

## International Monetary Fund

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**Bangladesh:** Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

**Press Release:**  
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The following item is a Letter of Intent of the government of Bangladesh, which describes the policies that Bangladesh intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Bangladesh, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

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## Bangladesh—Letter of Intent

10 February 2013

Ms. Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Ms. Lagarde:

Bangladesh's economy continues to show resilience to the global economic slowdown. Through adjustments to our macroeconomic and financial policies and with the support of the three-year arrangement under the IMF's Extended Credit Facility (ECF) approved in April 2012, we have withstood external pressures, with our economy growing by 6.3 percent in the last fiscal year (July 2011–June 2012). Headline inflation moderated from about 11½ percent in January 2012 to about 7¾ percent in December 2012 and our exchange rate has stabilized. While growth in exports remains sluggish, growth in imports has also slowed. At the same time, remittance inflows remain supportive, helping to rebuild our foreign reserves buffer in 2012. Gross reserves, by the program's definition, stood at a record US\$12.5 billion as of end-December 2012.

Under our ECF-supported program, we met all the quantitative performance criteria as of end-June 2012 and most of the indicative targets as of end-June and end-September 2012, with the major exception of tax revenues, which have been affected by a sharper-than-expected slowdown in import growth. However, we have not met the continuous performance criterion (PC) on new nonconcessional external debt maturing in more than one year that is contracted or guaranteed by the public sector, as a result of new loans contracted and a new guarantee provided in January 2013. We are committed to monitoring nonconcessional loans and guarantees closely to ensure well-governed decisions are made on their use and to avoid crowding out growth-critical social and development spending. In addition, we are taking steps to strengthen our debt management practices and the rules governing the granting of guarantees, which are described in detail in the attached Memorandum of Economic and Financial Policies (MEFP). On the basis of these remedial steps, we are requesting a waiver of the nonobservance of this PC.

In support of program objectives, we have also met a number of our structural benchmarks. At the same time, some measures have required more time to build internal policy consensus. In this respect, I would like to inform you that the National Parliament passed a landmark VAT law on November 27, 2012, which is expected to anchor our tax reform efforts and usher in a modern tax regime over the next few years as the new law is being implemented. It will greatly assist our efforts to generate more internal resources to meet Bangladesh's development priorities, in our ascent to becoming a middle-income country in the next decade. Building on this momentum, we can also confirm the completion of all the prior actions under the first review of the ECF arrangement.

The MEFP supplements the previous one dated March 27, 2012. It provides an update on achievements under our reform program so far and also sets out our commitments to end-2013. We reiterate our readiness to take further measures, if necessary, in consultation with the IMF in achieving the objectives under our reform program. In this context, the Government of the People's Republic of Bangladesh is requesting completion of the first review under the ECF arrangement and access to the second disbursement in the amount of SDR 91.423 million.

We believe that our commitments, as outlined in the MEFP, are adequate to achieve program objectives, but we may consider further measures, as appropriate, for this purpose. To ensure strong performance under the ECF arrangement, we will continue to maintain a close policy dialogue with the IMF and pursue technical assistance, as necessary, from the IMF and other development partners in support of our reform agenda. In keeping with this, we will consult with the IMF on the adoption of measures and in advance of revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such matters. Moreover, we will provide the IMF with information in connection with our progress in implementing the policies and achieving the objectives of the program. We also authorize publication of this Letter of Intent and its attachments, as well as the accompanying staff report.

Sincerely yours,

/s/

Abul Maal Abdul Muhith  
Minister of Finance  
Government of the People's Republic of Bangladesh

Attachments: Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding

# Attachment 1. Bangladesh—Memorandum of Economic and Financial Policies

February 10, 2013

*This Memorandum of Economic and Financial Policies (MEFP) supplements and modifies the original MEFP dated March 27, 2012 under the Government of Bangladesh's three-year Extended Credit Facility (ECF) arrangement. It reports on progress so far and sets out reform commitments to end-2013. Program targets and objectives remain centered on undertaking policy adjustments and structural reforms in order to preserve macroeconomic stability, strengthen the external position, and enhance overall competitiveness in support of higher, more inclusive growth and further poverty reduction. The main reform pillars continue to be built around strengthening government finances, monetary operations, financial sector stability, and the trade and investment climate, with sound economic governance at the core of each of these areas.*

## I. RECENT DEVELOPMENTS AND OUTLOOK

**1. Recent macroeconomic performance.** Macroeconomic performance under our ECF-supported program has been broadly in line with agreed targets. Despite global headwinds, Bangladesh's economy expanded by 6.3 percent in FY12 (July 2011–June 2012), based on our preliminary estimate, with private domestic demand and still-solid remittances providing support. Inflation pressures have also eased, given moderate monetary tightening and lower food price inflation, with the headline rate at 7.7 percent (y/y) in December 2012. Notwithstanding heightened risks, we have managed external pressures well, with policy adjustments and remittance flows offsetting the impact of slowing export growth, driven principally by ready-made garments. As a result, foreign reserves have risen steadily since early 2012, reaching US\$12.5 billion in gross terms at end-December 2012 (by program definition). In strengthening our external buffer, we exceeded comfortably the performance criterion (PC) at end-June 2012 and indicative target (IT) at end-September (floor) on net international reserves (NIR) set out under the ECF arrangement.

**2. Fiscal performance and debt management.** We also met our overall fiscal target in FY12, with the budget deficit (excluding grants) estimated at 4.0 percent of GDP. Government borrowing from the banking system was more restrained in the second half of FY12—a clear reversal from the first half—allowing us to stay under the end-June 2012 PC (ceiling) on net credit to the central government (NCCG) by the banking system, even factoring in unsettled commitments, mainly associated with fertilizer subsidies (around 0.5 percent of GDP). Similar restraint continued in the first quarter of FY13 consistent with meeting our end-September IT on domestic borrowing. Underpinning this was strong revenue collection efforts, notwithstanding a modest miss in our end-June and end-September 2012 ITs (floor) on tax revenue, due mainly to lower-than-expected import demand and related taxes. Expenditure control was exercised through containment of fuel and electricity subsidies, as administered price increases helped narrow losses by energy-related state-owned enterprises (SOEs). This action helped safeguard space for key social and development

outlays. To this end, we met the IT (floor) on social-related spending for end-June, but fell short at end-September 2012 because of the lumpiness of food aid utilization. While Annual Development Program (ADP) expenditure still lagged in FY12, performance so far in FY13 has improved, owing to better planning, procurement, and land acquisition processes. We missed the PC (continuous ceiling) on new nonconcessional external debt contracted by the public sector and/or guaranteed by the central government or BB maturing in more than one year, as a result of new loans the government contracted in January 2013 for energy and security needs. At the same time, we stayed within program PCs (continuous ceilings) on new non-concessional external debt maturing in one year or less and external arrears, but exceeded the end-June 2012 IT (ceiling) on net suppliers' credit and other short-term financing for oil imports, as demand for petroleum products was higher than expected on account of efforts to limit electricity shortages. However, we have since brought down this borrowing, meeting our end-September 2012 IT.

