) Continuation of credit facility from scheduled banks against shares/ debentures by the scheduled banks at 60 percent of the average market value of the shares/debentures during the preceding six months;

(vi) Enactment of Depository Act,1999 by the Jatiya Sangsad for preservation of shares centrally, in order to stop forgery of shares and to ensure dynamism and transparency in share transactions and subsequently, adoption of the decision for establishment of a modern CDS Company named Bangladesh Depository Company Ltd. under this Act;

(vii) Decision to introduce Investors' Protection Fund to protect interest of investors;

(viii) Formulation of the Right Issue Rules, 1998 to ensure fairness of right issue by listed companies;

(ix) Formulation of Public Issue Rules, 1998 in order to enhance transparency in primary share issue;

(x) Formulation of Margin Rules, 1999 for ensuring proper use and management of loans given to clients by members of stock exchange.

Dhaka Stock Exchange

4.3 A total of 6 new companies and 1 debenture were enlisted with the Dhaka Stock Exchange (DSE) for transactions, while one debenture attained maturity during 1998-99. As a result, the total number of companies and securities enlisted with the Dhaka Stock Exchange increased from 204 and 224 in 1997-98 to 210 and 230 respectively in 1998-99. The outstanding value of total issued capital and debentures of these companies stood at Tk. 2,868.40 crores as on June 30, 1999. Of the 230 securities listed with the DSE, issued capital of 210 companies, 11 debentures and 9 mutual funds stood at Tk. 2,708.99 crores, Tk. 136.91 crores and Tk. 22.50 crores respectively. Market capitalisation of the enlisted securities as on June 30, 1999 stood at Tk. 5,074.84 crores which was 18.5 percent lower than Tk. 6,226.44 crores as on June 30, 1998. All share price index at the DSE decreased by 19.2 percent to 546.79 at the end of June, 1999 from 676.47 of end-June, 1998. A brief statement of the activities of the Dhaka Stock Exchange is shown in Table-4.1.

TABLE-4.1

A BRIEF STATEMENT OF ACTIVITIES OF THE DHAKA STOCK EXCHANGE (DSE)

Year (End-June)	Number of Listed Securities (Including Mutual Fund and Debenture)	Issued Capital and Debenture (Tk. in Crores)	Market Capitalisation (Tk. in Crores)	All Share Price Index
1	2	3	4	5
1996-97	214	2,690.74	10,782.66	1,111.55
1997-98	224	2,832.65	6,226.44	676.47
1998-99	230	2,868.40	5,074.84	546.79

4.4 A total of 13,312.46 lakh shares and debentures worth Tk. 5,189.38 crores were transacted on the floor of the Dhaka Stock Exchange during 1998-99 which was 311.5 percent higher in terms of value and 1,254.4 percent higher in terms of number as compared to those of the preceding year. Shares of 6 new companies (IPOs) and 1 debenture were floated during the year under report and their total issued capital was Tk. 94.62 crores. Out of this issued capital, Tk. 43.56 crores were floated to the public against which subscriptions offered amounted to Tk. 70.47 crores, indicating an over-subscription of Tk.26.91 crores. The total value of shares issued by the 10 new companies during 1997-98 was Tk. 106.40 crores.

Chittagong Stock Exchange

4.5 The number of listed securities at the Chittagong Stock Exchange (CSE)–the second stock exchange of the country –at the end of June, 1999 increased to 154 as compared to 144 at the end of June, 1998. The all share price index and market capitalisation of the companies at the Chittagong Stock Exchange decreased by 24.1 percent to 223.65 and by 18.3 percent to Tk. 4,083.78 crores respectively at the end of June, 1999 as compared to those at the end of June, 1998. Share transactions at the Chittagong Stock Exchange increased by 61.7 percent to Tk. 1,381.94 crores during 1998-99 as compared to the preceding year. A brief statement of the activities of the Chittagong Stock Exchange is shown in Table-4.2.

TABLE-4.2
A BRIEF STATEMENT OF ACTIVITIES OF THE CHITTAGONG STOCK EXCHANGE (CSE)

Year (End-June)	Number of Listed Securities (Including Mutual Fund and Debenture)	Issued Capital and Debenture (Tk. in Crores)	Market Capitalisation (Tk. in Crores)	All Share Price Index
1	2	3	4	5
1996-97	131	2,119.13	7,177.73	475.69
1997-98	144	2,329.83	4,999.33	294.72
1998-99	154	2,451.93	4,083.78	223.65

Non-Resident Portfolio Investment

4.6 Total investments in shares/ debentures by non-residents through the stock exchanges during 1998-99 stood at Tk. 9.56 crores as compared to Tk. 31.60 crores during 1997-98. During the year under report, repatriation of sale proceeds of shares by non-residents totalled Tk. 45.11 crores, leaving a balance of Tk. 14.70 crores as on June 30, 1999. During 1997-98, total amount of repatriation of sale proceeds and the balance after repatriation had stood at Tk. 60.18 crores and Tk. 60.40 crores respectively as on June 30, 1998. It may be mentioned that total amount of repatriation of sale proceeds by non-residents from the beginning (April, 1992), up to June 30, 1999 stood at Tk. 1,170.29 crores against a total principal investment of Tk. 816.92 crores.

Commercial Banks' Financing

4.7 The scheduled banks' financing in approved securities/debentures in the country's capital market decreased by Tk. 11.15 crores or 1.0 percent to Tk. 1,100.33 crores as on June 30, 1999 from Tk. 1,111.48 crores at the end of the preceding year. Scheduled banks' advances against shares and securities (including Government and other trustee securities) decreased to Tk. 516.01 crores at end-March, 1999 from Tk. 580.24 crores at end-March, 1998.

Investment Corporation of Bangladesh (ICB)

4.8 The Investment Corporation of Bangladesh (ICB) purchased and sold unit certificates amounting to Tk. 45.82 crores and Tk. 65.71 crores receptively during 1998-99. Net cumulative sale of unit certificates by the ICB stood at Tk. 578.68 crores as on June 30, 1999. The cumulative number of investment accounts (net) stood at 54,573 as on June 30, 1999. During 1998-99 deposits of Tk. 7.61 crores were taken under investment accounts and loans of Tk. 10.57 crores were approved and the total amount of investment stood at Tk. 17.79 crores. The ICB accounted for Tk. 152.23 crores or 2.9 percent of the total securities transactions of Tk. 5,189.38 crores at the DSE during 1998-99.

4.9 The ICB made financial commitments for a total of Tk. 25.39 crores during 1998-99, of which Tk. 13.39 crores were for underwriting public issues of shares against 6 projects (including one additional project), Tk. 0.50 crore for underwriting of debenture issue against 1 project, Tk. 1.00 crore for direct purchase of shares against 2 projects, Tk. 3.50 crores for direct investment in debenture against 2 projects and Tk. 7.00 crores for trusteeship of debenture issue against 2 projects. The ICB had made financial commitment for a total of Tk. 50.89 crores during 1997-98.

Total investments of the ICB stood at Tk. 6.57 crores against 4 projects during 1998-99. The cumulative investment of the ICB stood at Tk. 113.58 crores at the end of June, 1999. Total cumulative outstanding loan of the ICB stood at Tk. 472.84 crores at the end of June, 1999. Recovery of loan by the ICB stood at Tk. 4.77 crores during the year under report as compared to Tk. 4.88 crores in the preceding year.

Bangladesh Shilpa Bank (BSB)

4.10 The Bangladesh Shilpa Bank (BSB) sanctioned a total loan of Tk. 0.06 crore during 1998-99 in local currency for approved projects . A total loan of Tk. 5.16 crores were sanctioned for the approved projects in the preceding year. The BSB disbursed working capital and other loans of Tk. 11.34 crores during 1998-99, the entire amount of which was in local currency. Loans disbursed during the preceding year had stood at Tk. 104.87 crores (in local currency).

4.11 The BSB recovered a total loan of Tk. 99.78 crores during 1998-99 as compared to Tk. 98.80 crores in the preceding year. The outstanding amount of term loans including overdue loans of Tk. 42.17 crores (excluding provisions for bad and doubtful loans and interest suspense) of the BSB stood at Tk. 910.40 crores as on June 30, 1999 as compared to Tk. 939.93 crores including overdue loans of Tk. 159.00 crores (excluding provisions for bad and doubtful loans, and interest suspense) as on June 30, 1998.

Bangladesh Shilpa Rin Sangstha (BSRS)

4.12 The Bangladesh Shilpa Rin Sangstha (BSRS) approved loans of Tk. 11.34 crores for 6 projects (including additional sanction in an existing project and approved bridge financing loan in a project) during 1998-99 as compared to Tk. 26.15 crores against 10 projects in the preceding year. Loans disbursed by the BSRS decreased by Tk. 1.56 crores to Tk. 21.50 crores during 1998-99 as compared to Tk. 23.06 crores in 1997-98. Recovery of loans by the BSRS during 1998-99 decreased to Tk. 26.15 crores as compared to Tk. 30.27 crores in the preceding year, representing 59.4 percent of the target for recovery during the year under report. The BSRS paid Tk. 1.96 crores as tax to the Government during the year under report as compared to Tk. 1.97 crores in 1997-98.

4.13 The outstanding amount of loans extended by the BSRS increased by Tk. 82.67 crores to Tk. 1,760.90 crores as on June 30, 1999 as compared to Tk. 1,678.23 crores as on June 30, 1998.

Bank of Small Industries and Commerce Bangladesh Limited (BASIC)

4.14 During 1998-99, the Bank of Small Industries and Commerce Bangladesh Limited (BASIC) sanctioned loans amounting to Tk. 1,458.73 crores (including import and export loans) which was higher by Tk. 287.10 crores or 24.5 percent as compared to the sanction of Tk. 1,171.63 crores in 1997-98. Loans disbursed by the BASIC stood at Tk. 1,443.03 crores which was Tk. 289.81 crores or 25.1 percent higher than Tk. 1,153.22 crores disbursed in the previous year. Total recovery of term loans declined marginally by Tk. 0.06 crore to Tk. 11.71 crores as compared to Tk. 11.77 crores in the preceding year. The amount of outstanding loans disbursed by the BASIC stood at Tk. 322.93 crores as on June 30, 1999 which was higher by Tk. 67.51 crores or 26.4 percent as compared to the outstanding amount of Tk. 255.42 crores in the preceding year. Of the total outstanding loans, small and cottage industries sector accounted for Tk. 119.86 crores or 37.1 percent, medium scale industries sector accounted for Tk. 93.18 crores or 28.9 percent, commercial sector accounted for Tk. 106.00 crores or 32.8 percent and the other sectors accounted for Tk. 3.90 crores or 1.2 percent during 1998-99. The amount of loans disbursed to small and cottage industries sector, medium scale industries sector, commercial sector and the other sectors had stood at Tk. 93.90 crores or 36.8 percent, Tk. 60.70 crores or 23.8 percent, Tk. 91.32 crores or 35.7 percent and Tk. 9.50 crores or 3.7 percent respectively in the preceding year. The amount of overdue loans of the BASIC stood at Tk. 20.16 crores as on June 30, 1999 as compared to Tk. 17.51 crores in the preceding year.

Bangladesh Small and Cottage Industries Corporation (BSCIC)

4.15 Total amount of loans disbursed and recovered in the small and cottage industries sector by the Bangladesh Small and Cottage Industries Corporation (BSCIC) during 1998-99 against 4 current projects stood at Tk. 16.26 crores and Tk. 14.70 crores respectively as compared to Tk. 16.64 crores and Tk. 15.19 crores respectively in the preceding year. The amount of overdue loans under the above 4 projects increased by Tk. 1.97 crores or 43.3 percent to Tk. 6.52 crores as on June 30, 1999 as compared to Tk. 4.55 crores in the preceding year.

Industrial Loans Disbursed by Scheduled Banks and Other Financial Institutions for Development of the Industrial Sector

4.16 With a view to making the country's economy self reliant and dynamic, banks and other financial institutions continued their policy of investment in the industrial sector. The amount of industrial term loans disbursed by these institutions during 1998-99 stood at Tk. 1,330.10 crores which was Tk. 209.76 crores or 18.7 percent higher as compared to Tk. 1,120.34 crores during the preceding year. Disbursement of working capital loans stood at Tk. 7,905.49 crores during 1998-99 which was 19.9 percent higher than Tk. 6,591.03 crores disbursed during the preceding year. The amount of outstanding industrial loans stood at Tk. 25,484.76 crores as on June 30, 1999 as compared to Tk. 21,760.67 crores at the end of the preceding year.

Industrial Finance by Foreign Banks

4.17 In order to induce more participation of foreign banks in industrial finance, a new programme of providing refinance facility against industrial term loans extended by them was introduced with effect from October 27, 1997. Refinance facility amounting to Tk. 23.57 crores were provided against applications submitted by them up to June 30, 1999, of which re-finance provided during 1998-99 amounted to Tk. 11.12 crores. The amount of term loans disbursed by the foreign banks in the industrial sector during 1998-99 stood at Tk. 269.28 crores which was higher by Tk. 30.55 crores or 12.8 percent as compared to Tk. 238.73 crores in the preceding year.

Projects Under Supervision of the Industrial Credit Department

4.18 The Bangladesh Bank continued to supervise, in addition to its own programmes, financing and implementation programmes of various small and cottage, large and medium-scale industrial projects under foreign credits/grants during 1998-99. A brief review of the major programmes is given below:

(A) Small And Cottage Industries Projects: ADB Loan No. 1070-BAN(SF)

With a view to developing a fund for granting loans to small and cottage industries sector, Credit Agreement No.1070-BAN (SF) for SDR 20.968 million (Tk. 116.00 crores) was signed between the Government of Bangladesh and the Asian Development Bank on January 25, 1991. The programme became operative from October 9, 1991 and closed its disbursement programme on October 8, 1996. Under the scheme, 5 financing private banks viz., Arab-Bangladesh Bank Ltd., Bank of Small Industries and Commerce Bangladesh Ltd., IFIC Bank

Ltd., National Bank Ltd. and United Commercial Bank Ltd. disbursed an amount of Tk. 95.33 crores in favour of 183 projects in the small and cottage industries sector up to October 6, 1996. Up to June 30, 1999 a total of Tk. 37.44 crores was recovered as principal and interest against these project loans. The amount of outstanding loans (principal) stood at Tk. 82.64 crores as on June 30, 1999 which was lower by Tk. 6.43 crores as compared to the level a year ago.

(B) Industrial Credit Project in the Private Sector: IDA Credit No. 2340-BD

As per agreement signed between Bangladesh Government and the IDA on April 27, 1992 for setting up industry in the private sector, disbursement of loans had begun from March 22, 1993 and ended on September 30,1997. Under the programme, a total amount of Tk. 103.57 crores in favour of 61 sub-projects was disbursed through the 4 participating institutions viz: IFIC Bank Ltd., IPDC of Bangladesh, IDLC and ULC. Recovery of loans under the scheme started on January 1, 1998 and an amount of Tk. 4.33 crores was recovered up to June 30,1999 from three enterprises excluding IPDC.

(C) Semi-Intensive Shrimp Cultivation Credit Programme

Bangladesh Bank has been encouraging financial institutions including banks to extend credit to this sector and has been monitoring their credit disbursement programmes with a view to making the semi-intensive shrimp cultivation programme a success and thereby increasing export earnings. The 7 commercial banks participating in the credit programme, viz: Sonali, Janata, Agrani, Rupali, BASIC, BSB and AB Bank and SABINCO - a non-bank financial institution, sanctioned Tk. 0.50 crore as credit during 1998-99 against which no credit was disbursed. The amount of loans disbursed in this sector during 1997-98 had stood at Tk. 0.04 crore. Under this programme, a total of Tk. 145.68 crores was sanctioned against which an amount of Tk. 68.64 crores were disbursed up to June, 1999.

(D) Industrial Project Financed by the Bangladesh Bank

With a view to supporting the programme of establishing new small and cottage industries in the private sector and for balancing, modernisation, rehabilitation and expansion of the existing industries, the Bangladesh Bank established a long term fund of Tk. 256.00 crores in 1992. According to a circular issued on February 25, 1992, the maximum period for repayment of loans under the scheme is 10 years while the rate of interest to be charged may either be the fixed Bank Rate prevailing at the time of receiving the loans or a variable Bank Rate. A total of Tk. 241.00 crores has so far been drawn from the Fund by 13 banks for disbursement as credit in favour of 545 projects. The concerned banks repaid an amount of Tk. 197.00 crores to the Bangladesh Bank up to June 30, 1999. An amount of Tk. 44.00 crores remained outstanding with 5 banks, which will be due for recovery after June 30, 1999.

(E) Credit Guarantee Scheme For Investors in Small Scale Industries

In order to allow guarantee facility under the Credit Guarantee Scheme, the Government initially extended a fund of Tk. 38.43 crores to the Bangladesh Bank. Under this Scheme, a total of 187 sub-projects are in operation against which the amount of loans covered by guarantee were Tk. 29.52 crores. Accepting of new proposals under the scheme has been postponed as per decision of a meeting held on August 18, 1996 in the Ministry of Finance.

(F) Self-Employment Small Enterprise Credit Scheme For Voluntarily Retired Officers/ Employees

Seven scheduled banks entered into participating contracts with the Bangladesh Bank up to June 30, 1999 to provide credit under the scheme. Three banks sanctioned loan of Tk. 5.16 crores against 84 projects and disbursed Tk. 4.92 crores against 80 projects up to June 30, 1999. During this period, banks applied to the Bangladesh Bank for refinance of Tk. 4.92 crores against loans of 80 projects. The Bangladesh Bank made refinance of Tk. 3.69 crores against 80 projects up to June 30, 1999.

(G) Credit Scheme for Salt Growers and Owners of Salt Mills

As in the previous years, a circular with special directives from the Bangladesh Bank was issued to banks during the year under report for encouraging supply of credit to the salt sector with a view to maintaining normalcy in production, stock and supply of salt as an essential commodity. Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Ltd., Pubali bank Ltd. and Bangladesh Krishi Bank extend loans to genuine growers in the salt growing areas and to salt mill owners on "banker-customer relationship". The amount of loans disbursed in this sector stood at Tk. 12.79 crores during 1998-99 as compared to Tk. 17.58 crores in the preceding year.

CHAPTER V

AGRICULTURE AND RURAL FINANCE

Annual Agricultural Credit Programme

5.1 As in the previous years, the indicative Annual Agricultural Credit Programme for 1998-99 was formulated with the objective of ensuring increased flow of institutional credit for financing productive activities in the agriculture sector and rural areas, attaining self-sufficiency in food and alleviating poverty through implementation of Micro Credit Programme. Financial institutions continued to implement their own agricultural credit programmes during the year under report alongwith continuation of the steps taken in the preceding year to provide loans for improving the socio-economic condition of the rural people by establishing linkage with the NGOs and Self-Help Groups. Banks and financial institutions undertook a credit disbursement programme of Tk. 2,957.00 crores during 1998-99. In view of the severe setback in agricultural and rural activities of three-fourth areas of the country and the loss suffered by all the farmers due to devastating flood of the century, a comprehensive post flood agricultural rehabilitation programme was undertaken for a quick redressal. Accordingly, banks/financial institutions revised their credit disbursement programme higher at Tk. 3,270.00 crores for providing necessary financial assistance to the farmers. This was Tk. 917.50 crores or 39.0 percent higher as compared to the target of Tk. 2,352.50 crores of the previous year. Allocations for different sub-sectors under the Agricultural Credit Programme for 1998-99 were : crop loan (other than tea) Tk. 1,488.34 crores (45.5%), purchase and installation of irrigation equipments Tk. 10.10 crores (0.3%), livestock Tk. 75.25 crores (2.3%), marketing of agricultural goods Tk. 367.43 crores (11.2%), fisheries Tk. 76.32 crores (2.3%), poverty alleviation Tk. 900.81 crores (27.6%) and other agricultural activities (including tea and agricultural machineries) Tk. 351.75 crores (10.8%). Allocations for above sub-sectors during 1997-98 were : crop loan (other than tea) Tk. 1,027.11 crores (43.7%), purchase and installation of irrigation equipments Tk. 14.46 crores (0.6%), livestock Tk. 227.99 crores

(9.7%) and marketing of agricultural goods Tk. 284.67 crores (12.1%), fisheries Tk. 125.75 crores (5.4%), poverty alleviation Tk. 352.35 crores (15.0%) and other agricultural activities (including tea and agricultural machineries) Tk. 320.17 crores (13.6%). As against the above credit disbursement programme a total of Tk. 3,005.92 crores was disbursed during 1998-99 which was 91.9 percent of the programme but higher by Tk. 1,363.08 crores or 83.0 percent than Tk. 1,642.84 crores disbursed during the preceding year.

5.2 The following indicative guidelines which were given during the preceding year for timely disbursement and proper use of agricultural credit, improving recovery position, ensuring strict adherence to the existing rules of credit disbursement and effective supervision and monitoring of overall credit programmes continued during the year under report:

(i) Banks and financial institutions continued to prepare their own Annual Agricultural Credit Programme on the basis of actual demand for agricultural credit during the year under report for further strengthening adequate and timely credit disbursement from institutional sources with a view to increasing production in the agricultural sector and for socio-economic development of small/marginal farmers as well as poor people of the rural areas.

(ii) The limit for credit up to 5.0 acres of land in case of crop loan and up to 2.5 acres in case of potatoes and sugarcane alongwith the arrangement for additional credit for secondary crop beyond the allocation for the main crop also continued during the year under report.

(iii) In view of the importance of crop loans for increasing crop production, the provision of keeping minimum 60 percent of the total target of Annual Agricultural Credit Programmes of the banks and financial institutions for crop loans also continued during the year under report.

(iv) Keeping in view the increase in prices of different agricultural inputs, the amount of credit per acre in case of crop loans was increased and the authority of the banks/financial institutions to increase/decrease the amount of loans up to 10 percent of the indicative norms based on actual loan requirements of the farmers also continued during the year under report.

(v) In order to encourage the

borrowers to repay loans in time, provision for allowing rebate at the rate of 2.0 percent on the existing rate of interest also continued during the year under report.

(vi) The interest rate band for agricultural loans was kept unchanged at 10%-14%. However, the linking institutions were authorised to charge interest above the upper band for rendering motivation, disbursement and suprervision services to the brorowers.

(vii) Efforts for encouraging banks to disburse credit for different productive and income generating activities through establishing links with various NGOs and Self-Help Groups continued during the year under report.

(viii) Prohibition of fresh loans to habitual loan defaulters and provision for treating small, marginal and sharecropper as priority sector to get loans remained in force during the year under report.

(ix) The provision for compulsory use of Agricultural Credit Pass Books in all transactions of agricultural credit remained in force during the year under report. The District, Thana and Union Committees were reactivated for ensuring disbursement and recovery of loans.

(x) Arrangement for popularisation of crop insurance in respect of crop loans introduced by the Sadharan Bima Corporation also continued during the year under report. Since public insurance institutions have not yet been established in all Thana levels, banks can accept crop insurance policy of private insurance company as eligible for crop hypothecation.

(xi) The authority given to the Board of Directors of banks to waive penal interest and also general interest with a view to improving the recovery position of overdue loans also continued during the year under report.

(xii) Efforts for encouraging private banks to involvement in agricultural loans have been further strengthened during the year under report.

(xiii) The provision for relaxing the prescribed time schedule of crop-wise credit disbursement up to a reasonable time by branch managers due to regional weather condition/ natural calamities also continued.

(xiv) Activities relating to extension of credit for pisciculture, livestock and establishment of nursery, cotton plantation, sericulture and income generating activities also continued.

(xv) Collateral-free loan facility was introduced during the year under report with a view to providing maximum financial assistance to the farmers of the flood affected areas, specially share-croppers and marginal/small farmers under the comprehensive post flood Agricultural Rehabilitation Programme.

(xvi) In order to assist the flood affected borrowers to continue their productive activities, the facility of extending fresh loans was introduced by rescheduling their earlier loans up to Tk. 15,000 .00.

(xvii) The provision for charging simple interest on agricultural loans and application of compound rate of interest on loans not repaid within six months after the due time period also remained in force during the year.