**3. Monetary and exchange rate conditions.** Monetary conditions began to tighten in early 2012, in line with objectives set forth in Bangladesh Bank's (BB) semi-annual Monetary Policy Statement (MPS) and reflected in program targets. Following earlier policy rate hikes, greater interest rate flexibility, and other tightening measures, reserve money expanded by only 9 percent (y/y) in FY12, falling well under the end-June 2012 IT (ceiling). Its subdued growth was mainly due to net domestic assets of BB—a PC (ceiling), as the central bank's lending to government and liquidity support to banks were appropriately restrained. Growth in reserve money picked up in the first quarter of FY13, given only partial sterilization by BB of sizable foreign exchange (FX) purchases, but still remained well below the end-September 2012 IT. To bring private credit growth more in line with BB's current MPS and restrain core inflation, the central bank began issuing its own bills in November to mop up excess liquidity in the banking system. The taka strengthened in early 2012 and has since remained broadly stable, with greater policy confidence and an improving external position mitigating the earlier weakening vis-à-vis the U.S. dollar.

**4. Macroeconomic outlook.** We recognize that near-term risks point to the downside, largely in view of the external environment. The government is also mindful of the need to preserve hard-won stabilization gains going into national elections in the next fiscal year. To this end, our macroeconomic policy stance under the ECF arrangement will balance the need to provide policy support and meet our stability objectives. In this light, we recognize achieving growth in FY13 in line with last year's outturn will speak of Bangladesh's economic resilience, in the face of weakening external demand so far this year. We also aim to keep inflation below 8 percent in FY13 and bring it down further in FY14 through sound aggregate demand management and seek further reductions over the medium term also by easing supply constraints. To reduce external vulnerability, aggregate demand policies will be geared toward locking in the recent reserves build-up, supported by continued exchange rate flexibility and prudent debt management.

## II. FISCAL POLICY

**5. Policy objectives.** As the anchor to our macroeconomic stabilization efforts, the government will continue to maintain a sound fiscal stance. To this end, we will pursue further tax

policy, revenue administration, and public financial management reforms; continue to execute a sound debt management policy (DMP); and limit contingent liabilities and associated fiscal risks. Generating more internal resources and better prioritizing expenditures will also be crucial to achieving the government's growth and poverty reduction objectives, as articulated in our Sixth Five-Year Plan (FY11–15).

**6. FY13 budget.** Our current budget builds in a large increase in ADP spending, which hinges on upfront improvements in implementation capacity and a sizable unleashing of already committed external resources. Taking account of these factors and available financing, we aim to contain our fiscal deficit (excluding grants) to 4.5 percent of GDP in FY13. Consistent with this, NCCG from the banking system, as defined in the Technical Memorandum of Understanding (TMU), will be limited to Tk 201 billion in FY13. In support of achieving these targets, we have introduced additional revenue measures in the FY13 budget, which are expected to yield 0.6 percent of GDP in FY13, around half of which encompass the removal of tax concessions and exemptions (a June 2012 benchmark). We will continue to contain subsidy costs by making timely adjustments of fuel, electricity, and fertilizer prices, with necessary social safeguards, to avoid crowding out priority spending and pushing up domestic borrowing. Turning to FY14, we will adopt an overall deficit target that further restrains domestic borrowing, consistent with unleashing external commitments, maintaining prudent debt levels, and avoiding crowding out the private sector.

**7. Tax reforms.** We remain committed to further progress in modernizing our tax codes, broadening the tax base, and putting in place a sound administrative framework, ultimately with an aim of increasing tax revenues to 12.5 percent of GDP by FY16. As a centerpiece of these efforts, the National Parliament approved a landmark value added tax (VAT) law in November 2012 (a prior action). This achievement followed submission of the draft law to Parliament in early July (a June 2012 benchmark). The law has a single 15 percent rate, with limited discretionary powers and exemptions, no truncated bases and clear valuation rules, and established provisions for input tax credits and adjustments. In view of additional time needed to pass the law, we will prepare a VAT implementation plan and timetable and a new organizational structure at the National Board of Revenue (NBR) for ministerial approval by March 2013 (a rescheduled benchmark), which will help frame VAT rules and regulations and a registration plan with IMF technical assistance (TA). As an interim step, we drafted a strategic issues paper in September 2012, with IMF support, aimed at focusing decisions needed to draw up the implementation plan. We are also refocusing our strategy for reforming the income tax, providing a clear course for rationalizing rates, exemptions, and thresholds, which will be embraced in a Direct Tax Code under preparation.

**8. Revenue administration.** Further progress will be made in improving revenue administration, as guided by the NBR's outline of a modernization plan (2011–2016) published in mid-2011. The NBR will coordinate closely with the Ministry of Finance (MOF), other relevant agencies, and development partners (DPs) to ensure the necessary technical and financial resources are available to support reforms in a timely manner. In keeping with this, a steering committee was set up in January 2013 to guide implementation of the new VAT law. The NBR is expected to shape tax automation around a central information technology unit with appropriately qualified

professionals. Following delays in project tendering, we will now begin automating the issuance of taxpayer identification numbers (TIN) and linking them to national identification and business identification numbers, completing these processes in our main tax offices by June 2013 (a rescheduled benchmark). Furthermore, pre-shipment inspections will be fully phased out by June 2013—later than originally planned, but to give the NBR's customs wing more time to put in place new valuation modalities. To strengthen customs administration, the Automated System of Customs Data (ASYCUDA) ++ used at major ports will be replaced by the ASYCUDA World version, including installing the same at major land customs stations, by December 2013. An alternative dispute resolution mechanism was launched on a pilot basis in March 2012 and further rolled out to all jurisdictions in July 2012, with a number of taxpayers already availing this mechanism.

**9. Public financial management and expenditure control.** We are taking further steps to improve cash and expenditure controls, budget integration and accounting, and ADP implementation in keeping with targets and objectives set out under the government's medium-term budget framework. For the FY13 budget, we have set quarterly limits on the issuance of new payment orders by line ministries. With new budget management wings/branches established in all line ministries (a June 2012 benchmark), we will prepare and issue guidelines and procedures on budget monitoring and reporting in accordance with the Public Money and Budget Management Act (PMBMA) by June 2013 (a new benchmark) and extend the integrated budgeting and accounting framework to all line ministries by June 2013. To improve project formulation and implementation and better align project selections with national priorities, the Ministry of Planning (MOP) will issue a formal project formulation and appraisal technical manual describing all key steps for bringing forward projects under the ADP by March 2013. The MOP, with the support of the MOF, is also meeting regularly the 10 largest line ministries responsible for ADP implementation (around 80 percent) to monitor project implementation against approvals.

**10. Energy subsidies.** We have steadily adjusted fuel and electricity prices since 2011 in order to safeguard our overall fiscal position and protect high-impact spending. Our aim is to settle subsidy-related costs on-budget in FY13 and beyond. In support, we will continue to limit new subsidy-related loans from the state-owned commercial banks (SOCBs) to Bangladesh Petroleum Corporation (BPC), Bangladesh Power Development Board (BPDB), and Bangladesh Chemical Industries Corporation (BCIC) to zero on a net basis in 2013 (an IT). In addition, we intend to settle BPC's past-due subsidy-related loans held by the SOCBs through the issuance of special bonds in FY13, subject to the findings of an audit conducted by the Office of the Auditor General (OAG) to be completed by June 2013. For BPC, net short-term external borrowing will continue to be limited in 2013 (an IT), consistent with bringing cost on-budget. While an automatic fuel price adjustment mechanism (a December 2012 benchmark) has yet to be adopted, we remain committed to adjusting domestic fuel prices, as necessary, as done in January 2013, in order to keep them well aligned with international prices and limit budgeted subsidies. To help contain subsidy costs, rental power units will be phased out as quickly as possible, substituting them with lower-cost base power plants.

**11. Fertilizer subsidies.** To avoid excessive fiscal pressures and crowding out more pressing spending needs, we have capped fertilizer subsidies at Tk 60 billion in FY13, as budgeted. We will also verify and settle by March 2013 the outstanding payments due arising from fertilizer subsidies in FY12. To ensure adequate resources for and improve oversight and control of these subsidies, we have established a technical committee comprising officials from the Ministries of Finance and Agriculture, BCIC, and other agencies, to monitor commitments and payments (a prior action). The committee's work will be guided by a proper set of metrics for determining margins for importers, producers, and distributors in order to contain costs, recommending adjustments to fertilizer prices, as needed, to stay within budgetary limits, with adequate safeguards put in place to better target the intended beneficiaries of these subsidies, foremost small and subsistence farmers.

**12. Social safety nets and social spending.** We are working with DPs to improve the equity, efficiency, and transparency of key safety net programs through better targeting and strengthened administration. In support of this work, Bangladesh Bureau of Statistics is developing a National Household Poverty Registry with the assistance of the World Bank to improve the targeting of safety nets. Under our program, we will continue to maintain an IT (floor) on social-related spending by the central government, with a view to focusing this monitoring on key safety nets aimed at mitigating the impact of adjustment on the most vulnerable. We also reiterate our commitment to protect space for social spending over the near to medium term, consistent with the current fiscal framework and reflected in rising budgetary allocations here under our program.

**13. State-owned enterprises.** To contain subsidy costs and related transfers to SOEs, we will ensure clear monitoring of and reporting by the MOF of performance contracts with the BPC and BPDB. In addition, the OAG will complete efficiency audits of the operations of BPC, BPDB, and BCIC by June 2013 (a new benchmark) to contain budgetary transfers. We will also seek a five-year strategic plan from Biman Bangladesh Airlines by June 2013 to assess its financial viability in view of longstanding operating losses and as a pre-condition to any future government guarantees tied to new aircraft purchases, in order to minimize fiscal risk.

**14. Debt management.** We remain committed to strengthening our debt management capacity. With the support of our multi-donor Strengthening Public Expenditure Management Project, we prepared a draft debt management strategy (DMS) in August 2012, in part aimed at improving our own capacity to monitor debt sustainability. It will provide an anchor for a medium-term debt strategy expected to be completed by December 2013, which will lay out our borrowing priorities. Building on progress in recent years in recording external debt flows, we expect to complete the installation of UNCTAD's Debt Management and Financial Analysis System (DMFAS.6) by June 2013. Focusing on domestic debt, the MOF will prepare a diagnostic study on the Government Provident Fund (GPF) by June 2013, giving guidance on making contingencies for settling unfunded liabilities in future budgets. The MOF and National Savings Directorate will also increase the attractiveness of National Savings Certificates (NSCs) by benchmarking yields to market-based rates. In addition, subject to a government committee's recommendations, we will bring the taxation of interest on NSCs in line with other government debt instruments in the FY14



Finance Bill. In this process, we intend to explore revamping savings schemes aimed at non-resident Bangladeshis (NRBs) to attract more external inflows.

**15. Debt ceilings.** In keeping with our current DMP, we will continue to seek most external borrowing on concessional terms. To this end, we will adhere to limits on new nonconcessional external debt maturing in more than one year (a continuous PC), focusing such borrowing on properly evaluated projects in key infrastructure sectors, notably base power generation, and following approval procedures used by the Executive Committee of the National Economic Council for larger development projects. We did not observe this PC as a result in January 2013 of (i) new loans contracted with the Russian Federation related to assistance to assess the technical feasibility and overall viability of nuclear power development and to fund defense-related purchases, and (ii) a new guarantee issued for a combined cycle power plant. The loans are expected to be disbursed gradually over the next three to four years and will be accommodated in annual government budgets without crowding out other development priorities. The guarantee arises from early contracting on a project in our Power and Energy Sector Roadmap. Notwithstanding the rise in new nonconcessional borrowing, our risk of external debt distress remains low. Looking ahead, we are taking steps to strengthen our debt management practices by improving official projections of loans and guarantees through regular consultation with recently established budget wings in line ministries to ensure new commitments are fully included in the government's annual borrowing plan and adequately guide the setting of program debt ceiling limits. In addition, we are strengthening rules governing the granting of guarantees in the context of the June 2013 benchmark on issuing guidelines and procedures on budget monitoring and reporting in accordance with the PMBMA. On the basis of these remedial steps, we are requesting a waiver of the nonobservance of this PC on new nonconcessional external debt. In addition, we will ensure full transparency in all external borrowing, including nonconcessional loans and guarantees, through proper monitoring and accounting in our medium-term fiscal and debt sustainability frameworks. Our program's debt ceilings will also encapsulate any external borrowing associated with the possible issuance of a sovereign bond. On this matter, a committee was formed in January 2013 to agree on the modalities, timing, and amount of a future issue, with a view to also ensuring its recommendations are consistent with maintaining debt sustainability. Furthermore, we will maintain zero ceilings on nonconcessional external debt maturing in one year or less and on new accumulation of external payment arrears by the public sector (continuous PCs).