Agricultural Credit Pass Books

5.3 Agricultural credit disbursing institutions issued 8.33 lakh new pass books to the borrowers during the year under report. Of these, 4.28 lakh pass books were issued by the Bangladesh Krishi Bank, 0.79 lakh by the Rajshahi Krishi Unnayan Bank and 3.14 lakh pass books by other participating Commercial Banks (other than Rupali Bank Ltd.)and 0.12 lakh were issued by Bangladesh Rural Development Board (BRDB). The unions of Rupali Bank Ltd. engaged in operating agricultural credit have been transferred to BKB and RAKUB. As a result, 2.29 lakh pass books issued by Rupali Bank Ltd. have been cancelled. Bangladesh Samabaya Bank Limited (BSBL) did not issue any pass book during the year under report. Since, its introduction in 1984-85, a total of 108.63 lakh pass books were issued up to June 30, 1999. Of these, 30.27 lakh agricultural credit pass books were issued by participating commercial banks, 35.03 lakh pass books by the Bangladesh Krishi Bank, 28.70 lakh pass books by the Bangladesh Palli Unnayan Board, 8.80 lakh pass books by the Rajshahi Krishi Unnayan Bank and 5.83 lakhs by the Bangladesh Samabaya Bank Ltd. The total number of agricultural loanees stood at 109.63 lakhs up to June 30, 1999. Of these, 38.93 lakh borrowers availed of loans from specialized banks, 44.67 lakh borrowers from Samabaya sector (including BRDB) and 26.03 lakh borrowers from participating commercial banks.

Disbursement of Loans under the Annual Agricultural Credit Programme

5.4 Disbursement of agricultural credit under Annual Agricultural Credit Programme by the participating banks/institutions during 1998-99 stood at Tk. 3,005.92 crores which was 83.0 percent higher than Tk. 1,642.84 crores disbursed during 1997-98. An amount of Tk. 1,666.28 crores was disbursed as crop loans (other than tea) during the year under report which was 160.6 percent higher than Tk. 639.41 crores disbursed in the preceding year. An amount of Tk. 2.77 crores was disbursed for purchase and installation of irrigation equipments which was 925.9 percent higher than Tk. 0.27 crore disbursed during the preceding year. An amount of Tk. 110.07 crores was disbursed for livestock which was 49.7 percent higher than Tk. 73.52 crores disbursed during 1997-98. Disbursement stood at Tk. 272.96 crores for processing and marketing of agricultural goods which was 51.4 percent higher than Tk. 180.26 crores during 1997-98. Tk. 35.09 crores were disbursed for fishery during the year under report which was 39.5 percent higher than Tk. 25.16 crores disbursed in the preceding year. An amount of Tk. 593.02 crores were disbursed for poverty alleviation programme which was 87.2 percent higher than Tk. 316.87 crores disbursed during 1997-98. On the other hand, Tk. 325.73 crores were disbursed for agricultural machineries and other agricultural activities up to June 30 of the reporting year which was 20.0 percent lower than Tk. 407.35 crores disbursed in the preceding year.

Recovery of Agricultural Credit

5.5 Total recovery of agricultural credit stood at Tk. 1,916.53 crores or 26.2 percent of Tk. 7,315.43 crores due for recovery up to June 30, 1999. This was Tk. 217.46 crores or 12.8 percent higher than Tk. 1,699.07 crores recovered during the preceding year. The recovery of loans during the preceding year was 23.6 percent of the total loans due for recovery during the preceding year. The outstanding amount of agricultural loans increased by Tk. 1,187.47 crores or 13.9 percent to Tk. 9,702.51 crores as on end-June 30, 1999 from Tk. 8,515.04 crores during the same period of the preceding year. The amount of overdue loans decreased by Tk. 90.46 crores or 1.7 percent to Tk. 5,398.90 crores (55.6 percent of outstanding and 73.8 percent of loans due for recovery) as on June 30, 1999 from Tk. 5,489.36 crores at the end of the preceding year. A comparative position of disbursement and recovery of agricultural loans under the Annual Agricultural Credit Programmes for 1997-98 and 1998-99 is shown in table-5.1.

TABLE-5.1

COMPARATIVE POSITION OF ANNUAL AGRICULTURAL CREDIT FOR 1997-98 AND 1998-99

(Taka in Crores)

Particulars	1997-98	1998-99	Changes over the year Increase (+)/ Decrease (−)
1	2	3	4
1. Programme for Disbursement	**2,352.50**	**3,270.00**	**+917.50 (+39.00)**
a) Crop loans (other than tea)	1,027.11	1,488.34	+461.23 (+44.91)
b) Purchase and installation of irrigation equipments	14.46	10.10	−4.36 (−30.15)
c) Livestock	227.99	75.25	−152.74 (−66.99)
d) Marketing of agricultural goods	284.67	367.43	+82.76 (+29.07)
e) Fisheries	125.75	76.32	−49.43 (−39.31)
f) Poverty alleviation	352.35	900.81	+548.46 (+155.66)
g) Loans for other agricultural activities (including tea and agricultural machineries)	320.17	351.75	+31.58 (+9.86)
2. Actual Disbursement of Credit	**1,642.84**	**3,005.92**	**+1,363.08 (+82.97)**
a) Crop loans (other than tea)	639.41	1,666.28	+1,026.87 (+160.59)
b) Purchase and installation of irrigation equipments	0.27	2.77	+2.50 (+925.93)
c) Livestock	73.52	110.07	+36.55 (+49.71)
d) Marketing of agricultural goods	180.26	272.96	+92.70 (+51.43)
e) Fisheries	25.16	35.09	+9.93 (+39.47)
f) Poverty alleviation	316.87	593.02	+276.15 (+87.15)
g) Loans for other agricultural activities (including tea and agricultural machineries)	407.35	325.73	−81.62 (−20.04)
3. Loans due for recovery (up to June 30)	7,187.95	7,315.43	+127.48 (+1.77)
4. Recovery of loans	1,699.07	1,916.53	+217.46 (+12.80)
5. Overdue loans (up to June 30)	5,489.38	5,398.90	−90.48 (−1.65)
6. Total outstanding (up to June 30)	8,515.04	9,702.51	+1,187.47 (+13.95)

Note : Figures in the parentheses indicate percentage changes over the year.

5.6 Of the total agricultural loans disbursed during 1998-99, short term loans accounted for Tk. 2,695.28 crores or 89.7 percent as compared to Tk. 1,292.69 crores or 78.7 percent during 1997-98. On the other hand, disbursement of term loans declined by Tk. 39.51 crores or 11.3 percent to Tk. 310.64 crores which was 10.3 percent of total disbursement during 1998-99 as against Tk. 350.15 crores disbursed in 1997-98. A comparative position of disbursement of agricultural loans by types is given in the table-5.2 below.

TABLE–5.2
DISBURSEMENT OF AGRICULTURAL CREDIT BY TYPES
(Short Term and Term Loans)

(Taka in Crores)

Particulars	1997-98	1998-99	Changes: Increase (+)/ Decrease (–)
1	2	3	4
Total Disbursement of Agricultural Credit	**1,642.84**	**3,005.92**	**+1,363.08 (+82.97)**
1. Short Term Loans	**1,292.69 (78.69)***	**2,695.28 (89.67)***	**+1,402.59 (+108.50)**
a) Crop Loans (other then tea)	639.41	1,666.28	+1,026.87 (+160.60)
b) Loans for Other Agricultural Activities	**653.28**	**1,029.00**	**+375.72 (+57.51)**
(i) Production Loans for Tea	150.26	155.00	+4.74 (+3.15)
(ii) Other Loans	503.02	874.00	+370.98 (+73.75)
2. Term Loans	**350.15 (21.31)***	**310.64 (10.33)***	**–39.51 (–11.28)**
a) Purchase and Installation of Irrigation Equipments	0.27	2.77	+2.50 (+925.93)
b) Loans for Other Agricultural Activities	**349.88**	**307.87**	**–42.01 (–12.01)**
(i) Loans for Livestock	73.52	110.07	+36.55 (+49.71)
(ii) Other Loans	276.36	197.80	–78.56 (–28.43)

Note: Figures in the parentheses indicate percentage changes over the year.
* Percentage share to total disbursement of agricultural credit.

5.7 Disbursement of total agricultural credit increased by 83.0 percent to Tk. 3,005.92 crores in 1998-99 as against the disbursement in the preceding year. As in the preceding years, the Bangladesh Krishi Bank (BKB) remained also the single largest source of agricultural credit (52.9%) during 1998-99. Disbursement of crop loans by the BKB increased by 261.5 percent to Tk. 953.54 crores during the year under report as compared to Tk. 263.76 crores disbursed in the preceding year. Besides, total disbursement of credit by this bank increased by 87.2 percent to Tk. 1,590.23 crores in 1998-99 as compared to the preceding year. The Participating Commercial Banks (PCBs) were the second largest source of agricultural credit during the year under report. Disbursement of agricultural loans by the PCBs increased by 66.3 percent to Tk. 737.77 crores during 1998-99 as compared to the preceding year and disbursement of crop loans by the PCBs increased by 97.3 percent to Tk. 442.94 crores from Tk. 224.45 crores disbursed in the preceding year. Disbursement of agricultural loans by the Rajshahi Krishi Unnayan Bank (RAKUB) increased by 52.1 percent to Tk. 316.61 crores during the year under report as compared to the preceding year and disbursement of crop loans by this bank increased by 85.5 percent to Tk. 224.39 crores during 1998-99 as against the disbursement in 1997-98. Disbursement of agricultural loans by the Bangladesh Samabaya Bank Limited (BSBL) increased by 63.9 percent to Tk. 2.95 crores as compared to the previous year. Agricultural loans disbursement by the Bangladesh Rural Development Board (BRDB) increased by 156.4 percent to Tk. 358.36 crores as compared to the preceding year. Disbursement of crop loans by the BRDB increased by 49.4 percent to Tk. 45.21 crores during the year under report as compared to the preceding year. The source-wise data on disbursement of agricultural credit is shown in table-5.3.

TABLE – 5.3
DISBURSEMENT OF AGRICULTURAL CREDIT BY SOURCES

(Taka in Crores)

Credit Agencies	1997-98		1998-99	
	Total credit	Crop loans (other than tea)	Total credit	Crop loans (other than tea)
1	2	3	4	5
Bangladesh Krishi Bank	849.42 (51.70)	263.76 (41.25)	1,590.23 (52.90)	953.54 (57.23)
Rajshahi Krishi Unnayan Bank	208.21 (12.67)	120.93 (18.91)	316.61 (10.53)	224.39 (13.47)
Participating Commercial Banks	443.65 (27.01)	224.45 (35.10)	737.77 (24.54)	442.94 (26.58)
Bangladesh Rural Development Board	139.76 (8.51)	30.27 (4.73)	358.36 (11.92)	45.21 (2.71)
Bangladesh Samabaya Bank Limited	1.80 (0.11)	—	2.95 (0.10)	0.20 (0.01)
Total :	**1,642.84**	**639.41**	**3,005.92**	**1,666.28**

Note: Figures in the parentheses indicate percentage shares of the respective credit agencies in total credit.
— = Nil.

5.8 The participation of private and foreign banks in the different term loans disbursement programme alongwith the Nationalised Commercial Banks (NCBs)/Specialised Banks continued during the year under report. Private and foreign banks disbursed Tk. 239.44 crores from their own sources in the rural/agricultural sector as against the target programme of Tk. 238.72 crores during 1998-99 and Tk. 123.12 crores were recovered during the year under report by these banks.

Projects under Supervision of the Agricultural Credit Department

Special Aid Project with the Financial Assistance of IFAD for the Rural Families Affected by Cyclone : (IFAD Loan No. 287-BA)

5.9 A total of Tk. 6.62 crores was disbursed up to June 30, 1999 through Sonali Bank, Janata Bank, Agrani Bank, BKB and Rupali Bank Limited as against the total allocation of Tk. 7.00 crores for the project financed by International Fund for Agricultural Development (IFAD). Government released Tk. 6.02 crores to the concerned banks as refinance from the Bangladesh Bank against this programme.

Agriculture Based Industry and Technology Development Project (ATDP)

5.10 This project started its operation with the joint sponsorship of the Ministry of Agriculture and IFDC of USAID with a view to developing agri business under private ownership. An amount of Tk. 106.37 crores has been transferred to this project from earlier Fertilizer Distribution Improvement Project-II. Out of this, an amount of Tk. 100.19 crores has been kept at Agri Business Credit Fund (ACF) for giving loans. The 9 participating banks-nationalised commercial banks, specialised and private banks of this project would provide credit from their own sources equivalent to the credit as allocated from the ACF. As a result, the total fund to be disbursed as credit under this project would stand at Tk. 200.38 crores. An amount of Tk. 590.11 crores were disbursed up to June 30, 1999 under this project. This project will continue up to April 30, 2000 .

Programmes/Projects under Agricultural Credit Project Department

5.11 As in the previous years, the Agricultural Credit Project Department of the Bangladesh Bank also performed the responsibilities of implementing, monitoring and supervising the different projects financed by foreign assistance or own sources and/or providing refinance against loans disbursed during 1998-99. A brief review of the important projects is given below.

Shrimp Culture Credit Programme

5.12 With a view to increasing shrimp production in the country, arrangement was made to disburse credit for 'Bagda' shrimp in coastal districts and for 'Golda' shrimp in all other districts of the country under the present shrimp culture credit programme. The participating banks disbursed an amount of Tk. 21.79 crores and recovered Tk. 18.21 crores during 1998-99 under this programme. Since its introduction in 1980 the disbursement and recovery of total loans under this programme up to June 30, 1999 stood at Tk. 166.50 crores and Tk. 133.57 crores respectively.

Marginal and Small Farms System Crop Intensification Project-Kurigram (M.S.F.S.C.I.P.)

5.13 This project financed by IFAD and German Technical Co-operation has been operating from July, 1987. Sonali Bank, Janata Bank, Agrani Bank and Rajshahi Krishi Unnayan Bank have been operating credit activities in 9 thanas of Kurigram district under this project. Among the total 2,252 groups, a sum of Tk. 30.54 crores was disbursed and Tk. 25.16 crores was recovered up to June 30, 1999 under this project. The amount of overdue loan was Tk. 1.91 crores during the same period. The recovery rate of this project was 92.9 percent. The amount of loan disbursement and recovery of this project stood at Tk. 4.78 crores and Tk. 3.98 crores respectively up to June, 1999.

Shasya Gudam Rin Prakalpa (SHAGARIPA)

5.14 The project also continued its operation in the districts of Rangpur, Dinajpur, Nilphamari, Panchagar, Gaibandha, Manikgonj, Magura, Narail and Jessore during 1998-99. A sum of Tk. 1.98 crores and Tk. 1.77 crores were disbursed and recovered (including interest) respectively during 1998-99 under this project. Since its inception, loan disbursement and recovery stood at Tk. 15.21 crores and Tk. 14.48 crores respectively up to June 30, 1999.

Swanirvar (Self-reliance) Credit Programme

5.15 At present credit disbursements under this programme is in operation in 1,089 unions of 136 thanas of 39 districts of the country. Since the beginning of the programme till June 30, 1999 the participating banks disbursed an amount of Tk. 166.53 crores to the borrowers and recovered Tk. 138.85 crores. Loans outstanding and overdue stood at Tk. 119.14 crores and Tk. 97.22 crores respectively during the same period. The rate of recovery of loans under this project is not satisfactory.

Second Pisciculture Development Project-ADB Loan No. 821 BAN (SF)

5.16 Since the inception of the project on 3rd November, 1987 the participating banks disbursed an amount of Tk. 62.28 crores at the end of the project on December 31, 1996 and recovered Tk. 48.40 crores up to June 30, 1999. Loans outstanding and overdue stood at Tk. 32.12 crores and Tk. 17.71crores respectively under this project up to June 30, 1999.

Rural Transport Credit Programme

5.17 The participating banks disbursed Tk. 1.82 crores and recovered Tk. 0.35 crores up to June 30, 1999 under Rural Transport Credit programme. Total loans disbursed and recovered under this programme since its introduction up to June 30, 1999 amounted to Tk. 21.37 crores and Tk. 11.75 crores respectively. During the same period loans outstanding and overdue stood at Tk. 16.23 crores and Tk. 10.02 crores respectively under this programme .

Banana Plantation Financing Scheme

5.18 Under the Banana plantation financing scheme, the participating banks disbursed a sum of Tk.17.01 crores and recovered Tk. 12.31 crores during 1998-99. Total loans disbursed and recovered under the scheme since its introduction up to June 30, 1999 stood at Tk. 45.39 crores and Tk. 30.79 crores respectively. During the same period loans outstanding and overdue stood at Tk. 37.65 crores and Tk. 6.93 crores respectively under this programme.

North-West Rural Development Project -ADB Credit No. 615 BAN (SF) and IFAD Credit No. 110 BA

5.19 The Sonali Bank did not disburse any credit under this project during 1998-99. However, Sonali Bank recovered an amount of Tk. 0.26 crore up to June 30, 1999 against the credit disbursed earlier under this project. Against the loan disbursement of Tk. 16.71 crores up to June 30, 1999 under this project, both loan outstanding and overdue stood at Tk. 5.66 crores. No refinance was provided in this project during the year under report. Since the beginning till June, 1999, an amount of Tk. 15.52 crores was provided as refinance under this project against which total recovery amounted to Tk. 1.03 crores during 1998-99 while loans outstanding stood at Tk. 10.98 crores.

Grameen Bank

5.20 The Grameen Bank opened 26 new branches during the year 1998-99. As a result, the total number of its branches stood at 1,141. A total of 39,395 villages including 736 new villages were brought under the purview of the Grameen Bank operations up to June, 1999. The bank disbursed a total amount of Tk. 1,855.37 crores during 1998-99 which was 2.8 percent lower than Tk. 1,907.91 crores disbursed in the preceding year. Total recovery by the Grameen Bank amounted to Tk. 1,837.17 crores or 99.0 percent of the total loans disbursed during the year under report. The amount of loans recovered stood at Tk. 1,690.50 crores or 88.6 percent of the loans disbursed in 1997-98.

Inspection of Bank Branches

5.21 The Agricultural Credit Inspection Department of the Bangladesh Bank carried out inspection of 421 branches of the Nationalised Commercial Banks and 6 branches of denationalised Pubali Bank Limited and Uttara Bank Limited during 1998-99. In addition, inspection was also carried out in 306 branches of the Bangladesh Krishi Bank and 108 branches of the Rajshahi Krishi Unnayan Bank and 78 Thana Central Co-operative Associations (TCCA) under Bangladesh rural Development Board during the year under report. Moreover, inspection of 49 branches of different banks was also carried out by the Bangladesh Bank during 1998-99 for settlement of the interest subsidy claims.

Refinance Facility to the Agricultural Sector

5.22 A sum of Tk. 508.40 crores and Tk. 177.27 crores were released in favour of the Bangladesh Krishi Bank (BKB)and the Rajshahi Krishi Unnayan Bank (RAKUB) respectively under the existing refinance facility during 1998-99 against the actual loan disbursement in the field level. The BKB and the RAKUB repaid Tk. 20.20 crores and Tk. 57.99 crores respectively against the refinance liability during the year under report. The outstanding amount of the refinance provided by the Bangladesh Bank to the BKB and the RAKUB stood at Tk. 2,956.55 crores and Tk. 1,011.41 crores respectively up to June 30, 1999. Sonali Bank received Tk. 50.04 crores as refinance against loans disbursed to the Thana Central Co-operative Associations (TCCA) under Bangladesh Rural Development Board (BRDB) at the end of June, 1999. The outstanding stood at Tk. 5.13 crores up to June 30, 1999 against the loans provided by the Bangladesh Bank to the BRDB under the Rural Poor Programme (RPP). On the other hand, the outstanding amounted to Tk. 29.65 crores up to June 30, 1999 against the loans provided by the Bangladesh Bank to Bangladesh Samabaya Bank Limited (BSBL).

CHAPTER VI

HOUSE BUILDING FINANCE

Bangladesh House Building Finance Corporation (HBFC)

6.1 Bangladesh House Building Finance Corporation (HBFC) disbursed house building loans of Tk. 91.83[P] crores during 1998-99 which Tk. 15.05 crores or 14.1 percent lower than Tk. 106.88 crores disbursed during the preceding year. The Corporation sanctioned Tk. 161.61[P] crores against 1,344 loan applications which was 89.0 percent higher as compared to the preceding year.

6.2 HBFC recovered an amount of Tk. 191.60[P] crores during 1998-99 which was Tk. 16.49 crores or 9.4 percent higher than Tk. 175.11 crores recovered during the preceding year. The outstanding loans alongwith overdue(including interest) of HBFC as on June 30, 1999 stood at Tk. 2,622.90[P] crores as compared to Tk. 2,533.89 crores at the end of the preceding year. The amount of overdue loans of HBFC stood at Tk. 236.03[P] crores or 9.0 percent of the total outstanding loans as on June 30, 1999 as compared to Tk. 278.20 crores or 11.0 percent of the total outstanding loans as on June 30, 1998. Particulars of disbursement, recovery, outstanding and overdue loans of HBFC are shown in table-6.1.

TABLE -6.1

AMOUNT OF DISBURSEMENT, RECOVERY, OUTSTANDING AND OVERDUE LOANS OF HBFC

(Taka in crores)

Year (End June)	Amount of loans Sanctioned	Amount of loans disbursed	Amount of recovery	Outstanding loans as on June 30	Amount of overdue loans as on June 30
1	2	3	4	5	6
1996-97	118.41	178.91	160.06	2,411.46	242.44
1997-98	85.52	106.88	175.11	2,533.89	278.20
1998-99[P]	161.61	91.83	191.60	2,622.90	236.03

Source : Bangladesh House Building Finance Corporation (HBFC).

P Provisional.

6.3 In order to assist the borrowers and to strengthen the loan disbursement and recovery programme, the following policies were taken from 1993-94 to 1998-99.

a) In order to give counsel and assistance to the new borrowers about loan related matters, a 'counselling counter' was opened in the Head Office as well as in each Zonal Office. A 'Customers Service' division was also opened in the Head Office to solve different problems of customers.

b) In order to give more facilities to the middle class customers, the rates of interest for newly sanctioned loans in Dhaka and Chittagong metropolitan areas have been refixed at 13 percent up to Taka 15.00 lakhs and 15 percent for over Taka 15.00 lakhs. Interest rate has been fixed at 10 percent irrespective of ceiling for rest of the areas of the country. The repayment period is 15 years in case of all these loans.

c) New loan facilities for apartment in Dhaka and Chittagong cities and for semi-paka tin shades in district towns have been introduced.

d) A scheme of small area flat loans (550 sft to 1,000 sft) has been introduced for middle and lower middle class people.

e) Arrangements have been made to reduce registration fees for Rehan deed. Maximum Taka eight thousand have been fixed as registration fees for a loan of Taka twenty five lakhs.

f) Insurance charges of loans have been withdrawn in order to reduce the instalments of loan. However, a borrower can open an insurance policy by his own expenses if he wishes.

g) Special arrangement has been made for release of mortgage land subject to certain conditions. Facility has been given for payment of instalments of each individual area by dividing the loan account as per flat.

h) Measures taken to strengthen the loan recovery programme include: instalment rescheduling facility to regularise overdue loans; not to charge interest on the principal amount of instalment of the month if the same is paid within 15th of the month;extension of 15 percent incentive on the interest charged to the borrowers repaying their instalments regularly; and provision for allowing rebates on the balance of interest at 7.5 percent to 30.0 percent depending on slabs if the loan is repaid fully at a time.

i) The following additional measures have been taken for improving the loan recovery programme: Provision for not to charge interest on additional instalments remaining overdue up to 12 (twelve) months; provision for marging two loans bearing interest at

13 percent and 16 percent taken by the same borrower and payment of instalments at 12 percent interest; to consider a loan account remaining outstanding for 12 months a regular one if the instalments are repaid fully at a time at the end of the year; and facilitating payment of advance instalments in consideration of the botheration and time killing involved in paying instalments each month.

j) An extensive supervisory arrangement has been reinforced to recover the loans by detecting the cases of large defaulters.

Collection of Funds by HBFC Through Sale of Debentures

6.4 Total funds raised by HBFC during the period from 1973 to June 30, 1999 through sale of debentures to the Bangladesh Bank, the commercial banks and the Sadharan Bima Corporation stood at Tk. 1,872.00^P crores. After repayment of Tk. 196.58^P crores, the outstanding amount against debentures stood at Tk. 1,675.42^P crores as on June 30, 1999. The Bangladesh Bank's debenture financing to the Corporation stood at Tk. 1,169.95^P crores up to June 30, 1999. Weighted average rate of interest paid by the HBFC against debentures stood at 4.80 percent during 1997-98, which slightly declined to 4.78 percent in 1998-99. On the other hand, weighted average rate of interest against loans disbursed by the HBFC increased marginally to 11.23 percent during the year under report from 11.10 percent in the previous year. Total liabilities of HBFC increased by Tk. 86.04 crores to Tk. 2,972.74^P crores during 1998-99 as compared to Tk. 2,886.70 crores in the preceding year. Collection of funds by HBFC through sale of debentures is shown in table 6.2.