### III. MONETARY AND EXCHANGE RATE POLICY

**16. Policy objectives.** We are committed to maintaining a restrained monetary policy until nonfood inflation is firmly entrenched in the single digits, backed by an appropriately tight fiscal policy. Bangladesh Bank will increasingly rely on indirect instruments for conducting monetary operations, allowing price signals to gain traction with the support of a more liberalized interest rate regime. In view of current external vulnerabilities, our NIR targets in 2013 build on the strong performance so far under our program, with BB expected to continue opportunistically accumulating reserves, as market conditions allow. At the same time, we will avoid pegging the exchange rate at risk of stifling market trading and will sterilize the impact of FX intervention, as necessary, to protect

program targets. The SOCBs will also continue to be encouraged to procure FX for oil, food, and fertilizer imports through the interbank market, aided by proper planning and forecasting of their FX needs.

**17. Monetary management.** Our efforts remain focused on strengthening BB's liquidity forecasting framework (LFF), the market's role in determining interest rates, and ultimately the monetary transmission mechanism, in order to improve the effectiveness of monetary policy in preserving macroeconomic stability. To guide the joint BB-MOF Cash and Debt Management Committee (CDMC), we will further strengthen the LFF by improving our cash flow projections for the Treasury Single Account, putting in place a new forecasting process by June 2013, with IMF TA. This effort is also expected to help guide Treasury debt issuance. Bangladesh Bank will take further steps to reduce the devolvement of Treasury bills and bonds to all banks. To this end, we will develop new auction mechanisms and incentivize both primary and non-primary dealers by moving towards shorter-dated instruments and reviewing every quarter the bond to bill issuance ratio in the CDMC. As a start, we have changed the Treasury bill versus bond ratio for primary issues to 50:50 (a prior action). Other steps are being taken to activate trading in the secondary market for government securities and develop the market-making infrastructure, with BB initiating an electronic trading platform in December 2012 and planning to reissue past-dated securities by June 2013. As part of these market-deepening efforts, the MOF will approve amendments to the government's Islami bond (Sukuk) rule (2004) in 2013, bringing returns more in line with other government bonds.

**18. Central bank operations.** Bangladesh Bank remains committed to strengthening its financial operations and controls, taking necessary steps to address significant vulnerabilities identified by IMF's Safeguards Assessment in 2011. An external audit of BB's June 2012 accounts was undertaken in August 2012 by audit firms outside Bangladesh and their local affiliates. In order to strengthen the auditing process, the central bank will undergo an external audit of its end-June 2013 accounts by a global audit firm in collaboration with a local audit firm, consistent with the President's Order No. 2 (1973) and with the IMF kept regularly informed of the selection process for the external auditors, all for completion by December 2013 (a new benchmark). Bangladesh Bank has also integrated the main modules of the Enterprise Resource Planning and Core Banking systems, with automated financial statements prepared in parallel to the existing manual system, which was fully phased out in December 2012.

#### IV. FINANCIAL SECTOR REFORMS

**19. Policy objectives.** We remain firmly committed to strengthening financial sector governance and oversight, focusing on necessary legal and prudential reforms to reinforce BB's supervisory mandate and enhance its capacity, some of which are already in train. New loan classification and provisioning standards have been adopted by BB (a June 2012 benchmark), with most brought into full effect in 2012—well ahead of the end-June 2014 phase-in deadline. While compliance with these standards may lead to some deterioration in banks' profits and asset quality in the near term, the ultimate aim is to put all banks on sounder financial footing and reduce systemic risks. The recent case of lending fraud uncovered at one SOCB and malfeasance at other

banks highlight the immediate need for better management and controls, to which we are firmly committed.

**20. Banking system governance.** As a centerpiece to our efforts, we will submit amendments to our Banking Companies Act (BCA) to Parliament by March 2013 (a rescheduled benchmark). Through these amendments, we will limit government's involvement in bank supervision and regulation consistent with its role as a shareholder in the SOCBs. The draft amendments will be finalized in consultation with the IMF. They are expected to consolidate BB's supervisory and regulatory powers and limit most special treatment and exemptions given to SOCBs and specialized banks. Bangladesh Bank will be authorized to remove these banks' chief executive officers. The amendments will also provide that banks' directors and senior management meet fit and proper criteria and are fully accountable for internal controls and risk management. In addition, the amendments will limit banks' exposure to the stock market to 25 percent of regulatory capital to mitigate risks to the financial system, with BB guidelines on this to be issued by March 2013 (a rescheduled benchmark). Bangladesh Bank will also ensure that potential new bank licensees are financially and operationally sound through pre-opening inspections of all new banks.

**21. Financial supervision and enforcement.** In line with changes to the BCA, further steps are being taken to strengthen bank supervision, regulatory enforcement, and resolution procedures. In support, BB adopted a new organizational structure in May 2012 aimed at consolidating management over on-site and off-site supervision activities. Amongst the changes, it has established a new Financial Stability Department tasked with conducting macro-prudential analysis of the financial system, assessing financial sector risks and vulnerabilities, and making policy recommendations for safeguarding financial stability. In addition, a new Financial Integrity and Customer Service Department has been set up, charged with conducting special inspections of banks, focused on operational risks. Bangladesh Bank also published the second edition of its annual Financial Stability Report in October 2012, deepening its coverage of financial soundness indicators. In addition, it is examining current policies and procedures with a view to developing a new enforcement regime by June 2013 aimed at prescribing corrective actions for scheduled banks rather than relying on the current system of financial penalties. Furthermore, BB will strengthen its bank resolution framework by September 2013 (a new benchmark), with necessary policies and instruments to undertake prompt corrective actions and orderly resolution of troubled banks. A key component of this framework will be funding mechanisms for these banks, including the finalization of a lender of last resort policy by the BB under appropriate safeguards, strengthening of the existing deposit insurance scheme, and allocation of funding risks among stakeholders.