TABLE-6.2

COLLECTION OF FUNDS BY HBFC THROUGH SALE OF DEBENTURES

(Taka in Crores)

Year (End June)	From Bangladesh Bank	From Commercial Banks	From Sadharan Bima Corporation	Total Fund Collection	Total Repayments	Total Outstanding
1	2	3	4	5	6	7
1996-97	1,119.95	689.05	13.00	1,822.00	124.75	1,697.25
1997-98	1,169.95	689.05	13.00	1,872.00	154.50	1,717.50
1998-99	1,169.95	689.05	13.00	1,872.00	196.58	1,675.42

Source : Bangladesh House Building Finance Corporation.
P Provisional.

House Building Finance by Scheduled Banks

6.5 The Scheduled Banks' credit programme for the construction of residential houses and commercial buildings also continued during 1998-99. The outstanding house building loans extended by the scheduled banks stood at Tk. 2,465.90 crores at the end of March 31, 1999 as compared to Tk. 1,821.74 crores at the end of the same month of the previous year. The outstanding house building loans extended by the nationalised commercial banks (NCBs) stood at Tk. 1,543.95 crores at the end of March, 1999 as compared to Tk. 1,150.32 crores at the end of March, 1998. The outstanding house building loans provided by the private commercial banks stood at Tk. 825.85 crores at the end of March, 1999 as compared to Tk. 591.48 crores at the end of March, 1998. The outstanding house building loans provided by the foreign commercial banks operating in Bangladesh stood at Tk. 37.22 crores at the end of March, 1999 as compared to Tk. 31.89 crores at the end of March, 1998. The outstanding house building loans provided by the specialised banks stood at Tk. 58.88 crores at the end of March, 1999 as compared to Tk. 48.05 crores at the end of March, 1998. Bank-wise difference is observed in the rate of interest of house building loans provided by the scheduled banks. Under this system the above rate of interest prevailed between minimum 12 percent and maximum 17 percent during the year under report.

CHAPTER VII

PUBLIC FINANCE

Main Characteristics of the National Budget and Fiscal Policy for 1998-99

7.1 The national budget for 1998-99 was formulated placing high priority to the development of social sectors including alleviation of poverty, human resource development and improvement of education and health. The main objectives of the budget for 1998-99 were: transformation of agricultural sector into a dynamic one; providing assistance to sick industries; continuation of economic reform programmes including privatization; increasing efficiency in tax collection; broadening the tax base through simplification of tax payment procedure; adoption of pragmatic steps to check harassment in the process of tax payment; creation of a congenial environment for encouraging overseas Bangladeshi nationals' participation in the capital market; and providing tax holiday to different institutions/companies in order to encourage foreign investment. Budgetary arrangement was made for establishment of a Social Development Fund to provide shelter and legal assistance for oppressed women and children and to encourage innovative projects for rehabilitation of disabled persons. A special allocation was also arranged to impart appropriate training to workers for taking new jobs who availed voluntary retirement from services. Steps were undertaken in the budget for a comprehensive restructuring of customs duties in order to provide reasonable protection to the domestic industries alongwith continuation of the principles of the free market economy.

Budget for 1998-99

7.2 The budget for 1998-99 envisaged total revenue receipts at Tk. 20,776.00 crores and total revenue expenditures at Tk. 15,937.00 crores, leaving a revenue surplus of Tk. 4,839.00 crores. Subsequently, revenue receipts in the revised budget decreased by Tk. 1,076.00 crores to Tk.19,700.00 crores due to lower receipts from the principal heads as compared to the budget estimates. On the other hand, revenue expenditures increased by Tk. 828.00 crores to Tk. 16,765.00 crores due to increased expenditure not only in major sectors like Education and Defence but also under Interest on Domestic Debt, Public Order and Safety, Social Security and Welfare, Health and Population Control, Agriculture, Fisheries and Livestock, Transport and Communication etc. As a result, revenue surplus in the revised budget decreased by Tk. 1,904.00 crores to Tk. 2,935.00 crores during the year under report.

Annual Development Programme for 1998-99

7.3 The size of the Annual Development Programme (ADP) for the year 1998-99 was originally envisaged at Tk. 13,600.00 crores. It increased by Tk. 400.00 crores or 2.9 percent to Tk. 14,000.00 crores in the revised ADP. In financing the revised programme, foreign assistance showed higher by Tk. 806.00 crores or 10.9 percent to Tk. 8,188.00 crores (project aid, commodity aid etc.) as compared to the original programme. On the other hand, domestic financing for revised ADP stood at Tk. 5,812.00 crores (including Tk. 1,465.00 crores financed from banking system). Total number of projects included in the revised ADP for the year 1998-99 were 1,329. Information/Data relating to revenue and capital budget are given in Table-3 of the Annexure.

Budget Estimates for 1999-2000

7.4 The budget for 1999-2000 envisaged revenue receipts at Tk. 24,151.00 crores and revenue expenditures at Tk. 17,800.00 crores, showing a revenue surplus of Tk. 6,351.00 crores. Receipts from tax and non-tax sources were estimated at Tk.18,635.00 crores and Tk. 5,516.00 crores respectively in the budget under report. Heads of tax revenue in the budget under report were: Custom Duties Tk. 5,751.00 crores, Value Added Tax (VAT) Tk. 5,678.00 crores, Supplementary Tax Tk. 2,814.00 crores, Taxes on Income and Profit Tk. 2,791.00 crores, Non-Judicial Stamp Tk. 675.00 crores, Land Revenue Tk. 265.00 crores, Excise Duties Tk. 227.00 crores, Taxes on Vehicles Tk. 150.00 crores, Electricity Duties Tk. 100.00 crores, Narcotics and Liquor Duty Tk. 45.00 crores, Taxes on Property and Wealth Tk. 11.00 crores and Other Taxes and Duties Tk. 128.00 crores. Heads of non-tax revenue receipts were : Dividends and Profits Tk. 1,468.00 crores, Telegraph and Telephone Board Tk. 1,104.00 crores, Administrative Fees and Charges Tk. 1,050.00 crores, Interest Tk. 1,015.00 crores, Capital Receipts Tk. 242.00 crores, Receipts for Services Rendered Tk. 190.00 crores, Non-Commercial Sales Tk. 175.00 crores, Other Non-Tax Revenue and Receipts Tk. 97.00 crores, Defence Receipts Tk. 97.00 crores, Rents and Leases and Recoveries Tk. 81.00 crores, Tolls and Levies Tk. 61.00 crores, Fines, Penalties and Forfeiture Tk. 25.00 crores and Irrigation Receipts Tk. 11.00 crores. Of the total revenue expenditure, the highest allocation of Tk. 3,555.00 crores went for General Public Services, followed by Education Tk. 3,220.00 crores, Defence Tk. 3,067.00 crores, Interest Tk. 2,805.00 crores, Public Order and Safety Tk. 1,569.00 crores, Health Tk. 990.00

crores, Agriculture, Fisheries and Livestock Tk. 751.00 crores, Social Security and Welfare Tk. 607.00, crores, Housing and Community Services Tk. 560.00 crores, Transport and Communication Tk. 364.00 crores, Recreation, Culture and Religious Affairs Tk. 208.00 crores, Mining, Manufacturing and Construction Tk. 43.00 crores, Fuel and Energy Tk. 8.00 crores and Other Services Tk. 53.00 crores.

7.5 The salient features of the budget for 1999-2000 were: adoption of necessary steps in order to sustain economic dynamism by overcoming damages of the devastating flood, human resource development, continuation of privatization, encouragement of foreign investment, continuation of efforts to bring rapid technological change to face the challenges of the 21st century, to reduce import duty and other trade barriers gradually following the basic trend of globalization. In order to set up a modern and simplified tax system, the basic features of the tax programme of the budget for 1999-2000 were: a)' to encourage and support local industries; b) to symplify the tax system and reduce the tax burden of the citizens; c) to contain smuggling; and d) to increase revenue through rationalization of the tax system. Besides, the important features of the budget for 1999-2000, also included allocation of Tk. 25.00 crores as assistance for the distressed widows and deserted wives and Tk. 150.00 crores for repayment of overdue bank loans of the loss-incurring state-owned enterprises.

Annual Development Programme for 1999-2000

7.6 The size of the Annual Development Programme (ADP) for 1999-2000 was estimated at Tk. 15,500.00 crores which was 10.7 percent higher than the revised ADP for 1998-99. Financing estimated from internal sources in the proposed Annual Development Programme was Tk. 7,833.00 crores, which was 50.5 percent of the total outlay, while financing from external sources stood at Tk. 7,667.00 crores or 49.5 percent of the total outlay. Total number of projects included in the ADP for 1999-2000 were 1,293. It may be mentioned that the revised Annual Development Programme for 1998-99 envisaged a total foreign assistance of Tk. 8,188.00 crores or 58.5 percent of the total outlay.

Government Borrowings

Government of Bangladesh Loan-2002 Bearing 9 Percent Interest

7.7 The outstanding balance of Government of Bangladesh Loan-2002 bearing 9.0 percent interest remained unchanged as on June 30, 1999 at the previous year's level of Tk. 63.75 crores.

G.P. Notes/Stock Certificates

7.8 The outstanding balance of G.P. Notes/Stock Certificates bearing 5.0 percent interest including defence bonds of the former Pakistan Government and its Provincial Governments held by the Bangladeshi nationals and institutions and liabilities of which have been accepted by the Government of Bangladesh but awaiting redemption remained unchanged as on June 30, 1999 at the previous year's level of Tk. 2.29 crores.

15-Year Special Treasury Bond

7.9 To meet the shortfall in provisioning against the bad loans and recapitalisation of nationalized banks, 15-Year Special Treasury Bond of Tk. 1,729.13 crores bearing 7.5 percent interest was issued by the Government which became effective from December 30, 1990. Subsequently, on March 9, 1993 the rate of interest was refixed at 5.0 percent. The outstanding amount of this Bond as on June 30, 1999 remained unchanged at the previous year's level of Tk. 1,729.13 crores.

15-Year Treasury Bond-2008 Bearing 5 Percent Interest

7.10 To meet the shortfall due to agricultural loan write-off and the shortfall in capital and provisioning against bad loans of Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank Limited, 15-Year Treasury Bond- 2008 of Tk. 500.00 crores bearing 5.0 percent interest was issued on October 16, 1993 in favour of the above banks. The outstanding amount of the Bond as on June 30, 1999 remained unchanged at the previous year's level of Tk. 500.00 crores.

15-Year Treasury Bond-2011 Bearing 5 Percent Interest

7.11 In order to meet the shortfall for agricultural loan write-off, interest free treasury bond of Tk. 295.00 crores was issued on June 30, 1994 in favour of the Bangladesh Krishi Bank. As a result of repayment of Tk. 150.00 crores in cash during 1994-95, the outstanding amount of this Bond, as on June 30, 1995 stood at Tk. 145.00 crores which was converted into 15-Year Treasury Bond-2011 bearing 5.0 percent interest by the Government on April 16, 1996. The outstanding balance of this Bond as on June 30, 1999 remained unchanged at the previous year's level of Tk. 145.00 crores.

3-Year (T&T) Treasury Bond- 1999

7.12 In order to finance the installation of 1 lakh 30 thousand digital telephone lines, 3-Year Treasury Bond of Tk. 125.00 crores bearing 8.8-10.0 percent interest was issued in favour of different commercial banks/financial institutions on November 30, 1996. The outstanding balance of this Bond as on June 30, 1999 remained unchanged at previous year's level of Tk. 125.00 crores.

25-Year Treasury Bond- 2018

7.13 25-Year Treasury Bond of Tk. 590.99 crores was issued on November 1, 1993 in favour of Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank Limited, Uttara Bank Limited and Pubali Bank Limited in order to compensate for the liquidation of jute sector credit. The outstanding balance of the Bond as on June 30, 1999 stood at Tk. 455.06 crores due to repayment of some amount against it.

25-Year Treasury Bond- 2019

7.14 In order to compensate against the liquidation of jute sector credit, 25-Year Treasury Bond of Tk. 409.80 crores was issued on June 30, 1994 in favour of Sonali Bank, Janata Bank, Agrani bank and Rupali Bank Limited. The outstanding balance of this Bond as on June 30, 1999 stood at Tk. 315.55 crores due to repayment of some amount against it.

25-Year Treasury Bond- 2020

7.15 As per the Government decision, 5.0 percent interest bearing Treasury Bond of Tk. 68.46 crores was issued on July 1, 1995 in order to reimburse one-third of the debt due to jute mills' loan write-off by the private banks. The outstanding balance of the Bond stood at Tk. 58.19 crores as on June 30, 1999 due to repayment of some amount against it.

10-Year Treasury Bond-2006 Bearing 7 Percent Interest

7.16 (A) As per Government decision, 10-Year Treasury Bond of Tk. 81.64 crores bearing 7.0 percent interest was issued in favour of different commercial banks effective from July 1, 1996 in order to reimburse the loss of interim working capital in the jute sector. Outstanding balance of this Bond as on June 30, 1999 remained unchanged at the preceding year's level of Tk. 81.64 crores.

(B) As per Government decision, 10-Year Treasury Bond of Tk. 88.78 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector during 1995-96. Outstanding balance of this Bond as on June 30, 1999 remained unchanged at the previous year's level of Tk. 88.78 crores.

10-Year Treasury Bond-2005 and 2006 Bearing 7 Percent Interest

7.17 (A) As per the Government decision, 10-Year Treasury Bond of Tk. 26.46 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1995 in order to reimburse the loss of interim working capital in jute sector during 1994-95. Outstanding balance of this Bond as on June 30, 1999 remained unchanged at the preceding year's level of Tk. 26.46 crores.

(B) As per Government decision, 10-Year Treasury Bond of Tk. 25.56 crores bearing 7.0 percent interest was issued in favour of different commercial banks which became effective from July 1, 1996 in order to reimburse the loss of interim working capital in jute sector during 1995-96. Outstanding balance of this Bond as on June 30, 1999 remained unchanged at the preceding year's level of Tk. 25.56 crores.

3-Year (BSRS) Treasury Bond-2000 Bearing 8.5 Percent Interest

7.18 As per the Government decision, 3-Year Treasury Bond of Tk. 50.00 crores bearing 8.5 percent interest was issued on June 19, 1997 in favour of the Agrani Bank to finance Bangladesh Shilpa Rin Sangstha in order to restructure and transform it into a profitable one. Outstanding balance of this Bond as on June 30, 1999 remained unchanged at the preceding year's level of Tk. 50.00 crores.

Biman Treasury Bond-2000 Bearing 4 and 5 Percent Interest

7.19 Treasury Bond-2000 of Tk. 57.00 crores was issued on June 29, 1995 in favour of different banks and financial institutions in order to finance the purchase of two air buses for the Bangladesh Biman Corporation. Outstanding balance of this Bond as on June 30, 1999 remained unchanged at the preceding year's level of Tk. 57.00 crores.

5-Year (Biman) Treasury Bond-2002

7.20 5-Year Treasury Bond-2002 of Tk. 15.00 crores bearing 8.0 percent interest in the 1st phase and of Tk. 35.00 crores bearing 9.0 percent interest in the 2nd phase were issued in favour of different commercial banks on April 1, 1997 and June 19, 1997 respectively in order to finance the Bangladesh Biman Corporation for purchasing two air buses. Outstanding balance of the Bond as on June 30, 1999 remained unchanged at the previous year's level of Tk. 50.00 crores.

5-Year (Biman) Treasury Bond-2003

7.21 5-Year (Biman) Treasury Bond-2003 of Tk. 20.00 crores bearing 8.0 percent interest in the 1st phase, Tk. 61.00 crores bearing 9.0 percent interest in the 2nd phase, Tk. 15.00 crores bearing 9.0 percent interest in the 3rd phase were issued in favour of different commercial banks on May 25, 1998, July 15, 1998 and July 21, 1998 respectively in order to finance Government equity payment for the Bangladesh Biman Corporation. Outstanding balance of the Bond was Tk. 96.00 crores as on June 30, 1999.

3-Year Autonomous Bodies' Bank Credit Bond-2001 Bearing 7 Percent Interest

7.22 3-Year Treasury Bond of Tk. 25.66 crores bearing 7.0 percent interest was issued on May 26, 1998 in favour of Agrani Bank in order to repay the bank credit of Bangladesh Textile Mills Corporation against the privatized textile mills. Outstanding balance of the Bond as on June 30, 1999 remained unchanged at the previous year's level of Tk. 25.66 crores.

10-Year Bangladesh Shipping Corporation Credit Bond-2008 Bearing 8 Percent Interest

7.23 As per Government decision, 8.0 percent interest bearing 10-year Bangladesh Shipping Corporation Credit Bond-2008 of Tk. 103.30 crores was issued in favour of different commercial banks which became effective from July 1, 1998 in order to repay the loan of Bangladesh Shipping Corporation to the above banks. Outstanding balance of this Bond stood at Tk. 103.30 crores as on June 30, 1999.

10-Year Treasury Bond-2005 Bearing 7 Percent Interest

7.24 As per Government decision, 10-Year Treasury Bond-2005 of Tk. 1.91 crores bearing 7.0 percent interest was issued in connection with reimbursement of loss of interim working capital in jute sector during 1993-94 and 1994-95 which became effective from July 1, 1995 in order to repay loan of the private jute mill M/S Kashem Jute Mills Ltd. to Janata Bank. Outstanding balance of this Bond as on June 30, 1999 was Tk. 1.91 crores.

3-Year (T&T) Treasury Bond-2002 Bearing 9 percent Interest

7.25 As per Government decision, in order to finance the installation of one lakh thirty thousand (extended two lakh) digital telephone lines by the Bangladesh T&T Board, 3-Year (T&T) Treasury Bond -2002 bearing 9.0 percent interest of Tk. 95.00 crores was issued in favour of different commercial banks on June 22, 1999. Outstanding balance of this Bond stood at Tk. 95.00 crores as on June 30, 1999.

Wage Earners' Development Bond

7.26 The gross sale of the Wage Earners' Development Bond through different banks stood at Tk. 88.15 crores, while repayment of principal amounted to Tk. 110.75 crores during 1998-99. As a result, outstanding balance of the Bond as on June 30, 1999 declined to Tk. 816.88 crores from the previous year's level of Tk. 839.48 crores.

3-Year National Investment Bond

7.27 The outstanding balance of 3-Year National Investment Bond which was introduced in September, 1992 stood at Tk. 316.10 crores at the end of June, 1999. Sale and encashment of the Bond were Tk. 103.60 crores and Tk. 585.13 crores respectively during the year under report.

8-Year Pratiraksha Sanchaya Patras

7.28 The net sale of Pratiraksha Sanchaya Patras through banks, post offices and the Sanchaya Bureau increased by Tk. 1,097.51 crores or 24.9 percent to Tk. 5,509.68 crores at the end of June 1999 as against Tk. 4,412.17 crores at the end of June, 1998. Sale and encashment of Pratiraksha Sanchaya Patras during 1998-99 were Tk. 1,548.01 crores and Tk. 450.70 crores respectively.

6-Year Bonus Sanchaya Patras

7.29 The repayments of principal amount and interest of 6-Year Bonus Sanchaya Patras through banks, post offices and the Sanchaya Bureau during the year under report were Tk. 4.34 crores and Tk. 5.62 crores respectively. It may be mentioned that sale of Bonus Sanchaya Patras was suspended from June 3, 1992.

5-Year Bangladesh Sanchaya Patras

7.30 The net sale of 5-Year Bangladesh Sanchaya Patras through banks, post offices and the Sanchaya Bureau decreased by Tk. 236.69 crores or 10.3 percent to Tk. 2,062.20 crores at the end of June, 1999 as compared to Tk 2,298.89 crores at the end of June, 1998. Sale and repayment of principal amount of 5-Year Bangladesh Sanchaya Patras during 1998-99 were Tk. 321.87 crores and Tk. 558.56 crores respectively.

3-Year Sanchaya Patras

7.31 The repayments of principal amount and interest of 3-Year Sanchaya Patras through banks, post offices and the Sanchaya Bureau were Tk. 3.90 crores and Tk. 1.46 crores respectively during the year under report. It may be mentioned that sale of 3-Year Sanchaya Patras was suspended from September 20, 1993.

Savings Certificates with Half-yearly Profit

7.32 Savings Certificates with Half-yearly Profit were introduced from January, 1997. The net sale of the above certificates through banks, post offices and the Sanchay Bureau was Tk. 1,123.00 crores at the end June, 1999. Sale and repayment of principal amount of the above certificates during 1998-99 were Tk. 203.10 crores and Tk. 56.29 crores respectively.

Savings Certificates with 3-monthly Profit

7.33 Savings Certificates with 3-monthly Profit were introduced from January, 1998.

Sale and repayment of principal amount of the above Savings Certificates were Tk. 1,246.37 crores and Tk. 36.37 crores respectively up to June, 1999.

Family Savings Certificates

7.34 Family Savings Certificates were introduced from February, 1997. The net sale of the above savings certificates through banks, post offices and the Sanchay Bureau was Tk. 674.63 crores up to June, 1999. Sale and repayment of principal amount of the above Savings Certificates were Tk. 295.79 crores and Tk. 45.00 crores respectively during 1998-99.

Bangladesh Prize Bond

7.35 The 10-Taka Prize Bond was introduced in 1974. The sale of 10-Taka Prize Bond was suspended from July 2, 1995. Outstanding balance of the Bond to its holders was Tk. 1.87 crores as on June 30, 1999.

7.36 The 50-Taka Prize Bond was introduced in 1985. Sale of this Bond was suspended from July 2, 1995. Outstanding balance with holders of the Bond at the end of June, 1999 stood at Tk. 1.98 crores.

7.37 The 100-Taka Prize Bond was introduced from July 2, 1995. The net sale of 100-Taka Prize Bond was Tk. 158.90 crores as on June 30, 1999. Sale and encashment of the above Bond stood at Tk. 35.57 crores and Tk. 29.97 crores respectively during 1998-99. 15 draws for 20 series of the Bond were held up to June 30, 1999.

CHAPTER VIII

EXTERNAL TRADE AND BALANCE OF PAYMENTS

Trade Balance*

8.1 According to Bangladesh Bank estimates, deficit in the country's trade balance (visible exports minus visible imports) widened by $ 342.0 million to $ 2,694.0 million during 1998-99. Import payments went up by $ 494.0 million or 6.6 percent, while export receipts increased by $ 152.0 million or 2.9 percent during the year under report. Export receipts and import payments stood at $ 5,324.0 million and $ 8,018.0 million respectively during 1998-99 as compared to $ 5,172.0 million and $ 7,524.0 million respectively during 1997-98.

Trade Policy

8.2 Bangladesh has been pursuing a flexible exchange rate policy since for the last several years. In a bid to maintain external competitiveness of Bangladesh Taka, the exchange rate was depreciated by 4.5 percent during the year under report, keeping in view the trend of domestic inflation and other macroeconomic indicators as well as the inflation and exchange rates of trading partners. In order to add momentum to the trade liberalization process, a Five Year Trade Policy (1997-2002) was announced in lieu of the previous Annual/Biennial Trade Policy.

Import Policy and Programme

8.3 At the backdrop of the Uruguay Round and subsequent developments, trade policy of Bangladesh has been restructured to foster development of free market economy so that the export sector, with a more liberalised import trade regime, can play a pioneering role in the process of economic development. Efforts were continued to further liberalise the import trade regime through relaxation of quantitative restrictions and reduction of import duties. The package of liberalization activities are being continued keeping in view the twin objectives of enhancing growth and welfare as well as strengthening competitive efficiency in the globalised world market. The number of restricted and conditional import items has already been brought down to 121. Fewer of these items were brought under restrictions on trade and protection grounds than on security, health, religious, environmental, and cultural considerations. In the new Import Policy, BEPZA, BSCIC and Board of Investment have been considered as sponsors of the concerned industry, which will promote co-ordination between the industrial policy and import policy as also reduce administrative

* Source : Bangladesh Bank and Export Promotion Bureau.

complexities involved in obtaining prior permission from the bifurcated administrative Ministries of Industry and Commerce. The rate of customs duty has been reduced from a maximum of 42.5 percent in 1997-98 to a maximum of 40.0 percent in 1998-99. The average rate of protection has also been gradually slashed down from 89.0 percent in 1990-91 to 22.0 percent in 1995-96, 21.5 percent in 1996-97, 20.7 percent in 1997-98 and 20.3 percent in 1998-99. Some of the important features of the Import Policy 1997-2002 are described below :

i) Any item outside the restricted or conditional lists, unless otherwise specified, can be freely imported under the Import Policy Order. If import of any particular item is prohibited for protection of a domestic industry, the concerned sponsor/Tariff Commission will strictly monitor the production aspect of the concerned industry regularly. The restriction could be withdrawn if the concerned industry fails to maintain the prescribed standard and volume of production and ensure reasonable price of the products;

ii) Import can be made on C&F or fob basis by ship, road or air routes. The packet/box/container of the goods imported should bear on its body clear mention of the 'Country of Origin'. This condition will not be applicable in the case of import of coal, cotton, ready-made garments and raw materials for 100 percent export-oriented industries;

iii) No license will be necessary for import of any item. Irrespective of the sources of finance, LCA would be required in the case of imports through banks (L/C, bank drafts, remittance etc.) and shipments have to be made by opening of irrevocable letters of credit. But, opening of L/Cs will not be required for import of perishable food items valued within the range of US $ 5,000 -$ 7,500 per consignment by land route, while no L/Cs will be necessary for import of raw materials used in industries and capital machinery irrespective of their value. These terms and conditions will be applicable similarly in the case of imports on deferred payment basis and such importers will have to be registered with the Bangladesh Bank for "import without L/Cs;"

iv) Books, journals, magazines and periodicals etc. can be imported on the basis of sight draft or usance bills through LCA form without opening L/Cs. Import of any item valued not exceeding US $ 5,000 can be made annually against cash payment from Bangladesh. But from Myanmar, items worth up to US $ 5,000 can be imported in a single consignment without opening L/Cs;

v) Imports on deferred payment basis or against suppliers' credit can be made in accordance with the statutory regulations framed by the Bangladesh Bank;

vi) Import of any admissible item in the name of resident Bangladeshis can be made through direct payment abroad only by non-resident Bangladeshis without any limit on value. In these cases, no permission or import permit from the CCI&E will be required;

vii) Letter of Credit can be established against indents issued by registered local indentors or proforma invoices issued by foreign producers/ sellers/suppliers;

viii) L/Cs can be opened without Import Registration Certificate (IRC) for import of capital machinery and primary spare parts for establishing new industrial units. L/Cs or IP fees will be exempted in case of import of capital machineries and spare parts for establishing 100 percent export oriented industries in undeveloped/ less developed areas of the country. Commercial importers will be allowed to freely import capital machineries and accessories without any limit on value against cash foreign exchange for commercial purpose.

ix) Recognised ready-made garments and specialised textile industries operating under the Bonded Warehouse arrangement will be allowed to import against back-to-back L/Cs, raw and packaging materials (including items of restricted and conditional lists) up to the limit as determined by the customs authority for export of ready-made garments and specialised textiles under firm and irrevocable letters of credit. In the same procedure, specified amounts of raw and packaging materials can be imported for export of hosiery and knit wear garments. However, these industrial units will not be allowed to import hosiery, knitted or woven fabrics in rolls or in the form of cut pieces of any size. Import of regular and continuous (Thann) cloth measuring only up to the size 20 yards or more can be made in the case of import of fabrics other than gray fabrics. Gray fabrics can be imported on the condition that, after finishing, dyeing or printing, the entire fabrics will be supplied to export oriented garment industries or exported abroad;

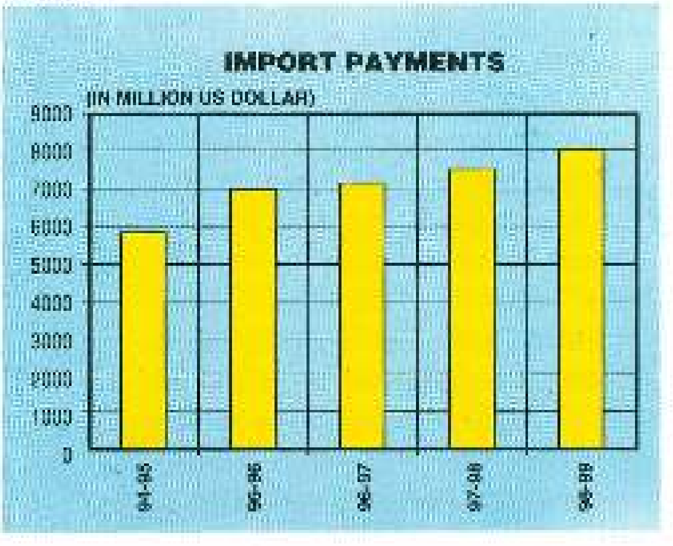
x) In order to increase the exports of ready-made garments, the minimum rates of value addition have been revised as under : 25 percent each for knitted garments, woven garments of non-quota categories, woven garments of quota categories valued up to US $ 40 (fob) per dozen and oven garments of quota categories valued over US $ 40 (fob) per dozen (under no circumstances value addition can be less than US $ 12 per dozen); 20 percent and 15 percent for quota and non-quota categories respectively for garments of higher value (US $ 60 fob and above per dozen), 25 percent for sweaters of all sorts under quota and non-quota categories and 20 percent for export of all kinds of children wears;

xi) The public sector importers, such as Ministries, Departments and Agencies of the Government can import any item against specific allocation without import license, permit or import registration certificates. Government sector importers will be entitled to import any item in cash foreign exchange in addition to Government allocation. Government agencies will be allowed to import under Cash Against Delivery (CAD) basis in accordance with the norms specified by the Bangladesh Bank; and

xii) Individuals and organisations not registered as importers will be allowed to import any permissible item without approval up to a maximum limit of US $ 2,000 for their own use against cash foreign exchange. Imports exceeding US $ 2,000 but up to US $ 5,000 are subject to prior approval of the Regional Controller of Imports will be necessary for imports exceeding US$ 2,000 but up to US $ 5,000.

Import Payments*

8.4 Import payments during 1998-99 which stood at $ 8,018.0 million was $ 494.0 million or 6.6 percent higher than $ 7,524.0 million during 1997-98. According to type of transactions, import under Cash, Credit/ Grants, direct investment and others stood at $ 5,939.6 million (74.1%), $ 1,457.8 million (18.2%), $ 113.0 million (1.4%) and



$11.4 million respectively during the year under report. Import under EPZ stood at $ 496.0 million (6.2%).

* Source : Bangladesh Bank.

Major Import Commodities

Foodgrains

8.5 Import payments for foodgrains increased by 170.2 percent to $ 997.0 million during 1998-99 from $ 369.0 million during 1997-98. In view of the possible food deficit due to flood as also the need for maintaining satisfactory stocks, imports of foodgrains both in the public and private sector increased substantially during the year under report.

Milk and Milk Products

8.6 Import payments for milk and milk products increased by 24.4 percent to $ 56.0 million during 1998-99 from $ 45.0 million during 1997-98.

Oil Seeds and Edible Oil

8.7 Import payments for oil seeds and edible oil increased by 25.2 percent to $ 387.0 million during 1998-99 from $ 309.0 million during 1997-98.

Cement

8.8 Import payments for cement declined by 30.9 percent to $ 105.0 million during 1998-99 from $ 152.0 million during 1997-98.

Crude Petroleum and Petroleum Products

8.9 Import payments for crude petroleum and petroleum products declined by 10.8 percent to $ 388.0 million during 1998-99 from $ 435.0 million during 1997-98.

Chemical products

8.10 Import payments for chemical products increased by 0.8 percent to $ 250.0 million during 1998-99 from $ 248.0 million during 1997-98.

Fertilizers

8.11 Import payments for fertilizers increased by 11.1 percent to $ 120.0 million during 1998-99 from $ 108.0 million during 1997-98.

Cotton, Yarn, Dyeing and Textile Materials

8.12 Import payments for materials used in dyeing and tanning processing, cotton, yarn, textile and other related materials declined by 9.3 percent to $ 1,691.0 million during 1998-99 from $ 1,864.0 million during 1997-98. These items are mainly used as raw materials for garment industries.

Iron and Steel

8.13 Import payments for iron and steel declined by 11.8 percent to $ 345.0 million during 1998-99 from $ 391.0 million during 1997-98.

Capital Goods

8.14 Import payments for capital goods at $ 1,969.0 million during 1998-99 was 5.0 percent lower compared to $ 2,072.0 million during 1997-98.

Import under Export Processing Zones (EPZ)

8.15 Import under EPZs increased by 0.6 percent to $ 496.0 million during 1998-99 from $ 493.0 million during 1997-98. This included imports of capital goods for some under construction projects in the EPZ areas. Statement of sector-wise import payments is shown in the Table-13 of the Appendix .

8.16 The value of L/Cs opened during 1998-99 rose by Tk. 3,583.2 crores or 15.3 percent to Tk. 26,961.6 crores from Tk. 23,378.4 crores during the preceding year. Sector-wise break down of L/Cs opened during the year under report was : industrial sector Tk. 10,617.6 crores (39.4 percent), commercial imports Tk. 14,389.0 crores (53.4 percent) and POL Tk. 1,955.0 crores (7.2 percent).

Export Policy and Programme

8.17 Keeping in view the objectives of boosting up of exports and gradual reduction of the gap between export receipts and imports payments, product diversification, promoting backward linkage industries and services for export oriented industries aimed at increasing domestic value addition, improving of product quality, providing encouragement to intending investors to invest in export-oriented industries, expansion and consolidation of export market, encouraging use of appropriate technology in the manufacture of exportable goods and larger participation of the private sector for export expansion etc. The Government has announced the five year Export Policy 1997-2002 in stead of the earlier Annual/Biennial export policy. Important steps taken under the policy are as follows:

i) Leather and leather goods industries, high-priced and high value adding ready-made garments; computer software and agro-processing sectors have been earmarked as 'thrust sector';

ii) Leather industries (exporting at least 80 percent of their products) have been declared 100 percent export-oriented industries. Other industries having minimum 80 percent export performance have also been declared 100 percent export-oriented industries allowing them all facilities other than tax/duty exemption.

iii) In order to simplify use of separate lines in Software and Data entry sector, arrangements have been made, for according the 100 percent export-oriented industries various facilities, including installation of international data network system in the private sector; in consultation with the Telephone and Telegraph Board; setting up of information technology village containing various facilities to support development of infrastructure for software export; and inclusion of software related chapter in the Copy-Right Act to facilitate marketing of software;

iv) Strengthening and restructuring the Export Credit Guarantee Scheme by removing the existing complexities in getting the facilities under the Scheme ;

v) Introduction of a system for exemption of 50 percent of annual income arising from exports under the income tax law by replacing the previous system of fifty percent exemption of the tax payable under the Finance Act. In the case of ready-made garments exports, the rate of income tax deductible at source has been reduced from 0.5 percent to 0.25 percent;

vi) Extension of reduced rate of air freight in the case of export of all goods under the crush programme, including fruits and vegetables and withdrawal of royalty imposed by the Civil Aviation Authority for availing cargo services of foreign airlines;

vii) Relaxation of the requirement of submitting firm contract or L/C for getting credit facilities against export of frozen food, tea and leather and extension of the time period for payment of interest at concessional rate from 180 days to 270 days, considering working capital loan as export credit;

viii) To support improvement of the quality of product and expansion of export market, duty free import of samples up to $ 1,000 or above per annum by exporters other than ready-made garments exporters have been allowed subject to approval from the competent authorities. The financial limit for sending pre-selected export samples in cases other than for trade fairs has been refixed at $1,500, while that for parcel posts has been increased from Tk. 2,000 to Tk. 5,000;

ix) 100 percent export-oriented industries outside the EPZ have been allowed the facility for duty free import of capital machinery;

x) In order to encourage domestic textile and garments industries, arrangement has been made to give 25 percent alternative facility to these industries in lieu of customs bond or duty drawback facilities. The above facility will be admissible to the local producer or producer-supplier (if the exporter is a middleman), if customs bond or duty drawback facility against import of raw materials used in the commodity exported or the producer has used local inputs.

xi) The limit of balance allowed to be held in foreign currency accounts in US Dollar or Pound Sterling by an exporter has been increased from 20 percent to 40 percent of the fob exports. However, in the case of export commodities having higher import content, such as naphtha, furnace oil, ready-made garments, electronic goods and services (legal advice, consultancy etc.), exporters will get retention benefit of 7.5 percent of the fob exports;

xii) Arrangements have been made for issuance of credit cards against foreign currency payable to the exporters; getting export credit from commercial banks up to 90 percent of the value described in irrevocable letters of credit/confirm contracts; attaching higher priority by banks to applications for export credit by new exporters and opening of back-to-back L/Cs in favour of local raw-material suppliers. Commercial banks will not charge any overdue interest if the exports have been made on the basis of sight payment under irrevocable letter of credit. In this case exporters will have to submit necessary export documents within specified time period.

xiii) Extension of the admissible time period for export of crust leather from Bangladesh up to the year 2000; continuation of the provision for import of raw leather including wetblue and pickled leather; the existing customs duty (2.5%), and import licence fee (2.5%) in the case of raw leather import for the next three years. Individual units who are not willing to take the advantage of duty drawback facilities and those do not have bonded warehouse will be allowed the same facility as in the case of duty drawback; and

xiv) 100 percent export oriented industries including leather and ready-made garments will be allowed to sell 20 percent of their rejected products in local market subject to payment of appropriate taxes and bonded warehouse facilities will be expanded to all 100 percent export-oriented industries.

Export Receipts*

8.18 Export receipts increased by $ 152.0 million or 2.9 percent to $ 5,324.0 million during 1998-99 as compared to $ 5,172.0 million in the preceding year. But this was

* Source : Export Promotion Bureau.

lower by 5.4 percent than the annual target of \$5,630.0 million for the year under report.

Major Export Commodities*

Ready-made Garments

8.19 Earnings from the export of ready-made garments (including knitwear and hosiery products) which stood at \$ 4,020.0 million during 1998-99 was 6.2 percent higher than \$ 3,784.0 million during 1997-98. The USA, Canada and the EC countries were the principal buyers of ready-made garments from Bangladesh during the year under report. Export receipts from ready-made garments accounted for 75.7 percent of total export receipts of the country which was 2.2 percent higher than the export target of \$ 3,934.0 million for the year. The higher export earnings reflected increased confidence of foreign buyers regarding qualitative excellence of Bangladeshi ready-made garments.

Leather

8.20 Export earnings from leather (tanned and semi-tanned) declined by 11.6 percent to \$ 168.0 million during 1998-99 as compared to \$ 190.0 million during 1997-98. Earnings of foreign exchange from leather was 25.3 percent lower than the export target of \$ 225.0 million for the year under report. Despite a 46.4 percent increase in volume, export earnings from leather products during the year under report declined because of a 39.6 percent decline in unit price due to non-production of modern leather products as a result of technological backwardness.

Frozen Food

8.21 Export earnings from frozen food (fish and shrimp) declined by 6.8 percent to \$ 274.0 million during 1998-99 from \$ 294.0 million during 1997-98 and this earning was 21.7 percent lower than the export target of \$ 350.0 million for the year under report. It may be mentioned that the volume of export from frozen food increased by 7.8 percent but the unit price declined by 13.7 percent.

Raw Jute

8.22 An amount of \$ 72.0 million was earned from the export of 17.5 lakh bales of raw jute during 1998-99 which was 33.3 percent lower than \$ 108.0 million earned from the export of 18.1 lakh bales of raw jute during 1997-98. This amount was 45.5 percent lower than the target of \$ 132.0 million for the year under report. The export earnings declined due to decline in volume of export of raw jute by 3.5 percent and fall in unit price by 30.5 percent.

* Source : Export Promotion Bureau.

Jute Goods

8.23 An amount of $ 304.0 million was earned from the export of jute goods (including carpet) during 1998-99 which was 8.2 percent higher than $ 281.0 million earned during 1997-98. Export earnings of this sector was 2.6 percent lower than the target of $ 312.0 million during 1998-99. Despite a decline of 0.9 percent in the unit price, export earnings of jute goods increased reflecting a 9.3 percent rise in quantity exported.

Tea

8.24 An amount of $ 39.0 million was earned during 1998-99 from the export of 22.7 million kgs. of tea which was 17.0 percent lower than $ 47.0 million earned from the export of 26.7 million kgs. of tea during 1997-98.

Handicrafts

8.25 Export earnings from handicrafts increased by 33.3 percent to $ 8.0 million during 1998-99 from $ 6.0 million during the preceding year. Details information of export earnings of major export commodities have been shown in Table-12 of the Appendix.

Services Account

8.26 The net surplus of services account stood at $ 198.0 million during the year under report as against a surplus of $ 182.0 million during the preceding year.

Overall Balance of Payments

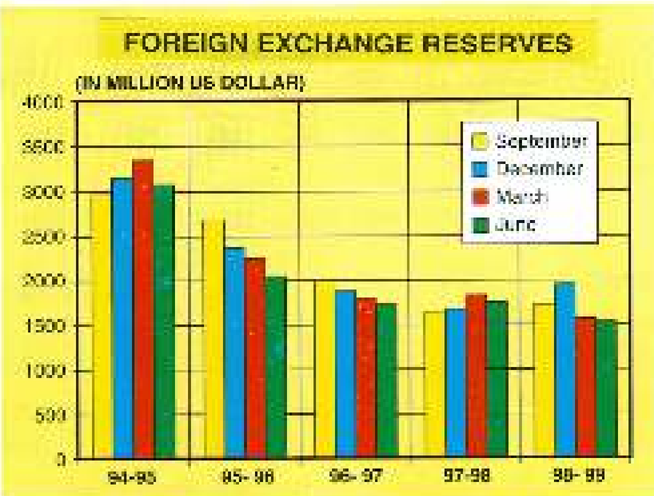
8.27 According to the estimate of the Bangladesh Bank, the country's overall balance of payments showed a deficit of $ 171.0 million during 1998-99 as compared to the surplus of $ 82.0 million in the preceding year. Net receipts under current transfers increased by $ 220.0 million to $ 2,237.0 million during 1998-99 from $ 2,017.0 million during the preceding year. Net inflow of capital increased by $ 44.0 million to $ 348.0 million during 1998-99 from $ 304.0 million in 1997-98. Despite an increase in workers' remittances, the overall balance showed a deficit due to an increase in deficit of trade balance as compared to the preceding year. Details of balance of trade and payments are shown in table-11 of the Appendix.

Wage Earners' Remittances

8.28 Foreign exchange remittances by the Bangladeshi nationals working abroad increased by $ 181.0 million to $ 1,706.0 million during 1998-99 from $ 1,525.0 million during 1997-98. Of the remittances sent by non-resident Bangladeshi nationals, the amounts sent from the main 5 countries were as under : Saudi Arabia $ 685.5 million, Kuwait $ 230.2 million, United States of America $ 239.4 million, United Arab Emirates $ 125.3 million and Malaysia $ 67.5 million. Remittances sent by the Bangladeshi nationals working abroad during the last few years are shown in Table-17 of the Appendix.

Foreign Exchange Reserves

8.29 Convertible foreign exchange reserves held by the Bangladesh Bank (including reserves with the IMF) came down to $ 1,523.3 million at the end of June, 1999 from $ 1,739.2 million at the end of June, 1998. Foreign exchange reserves held by the Bangladesh Bank are shown in Table-15 of the Appendix.



Commodity Terms of Trade

8.30 The export price index increased by 0.3^P percent during 1998-99 as compared to 1997-98. The import price index increased by 5.1^P percent. As a result, the commodity terms of trade of Bangladesh recorded a deterioration of 4.6^P percent during the year under report as compared to 1997-98. The trend in commodity terms of trade of Bangladesh during the last few years is shown in Table-8.1.

P Provisional.

TABLE-8.1
COMMODITY TERMS OF TRADE
(BASE: 1979-80 = 100)

Year	Export Price Index (A)	Import Price Index (B)	Commodity Terms of Trade(C)*
1	2	3	4
1979-80	100.0	100.0	100.0
1980-81	86.8	113.5	76.5
	(-13.2)	(13.5)	(-23.5)
1981-82	74.7	118.7	62.9
	(-13.9)	(4.6)	(-17.8)
1982-83	76.1	112.5	67.6
	(1.9)	(-5.2)	(7.5)
1983-84	89.8	110.9	81.0
	(18.0)	(-1.4)	(19.8)
1984-85	108.8	110.8	98.2
	(21.2)	(-0.1)	(21.2)
1985-86	78.9	98.5	80.1
	(-27.5)	(-11.1)	(-18.4)
1986-87	81.8	89.9	91.0
	(3.7)	(-8.7)	(13.6)
1987-88	95.7	91.4	104.7
	(17.0)	(1.7)	(15.1)
1988-89	92.6	97.2	95.3
	(-3.2)	(6.3)	(-9.0)
1989-90	95.6	103.0	92.8
	(3.2)	(6.0)	(-2.6)
1990-91	101.9	107.4	94.9
	(6.6)	(4.3)	(2.3)
1991-92	100.4	104.4	96.2
	(-1.5)	(-2.8)	(1.4)
1992-93	107.3	107.8	99.6
	(6.9)	(3.2)	(3.5)
1993-94	113.3	110.8	102.3
	(5.6)	(2.8)	(2.7)
1994-95	120.8	120.7	100.1
	(6.6)	(8.9)	(-2.2)
1995-96	128.9	129.5	99.5
	(6.7)	(7.3)	(-0.6)
1996-97	135.0	133.4	101.2
	(4.8)	(3.0)	(1.7)
1997-98	140.2	137.9	101.7
	(3.8)	(3.4)	(0.5)
1998-99 P	140.6	145.0	97.0
	(0.3)	(5.1)	(-4.6)

Source : Planning Commission.

* : Commodity Terms of Trade $C = \frac{A}{B} \times 100$

P : Provisional.

Note : (i) Figures in the parentheses indicate annual percentage changes.

(ii) The export and import price indices of the commodity terms of trade covered 94 and 67 percents of the total export and import values in 1997-98 and 93 and 61 percent in 1998-99 respectively.

Foreign Aid*

8.31 Total foreign aid commitment to Bangladesh during 1998-99 which stood at $ 2,648.0 million was 47.8 percent higher than the commitment of $ 1,791.0 million in 1997-98. Of the total commitment for 1998-99, $ 862.0 million or 32.6 percent was grants and $ 1,786.0 million or 67.4 percent was loan. Total commitment of foreign aid since independence till June 30, 1999 stood at $ 42,144.0 million of which $ 18,641.0 million or 44.2 percent was grants.

8.32 Total disbursement of aid during 1998-99 which stood at $ 1,474.0 million was $ 155.0 million or 11.7 percent higher than the disbursement of $ 1,319.0 million during the preceding year. Total disbursement of aid since independence till the end of June, 1999 stood at $ 34,762.0 million or 82.5 percent of total commitment. Of the total disbursement, $ 16,761.0 million or 48.2 percent was grants and the remaining $ 18,001.0 million or 51.8 percent was loan.

8.33 Of the total disbursement made during 1998-99, (i) Food aid disbursement of $ 177.0 million was 78.8 percent higher than $ 99.0 million in the preceding year; (ii) Commodity aid disbursement of $ 262.0 milion was 40.1 percent higher than $ 187.0 million of the preceding year and (iii) the disbursement of Project aid of $ 1,035.0 million was 0.2 percent higher than the preceding year's disbursement of $ 1,033.0 million.

8.34 Total external debt outstanding which stood at $ 15,338.0 million as on June 30, 1999 was $ 525.0 million or 3.5 percent higher than $ 14,813.0 million as at the end of June, 1998.

8.35 Bangladesh made repayments of $ 341.0 million as principal (excluding purchases in respect of drawing from the IMF) and $ 140.0 million as interest during 1998-99. As a result, the net inflow of foreign aid into the country during 1998-99 stood at $ 993.0 million which was higher by $ 119.0 million or 13.6 percent as compared to $ 874.0 million during the preceding year. A statement of the receipts of foreign aid and debt repayment is shown in the Table-8.2.

* All figures for 1998-99 are provisional.

TABLE-8.2

FOREIGN AID RECEIPTS AND DEBT REPAYMENTS

(In million US Dollar)

Particulars	1996-97	1997-98	1998-99 (Provisional)
1	2	3	4
1. **Receipts**	**1,481**	**1,319**	**1,474**
(i) Food Aid	101	99	177
(ii) Commodity Aid	263	187	262
(iii) Project Aid	1,117	1,033	1,035
2. **Repayments***	**463**	**445**	**481**
(i) Principal	316	308	341
(ii) Interest	147	137	140
3. Net Receipts(1-2)	1,018	874	993

Source : Economic Relations Division, Ministry of Finance and Statistics Department, Bangladesh Bank.