**22. State-owned commercial banks.** In keeping with our commitments, we continue to pursue measures aimed at strengthening the SOCBs' financial performance and increasing their operational independence in order to safeguard the banking system and minimize fiscal risks. Rising non-performing loans, inadequate capital bases, and increased capital market exposure, all coupled with weak risk management and controls, reinforce need to put these banks under enhanced supervision. Bangladesh Bank will commence special diagnostic examinations at the four largest ones focused on asset quality, liquidity management, and internal audit and control in early 2013, with examination

reports considered by BB's board by June 2013 (a new benchmark). Ahead of this, we will follow a process ensuring all board members appointed to SOCBs meet the existing fit and proper criteria set by BB. We will also contain lending by the SOCBs in line with their memoranda of understanding (MOUs) with BB by introducing an IT (ceiling) on aggregate net credit extended by the SOCBs. On top of this, BB will begin publishing a set of quarterly performance indicators on these banks in January 2013. In addition, the central bank will take forceful actions to recover scammed funds at one SOCB, overseen by a new board and management at the bank, in order to limit fiscal and systemic risks. Finally, the SOCBs will amortize valuation adjustments made to their balance sheets to cover earlier losses, as per agreed schedules. At the same time, any further injection of new capital into these banks by the government will be fully budgeted and guided by a BB-approved restructuring plan.

**23. Securities market.** We continue to develop a transparent regulatory framework for the Bangladesh Securities and Exchange Commission (SEC). Comprehensive revisions are now expected to be completed by May 2013, with support of the Asian Development Bank (AsDB). Our immediate priority is to pass the Demutualization Act by early 2013, which will outline key elements of the demutualization model for the stock exchanges. In support of this reform, the SEC Act and Ordinance were also amended in November 2012 to strengthen the institutional set-up. With the Demutualization Act in place, the SEC will approve demutualization models and plans for both Dhaka and Chittagong stock exchanges by June 2013 (a rescheduled benchmark). In line with BB's objective to bring all bank subsidiaries under its supervision by mid-2013, BB, the SEC, and other regulators have set up a coordination committee, chaired by the central bank governor.

## V. TRADE AND INVESTMENT CLIMATE REFORMS

**24. Public-private partnerships.** Our Private-Public Partnership (PPP) office is now fully operational, with professional managers initially focused on bringing forward small-scale projects with a view to establishing a successful track record in this area. In support, a set of manuals has been finalized, with AsDB assistance, covering screening, development, and tendering processes for prospective PPP projects, as well as environmental and social safeguards. We plan to submit a PPP Law to Parliament by June 2013 aimed at establishing a structure under which formal rules guiding PPPs can be framed, with a view to delineating clearly the project approvals process.

**25. Exchange market liberalization and trade reforms.** We will complete a review of the Foreign Exchange Regulation Act by September 2013 (a new benchmark), with a focus on repatriation rules governing inward FDI and portfolio investment flows, as well as investments by NRBs. These steps will be important complements to a possible sovereign issue and greater private external borrowing. We will also work with the World Bank to complete a Diagnostic Trade Integration Study, now expected in mid-2013, to inform measures needed to support import facilitation for promising export-oriented sectors.

## VI. PROGRAM MONITORING

**26. Program monitoring.** Progress under our program will continue to be monitored through performance criteria and indicative targets, structural benchmarks, and other necessary measures, in order to complete semi-annual program reviews. Quantitative performance criteria and indicative targets for March 2013, June 2013, September 2013, and December 2013 are set out in Table 1 and structural benchmarks are set out in Table 2. They are guided by the TMU, as amended. The second and third reviews are expected to take place on or after May 1, 2013 and November 1, 2013.

Table 1: Bangladesh: Quantitative Performance Criteria (PC) and Indicative Targets (IT) 1/

	12/31/11		3/31/12		6/30/12			9/30/12			12/31/12		3/31/13	6/30/13	9/30/13	12/31/13		
	Est.	Rev. Est.	IT	Est.	Prog. PC	PC with adjustors	Est.	IT	IT with adjustors	Est.	Prog. PC	Prel. Est.	IT	Prog. PC	IT	IT		
<b>Performance criteria 2/</b>																		
Net international reserves (NIR) of Bangladesh Bank (BB) (floor, end of period (eop) stock, in millions of U.S. dollars) 3/	6,154	6,152	5,977	6,405	5,937	6,097	6,984	Met	6,165	6,193	7,968	Met	6,256	9,554	9,304	9,215	9,516	9,849
Net domestic assets (NDA) of BB (ceiling, eop stock, in billions of taka) 3/	444	442	483	418	550	538	435	Met	556	554	383	Met	573	338	350	429	419	462
Net credit to the central government (NCCG) by the banking system (ceiling, cumulative change from the beginning of the fiscal year, in billions of taka) 3/ 4/	139	139	174	133	252	240	139	Met	49	47	1	Met	99	...	138	201	25	93
New nonconcessional external debt maturing in more than one year, contracted by the public sector and/or guaranteed by the central government or BB (ceiling, eop stock since December 31, 2011, in millions of U.S. dollars) 5/ 6/	...	...	500	300	500	500	330	Met	1,000	1,000	330	Met	1,000	893	3,000	3,250	3,500	3,750
New nonconcessional external debt maturing in one year or less, contracted by the public sector and/or guaranteed by the central government or BB (ceiling, eop stock since December 31, 2011, in millions of U.S. dollars) 5/	...	...	0	0	0	0	0	Met	0	0	0	Met	0	...	0	0	0	0
Accumulation of new external payment arrears by the public sector (ceiling, eop stock since December 31, 2011, in millions of U.S. dollars) 5/	...	...	0	0	0	0	0	Met	0	0	0	Met	0	...	0	0	0	0
<b>Indicative targets</b>																		
Reserve money (ceiling, eop stock, in billions of taka)	925	922	950	917	1,014	1,014	976	Met	1,037	1,037	997	Met	1,061	1,067	1,063	1,135	1,148	1,216
Tax revenue of central government (floor, cumulative change from the beginning of the fiscal year, in billions of taka) 7/	394	394	627	633	924	924	916	Not met	232	232	228	Not met	489	...	757	1,095	244	535
Social-related spending by central government (floor, cumulative change from the beginning of the fiscal year, in billions of taka)	...	139	248	248	400	400	421	Met	81	81	73	Not met	161	...	276	455	85	177
Net suppliers' credit and other short-term financing for oil imports (ceiling, cumulative change from end-FY11, in millions of U.S. dollars), program level	-55	-49	750	525	1,000	1,000	1,160	Not met	1,125	1,125	1,096	Met	1,250	...	1,250	1,125	1,125	1,125
State-owned banks funded loans to Bangladesh Petroleum Corporation (BPC), Bangladesh Power Development Board (BPDB), and Bangladesh Chemical Industries Corporation (BCIC) (ceiling, cumulative change from the beginning of the fiscal year, in billions of taka) 8/	2	2	15	-2	0	0	-10	Met	0	0	-2	Met	0	...	0	0	0	0
Net loans extended by four largest state-owned commercial banks (ceiling, eop stock, in billions of taka) 9/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	702	727	752	778
<b>Memorandum items:</b>																		
Budget support from bilateral and multilateral donors agencies (cumulative change from the beginning of the fiscal year, in millions of U.S. dollars), program level	...	...	0	0	0	0	0	...	0	0	27	...	50	...	100	250	50	100
Budgetary transfers for settling fertilizer subsidy commitments incurred in FY12 (July 2011-June 2012) (cumulative change from the beginning of the fiscal year, in billions of taka), program level	...	...	...	...	...	...	...	...	...	...	12	...	...	...	55	55	0	0
1/ Fiscal year begins July 1.																		
2/ Evaluated at the program exchange rate.																		
3/ The adjustors are specified in the Technical Memorandum of Understanding. Accordingly, the floor on NIR of BB will be adjusted upward (downward) and the ceiling on NCCG by the banking system and the ceiling on NDA of BB will be adjusted downward (upward) by the amount of budget support received from bilateral and multilateral donors in excess (short) of the programmed level. The floor on NIR of BB will be adjusted upward and the ceiling on NCCG by the banking system and the ceiling on NDA of BB will be adjusted downward by the amount of suppliers' credit and other short-term financing for oil imports in excess of the programmed level. From March 2013, the ceiling on NCCG by the banking system will be adjusted downward by the amount of budgetary transfers for settling fertilizer subsidy commitments incurred in FY12 short of the programmed level.																		
4/ The ceiling on NCCG by the banking system in FY12 excludes Tk 27.0 billion and in FY13 (July 2012-June 2013) excludes Tk 55.2 billion of special bonds issued by the central government to the state-owned commercial banks for the securitization of loans made by these banks to the BPC prior to FY12 to cover shortfalls in government budgetary transfers for fuel-related subsidy costs incurred by the BPC.																		
5/ These performance criteria are applicable on a continuous basis.																		
6/ As of February 10, 2013, this continuous PC was not met, with total new nonconcessional external debt maturing in more than one year, contracted by total the public sector and/or guaranteed by the central government or BB at US\$2,586 million since the start of the ECF arrangement, against a ceiling of US\$1,000 million.																		
7/ Collections by the National Board of Revenue only.																		
8/ Outstanding funded loans of Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, and BASIC Bank to BPC, BPDB, and BCIC.																		
9/ Comprising Sonali Bank, Janata Bank, Agrani Bank, and Rupali Bank.																		