* *Exclude repurchases in respect of drawings from the IMF.*

Transactions with the International Monetary Fund (IMF)

8.36 Bangladesh purchased SDR 98.13 million in November, 1998-99 under Emergency Assistance (EA) Facility of the International Monetary Fund (IMF). The repayment against EA will start from January, 2002. On the other hand, Bangladesh repurchased a total amount of SDR 80.50 million against the purchases made under Structural Adjustment Facility (SAF) of 1987 and Enhanced Structural Adjustment Facility (ESAF) of 1990. The amount is higher by SDR 3.89 million than that of the same period last year. In addition, Bangladesh paid SDR 4.18 million as charges to the Fund during the year under report. It may be mentioned that the repayment under Structural Adjustment Facility (SAF) was completed in June, 1999. Detailed position of Bangladesh's transactions with the IMF during 1998-99 is shown in the Table-8.3.

TABLE-8.3
TRANSACTIONS WITH THE IMF

(In million SDR)*

Facilities	Cumulative Drawings/Purchases	Outstanding Liabilities as on 30-6-98	Purchases during 1998-99	Repurchases during 1998-99	Outstanding Liabilities as on 30-6-99
1	2	3	4	5	6
1. Structural Adjustment Facility (SAF), 1987	201.25	11.50	Nil	11.50	Nil
2. Enhanced Structural Adjustment Facility (ESAF), 1990	345.00	242.94	Nil	69.00	173.94
3. Emergency Assistance November, 1998	98.13	Nil	98.13	Nil	98.13
Total :	**644.38**	**254.44**	**98.13**	**80.50**	**272.07**

* SDR 1 = US $ 1.34 as on June 30, 1999.

8.37 As a result of the above transactions, the outstanding liabilities of Bangladesh to the IMF stood at SDR 272.07 million (equivalent to US $ 364.57 million) at the end of June, 1999 as compared to SDR 254.44 million (equivalent to US $ 338.41 million) at the end of June, 1998.

8.38 Detailed position of Bangladesh's transactions with the Fund since her membership till June 30, 1999 is shown in the Table-8.4.

TABLE-8.4

DETAILS OF TRANSACTIONS WITH THE IMF UNDER DIFFERENT FACILITIES FROM 1972 TO JUNE 30, 1999

(In million SDR)

Sl. No.	Facilities and Date of Approval	Rate of charges	Grace period	Repayment Period	Amount Drawn	Outstanding 30-6-99
1	2	3	4	5	6	7
1.	Compensatory Financing Facility (CFF) for Export Shortfall, December, 1972	Basic Rate of Charge 1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	62.50	—
2.	Stand-by Arrangement, June, 1974	-do-	-do-	-do-	31.25	—
3.	Stand-by Arrangement, July, 1975	-do-	-do-	-do-	62.50	—
4.	CFF For Export Shortfall, August, 1976	-do-	-do-	-do-	39.06	—
5.	Oil Facilities, 1974 and 1975	2/	-do-	3 3/4 Years (in 16 quarterly instalments)	91.97	—
6.	Trust Fund Facility, July, 1977-March 1981	0.50	5 1/2 Years	4 1/2 Years (in 10 semiannual instalments)	122.16	—
7.	Stand-by Arrangement, July 1979	Basic Rate of Charge 1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	85.00	—
8.	Extended Fund Facilities, 3/ December 1980					
	(a) Ordinary/General Resources	-do-	4 1/2 Years	5 1/2 Years (in 12 semiannual instalments)	110.00	—
	(b) Borrowed Resources	2/	3 1/2 Years	3 1/2 Years (in 8 semiannual instalments)	110.00	—
9.	CFF for Export Shortfall, February, 1982	Basic Rate of Charge 1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	60.00	—
10.	Combined CFF for Export Shortfall and Excess in Cereal Import Cost, August, 1982	-do-	-do-	-do-	71.20	—
11.	Stand-by Arrangement March, 1983	-do-	-do-	-do-	68.40	—
12.	CFF for Excess in Cereal Import Cost, April, 1985	-do-	-do-	-do-	54.95	—
13.	Stand-by Arrangement, December, 1985	-do-	-do-	-do-	180.00	—
14.	Compensatory Financing Facility for Export Shortfall, February 1987	-do-	-do-	-do-	88.90	—
15.	Structural Adjustment Facility (SAF), February, 1987	0.50	5 1/2 Years	4 1/2 Years (in 10 semiannual instalments)	201.25	—
16.	Emergency Assistance November, 1988	Basic Rate of Charge 1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	71.87	—
17.	Enhanced Structural Adjustment Facility (ESAF), August, 1990	0.50	5 1/2 Years	4 1/2 Years (in 10 semiannual instalments)	345.00 4/	173.94
18.	Emergency Assistance November, 1998	Basic Rate of Charge 1/	3 1/4 Years	1 3/4 Years (in 8 quarterly instalments)	98.13	98.13
Total :					**1,954.14 5/**	**272.07**

Source : International Department, Bangladesh Bank.

Note : 1/ The Basic Rate of charge of the fund is applicable for all those facilities which will be drawn from the general Resources. These include Stand-by, CFF, Cereal Import cost, EFF (portion to be drawn from general resources), Buffer Stock, Contingency Financing etc. The Basic Rate was changed within the range of [illegible] to [illegible] in different years. The IMF establishes the rate in every quarter. The basic rate of charge is now set as a percentage of the SDR interest rate. The basic rate of charge for June 30 1999 was [illegible].

2/ Charges on Oil Facility and EFF are related to cost of funds for borrowing plus a margin [illegible].

3/ An amount of SDR 800.00 million was approved of which SDR [illegible] million was under EFF and the rest was under CFF. However, only an amount of SDR 220.00 million was disbursed.

4/ Purchase closed on 31st March, 1993 under ESAF.

5/ In addition to this, Bangladesh has received assistance (which are not payable) under the following: (a) SDR allocation-SDR 47.10 million, (b) the Gold Sales Profit and Restitution Gold Distribution-SDR 17.24 million and SDR [illegible] million respectively (c) Oil facility and SFF subsidy-SDR [illegible] million and [illegible] million respectively. In the year 1989-90, SDR [illegible] million of Bangladesh were withdrawn from the Reserve Tranche.

Asian Clearing Union (ACU)

8.39 Total transactions of Bangladesh under the Asian Clearing Union (ACU) increased during 1998-99 as compared to the preceding year. As in the preceding year, Bangladesh remained a net debtor in all the six settlements that took place during the year. Export receipts decreased while import payments increased considerably with the member countries of the ACU during the year under report. Export of Bangladesh under the ACU arrangement recorded a decline of ACU $ 20.76 million or 17.3 percent to ACU $ 99.48 million (Tk. 476.54 crores) in 1998-99 from ACU $ 120.24 million (Tk. 544.55 crores) in 1997-98. On the other hand, import of Bangladesh from the ACU member countries increased by ACU $ 334.49 million or 32.2 percent to ACU $ 1,373.09 million (Tk. 6,597.27 crores) in 1998-99 from ACU $ 1,038.60 million (Tk. 4,735.59 crores) in 1997-98. As a result, the net debtor position of Bangladesh widened in 1998-99 by ACU $ 355.25 million or 38.7 percent to ACU $ 1,273.61 milion (Tk. 6,120.73 crores) as compared to the ACU $ 918.36 million (Tk. 4,191.04 crores) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in the table-8.5.

TABLE-8.5

RECEIPTS AND PAYMENTS OF BANGLADESH UNDER THE ACU

(In Million ACU Dollar)

Head of transaction	1996-97	1997-98	1998-99
1	2	3	4
1. Receipts (Exports)	91.46	120.24	99.48
	(391.14)	(544.55)	(476.54)
2. Payments (Imports)	961.99	1,038.60	1,373.09
	(4,114.11)	(4,735.59)	(6,597.27)
Net Surplus (+)/Deficit (–) :	**–870.53**	**–918.36**	**–1,273.61**
	(–3,722.97)	**(–4,191.04)**	**(–6,120.73)**

Note: Figures in the parentheses indicate amounts of Taka in crores.

8.40 The comparative position of trade and trade balance of the ACU member countries is shown in Table-8.6.

TABLE-8.5

TRADE AND TRADE BALANCE OF THE ACU MEMBER COUNTRIES

(In Million US Dollar)

Country	Export to ACU		Imports from ACU		Surplus (+)/Deficit (–)	
	1996	1997	1996	1997	1996	1997
1	2	3	4	5	6	7
Bangladesh	87	136	1,137	894	1,050	–758
India	1,831	1,605	1,139	1,062	+692	+543
Iran	771	935	379	296	+392	+639
Myanmar	164	188	65	72	+99	+116
Nepal	50	81	181	167	–131	86
Pakistan	307	254	576	450	–169	–196
Sri Lanka	130	118	797	710	–667	–592
Total :	**3,340**	**3,317**	**4,274**	**3,651**	**–934**	**–334**

Source: ACU Annual Report, 1998.

Note: (1) Export (FOB).

(2) Import (CIF).

CHAPTER IX

EXCHANGE RATE POLICY AND EXCHANGE CONTROL

Exchange Rate Policy

9.1 With a view to maintaining the competitiveness of Bangladeshi products in the international markets, improving the current account position, encouraging inflow of wage earners remittances and maintaining internal and external price stability, a flexible exchange rate policy was continued during 1998-99. Necessary adjustments in exchange rate were made through monitoring the trend in the Real Effective Exchange Rate (REER) index based on a trade weighted basket of currencies of 15 largest trading partners of Bangladesh. Movement of the REER index was not, however, the only factor taken into account in adjusting the exchange rate. Due considerations were also given to the on-going trend of macro economic indicators, current developments in the regional and international fields including those in the countries that compete with Bangladesh's export but not included in the calculation of REER index. Taking all these factors into consideration, Taka-Dollar exchange rate was readjusted twice during 1998-99. As a result, Taka-Dollar exchange rate* stood at $ 1 = Tk. 48.50 as on June 30, 1999 as against $ 1 = Tk. 46.30 as on June 30, 1998 representing a 4.5 percent depreciation of Taka against the US dollar during the year under report.

Foreign Exchange Market

9.2 Inter-bank foreign exchange market continued to expand during 1998-99. During the year under report, inter-bank foreign exchange transactions increased by 9.7 percent to US $ 12,306.64[P] million from US $ 11,219.12 million in the preceding year. Of this, forward transactions were of the tune of US $ 1,036.37[P] million during 1998-99 as compared to US $ 613.44 million during the preceding year. With 2.9 percent increase in exports and 6.6 percent increase in imports during 1998-99, the level of openness of the Bangladesh economy with the outside world declined slightly to 36.7[P] percent of GDP at the end of the year under report from 37.3 percent in the preceding year.

Important Changes In Exchange Control Measures

9.3 Convertibility of Taka on current transactions and the resultant easing of

* On the basis of the middle rate of buying and selling.

P Provisional.

settlement procedures of external transactions were considered important for the inflow of foreign investment, especially in the private sector. Keeping this in view, the process of liberalisation/simplification of exchange control measures was continued during 1998-99. Important measures/policy changes adopted during the year under report are mentioned below.

With the introduction of the single and unified currency EURO in 11 EMU countries (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain) from 1st January, 1999 the authorised dealers have been permitted to open and maintain accounts in EURO for their clients holding authorisation for maintaining foreign currency accounts, in the same manner as for US Dollar, Pound Sterling, Japanese Yen and Deutsche Mark. Authorised dealer banks have also been allowed to maintain with the Bangladesh Bank clearing accounts in EURO.

Inspection of Foreign Trade and Foreign Exchange Transaction

9.4 During 1998-99, the Foreign Exchange Inspection Department of the Bangladesh Bank conducted inspection of foreign trade and foreign exchange transaction in 334 branches including Head Offices/Principal Offices of 35 authorised dealer banks. Following the inspection, irregularities were identified and reports/summaries containing remedial measures and instructions to implement recommendations on different important matters were sent to Head Offices/Principal Offices of concerned banks and to Ministry of Finance in the case of nationalised banks for information. A copy of the report is kept in implementation section of the Foreign Exchange Inspection Department of the Bangladesh Bank for inspection implementation. Besides, special inspection was carried out in 1998-99 in 53 branches of authorised dealer banks, 4 indenting firms, 49 money changers, 2 Air lines and 16 shipping agents on the basis of complaint lodged by different persons/institutions and the inspection reports were sent to the concerned divisions/sections for information and necessary action.

CHAPTER X

CURRENCY AND COINAGE

Bank Notes

New Note of Five Hundred-Taka

10.1 New bank note of Five Hundred-Taka denomination was put in circulation on July 2, 1998. In the frontside of the note, there is the portrait of National Monument of Bangladesh and in the backside there is the picture of the Supreme Court Building in new format. The water-mark of the note bears the portrait of Royal Bengal Tiger's head and the window type security thread at the right side above the National Monument. It bears the signature of the former Governor Mr. Lutfar Rahman Sarkar.

Five-Taka Notes and Coins

10.2 Five-Taka Notes and Coins in circulation increased by Tk. 11.92 crores to Tk. 138.62 crores as on June 30, 1999 from Tk. 126.70 crores as on June 30,1998.

Ten-Taka Notes

10.3 Ten-Taka Notes in circulation as on June 30, 1999 decreased by Tk. 25.04 crores to Tk. 367.59 crores as against Tk. 392.63 crores as on June 30, 1998.

Twenty-Taka Notes

10.4 Twenty-Taka Notes in circulation increased by Tk. 19.98 crores to Tk. 173.35 crores as on June 30, 1999 from Tk. 153.37 crores as on June 30,1998.

Fifty-Taka Notes

10.5 Fifty-Taka Notes in circulation as on June 30, 1999 decreased by Tk. 124.33 crores to Tk. 418.71 crores as compared to Tk. 543.04 crores as on June 30, 1998.

Hundred-Taka Notes

10.6 Hundred-Taka Notes in circulation as on June 30, 1999 increased by Tk. 114.95 crores to Tk. 2,890.73 crores as against Tk. 2,775.78 crores as on June 30, 1998.

Five Hundred-Taka Notes

10.7 Five Hundred-Taka Notes in circulation increased by Tk. 628.95 crores to Tk. 5,489.65 crores as on June 30, 1999 from Tk. 4,860.70 crores as on June 30, 1998.

Other Notes and Coins*

Two-Taka Notes

10.8 Two-Taka Notes in circulation as on June 30, 1999 increased by Tk. 0.75 crores

*Excludes Five-Taka Coins.

to Tk. 67.86 crores as compared to Tk. 67.11 crores as on June 30, 1998.

One-Taka Notes and Coins

10.9 One-Taka Notes and Coins in circulation as on June 30, 1999 increased by Tk. 9.15 crores to Tk. 113.28 crores as against Tk. 104.13 crores as on June 30, 1998.

Subsidiary Coins

10.10 Subsidiary Coins in circulation increased by Tk. 0.52 crore to Tk. 53.72 crores as on June 30, 1999 from Tk. 53.20 crores as on June 30, 1998.

CHAPTER XI

ADMINISTRATION

Appointment of New Directors of the Board

11.1 Mr. Abdul Muyeed Chowdhury, Dr. Anupam Sen and Mrs. Rokia A Rahman were appointed Directors of the Board with effect from August 25, 1998, December 23,1998 and June 17, 1999 respectively.

Board of Directors/Executive Committee/ Co-ordination Committee Meetings

11.2 A total of 12 meetings of the Board of Directors, 5 meetings of the Executive Committee and 3 meetings of the Co-ordination Committee were held during 1998-99.

Appointment in Different Grades

11.3 The following appointments in different grades were made by the Bank during 1998-99:

i)	Assistant Director (General Side)	102
ii)	Medical Officer	1
iii)	Officer (General Side)	93
iv)	Employee under category C and D	22
	Total :	**218**

Decline in Number of Officers and Staff

11.4 The number of Officers/Staff of the Bank who died/retired/dismissed/resigned during 1998-99 were as under:

a)	Died	19
b)	Retired	113
c)	Dismissed	3
d)	Resigned	11
	Total :	**146**

Creation/Abolition/Sanction of Posts

11.5 The number of posts of officers/staff of the Bank created and abolished during 1998-99 stood at 15 and 6 respectively. As a result, total number of sanctioned posts of Officers/Staff of the Bank decreased by 9 to 6,909 during the year under report as compared to those in the preceding year.

Number of Officers and Staff

11.6 During 1998-99, the number of officers of the Bank increased by 82 to 4,687 as compared to the preceding year and that of staff declined by 33 to 1,491. As a result, the number of Officers and Staff of the Bank declined by 49 to 6,178 at end of the year under report. The number of vacant post stood at 731 at the end of June,1999.

Number of Officers on Deputation

11.7 During 1998-99, 3 officers of the Bangladesh Bank remained on deputation with different institutions of the country.

Creation/Abolition of Department

11.8 A wing titled 'Inspection Wing' was opened in the Financial Institution Department during 1998-99. No other Department/Division was opened or abolished during the year under report.

Welfare Activities and Approval of Scholarships

11.9 A total of Tk. 1,92,72,864.00 was sanctioned for various welfare and recreation activities and awarding scholarships to the children of third class and fourth class employees of different offices of the Bank during 1998-99.

Foreign Training

11.10 38 officers of the Bank were sent abroad for participation in different training courses/seminars/workshops during 1998-99.

Domestic Training

11.11 A total of 209 officers and 3 staff of the Bank participated in different types of training courses organized by different institutions of the country during 1998-99.

Training Course, Workshop and Seminar Organized by the Bangladesh Bank Training Academy (BBTA)

11.12 With a view to improving the theoretical and practical knowledge as well as increasing the professional efficiency of officers/staff of the Bank, the Bangladesh Bank Training Academy (BBTA) conducted 3 foundation courses for newly appointed officers, 7 on-the -job training courses and 26 special training courses for officers/staff of the Bank during 1998-99. A total of 191 newly appointed officers participated in the foundation courses. A total of 123 and 550 officers/staff of different levels of the Bank participated in the on-the-job training courses and special training courses respectively. Besides, the Academy conducted 13 special training courses in different district headquarters outside Dhaka for officers of the Bangladesh Bank and the commercial banks. A total of 443 officers of different levels from different banks participated in those training courses. During 1998-99, the Academy conducted 21 workshops on the procedures of filling CIB-01 form for officers of commercial banks in which a total of 1,203 officers participated. In addition, the Academy conducted 7 Executive Development Programmes, 2 Macro Monetary Management programmes and 1 seminar each on : Scientific Management; Balance of Payments and Foreign Exchange; Islamic

Insurance Company (Takaful) in Bangladesh : prospects and future; Financing of small industries, Training Programmes for assistant commissioners (BCS : Taxes); and Measuring International Competitiveness : Experience from East Asia. A total of 630 officers of the Bangladesh Bank and different commercial banks participated in those seminars. Details of the courses, workshops and seminars conducted by the academy during 1998-99 are shown in Table-11.1

TABLE –11.1

STATEMENT OF DIFFERENT TRAINING COURSES, WORKSHOPS AND SEMINARS ORGANISED BY THE BANGLADESH BANK TRAINING ACADEMY DURING 1998-99

Sl. No.	Subjects	Number	Number of Participants
1	2	3	4
1.	Foundation Course	3	191
2.	On-the-Job Training	7	125
3.	**Special Training Courses (held in Dhaka)**	**28**	**560**
	A. Financial Analysis/Preparation of Monetary Survey Report	1	15
	B. Inspection Techniques-policy and procedure	6	152
	C. Scientific Management	1	22
	D. Accounting & Finance	3	52
	E. Macro Monetary Management	1	16
	F. Introduction to Computer & Computer Operation	1	15
	G. Foreign Exchange Investment and Inspection	2	34
	H. Refresher Course on Central Bank and the Commercial Bank	3	64
	I. Loan Classification & Provisioning	1	36
	J. Islami Banking	2	48
	K. Audit & Inspection-Technique & its Impact	1	23
	L. Trainers' Training	1	19
	M. Accounting Procedure	2	41
	N. Personnel Management	1	21
4.	**Special Training Courses (held outside Dhaka)**	**13**	**443**
	A. Data Reporting on Money and Banking	6	220
	B. Reporting of Foreign Exchange Transactions	5	148
	C. Loan Classification & Provisioning	2	75
5.	**Workshops**	**36**	**1,833**
	A. Filling up of CIB-01 Form	21	1,203
	B. Executive Development Programme	7	279
	C. Scientific Management	1	38
	D. Macro Monetary Management	2	93
	E. Balance of Payments and Foreign Exchange Transactions	1	60
	F. Islami Insurance Company (Takaful) in Bangladesh-Prospects & Future	1	55
	G. Financing of Small Industries	1	50
	H. Training Programme for Asstt. Commissioner (BCS: Taxes)	1	28
	I. Measuring International Competitiveness: Experience from East Asia	1	37
	Total :	**85**	**3,160**

Computer Department

11.13 The computer department of the Bank, in addition to its regular jobs of data processing, data maintenance, preparation of outputs, and PC support work of different departments, developed the major programmes for computerisation of the Personnel Management Information Systems (PMIS) of the Bangladesh Bank during 1998-99. Besides, the work of the Accommodation Section of the Personnel Department has been computerised. Necessary programmes have been developed for computerisation of the Payment Section of the Public Accounts Department. The Clearing House of the Chittagong Office has been computerised with the help of the software developed earlier for the Clearing House of the Motijheel Office. One of the urgent task of the Computer Department was to determined the safety requirement of the computer hardware and software of the Bangladesh Bank against Year 2000 Problems and to take necessary steps to resolve the issue. The AS/400 midrange computer and the Local Area Network (LAN) servers of the Computer Department were upgraded and all the in-house developed application software were amended to make these Y2K compliant. Besides this, all the hardware, systems software, and application software of the LAN Server and PCs used in the Motijheel Office and in different departments of the Head Office were thoroughly checked and steps taken for Y2K compliance. With a view to keeping the banking sector free from any possible adverse effects of the Y2K problems, the Y2K compliance status of the scheduled banks were closely monitored and necessary advices issued. The Computer Department, in association with the Training Academy, also imparted training to a total of 64 Officers/Staff on 'Use of Computer and Application Packages'.

Engineering Department

11.14. During the year under report the second multistoried annex building of the Bangladesh Bank was taken from the construction firm (contractor) alongwith the list of defective and unfinished work and the whole building was made suitable for official work. Construction work of chambers for General Managers situated in different floors of the building were at completion stage. Besides, various types of construction and repair work at other branches of the Bangladesh Bank were in the process of completion during the year under report.

Department of Public Relations and Publications

11.15. During 1998-99, the Public Relations and Publications Department of the Bank published all publications of the Bank. Besides, 86 press releases and necessary photographs were released to the news papers and other public media highlighting activities of the Bank.

CHAPTER XII

ANNUAL ACCOUNTS

Issue Department : Assets and Liabilities

12.1 The value of notes and coins issued by the Issue Department of the Bangladesh Bank up to June 30, 1999 stood at Tk. 9,479.43 crores which was higher by Tk. 627.10 crores as compared to Tk. 8,852.33 crores issued up to June 30, 1998. Assets against the notes issued up to June 30, 1999 included : Gold worth Tk.100.16 crores, Approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 29.03 crores, Government of Bangladesh Securities worth Tk. 2,668.16 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 2,682.08 crores. The corresponding figures of assets against notes issued up to June 30, 1998 were: Gold worth Tk. 108.12 crores, Approved Foreign Exchange of Tk. 4,000.00 crores, Currency Notes and Coins worth Tk. 38.93 crores, Government of Bangladesh Securities worth Tk. 1,644.20 crores and Internal Bills of Exchange and Other Commercial Papers worth Tk. 3,061.08 crores.

12.2 The Balance Sheet of the Issue Department of the Bank as on June 30, 1999 appears on pages110-111 of the Report.

Banking Department : Assets and Liabilities

12.3 On the liabilities side, balances in the Statutory Funds* increased from Tk. 772.79 crores as on June 30, 1998 to Tk. 840.79 crores as on June 30, 1999 due to appropriation of Tk. 68.00 crores from the Profit and Loss Account of the Bank to its Statutory Funds. Government Deposits decreased by Tk. 0.80 crore to Tk. 0.62 crore as on June 30, 1999 from Tk. 1.42 crores as on June 30, 1998. Deposits of Banks increased by Tk. 156.59 crores to Tk. 3,812.47 crores as on June 30, 1999 from Tk. 3,655.88 crores as on June 30, 1998. Other Deposits increased by Tk. 364.76 crores to Tk. 4,547.63 crores as on June 30, 1999 from the level of Tk. 4,182.87 crores as on June 30, 1998. Balance in the Bills Payable decreased by Tk. 0.02 crore to Tk. 1.21 crores as on June 30, 1999 from Tk. 1.23 crores as on June 30, 1998. Other Liabilities increased by Tk. 585.26 crores to Tk. 3,306.67 crores as on June 30, 1999 from Tk. 2,721.41 crores as on June 30, 1998. The amount of SDRs as on June 30, 1999 remained unchanged at the preceding year's level of Tk. 91.74 crores.

* Excluding the Credit Guarantee Fund and the provision for bad and doubtful debts/ investments.

12.4 On the assets side of the Banking Department, the balance of rediscounted Government Treasury Bills decreased by Tk. 39.06 crores to Tk. 9.93 crores as on June 30, 1999 from Tk. 48.99 crores as on June 30, 1998. The amount under Balances Held Outside Bangladesh decreased by Tk. 461.27 crores to Tk. 3,217.02 crores as on June 30, 1999 from Tk. 3,678.29 crores as on June 30, 1998. The outstanding balance of SDR held in the IMF decreased by Tk. 71.72 crores to Tk. 46.11 crores as on June 30, 1999 from the level of Tk. 117.83 crores as at the same date of the preceding year. The balances under Loans and Advances to the Government as on June 30, 1999 remained unchanged at the preceding year's level of Tk. 64.00 crores. Balances under Other Loans and Advances increased by Tk. 981.60 crores to Tk. 2,263.25 crores as on June 30, 1999 from Tk. 1,281.65 crores as on June 30, 1998. The balances under Investment Account increased by Tk. 435.97 crores to Tk. 4,328.13 crores as on June 30, 1999 from Tk. 3,892.16 crores as on June 30, 1998. Other assets increased by Tk. 327.57 crores to Tk. 2,677.90 crores as on June 30, 1999 from Tk. 2,350.33 crores as on June 30, 1998.

12.5 The Balance Sheet of the Banking Department as on June 30, 1999 appears on pages 112-113 of the Report.

Comparative Position of Profit and Loss Account

12.6 A comparative summary position of Profit and Loss Account of the Bank for the years 1997-98 and 1998-99 is shown in Table -12.1 below.

TABLE–12.1

COMPARATIVE POSITION OF PROFIT AND LOSS ACCOUNT

(Taka in Crores)

Particulars	1997-98	1998-99	Changes : Increase (+)/Decrease (–)
1	2	3	4
Gross Income	1,059.39	1,171.56	+112.17
Total expenditure	288.75	384.70	+95.95
Net Profit:	**770.64**	**786.86**	**+16.22**

12.7 It would appear from the above table that the net profit of the Bank during 1998-99 increased by Tk. 16.22 crores to Tk. 786.86 crores as compared to the preceding year due to higher increase of Tk. 112.17 crores in gross income compared to the increase of Tk. 95.95 crores in total expenditure.

12.8 Out of the profit of Tk. 786.86 crores, a sum of Tk. 85.00 crores was appropriated towards the Credit Guarantee Fund, different Statutory Funds and the Reserve Fund for non-recoverable loans/investments. As a result, the surplus payable to the Government stood at Tk. 701.86 crores during 1998-99. The distribution of profit of the Bank during 1998-99 has been shown in Table -12.2.

TABLE –12.2

DISTRIBUTION OF PROFIT OF THE BANGLADESH BANK DURING 1998-99

Particulars	Amount of Taka
1	2
1. **Appropriation towards Statutory Funds**	
(i) Rural Credit Fund	20,00,00,000
(ii) Industrial Credit Fund	15,00,00,000
(iii) Export Credit Fund	13,00,00,000
(iv) Agricultural Credit Stabilisation Fund	20,00,00,000
2. Credit Guarantee Fund	7,00,00,000
3. Provision for Bad and Doubtful Debts/Investments	10,00,00,000*
4. Surplus Payable to the Government	701,86,00,000
Grand Total:	**786,86,00,000**

* Out of the surplus profit payable to the Government, an additional amount of Tk. 50.00 crores has been kept as provision for bad and doubtful debts/investments.

12.9 The Profit and Loss Account of the Bank for the year ending June 30, 1999 appears on pages 114-115 of the Report.

Appointment of Auditors

12.10 In terms of Article 65(1) of the Bangladesh Bank Order 1972, the Government was pleased to appoint two chartered accountant firms namely M/s M. J. Abedin & Co. and M/s S. F. Ahmed & Co. to audit the accounts of the Bangladesh Bank for the year 1998-99.

Appreciation

12.11 The Board of Directors of the Bank was pleased to place on record its appreciation of the loyal and devoted services rendered by the officers and staff of the Bangladesh Bank during the year under report.

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
(FOR THE YEAR ENDED JUNE 30, 1999)

BANGLADESH

BALANCE

ISSUE

LIABILITIES

Particulars	As on June 30, 1998		As on June 30, 1999	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Notes held in the Banking Department	11,42,295		77,81,460	
Notes in Circulation*	8852,21,52,825		9478,65,19,710	
Total Notes Issued*		8852,32,95,120		9479,43,01,170
TOTAL LIABILITIES:		**8852,32,95,120**		**9479,43,01,170**

* The statement with regard to 'Notes in Circulation' is made without prejudice to the claim of the Government of the People's Republic of Bangladesh/Bangladesh Bank for obtaining value from the Government of Pakistan/State Bank of Pakistan in respect of Pakistani Currency Notes demonetised and withdrawn from circulation.

BANK

SHEET

DEPARTMENT

ASSETS

Particulars	As on June 30, 1998		As on June 30, 1999	
	Taka	Taka	Taka	Taka
1	2	3	4	5
A. Gold Coin & Bullion	108,11,74,000		100,15,75,000	
Silver Bullion	—		—	
Special Drawing Rights held with the International Monetary Fund	—		—	
Approved Foreign Exchange	4000,00,00,000	4108,11,74,000	4000,00,00,000	4100,15,75,000
B. Taka Coin	38,93,33,829		29,03,39,879	
Government of Bangladesh Securities**	1644,19,57,086		2668,15,56,086	
Internal Bills of Exchange and Other Commercial Papers	3061,08,30,205	4744,21,21,120	2682,08,30,205	5379,27,26,170
TOTAL ASSETS:		**8852,32,95,120**		**9479,43,01,170**

** Includes Special Ad-hoc Treasury Bills issued for providing assets against issue of Bangladeshi Notes in replacement of Pakistani Notes.

LIABILITIES

Particulars	As on June 30, 1998		As on June 30, 1999	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Capital Paid up		3,00,00,000		3,00,00,000
Reserve Fund		3,00,00,000		3,00,00,000
Rural Credit Fund		280,00,00,000		300,00,00,000
Industrial Credit Fund		108,78,52,450		123,78,52,450
Export Credit Fund		104,00,00,000		117,00,00,000
Agricultural Credit Stabilisation Fund		280,00,00,000		300,00,00,000
Deposits:				
a) Governemnt	1,42,42,591		62,85,876	
b) Banks	3655,88,44,737		3812,46,79,439	
c) Others	4182,87,35,026	7840,18,22,354	4547,63,04,322	8360,72,69,637
Allocation of Special Drawing Rights		91,74,31,205		91,74,31,205
Bills Payable		1,23,03,836		1,21,33,051
Other Liabilities		2721,41,48,125		3306,66,65,320
TOTAL LIABILITIES:		**11433,35,57,970**		**12607,13,51,663**

DEPARTMENT

ASSETS

Particulars	As on June 30, 1998		As on June 30, 1999	
	Taka	Taka	Taka	Taka
1	2	3	4	5
Notes		11,42,295		77,81,460
Taka Coin		132		10
Subsidiary Coin		99		2,484
Bills Purchased and Discounted:				
a) Internal	—		—	
b) External	—		—	
c) Government Treasury Bills	48,98,56,671	48,98,56,671	9,93,14,728	9,93,14,728
Balances held Outside Bangladesh*		3878,28,71,141		3217,02,42,541
Special Drawing Rights held with the International Monetary Fund		117,82,35,489		46,11,36,250
Loans and Advances to the Government		64,00,00,000		64,00,00,000
Other Loans and Advances		1201,65,20,892		2263,25,30,122
Investments		3892,15,85,840		4328,13,53,507
Other Assets		2350,33,45,411		2677,89,90,561
TOTAL ASSETS:		**11433,35,57,970**		**12607,13,51,663**

* Includes cash and short-term securities.

PROFIT AND LOSS ACCOUNT

	Year ending June 30, 1998 Taka	Year ending June 30, 1999 Taka
INCOME		
Interest, Discount, Exchange, Commission etc.	1059,39,27,960	1171,56,43,382
EXPENDITURE		
Establishment, Salaries and Allowances	79,38,37,812	91,95,68,665
Directors' Fees and Allowances	45,000	48,000
Auditors' Fees	2,00,000	1,70,000
Rent, Taxes, Insurance, Lighting etc.	4,99,89,088	5,16,48,176
Law Charges	19,45,521	45,95,970
Postage and Telegram Charges	74,32,460	89,11,041
Remittance of Treasure	1,09,64,580	1,04,59,135
Printing and Stationeries	1,48,87,493	1,40,19,943
Security Printing (Cheques, Note, Forms etc.)	56,18,53,874	69,62,67,008
Depreciation of Bank's Property	6,91,75,005	7,73,07,834
Repairing of Bank's Property	2,99,06,698	3,25,12,080
Agency Charges	28,19,68,131	37,63,61,116
IMF Charges	17,02,57,553	37,66,46,822
Interest Subsidy	—	—
Interest on Deposits	33,05,98,990	51,47,89,329
Interest on contributory Provident Fund	16,30,59,393	18,53,27,107
Interest on General Provident Fund	2,78,81,691	3,34,35,652
Interest on ACU Transactions	16,27,54,074	31,48,19,754
Miscellaneous Expenses	21,07,13,394	22,98,73,247
Net Profit:	770,64,57,203	786,86,82,503
TOTAL:	**1059,39,27,960**	**1171,56,43,382**

PROFIT AND LOSS ACCOUNT

	Year ending June 30, 1998 Taka	Year ending June 30, 1999 Taka
DISTRIBUTION OF PROFITS		
Amount Tranferred to Reserve Fund	—	—
Amount Transferred to Rural Credit Fund	20,00,00,000	20,00,00,000
Amount Transferred to Industrial Credit Fund	15,00,00,000	15,00,00,000
Amount Transferred to Export Credit Fund	13,00,00,000	13,00,00,000
Amount Transferred to Agricultural Credit Stabilisation Fund	20,00,00,000	20,00,00,000
Amount Transferred to Credit Guarantee Fund	7,00,00,000	7,00,00,000
Provision for Bad and Doubtful debts/investments	110,00,00,000	10,00,00,000
Surplus Payable to the Government	585,64,57,203	701,86,82,503
Balance	—	—
TOTAL:	**770,64,57,203**	**786,86,82,503**

RESERVE FUND ACCOUNT

	Year ending June 30, 1998 Taka	Year ending June 30, 1999 Taka
Balance	3,00,00,000	3,00,00,000
Transfer from Profit and Loss Account	—	—
TOTAL:	**3,00,00,000**	**3,00,00,000**

Md. Khurshid-ul-Alam
General Manager

Mohammad Ruhul Amin
Deputy Governor

Mohammed Farashuddin
Governor

REPORT OF THE AUDITORS

To

The Government of the People's
Republic of Bangladesh

We have examined the two Balance Sheets (Issue Department and Banking Department) of the Bangladesh Bank as at 30th June, 1999 and the Profit and Loss Account of the Bank for the year ended on that date with the books of account and records maintained by the Bank's Head Office and other nine Branches. We report that we have obtained all the information and explanations we required and such information and explanations have been given satisfactorily. In our opinion, the Balance Sheets are full and fair Balance Sheets containing the necessary particulars and are properly drawn up so as to exhibit true and correct view of the state of the Bank's affairs according to the information and explanations given to us and as shown in the books of accounts maintained at the Bank's Head Office and Branch Offices.

Dhaka
The 14th Shraban, 1406
The 29th July, 1999

M.J. Abedin and Co.
Chartered Accountants

S.F. Ahmed and Co.
Chartered Accountants

APPENDICES

BANGLADESH : SOME SELECTED STATISTICS

TABLE-1

BANGLADESH : SOME SELECTED STATISTICS

AREA AND POPULATION

Year (End June)	Area (Square Kilometre)	Population (Million)	Density of Population	
			Per Square Kilometre of Total Area	Per Square Kilometre of Cultivable Land
1	2	3	4	5
1994-95	1,47,570	119.9	812	1,367
1995-96	1,47,570	122.1	827	1,399
1996-97	1,47,570	124.3	842	1,422
1997-98	1,47,570	126.5	857	1,447
1998-99P	1,47,570	128.1	868	1,466

Source: Bangladesh Bureau of Statistics.

P Provisional.

TABLE — II

NATIONAL INCOME, SAVINGS AND INVESTMENTS

(Taka in Crore)

Items/Sectors	1994-95	Percentage Change	1995-96	Percentage Change	1996-97	Percentage Change	1997-98	Percentage Change	1998-99 (Provisional)	Percentage Change
1	2	3	4	5	6	7	8	9	10	11
1. GDP (at constant 1984-85 factor cost)	56,393.0	4.0	59,407.0	5.4	62,597.4	5.5	65,776.7	4.8	69,821.5	6.2
2. GDP (at constant 1984-85 market price)	60,979.3	4.4	64,244.1	5.4	68,020.6	5.9	71,887.4	5.7	76,373.2	6.2
3. GDP (at current market price)	1,17,095.1	13.6	1,30,169.0	11.2	1,40,304.5	7.8	1,54,823.4	10.4	1,74,925.5	13.0
4. Gross Investments (at current market price)	19,463.1 16.6*	22.5	22,126.0 17.0*	13.6	24,246.7 17.3*	9.6	27,556.3 17.8*	13.6	31,080.9 18.8*	12.8
5. Gross Domestic Savings (at current market price)	9,641.4 8.2**	35.6	9,781.6 7.5**	1.5	10,540.4 7.5**	7.8	13,312.6 8.6**	26.3	14,821.3 8.5**	11.3
6. Sectoral Break up of GDP (at constant 1984-85 market price)	Share in GDP		Share in GDP		Share in GDP		Share in GDP		Share in GDP	
	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage	Amount	In Percentage
a) Agriculture	19,902.2	32.6	20,712.6	32.3	22,045.6	32.4	22,695.8	31.6	23,906.0	31.5
		(−1.0)		(3.7)		(6.4)		(2.9)		(5.0)
b) Industry	6,916.5	11.3	7,282.3	11.3	7,540.1	11.1	8,260.1	11.5	8,464.2	11.2
		(8.6)		(5.3)		(3.5)		(9.5)		(2.5)
c) Construction	3,859.3	6.3	4,014.8	6.3	4,209.8	6.2	4,504.5	6.3	4,797.3	6.3
		(7.0)		(4.0)		(4.9)		(7.0)		(6.5)
d) Gas, Electricity, Water and Sanitary	1,113.8	1.8 (11.3)	1,243.0	1.9 (9.9)	1,256.8	1.8 (1.1)	1,304.8	1.8 (3.8)	1,336.1	1.8 (2.4)
e) Others	29,087.4	47.7	30,988.6	48.2	32,968.3	48.4	35,102.1	48.8	37,139.5	49.2
		(6.9)		(6.5)		(6.4)		(6.5)		(5.8)
Total :	60,979.3	100.0	64,244.1	100.0	68,020.6	100.0	71,887.4	100.0	76,373.2	100.0

Source : Bangladesh Bureau of Statistics.
Note : Figures in brackets indicate sectoral growth rate.
* Gross investment as percentage of GDP at current market price.
** Gross domestic savings as percentage of GDP at current market price.

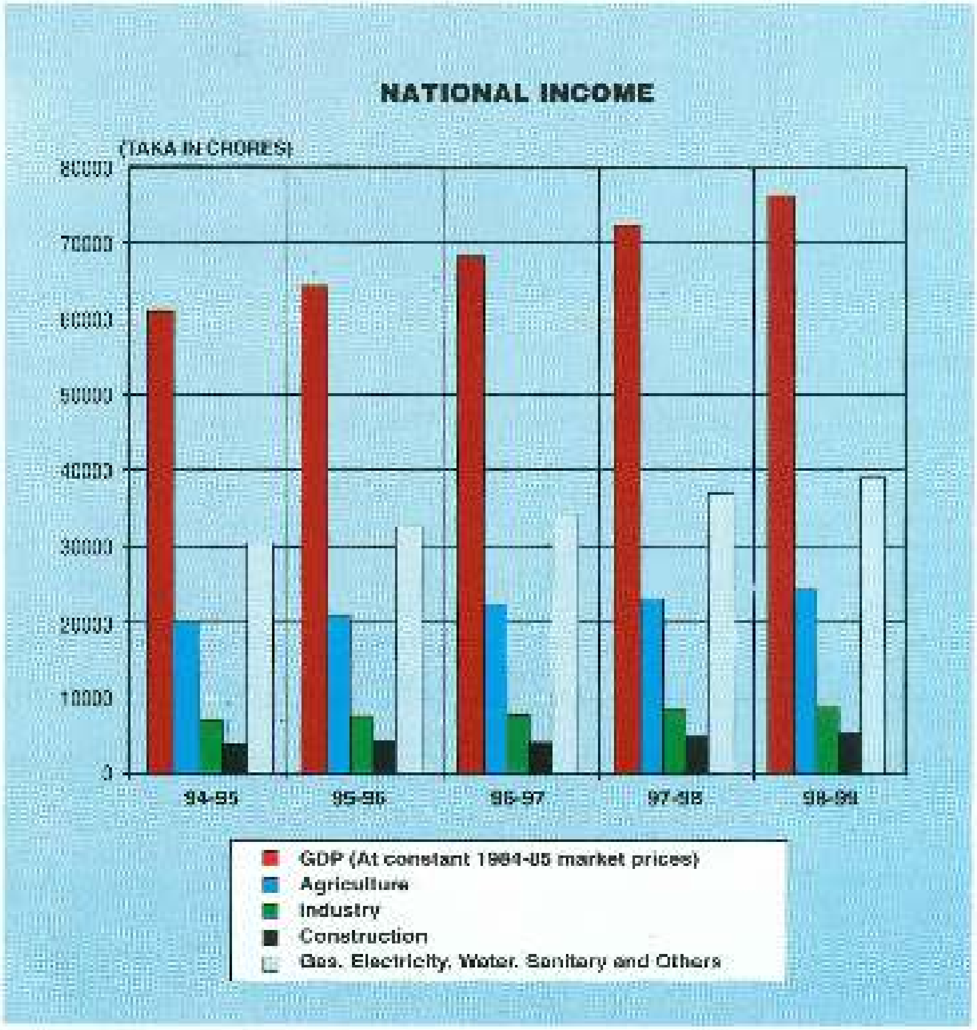

NATIONAL INCOME
(TAKA IN CRORES)
80000
70000
60000
50000
40000
30000
20000
10000
0
94-95
95-96
96-97
97-98
98-99
GDP (At constant 1984-85 market prices)
Agriculture
Industry
Construction
Gas, Electricity, Water, Sanitary and Others

TABLE — II

GOVERNMENT FINANCE AND ANNUAL DEVELOPMENT PROGRAMME (ADP)

(Taka in Crores)

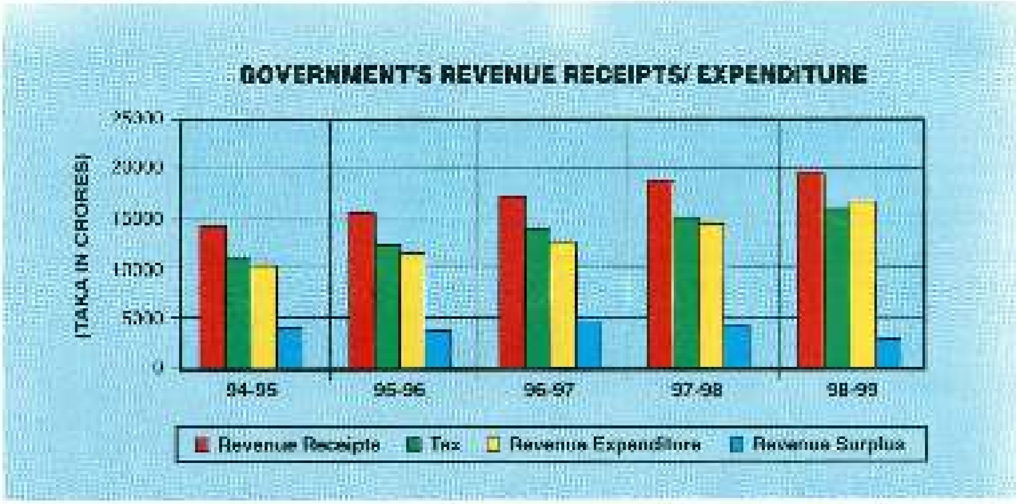
Sectors	1994-95	As percentage	1995-96	As percentage	1996-97	As percentage	1997-98	As percentage	1998-99	As percentage
1	2	3	4	5	6	7	8	9	10	11
1. **Revenue Receipts**	14,213	100.00	15,512	100.00	17,145	100.00	18,277	100.00	19,700	100.00
a) Tax	11,110	78.18	12,233	78.86	14,074	82.09	15,001	79.82	15,855	80.48
b) Non-Tax	3,103	21.82	3,279	21.14	3,071	17.91	3,276	20.18	3,845	19.52
2. **Revenue Expenditure**	10,300		11,874		12,635		14,000		16,765	—
3. **Revenue Surplus (+)**	3,913	32.07	3,638	31.31	4,510	35.43	4,277	34.42	2,935	19.73
Revenue Deficit (-)	—	—	—	—	—	—	—	—	—	—
4. Foreign Grants	2,625	21.58	3,005	25.44	2,951	23.32	2,886	23.23	3,532	23.84
5. Foreign Loans	4,359	35.83	3,676	31.13	3,444	27.22	3,818	30.73	5,332	35.79
6. Domestic Capital Budget (Net)	402	3.30	960	8.13	1,309	10.34	1,162	9.35	1,260	8.50
7. T & T Bonds*	235	1.93	325	2.75	185	1.46	111	0.89	150	1.01
8. Self Financing by Autonomous Bodies	182	1.49	150	1.27	155	1.23	170	1.37	184	1.24
9. Bank Credit	470	3.86	—	—	—	—	—	—	1,465	9.83
10. Resource (Non Budget)	—	—	—	—	—	—	—	—	—	—
11. Public Account (Net)	—	—	—	—	—	—	—	—	—	—
12. **Capital Receipts** (3+4+5+6+7+8+9+10+11)	12,183	100.00	11,810	100.00	12,654	100.00	12,424	100.00	14,898	100.00
13. Use of Capital (A+B+C+D+E)	12,183	100.00	11,810	100.00	12,654	100.00	12,424	100.00	14,898	100.00
A. Annual Development Programme (ADP)	11,160	91.46	10,447	88.46	11,700	92.46	12,200	98.20	14,000	93.97
i) Domestic	(4,905)	(43.03)	(4,414)	(42.25)	(5,025)	(42.95)	(5,521)	(45.25)	(5,812)@	(41.51)
ii) Foreign	(6,255)	(56.97)	(6,033)	(57.75)	(6,675)	(57.05)	(6,679)	(54.75)	(8,188)	(58.49)
B. Food for Works Programme of Development Budget (Non-ADP)	690	5.66	540	4.57	811	6.41	—	—	305	2.05
C. Non-ADP Projects	89	0.73	218	1.85	87	0.69	25	0.20	151	1.01
D. Net Outlay in Food Operation	264	2.16	605	5.12	56	0.44	199	1.60	441	2.96
E. Others	—	—	—	—	—	—	—	—	—	—

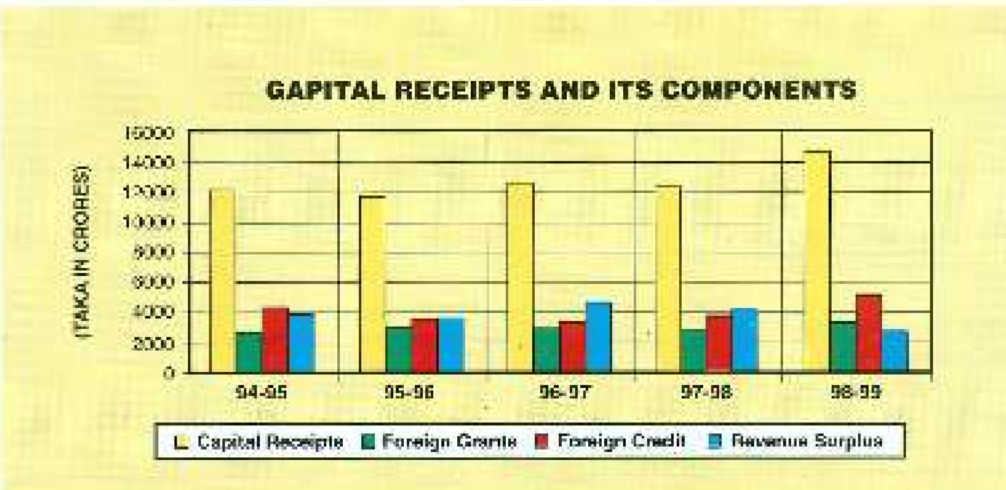
Source : Budget Summary Statements of 1995-96 to 1999-2000, Ministry of Finance.