**Table 2. Bangladesh: Structural Benchmarks (Existing and Proposed)  
Under the ECF Arrangement**

Actions	Date		Macroeconomic Criticality	Status
	Original	Rescheduled		
<b>Prior Actions:</b>				
Passage of a new value added tax (VAT) law by the National Parliament consistent with tax modernization plans and medium-term revenue targets.			To increase tax revenue	Completed.
Establish a technical committee comprising officials from the Ministries of Finance and Agriculture, Bangladesh Chemical Industries Corporation, and other agencies, as necessary, to monitor commitments and payments.			To strengthen governance and reduce fiscal risks	Completed.
Rationalize primary issuances by raising Treasury bill-bond ratio at auction to 50:50.			To reduce financial repression	Completed.
<b>Structural Benchmarks:</b>				
Reduce the outstanding balances of foreign exchange overdrafts provided by Bangladesh Bank (BB) to zero.	June 2012		To increase transparency and safeguard foreign reserves	Met.
Submit a new VAT law to the National Parliament consistent with tax modernization plans and medium-term revenue targets.	June 2012		To increase tax revenue	Not met. Law submitted on July 8, but required further revisions in line with program commitments.
Remove tax concessions and exemptions in the FY13 Finance Bill equivalent to at least 0.5 percent of GDP in FY13.	June 2012		To increase tax revenue	Not met. An estimated 0.3 percent of GDP were removed.
Establish budget management wings/branches in all line ministries and issue a circular to ensure uniform budget implementation and reporting standards.	June 2012		To strengthen budget monitoring and controls	Not met. Budget management wings/branches were established by June 2012, but circular issued on August 2, 2012.
Issue new BB regulations on loan classification and loan-loss provisioning in line with international best practices, to take full effect by June 2014.	June 2012		To strengthen the financial sector	Met.
Approval by the Minister of Finance of a VAT implementation plan and timetable and a new organizational structure of the National Board of Revenue (NBR).	September 2012	March 2013	To increase tax revenue	Not met. Rescheduled for completion because of delays in passage of the new VAT law. Draft plan prepared (with IMF technical assistance) in December 2012.
Submit amendments to the Bank Companies Act (BCA) to the National Parliament, giving BB the sole legal supervisory and regulatory authority over commercial banks and expanding fit and proper criteria for all commercial banks to all major shareholders, board members, and executive officers.	September 2012	March 2013	To strengthen risk management and improve bank governance	Not met. Rescheduled for completion, with additional time needed by BB and the Ministry of Finance to finalize a set of amendments consistent with program commitments.