@ : Including Tk. 1,465.00 crores financed from banking system.

* : Sold to Banks.

— : Nil.


GOVERNMENT'S REVENUE RECEIPTS/ EXPENDITURE
(TAKA IN CRORES)
25000
20000
15000
10000
5000
0
94-95
95-96
96-97
97-98
98-99
Revenue Receipts
Tax
Revenue Expenditure
Revenue Surplus


GAPITAL RECEIPTS AND ITS COMPONENTS
(TAKA IN CRORES)
16000
14000
12000
10000
8000
6000
4000
2000
0
94-95
95-96
96-97
97-98
98-99
Capital Receipts
Foreign Grants
Foreign Credit
Revenue Surplus

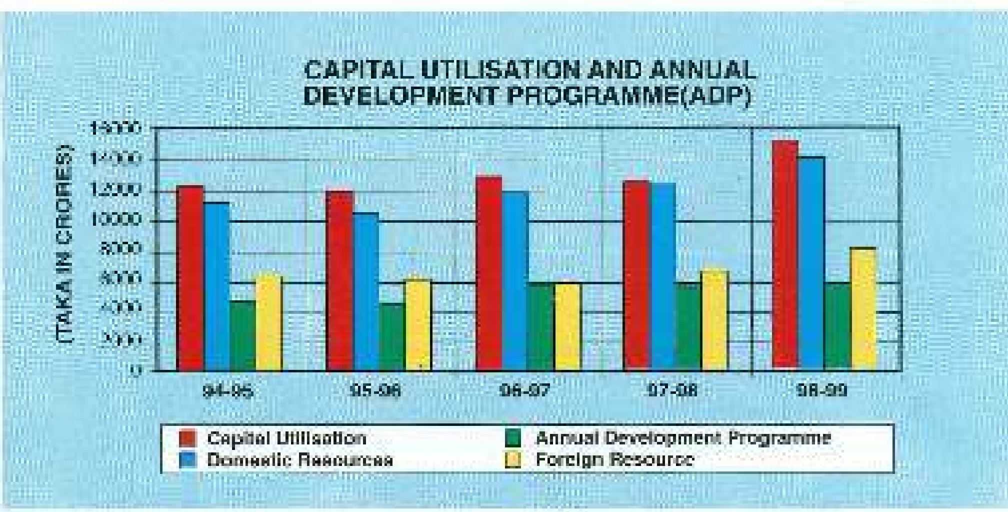

CAPITAL UTILISATION AND ANNUAL DEVELOPMENT PROGRAMME(ADP)
(TAKA IN CRORES)
16000
14000
12000
10000
8000
6000
4000
2000
0
94-95
95-96
96-97
97-98
98-99
Capital Utilisation
Domestic Resources
Annual Development Programme
Foreign Resource

TABLE-IV

MONEY, CREDIT AND PRICE INDEX

(Taka in Crores)

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
1	2	3	4	5	6
1. Broad Money(M_2)*	42,267.90 (16.11)	45,760.00 (8.26)	50,711.00 (10.82)	55,869.10 (10.17)	63,026.70 (12.81)
2. Total Domestic Credit*	**36,085.30**[@] (17.55)	**43,452.40**[@] (20.42)	**49,396.60**[@] (13.68)	**55,640.20**[@] (12.64)	**62,907.80**[@] (13.06)
A) Government Sector@ (Including Public Sector)	10,027.60 (3.13)	11,792.60 (17.60)	13,891.70 (17.80)	15,522.20 (11.74)	17,269.60 (11.26)
B) Government Sector@	4,614.00 (−1.45)	6,310.20 (36.76)	8,017.20 (27.05)	9,272.00 (15.66)	11,248.60 (21.32)
C) Public Sector	5,413.60 (7.40)	5,482.40 (1.27)	5,874.50 (7.15)	6,250.20 (6.40)	6,021.00 (−3.67)
D) Private Sector	26,057.70 (24.25)	31,659.80 (21.50)	35,504.90 (12.15)	40,118.00 (12.99)	45,638.20 (13.76)
3. Broad Money as % of GDP (at current market prices)	36.12	35.16	36.14	36.08	36.03[P]
4. General Consumer Price Index at National Level (Twelve-Month Average, Base : 1985-86 = 100)	178.40 (8.87)	190.27 (6.65)	195.07 (2.52)	208.71 (6.99)	227.29 (8.91)

Sources : (1) Statistics Department, Bangladesh Bank and (2) Bangladesh Bureau of Statistics.

Note : Figures in the parentheses indicate annual percentage changes.

* Figures correspond to end-June.

@ Include adjustment of bonds issued by the Government.

P Provisional.

TABLE-V

RESERVE MONEY AND ITS COMPONENTS

(Taka in crores)

Year (End- June)	Currency Outside Banks	Cash in Tills of the Scheduled Banks	Balances of the Scheduled Banks with the Bangladesh Bank*	Reserve Money (2+3+4)
1	2	3	4	5
1976-77	356.30	65.50	124.40	546.20
1977-78	504.30	66.40	115.80	686.50
1978-79	613.30	80.00	162.80	856.10
1979-80	693.40	103.20	247.00	1,043.60
1980-81	934.80	126.20	294.10	1,355.10
1981-82	877.50	135.60	267.20	1,280.30
1982-83	1,138.60	146.50	338.70	1,623.80
1983-84	1,556.30	235.50	443.90	2,235.70
1984-85	1,722.90	275.70	676.70	2,675.30
1985-86	1,953.10	338.40	979.50	3,271.00
1986-87	2,075.60	361.30	1,303.20	3,740.10
1987-88	2,415.00	402.30	2,240.20	5,057.50
1988-89	2,615.60	432.50	2,420.70	5,468.80
1989-90	3,188.30	506.00	2,623.00	6,317.30
1990-91	3,611.80	623.90	2,265.00	6,500.70
1991-92	4,072.60	598.70	2,150.80	6,822.10
1992-93	4,480.10	538.90	3,925.80	8,944.80
1993-94	5,416.00	691.50	5,200.40	11,307.90
1994-95	6,565.10	623.40	3,441.50	10,630.00
1995-96	7,123.30	776.00	3,103.70	11,003.00
1996-97	7,574.60	880.10	3,939.80	12,394.50
1997-98	8,153.30	923.30	4,541.00	13,617.60
1998-99	8,686.60	1,026.90	5,029.20	14,742.70

Source : Statistics Department, Bangladesh Bank

Note : Prepared on the basis of changed classification from 1987-88.

* Include deposits under Wage Earners' Clearing Account

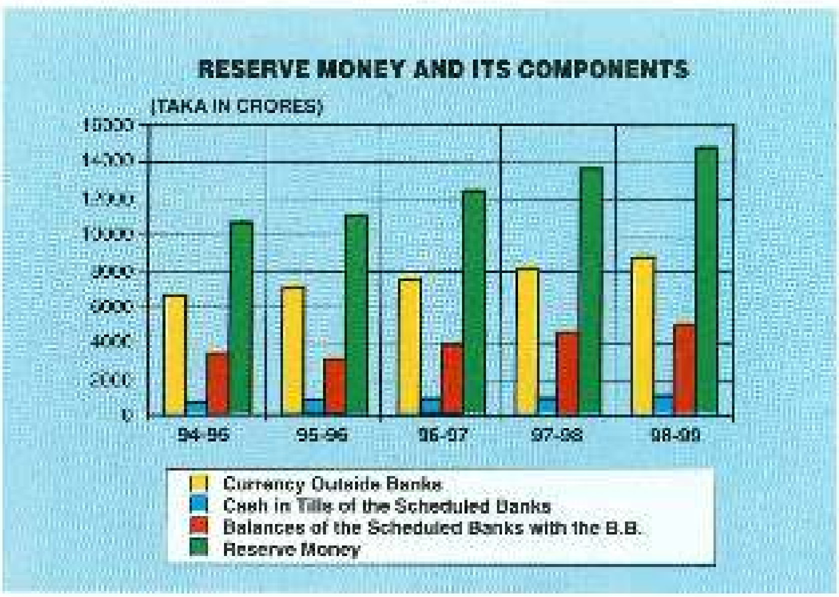


TABLE-VI

RESERVE MONEY AND ITS SOURCES

(Taka in Crores)

Year (End-June)	Bangladesh Bank's Claims on: Government	Scheduled Banks	Other Official Entities and Financial Institutions	Total (2+3+4)	Net Foreign Assets	Other Assets (Net)	Reserve Money (5+6+7)
1	2	3	4	5	6	7	8
1975-76	723.70	101.90	30.60	856.20	-88.90	-305.20	462.10
1976-77	636.30	121.30	30.50	788.10	62.40	-304.30	546.20
1977-78	766.20	231.30	35.60	1,033.10	-34.70	-311.00	686.90
1978-79	734.40	373.60	90.90	1,198.90	56.20	-399.00	856.10
1979-80	850.60	708.40	101.60	1,660.60	-231.10	-386.10	1,043.60
1980-81	1,477.90	912.30	242.70	2,632.90	-622.30	-675.50	1,335.10
1981-82	1,591.10	1,335.60	299.70	3,226.40	-1,359.90	-576.50	1,290.00
1982-83	1,420.80	1,321.00	265.20	3,007.00	-752.70	-631.30	1,623.00
1983-84	1,351.00	1,377.20	529.00	3,258.40	-214.70	-808.00	2,235.70
1984-85	1,424.60	2,107.60	677.40	4,209.60	-252.60	-1,281.70	2,675.30
1985-86	1,730.90	2,446.60	970.60	5,133.90	-420.30	-1,412.30	3,271.00
1986-87	1,363.60	2,134.30	854.60	4,352.50	76.40	-1,134.30	3,741.60
1987-88	2,345.20	2,552.80	874.40	5,772.40	534.70	-1,249.20	5,057.90
1988-89	998.00	3,136.40	933.80	5,068.20	448.20	-49.80	5,466.60
1989-90	1,378.30	3,921.00	828.10	6,527.40	-281.90	54.00	6,317.20
1990-91	1,377.70	3,966.00	902.60	6,549.30	1,107.20	-1,105.90	6,550.70
1991-92	1,196.90	3,373.00	902.00	5,472.00	3,399.00	-2,037.30	6,822.10
1992-93	1,447.80	2,897.30	882.00	5,227.00	5,887.60	-1,950.40	9,044.60
1993-94	1,330.60	2,576.70	1,335.00	5,222.20	8,250.80	-2,165.10	11,307.90
1994-95	1,254.00	2,735.80	1,356.80	5,346.60	8,564.10	-3,278.70	10,632.00
1995-96	3,036.80	3,403.70	1,105.50	7,546.00	5,388.70	-2,031.70	11,006.00
1996-97	4,488.90	3,600.30	1,102.60	9,191.80	5,312.10	-1,800.40	12,304.50
1997-98	5,235.50	3,749.40	1,404.80	10,389.70	5,308.80	-2,228.30	13,617.60
1998-99	6,359.90	4,622.60	1,365.80	12,348.30	4,733.10	-2,314.70	14,742.70

Source: Statistics Department, Bangladesh Bank.

Note: Prepared on the basis of changed classification from 1987-88.

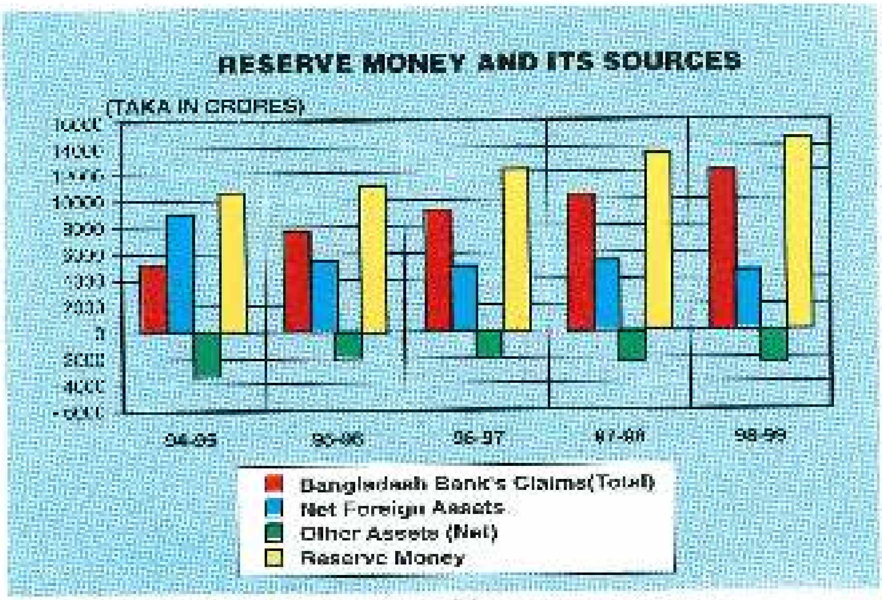


TABLE-VII

DEPOSITS OF PUBLIC AND PRIVATE SECTOR

(Taka in Crores)

Month/Year	Demand Deposits @			Time Deposits @		
	Public*	Private	Total	Public*	Private@@	Total
1	2	3	4	5	6	7
June, 1985	748.9	1,960.2	2,709.1	2,232.9	4,197.0	6,429.9
	(27.64)	(72.36)		(34.73)	(65.27)	
June, 1986	853.7	2,417.6	3,271.3	2,350.5	5,177.9	7,528.4
	(26.10)	(73.90)		(31.22)	(68.78)	
June, 1987**	1,000.8	2,521.1	3,521.9	2,853.6	6,428.8	9,282.4
	(28.42)	(71.58)		(30.74)	(69.26)	
June, 1988	987.4	2,152.7	3,140.1	2,983.6	9,020.0	12,003.6
	(31.44)	(68.56)		(24.86)	(75.14)	
June, 1989	833.0	2,433.9	3,266.9	3,924.4	10,668.8	14,593.2
	(25.50)	(74.50)		(26.89)	(73.11)	
June, 1990	880.1	2,797.4	3,677.5	4,038.5	12,765.2	16,803.7
	(23.93)	(76.07)		(24.03)	(75.97)	
June, 1991	1,108.8	3,188.8	4,297.6	4,146.7	14,634.0	18,780.7
	(25.80)	(74.20)		(22.08)	(77.92)	
June, 1992	1,144.5	3,709.6	4,854.1	5,418.9	16,287.5	21,706.4
	(23.58)	(76.42)		(24.96)	(75.04)	
June, 1993	1,293.1	4,144.1	5,437.2	5,892.9	18,416.3	24,309.2
	(23.78)	(76.22)		(24.24)	(75.76)	
June, 1994	1,542.1	5,050.2	6,592.3	6,982.7	20,363.0	27,345.7
	(23.39)	(76.61)		(25.53)	(74.47)	
June, 1995	1,601.2	6,096.2	7,697.4	7,958.7	23,583.3	31,542.0
	(20.80)	(79.20)		(25.23)	(74.77)	
June, 1996	1,514.2	6,772.1	8,286.3	8,722.9	24,927.2	33,650.1
	(18.27)	(81.73)		(25.92)	(74.08)	
June, 1997	1,791.6	6,945.5	8,737.1	8,469.6	29,432.0	37,901.6
	(20.51)	(79.49)		(22.35)	(77.65)	
June, 1998	1,953.9	7,068.9	9,022.8	9,619.8	33,249.4	42,869.2
	(21.66)	(78.34)		(22.44)	(77.56)	
June, 1999	2,049.0	7,938.4	9,987.4	10,625.1	38,621.5	49,246.6
	(20.52)	(79.48)		(21.58)	(78.42)	

Source : Statistics Department, Bangladesh Bank

@ Exclude inter-bank items

@@ Include Wage Earners' Deposits

* Include Government Deposits

** Prepared on the basis of changed classification from June, 1987.

Note : Figures in the parentheses indicate percentage of total demand/time deposits.

TABLE-VIII

COMPARATIVE POSITION OF SCHEDULED BANKS

(Taka in Crores)

Particulars	June 30, 1995	June 30, 1996	June 30, 1997	June 30, 1998	June 30, 1999
1	2	3	4	5	6
1. Bank Deposits*	**38,128.60**	**41,936.50**	**46,538.60**	**51,890.40**	**59,234.00**
(A) Demand Deposits	6,614.30	7,336.10	7,592.40	7,735.20	8,562.80
(B) Time Deposits	28,088.50	31,300.60	35,544.00	39,980.80	45,777.30
(C) Restricted Deposits	1.90	3.70	3.10	2.00	2.30
(D) Government Deposits	3,423.90	3,296.10	3,399.10	4,172.30	4,891.60
2. Borrowings from the Bangladesh Bank	3,001.50	3,622.30	3,928.50	4,041.40	4,956.20
3. Cash in tills	623.40	778.00	880.10	923.30	1,026.90
4. Balances with the Bangladesh Bank	3,514.90	2,989.40	3,717.90	4,339.40	5,244.60
5. Balances with Other Banks in Bangladesh in Current Account	1,112.20	1,084.50	2,001.50	1,930.80	2,885.20
6. Money at Call and Short Notice in Bangladesh	352.00	322.50	351.60	772.80	852.50
7. Total Investments@	**7,975.50**	**7,819.20**	**8,239.40**	**9,019.00**	**10,438.50**
(A) Government Securities and Treasury Bills	6,299.80	6,178.50	6,628.60	7,633.20	8,929.30
(B) Others	1,675.70	1,640.70	1,610.80	1,385.80	1,509.20
8. Bank Credit**	**29,207.10**	**34,681.20**	**38,958.90**	**44,077.90**	**49,522.80**
(A) Advances in Bangladesh	28,085.90	33,448.20	37,277.60	42,072.30	47,482.60
(B) Inland Bills Purchased and Discounted in Bangladesh	1,121.20	1,233.00	1,681.30	2,005.50	2,040.20
9. Credit/Deposit Ratio (Excluding Specialised Banks)	0.70	0.77	0.79	0.78	0.76

Source : Statistics Department, Bangladesh Bank.

* Exclude items.

** Excludes inter-bank items and foreign bills.

@ Include Bonds inter-bank Issued by the Government.

TABLE-IX

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

(1) **The Bank Rate :** The Bank Rate remained unchanged at 8.0 percent from 24-11-97 up to 30.6.99.

(2) **Interest Rate Bands and Rate of Subsidy on Advances :**

(In percentage)

Category of Loans	Interest Rate Bands*	Rate of Subsidy
	April 25, 1994 to June 30, 1999	January 30, 1993 to June 30, 1999
1	2	3
1. Agriculture	10.00–14.00	—
2. Export	8.00–10.00	
3. Small and Cottage Industries (term loan)	9.00–12.00	2.00

Source : Banking Regulation and Policy Department, Bangladesh Bank.

* The bands of interest rates for all lending categories except lending to Agriculture, Export and Small and Cottage Industries were withdrawn since April 1, 1992 and in those cases the rates of interest would be decided by the banks themselves.

– = Nil.

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

3. Interest Rate Declared by the Scheduled Banks

(percent per annum)

Category of deposits and Advances	30.6.99*										
	Nationalised Commercial Banks				Specialised Banks				Private Banks		
	Sonali	Janata	Agrani	Rupali	BKB	RAKUB	BSB	BASIC	City	UCBL	ABBL
1	2	3	4	5	6	7	8	9	10	11	12
Deposits											
a) Savings Deposits											
Rural	7.75	7.50	7.75	7.50	8.00	8.00	7.75	–	8.00	8.00	8.00
Urban	7.75	7.50	7.75	7.50	8.00	8.00	7.25	7.00	8.00	8.00	8.00
b) Fixed/Term Deposits											
3 months and above but less than 6 months	8.75	8.50	8.50	8.25	8.50	8.50	8.50	9.00	8.25	8.25	9.00
6 months and above but less than 1 year	8.50	8.75	8.75	8.50	8.75	8.75	8.75	9.50	9.00	8.50	9.25
1 year and above but less than 2 years	8.75	9.00	9.00	8.75	9.00	9.00	9.00	10.00	9.00	9.00	10.00
2 years and above but less than 3 years	9.25	9.50	9.50	9.25	9.25	9.25	9.50	10.25	9.50	9.50	10.25
3 years and above	9.75	9.50	9.75	9.25	10.00	9.75	9.75	10.50	10.00	–	[illegible]
Advances											
1. Agriculture	13.5-13.75	13.5-13.75	13.75	13.75	12-14	14.00	–	15.00	11.5-14	14.00	10-14
2. Large & Medium Scale Industry (Term Loan)	14.50	14.50	14.50	14.50	13.5-15	13-18	15.00	12-15	15.50	15.50	15-16
3. Working Capital	15.50	15.50	15.50	15.5-16	11.5-15	15.00	15.5-16	15.00	11.5-16	16.50	15-16.5
4. Export Credit	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
5. Other Commercial Lending	16.00	15.00	16.00	16.00	15.50	15.50	15.00	16.00	14-16.5	15.50	14-15.5
6. Small Industry	11.00	11.50	11.50	11.00	9.5-11.5	11.00	12.00	–	12.00	12.00	11.00
7. Others	12-18	12-16	11-16	13-18	14-18	14.50	16-18	15.00	14.5-15.5	16.50	13.5-15.5
Effective From :	(1.7.97)	(22.6.97)	(1.8.97)	(1.8.97)	(1.7.97)	(1.7.97)	(1.1.98)	(1.7.98)	(25.9.97)	(1.9.97)	(1.1.99)

Source : Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till June 30, 1999 from the effective date.

– = Nil.

TABLE-IX (Contd.)

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

5. Interest Rate Declared by the Scheduled Banks

(percent per annum)

Category of deposits and Advances	30-6-99*									
	Private Banks									
	IFIC	National	Uttara	Pubali	Eastern	NCCBL	Dhaka Bank	South East	Prime Bank	Dutch Bangla
	13	14	15	16	17	18	19	20	21	22
Deposits										
A) Savings Deposits										
Rural		7.25	7.75	6.50						
Urban	7.50	7.25	7.75	6.50	7.25-7.5	7.00	8.00	8.00	6.50	7.00
B) Fixed/Term Deposits										
3 months and above but less than 6 months	8-9	8.00	8.25	7.75	8.5-8.75	8.50	9.25	8.25-9	9.00	8.00
6 months and above but less than 1 year	8.25-9.25	8.25	8.75	8.00	9-9.25	8.50	9.50	8.5-9.5	9.15	8.25
1 year and above but less than 2 years	8.5-9.5	9.00	9.00	8.25	8.5-9.25	9.75	9.75	9-10	9.50	8.50
2 years and above but less than 3 years	9-10	9.25	9.50	8.25	—	10.00	9.75	9.5-10.5	10.00	8.75
3 years and above	9.5-10.5	9.25	9.75		—	10.25	9.75	10.5-11	10.50	9.00
Advances										
1. Agriculture	13.75	15.00	14.00	13.00	14.00	14.00	13.00	12-14	12.00	12.50
2. Large & Medium Scale industry (Term Loan)	17.00	15.00	15.00	15.00	16.00	16.00	12-15	13-15.5	14.00	15.00
3. Working Capital	15.00	15.50	15.5-16.5	14-15	14.5-16	16.00	12-15	14-15.5	14.00	14-15
4. Export Credit	10.00	10.00	10.00	10.00	10.00	10.00	9-10	10.00	10.00	10.00
5. Other Commercial Lending	15.5-16.5	16.00	16.00	16.00	16.00	16.00	13-16	15-15.5	14.00	15.00
6. Small industry	15.00	12.00	15.00	15.00	16.00	15.00	14.00	14.00	13.00	15.00
7. Others	15.5-16.5	16.50	15.5-16.5	15-17	16.00	16.00	13-16	13-15	17.00	15.50
Effective From :	(2-5-98)	(1-8-97)	(1-1-98)	(1-2-97)	(20-9-98)	(1-7-97)	(1-6-97)	(1-4-97)	(1-2-97)	(1-1-97)

Source : Banking Regulation and Policy Department, Bangladesh Bank.