**Table 2. Bangladesh: Structural Benchmarks (Existing and Proposed)  
Under the ECF Arrangement (concluded)**

Actions	Date		Macroeconomic Criticality	Status
	Original	Rescheduled		
<b>Structural Benchmarks (continued):</b>				
Issue a BB order, consistent with the amended BCA, establishing a limit on a commercial bank's shareholdings in the stock market to 25 percent of its total regulatory capital.	September 2012	March 2013	To strengthen banks' financial position	Not met. Rescheduled because of delays in finalizing amendments to the BCA.
Automate taxpayer identification number issuance, including links to the national identification number system.	December 2012	June 2013	To increase tax revenue	Not met. Rescheduled because of delays in the project tendering process and the need to ensure consistency with the tax modernization strategy.
Adopt an automatic adjustment mechanism for retail petroleum prices to ensure full pass-through of international prices.	December 2012		To reduce operating losses of Bangladesh Petroleum Corporation and overall subsidy costs	Not met. Price adjustments will continue to be made, as necessary, to ensure the wedge between domestic and international prices is consistent with containing fuel subsidies.
Approval by the Bangladesh Securities and Exchange Commission of a demutualization model and plan for the Dhaka and Chittagong stock exchanges.	December 2012	June 2013	To strengthen the financial sector	Not met. Rescheduled because of legal need for prior passage of a new Demutualization Act.
Issue guidelines and procedures on budget monitoring and reporting in accordance with the Public Money and Budget Management Act.	June 2013		To strengthen budget monitoring and controls	New benchmark
Complete efficiency audits by the Office of the Auditor General of the Bangladesh Petroleum Corporation, Bangladesh Power Development Board and Bangladesh Chemical Industries Corporation.	June 2013		To minimize fiscal transfers and risks	New benchmark
Complete special diagnostic examinations by BB at the four largest state-owned commercial banks focused on asset quality, liquidity management, and internal audit and controls.	June 2013		To strengthen financial sector soundness	New benchmark
Finalize a bank resolution framework, comprising a contingency plan and lender of last resort policy at BB.	September 2013		To reduce systemic risks	New benchmark
Complete a review of the Foreign Exchange Regulation Act.	September 2013		To strengthen the trade and investment climate	New benchmark
Engage and complete a full external audit for the financial year of 2012-13 of BB by a global audit firm.	December 2013		To strengthen internal operations and controls	New benchmark



## Attachment 2. Bangladesh—Technical Memorandum of Understanding

February 10, 2013

1. This Technical Memorandum of Understanding (TMU) defines the variables subject to quantitative performance criteria and indicative targets under the Extended Credit Facility (ECF) arrangement, as specified in the Memorandum of Economic and Financial Policies (MEFP). It also describes the methods to be used to assess program performance and information requirements to ensure adequate monitoring of the targets.
2. Under the first year of the ECF arrangement, the program exchange rate is Bangladesh taka (Tk) 74.23 per U.S. dollar, or the average interbank rate prevailing on June 30, 2011. Foreign currency accounts denominated in currencies other than the U.S. dollar and monetary gold will first be valued in U.S. dollars as at the exchange rates and gold prices prevailing on June 30, 2011, and then be converted to Bangladesh taka.
3. The data listed in Table 1 will be provided for monitoring performance under the program based on data templates agreed with IMF staff. Under each section, reporting responsibilities are indicated. The best available data will be submitted, so that any subsequent data revisions will not lead to a breach of quantitative performance criteria or benchmarks. All revisions to data will be promptly reported to IMF staff.

### I. QUANTITATIVE PERFORMANCE CRITERIA AND INDICATIVE TARGETS

4. Quantitative performance criteria remain in place for end-December 2012, as established at the time of approval of the request for a three-year arrangement under the ECF. Quantitative performance criteria will also be set for end-June 2013, while indicative targets will be set for end-March 2013, end-September 2013, and end-December 2013.
5. Performance criteria under the ECF arrangement have been established with respect to a:
  - Floor on the level of net international reserves of Bangladesh Bank (BB), calculated as an end-of-period stock;
  - Ceiling on the level of net domestic assets of BB, calculated as an end-of-period stock; and
  - Ceiling on the change in net credit to the central government from the banking system, calculated as a cumulative flow from the beginning of the fiscal year (FY) (i.e., FY12 is July 1, 2011–June 30, 2012).
6. Performance criteria applicable on a continuous basis have been established with respect

to a:

- Ceiling on new medium- and long-term nonconcessional external debt (maturing in more than one year) contracted by the public sector and/or guaranteed by the central government or BB, calculated in cumulative terms from December 31, 2011;
  - Ceiling on new short-term nonconcessional external debt (maturing in one year or less) contracted by the public sector and/or guaranteed by the central government or BB, calculated in cumulative terms from December 31, 2011; and
  - Ceiling on the accumulation of new external payment arrears by the public sector, calculated in cumulative terms from December 31, 2011.
7. Indicative targets have been established with respect to a:
- Ceiling on the level of reserve money, calculated as an end-of-period stock;
  - Ceiling on the net change in suppliers' credit and other short-term financing for oil imports, calculated in cumulative terms from June 30, 2011;
  - Ceiling on the net change in funded loans made by the state-owned commercial banks (SOCBs) to Bangladesh Petroleum Corporation (BPC), Bangladesh Power Development Board (BPDB) and Bangladesh Chemical Industries Corporation (BCIC), calculated in cumulatively from the beginning of the fiscal year;
  - Floor on tax revenue of central government, calculated cumulatively from the beginning of the fiscal year; and
  - Floor on social-related spending by central government, calculated cumulatively from the beginning of the fiscal year.
  - A ceiling (aggregate) on net loans and advances of the four largest SOCBs (Agrani, Janata, Rupali, and Sonali).
8. Adjustors to the measurement of performance criteria are (i) budget support to the central government from bilateral and multilateral agencies, calculated cumulatively from the beginning of the fiscal year; (ii) net lending by the government to the BPC and BPDB calculated cumulatively from the beginning of the fiscal year (this adjustor will be removed from March 2013); (iii) suppliers' credit and other short-term financing for oil imports; and (iv) budgetary transfers for settling fertilizer subsidy commitments incurred in FY12 (this adjustor will be introduced from March 2013).

## II. INSTITUTIONAL DEFINITIONS

9. The central government is defined as all budgetary units of the government of Bangladesh. It captures balances in the Treasury accounts and for special projects outside the Treasury accounts (as will be measured by government lending funds reported in the monetary accounts).
10. The public sector is defined as the central government, BB, nonfinancial public enterprises, departments, and autonomous and semi-autonomous bodies of all ministries and divisions.
11. Deposit money banks (DMBs) include commercial banks (state-owned, Islamic, private, and foreign-owned) and specialized banks, on which BB compiles data for the monthly monetary survey.
12. Nonbank claims on the central government represent the sum of cash receipts from sales of National Savings Certificates and Treasury bill and bond holdings outside BB and the DMBs, as reported by National Savings Directorate and BB's Debt Management Department.

## III. MONETARY AGGREGATES

### A. Reserve Money

13. A ceiling applies on the level of reserve money, which comprises currency issued by BB (excluding BB holdings of currency) plus deposits of DMBs held at BB. Reserve money excludes DMBs' foreign currency clearing accounts at BB and nonbank deposits at BB.