* Interest rates which remained unchanged till June 30, 1999 from the effective date.

— : Nil

INTEREST RATE STRUCTURE OF THE BANKING SECTOR IN BANGLADESH

3. Interest Rate Declared by the Scheduled Banks

(percent per annum)

Category of deposits and Advances	30-6-99*												
	Foreign Banks												
	American Express	Grindlays	C.A. Indosuez	Standard Chartered	State Bank of India	Habib Bank	NBP	MCB	City Bank N.A.	The Bank of Nova Scotia	Hanvit Bank limited	[illegible]	Faysal Islamic Bank of Bahrain
	23	24	25	26	27	28	29	30	31	32	33	34	35
Deposits													
i) Savings Deposits													
Rural				–	–	–	–	–	–	–	–	–	–
Urban	6.50	5.50+	6.50	6.50	6.50	7.00	7.25	7.50	6.00	6.75-7.5	6.50	6.5-7.25	7.00
ii) Fixed/Term Deposits													
3 months and above but less than 6 months	7-8	7.75+	8.00	9-11	8-9.5	8-9	9-9.5	8.5-10.25	9-9.5	9-9.5	7.50	6-7.5	7.5-10
6 months and above but less than 1 year	7.25-8.25	7.75+	8.50	9.25-11.25	7.50	8.5-9.5	8.25-8.75	8.75-10.75	9.25-10	9.5-10	8.00	8.5-10.7	8.5-10.5
1 year and above but less than 2 years	7.5-8.5	9.00+	9.00	9.5-11.5	8.50-10	8.75-10	8.5-9	9.25-11.5	–	–	8.50	8.00-11	9-11.5
2 years and above but less than 5 years	9-10	9.25+	9.50	9.5-11.5	9-10.5	9-10.75	9-9.5	–	–	–	9.00	8.5-9.5	10-12
5 years and above	10-11	9.50+	9.75	–	9.5-11	9.25-10.5	–	–	–	–	9.00	–	10.5-12.5
Advances													
1. Agriculture	12-14	10-12	11.00	10-12	15.00	11.00	12-14	14.00	12-14	14.00	10-12	12.5-14	10-14
2. Large & Medium Scale Industry (Term Loan)	9.25-14.75	12.50+	14.50	10.5-12.5	10-15.5	15.00	15.00	13-15	13-15	11-17	10.5-12.5	15-16	13-18
3. Working Capital	11.75-14.75	9.00+	14.50	11-14	12-15.5	13-15.5	11-15.5	11-14.5	10-16	10-16	10-12	12-18	12-17
4. Export Credit	8-10	8-10	10.00	8-10	10.00	10.00	8-10	10.00	8-10	8-10	10.00	9-10	10.00
5. Other Commercial Lending	12.5-15.5	12.00+	15.00	13-15	15.00	15.50	13-17	13-15	10-16	11-17	14.00	12-18	12-18
6. Small Industry	9-12	9-12	12.00	10-12	–	–	9-12	11.00	10-12	10-12	11.00	10-12	10-12
7. Others	11.75-16	13.00+	15.00	12-14	16.00	15.50	–	13-15	11.5-16.5	10.5-16.5	12-14	9-16	10-16
Effective From :	(1-7-98)	(15-2-99)	(10-5-99)	(12-1-99)	(1-7-98)	(30-6-99)	(17-12-97)	(1-7-98)	(23-6-99)	(3-1-99)	(1-2-97)	(1-1-99)	(1-1-99)

Source : Banking Regulation and Policy Department, Bangladesh Bank

* Interest rates which remained unchanged till June 30, 1999 from the effective date.

– = Nil

TABLE-X

STATEMENT OF VARIOUS TYPES OF BONDS ISSUED BY THE GOVERNMENT

(Taka in Crores)

Sl. No.	Name of Bonds	Objectives	Outstanding as on June 30, 1999
1	2	3	4
1.	3-Year (T&T) Treasury Bond-1999 bearing 8.8-10.0 percent interest	To finance the installation of one lakh thirty thousand digital telephone lines	125.00
2.	3-Year (T&T) Treasury Bond-2002 bearing 9.0 percent interest	To finance the installation of one lakh thirty thousand (extended 2 lakh) digital telephone lines	95.00
3.	10-Year Treasury Bond-2005 (Jute Sector) bearing 7.0 percent interest	To reimburse the loss against interim working capital in Jute sector	1.91
4.	10-Year Treasury Bond-2006 bearing 7.0 percent interest	To reimburse the loss against interim working capital in Jute sector	170.42
5.	10-Year Treasury Bond-2005 & 2006 bearing 7.0 percent interest	To reimburse the loss against interim working capital in Jute sector	52.02
6.	25-Year Treasury Bond-2018 bearing 5.0 percent interest	To compensate for the liquidation of Jute sector credit	455.06
7.	25-Year Treasury Bond-2019 bearing 5.0 percent interest	To compensate for the liquidation of Jute sector credit	315.55
8.	25-Year Treasury Bond-2020 bearing 5.0 percent interest	To reimburse one-third of the debt due to Jute mills' loan write-off by the private banks	58.19
9.	3-Year Autonomous Bodies' Bank Credit Treasury Bond-2001 bearing 7.0 percent interest	To repay the bank credit of Bangladesh Textile Mills Corporation against the privatized textile mills	25.66

TABLE-X (Contd.)

STATEMENT OF VARIOUS TYPES OF BONDS ISSUED BY THE GOVERNMENT

(Taka in Crores)

Sl. No.	Name of Bonds	Objectives	Outstanding as on June 30, 1999
1	2	3	4
10.	5-Year (Biman) Treasury Bond-2000 bearing 4.0 & 5.0 percent interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation	57.00
11. (A)	5-Year (Biman) Treasury Boand-2002 bearing 8.0 percent interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (1st phase)	15.00
(B)	5-Year (Biman) Treasury Bond-2002 bearing 9.0 percent interest	For financing the puchase of two airbuses of the Bangladesh Biman Corporation (2nd phase)	35.00
12. (A)	5-Year (Biman) Treasury Bond-2003 bearing 8.0 percent interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (1st phase)	20.00
(B)	5-Year (Biman) Treasury Bond-2003 bearing 9.0 percent interest	For financing the purchase of two airbuses of the Bangladesh Biman Corporation (2nd & 3rd phase)	76.00
13	5-Year (BSRS) Treasury Bond-2000 bearing 8.5 percent interest	To restructure BSRS and transform it into a profitable institution	50.00
14.	15-Year Special Treasury Bond bearing 5.0 percent interest	To meet the shortfall in provisioning against the bad loans and recapitalization of nationalized banks	1,729.13
15.	15-Year Treasury Bond-2008 bearing 5.0 percent interest	To meet the shortfall due to agricultural loan write-off and the shortfall in provisioning against bad loans of Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank Ltd.	500.00

TABLE-X (Concld.)

STATEMENT OF VARIOUS TYPES OF BONDS ISSUED BY THE GOVERNMENT

(Taka in Crores)

Sl. No.	Name of Bonds	Objectives	Outstanding as on June 30, 1999
1	2	3	4
16.	15-Year Treasury Bond 2011 bearing 5.0 percent interest	To meet the shortfall of agricultural loan write-off (BKB)	145.00
17.	10-Year Bangladesh Shipping Corporation Credit Bond-2008 bearing 8.0 percent interest	To Repay the loan of Bangladesh Shipping Corporation to different Commercial Banks	103.30
18.	Government of Bangladesh Loan-2002 bearing 9.0 percent interest	To sustain the trend of economic development of the economy and to control inflation in the economy	69.75
19.	G.P Notes/Stock Certificates	Bonds of the former Pakistan Government and its Provincial Governments liabilities of which have been accepted by the Government of Bangladesh but awaiting redemption to the Bangladeshi nationals and institutions	2.29
20.	5-Year Wage Earners' Development Bond bearing 12.0 percent (compound) interest	To encourage wage earners to invest in the country	816.88
21.	3-Year National Investment Bond bearing 8.5 percent interest	For investment of a fixed portion of income of taxpayers who enjoy 'Tax Holiday'	316.10
Total :			5,228.26

Source : Currency Management and Accounts Department, Bangladesh Bank.

TABLE-XI

BALANCE OF PAYMENTS*

(In million US $)

Items/Sectors	1994-95	1995-96	1996-97	1997-98	1998-99
1	2	3	4	5	6
TRADE BALANCE	**−2,361**	**−3,063**	**−2,735**	**−2,352**	**−2,694**
Export f.o.b. (including EPZ)[1/]	3,473	3,884	4,427	5,172	5,324
Import c.i.f. (including EPZ)[2/]	−5,834	−6,947	−7,162	−7,524	−8,018
Service (net)	−89	−104	163	182	198
Receipts	657	553	653	707	707
Payments	−746	−657	−490	−525	−509
Income (net)	−41	55	−107	−100	−135
Receipts	162	253	89	91	91
Payments	−203	−198	−196	−191	−226
Current transfers	1,827	1,821	2,145	2,017	2,237
Official [3/]	401	346	375	267	262
of which, food	137	136	101	99	177
Private	1,426	1,475	1,770	1,750	1,975
of which, workers' remittances	1,199	1,217	1,475	1,525	1,706
CURRENT ACCOUNT BALANCE	−664	−1,291	−534	−253	−394
Capital Account (Net)	489	331	360	304	346
Capital transfers	489	331	360	304	346
Financial account	706	447	331	760	469
Direct investments[4/]	6	7	16	249	198
Portfolio investments	61	−21	−132	3	−6
Other investments	639	461	447	508	277
MLT loans	849	767	746	748	837
MLT amortization payments	−314	−316	−316	−308	−341
Other long term loans (net)	−8	33	50	−50	−30
Other short term loans (net)	112	−23	−33	118	−219
Error and omissions[5/]	−78	−504	−326	−729	−394
OVERALL BALANCE	452	−1,017	−169	82	−171
Financial Items	−452	1,017	169	−82	171
Bangladesh Bank[6/]	−277	941	197	−131	218
Assets	−274	1,062	325	−14	205
Liabilities	−3	−121	−128	−117	13
of which, Fund purchases	0	0	0	0	136
Fund repurchases	−50	−86	−110	−98	−111
Commercial Bank's (net)	−175	76	−28	49	−47

Source : Statistics Department, Bangladesh Bank.

* Prepared according to the 5th manual of IMF.

1/ On the basis of shipment. Including goods procured in ports and repairs on goods.

2/ On the basis of exchange records. Includes goods procured in ports, repairs on goods.

3/ Foods and commodity grants including Technical Assistance.

4/ Only cash flow through banking channel. From 1997-98 it also includes investments in the form of cash and equipment under gas and electricity.

5/ Including excess of shipment over actual receipts from exports.

6/ Consistent with monetary survey data, including NFCD account.

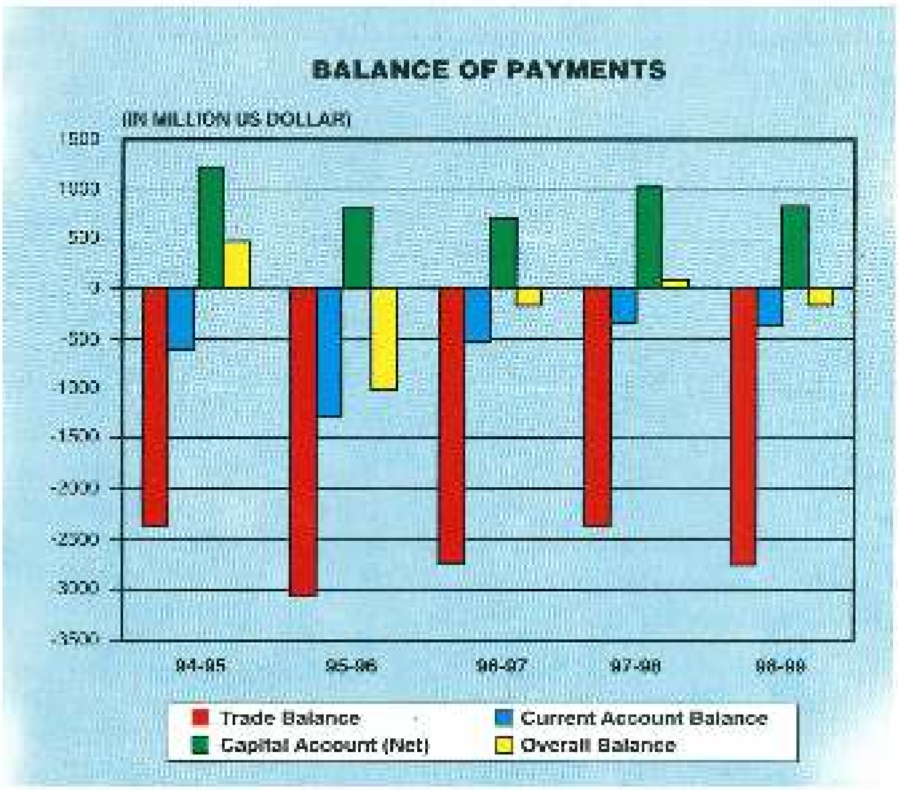

BALANCE OF PAYMENTS
(IN MILLION US DOLLAR)
1500
1000
500
0
-500
-1000
-1500
-2000
-2500
-3000
-3500
94-95
95-96
96-97
97-98
98-99
Trade Balance
Current Account Balance
Capital Account (Net)
Overall Balance

TABLE-XII

MERCHANDISE EXPORTS (RECEIPTS)

(In million US $)

Commodities/Sectors	1994-95	1995-96	1996-97	1997-98	1998-99
1	2	3	4	5	6
Total Exports (fob) (including EPZ)	**3,473**	**3,882**	**4,418**	**5,161**	**5,313**
1) Raw Jute	79	91	116	108	72
2) Jute Goods (including carpet)	319	329	318	281	304
3) Tea	33	33	38	47	39
4) Leather	202	212	195	190	168
5) Fish & Shrimps	306	313	321	294	274
6) Readymade Garments*	2,232	2,547	3,001	3,784	4,020
7) Chemical Products	95	98	108	74	79
8) Handicrafts	7	6	6	6	8
9) Fertilizer	91	95	104	59	59
10) Others	109	158	211	318	290

Source : Export Promotion Bureau.

* Knitwear & Hosiery products.

TABLE-XIII

MERCHANDISE IMPORTS (PAYMENTS)

(In million US $)

Commodities/Sectors	1994-95	1995-96	1996-97	1997-98	1998-99
1	2	3	4	5	6
Total Imports (CIF) (A+B+C)	**5,834**	**6,931**	**7,152**	**7,520**	**8,006**
A) Foodgrains	**476**	**586**	**184**	**369**	**997**
1) Rice	(220)	(358)	(28)	(247)	(680)
2) Wheat	(256)	(228)	(156)	(122)	(317)
B) Non-Food	**5,161**	**6,084**	**6,566**	**6,658**	**6,513**
1) Milk and Milk Products	41	53	53	45	56
2) Spices	16	23	10	10	27
3) Oil Seeds	80	89	62	93	100
4) Edible Oil	220	179	216	216	287
5) Coconut Oil	4	5	5	6	5
6) Sugar	32	6	49	29	42
7) Cement	118	171	156	152	105
8) Crude Petroleum	177	166	174	140	118
9) Petroleum Products	206	290	341	295	270
10) Chemical Products	155	201	257	248	250
11) Pharmaceuticals	16	20	22	27	30
12) Fertilizer	142	97	150	106	120
13) Dyeing and Tanning Processing Materials	50	55	62	66	66
14) Cotton	135	185	195	207	233
15) Yarn	200	296	395	327	283
16) Textile and Articles Thereof	1,025	1,043	1,098	1,264	1,109
17) Textile Fabrics	40	43	45	48	39
18) Iron & Steel	206	322	407	391	345
19) Capital Goods	1,686	1,968	1,937	2,072	1,969
20) Others	612	872	902	914	1,059
C) Imports of EPZ	**197**	**261**	**402**	**493**	**496**

Source : Statistics Department, Bangladesh Bank.

TABLE-XIV

FOREIGN AID, EXTERNAL DEBT AND DEBT SERVICES

(In million US $)

particulars	1994-95	1995-96	1996-97	1997-98	1998-99
1	2	3	4	5	6
1. Foreign Aid					
A. Commitment	1,212	1,280	1,661	1,791	2,648
B. Disbursement	1,739	1,444	1,481	1,319	1,474
C. Total Commitment since 1972	34,755	36,044	37,705	39,496	42,144
D. Total Disbursement since 1972	29,044	30,488	31,969	33,288	34,762
2. Debt Services (Medium and Long Term)*	468	469	463	445	481
3. Outstanding External Debt as on June, 30	15,947	14,454	14,373	14,813	15,338
4. Outstanding Debt as percentage of GDP	54.78	46.35	43.74	43.70	42.10
5. Medium and Long Term Debt Services as percentage of Export Earnings	13.48	12.08	10.46	8.60	9.00

Source : Economic Relations Division, Ministry of Finance and Statistics Department, Bangladesh Bank.

* Exclude purchases in respect of drawings from the IMF.

TABLE-XV

FOREIGN EXCHANGE RESERVES

Year (End June)	Total Reserves@	
	In million Taka	In million US Dollar
1	2	3
1980-81	4,523	250
1981-82	2,698	122
1982-83	8,765	358
1983-84	10,596	539
1984-85	11,068	395
1985-86	14,408	476
1986-87	22,151	715
1987-88	26,953	856
1988-89	29,454	913
1989-90	18,131	520
1990-91	31,801	880
1991-92	62,713	1,608
1992-93	84,407	2,121
1993-94	1,11,289	2,765
1994-95	1,23,089	3,070
1995-96	84,906	2,039
1996-97	74,857	1,719
1997-98	80,266	1,739
1998-99	73,650	1,523

Source : Statistics Department, Bangladesh Bank.

@ Including IMF reserve position.

TABLE-XVI

EXCHANGE RATES

(Average official Taka-Dollar Rates)

Year	Taka per US Dollar (Annual Average)
1	2
1980-81	16.4599
1981-82	20.0652
1982-83	23.7953
1983-84	24.9437
1984-85	25.9634
1985-86	29.8861
1986-87	30.6294
1987-88	31.2422
1988-89	32.1399
1989-90	32.9214
1990-91	35.6752
1991-92	38.1453
1992-93	39.1395
1993-94	40.0009
1994-95	40.2005
1995-96	40.8365
1996-97	42.7008
1997-98	45.4583
1998-99	48.0644

Source: Statistics Department, Bangladesh Bank.

TABLE-XVI (Concld.)

EXCHANGE RATES

(Average official Taka-Dollar Rates)

Month	Taka per US Dollar (Monthly Average)
1	2
July, 1998	46.98
August, 1998	47.10
September, 1998	47.10
October, 1998	47.77
November, 1998	48.50
December, 1998	48.50
January, 1999	48.50
February, 1999	48.50
March, 1999	48.50
April, 1999	48.50
May, 1999	48.50
June, 1999	48.50

Source: Statistics Department, Bangladesh Bank.

TABLE-XVII

WAGE EARNERS' REMITTANCES

Year	Remittances	
	In milion US Dollar	In Crore Taka
1	2	3
1980-81	378.74	619.74
1981-82	412.38	839.65
1982-83	617.28	1,480.15
1983-84	596.40	1,491.00
1984-85	439.10	1,146.54
1985-86	555.10	1,661.11
1986-87	696.40	2,136.25
1987-88	737.00	2,303.90
1988-89	771.00	2,477.43
1989-90	760.53	2,498.10
1990-91	764.00	2,725.60
1991-92	848.00	3,241.50
1992-93	944.00	3,698.40
1993-94	1,088.80	4,354.87
1994-95	1,197.63	4,814.39
1995-96	1,217.06	4,977.83
1996-97	1,475.40	6,304.28
1997-98	1,525.42	6,950.66
1998-99P	1,705.74	8,213.15

Source: Statistics Department, Bangladesh Bank

P = Provisional

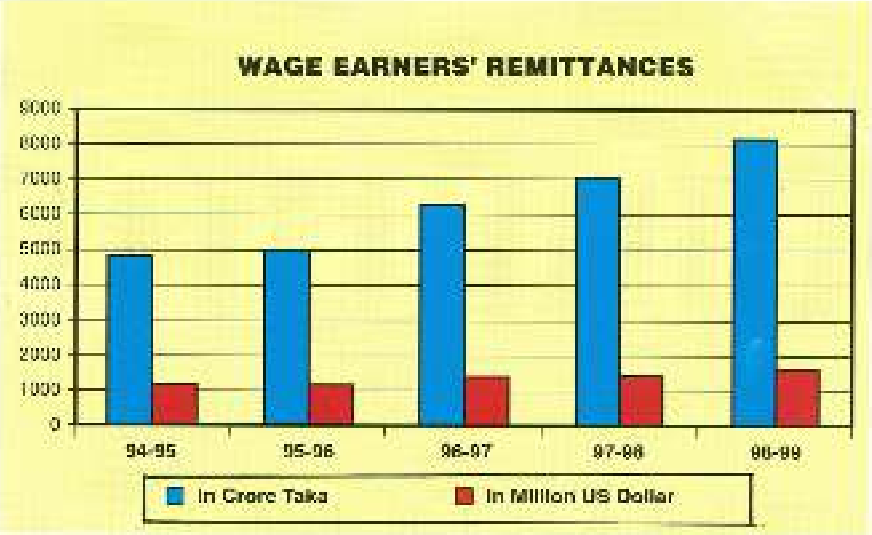


TABLE-XVIII

OFFICES OF THE BANGLADESH BANK

(As on June 30, 1999)

HEAD OFFICE

DHAKA

BRANCH OFFICES

MOTIJHEEL (DHAKA)

SADARGHAT (DHAKA)

CHITTAGONG

KHULNA

BOGRA

RAJSHAHI

SYLHET

BARISAL

RANGPUR

TABLE-XIX

LIST OF THE SCHEDULED BANKS

(As on June 30, 1999)

1. NATIONALISED/GOVERNMENT CONTROLLED BANKS

(A) COMMERCIAL BANKS

1) Sonali Bank
2) Janata Bank
3) Agrani Bank
4) Rupali Bank Limited*

(B) SPECIALISED BANKS

1) Bangladesh Krishi Bank
2) Bangladesh Shilpa Bank
3) Rajshahi Krishi Unnayan Bank
4) Bank of Small Industries and Commerce Bangladesh Limited**
5) Bangladesh Shilpa Rin Sangstha

2. PRIVATE COMMERCIAL BANKS

1) Pubali Bank Limited
2) Uttara Bank Limited
3) Arab Bangladesh Bank Limited
4) International Finance Investment and Commerce Bank Limited
5) Islami Bank Bangladesh Limited
6) National Bank Limited
7) The City Bank Limited
8) United Commercial Bank Limited
9) Al-Baraka Bank Bangladesh Limited
10) Eastern Bank Limited
11) National Credit and Commerce Bank Limited
12) Prime Bank Limited
13) South East Bank Limited
14) Dhaka Bank Limited
15) Al-Arafah Islami Bank Limited
16) Social Investment Bank Limited
17) Dutch Bangla Bank Limited
18) Mercantile Bank Limited
19) Standard Bank Limited

* In December, 1986, it was decided to transform Rupali Bank into a Public Limited Company, keeping 51 percent ownership in the Government Sector. Subsequently, the above bank's ownership in the Government Sector was raised to 94.5 percent in 1986.

** In 1986 it was decided to transform Bank of Small Industries and Commerce Bangladesh Limited into a Specialised Bank keeping 100 percent ownership in the Government Sector.

TABLE-XIX (Conckl)

LIST OF THE SCHEDULED BANKS

(As on June 30, 1999)

3. FOREIGN COMMERCIAL BANKS

1) American Express Bank Limited
2) ANZ Grindlays Bank PLC
3) Credit Agricole Indosuez (The Bank)
4) Standard Chartered Bank
5) Habib Bank Limited
6) State Bank of India
7) National Bank of Pakistan
8) Muslim Commercial Bank Limited
9) City Bank N.A
10) Hanvit Bank Limited
12) The Hongkong and Shanghai Banking Corporation Ltd.
12) Faysal Islamic Bank of Bahrain E.C.
13) The Bank of Nova Scotia

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