### B. Net International Reserves of Bangladesh Bank

14. A floor applies to the level of net international reserves (NIR) of BB. The floor on NIR of BB will be adjusted upward (downward) by the amount of budget support from bilateral and multilateral agencies in excess (short) of the programmed level. The floor on NIR of BB will be adjusted upward by the amount of suppliers' credit and other short-term financing for oil imports in excess of the programmed level.
15. For program monitoring purposes, NIR of BB is defined as gross international reserves (GIR) less international reserve liabilities. For program monitoring purposes, the stock of foreign assets and foreign liabilities of BB shall be valued at the program exchange rate in U.S. dollars, as described in paragraph 2.
16. Gross international reserves of BB are defined as the sum of:
  - Foreign currency assets in convertible currencies held abroad and as vault cash that are under the direct and effective control of BB, readily available for intervention in the foreign exchange market or the direct financing of balance of payments imbalances, and of

investment grade (i.e., a rating of at least Baa (Moody's) or BBB- (Standard & Poors and Fitch)) or held with an investment-grade institution;

- The reserve position of Bangladesh in the IMF;
- Holding of SDRs; and
- Monetary gold.

Excluded from the definition of GIR are:

- Foreign currency assets that are in any way encumbered or pledged, including, but not limited to, reserve assets used as collateral or guarantee for third-party external liabilities, BB's blocked account with the Central Bank of Iraq, and BB's deposits with Rupali Bank (Pakistan);
- Foreign currency assets in nonconvertible currencies and precious metals other than gold, including BB's Silver Acquisition Account;
- Non-investment grade foreign currency sovereign bonds;
- Foreign currency claims on entities incorporated in Bangladesh, including funds lent out through the Foreign Exchange Overdraft Facility (FXOD) and funds invested in offshore banking units (OBUs) of domestic banks and subsidiaries or branches of international banks in Bangladesh;
- Any other foreign currency claims on residents; and
- Capital subscriptions in international institutions.

17. International reserve liabilities of BB are defined as the sum of:

- All outstanding liabilities of Bangladesh to the IMF; and
- Foreign currency liabilities in convertible currencies to nonresidents, including liabilities to the Asian Clearing Union, the Foreign Currency Clearing Account (i.e., the total amount of DMBs' foreign currency deposits held at BB), and forward contracts, foreign currency swaps, and other futures market contracts.

### **C. Net Domestic Assets of Bangladesh Bank**

18. A ceiling applies to the level of net domestic assets (NDA) of BB. The ceiling on NDA of BB will be adjusted downward (upward) by the amount of budget support from bilateral and multilateral agencies in excess (short) of the programmed level. The ceiling on NDA of BB will be adjusted downward by the amount of suppliers' credit and other short-term financing for oil imports in excess of the programmed level.

19. For program monitoring purposes, NDA of BB is defined as the difference between reserve money and the sum of NIR of BB and other net foreign assets (NFA) of BB valued in taka using the program exchange rates specified in paragraph 2. Any revisions to the historical stock of reserve money based on changes to the accounting treatment of the profit/loss account of BB will be notified to the IMF immediately and used to adjust monetary aggregates by an equivalent amount, as deemed appropriate. Other NFA of BB includes:

- Foreign assets related to holdings of foreign currency deposits and securities not included in NIR of BB, and loans, shares, financial derivatives, or other accounts receivable with nonresidents (including BB's blocked account with the Central Bank of Iraq and deposits with Rupali Bank (Pakistan); holdings of noninvestment grade foreign currency bonds; and other foreign assets that are not included in NIR of BB, as defined in Section III. B (including the Silver Acquisition Account); and
- Foreign liabilities related to foreign currency deposits and securities of nonresidents, and loans, shares, financial derivatives, and other accounts payable with nonresidents; and other foreign liabilities that are not included in NIR of BB, as defined in Section III. B.

Other NFA does not include funds invested in OBUs of resident domestic banks and subsidiaries or branches of resident foreign banks in Bangladesh. These funds are included as a part of NDA of BB.

#### **D. Net Credit to the Central Government by the Banking System**

20. A ceiling applies on the change in net credit to the central government (NCCG) by the banking system measured cumulatively from the beginning of the fiscal year. The ceiling on NCCG by the banking system will be adjusted upward (downward) by the amount of budget support from bilateral and multilateral agencies short of (in excess of) the programmed level. The ceiling on NCCG by the banking system will be adjusted downward by the amount of suppliers' credit and other short-term financing for oil imports in excess of the programmed level and by the amount of net lending by the central government to the BPC and the BPDB short of the programmed level. From March 2013, the adjustor on NCCG on the amount of net lending by the central government to the BPC and BPDB short of the programmed level will be removed. In addition, from March 2013, the ceiling on NCCG by the banking system will be adjusted downward by the amount of budgetary transfers for settling fertilizer subsidy commitments incurred in FY12 short of the programmed level. The ceiling on NCCG by the banking system excludes special bonds issued by the central government to the SOCBs for the securitization of loans made by these banks to the BPC prior to FY12 to cover shortfalls in government budgetary transfers for fuel subsidy-related costs incurred by the BPC.

21. For program monitoring purposes, NCCG by the banking system is defined as the sum of net claims of BB and DMBs on the central government. For program monitoring purposes, from March 2013, NCCG by the banking system will be defined to exclude deposits of and credit to autonomous and semi-autonomous bodies of the government (see Table 2 of the TMU).

### **E. Funded Loans by State-Owned Commercial Banks to State-Owned Enterprises**

22. A ceiling applies on the net change in funded loans by selected banks to state-owned enterprises. Funded loans are defined as cash lending by Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, and BASIC Bank to BPC, BPDB and BCIC (see Table 3).

## **IV. FISCAL AGGREGATES**

### **A. Tax Revenue**

23. A floor applies on tax revenue of central government measured cumulatively from the beginning of the fiscal year.

24. For program monitoring purposes, tax revenue is defined as collections by the National Bureau of Revenue that have been transferred to the Controller General of Accounts.

### **B. Social-Related Spending**

25. A floor applies on social-related spending by central government cumulatively from the beginning of the fiscal year.

26. For program monitoring purposes, social spending comprises all spending categories of the Ministry of Primary and Mass Education; Ministry of Education; Ministry of Health, Family, and Welfare; and all expenditures on social safety net programs in the budget economic codes listed in Table 4. Safety net programs hosted in one of these ministries already included in this definition will be deducted from the total to avoid double counting.

## **V. EXTERNAL DEBT**

### **A. Medium- and Long-Term External Debt**

27. A continuous ceiling applies to new nonconcessional external debt with nonresidents with original maturities of more than one year contracted by the public sector and/or guaranteed by the central government or BB. The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received. This applies to private debt for which official guarantees have been extended and which, therefore, constitutes a contingent liability of the central government or BB.

28. For program monitoring purposes, the definition of debt is set out in Point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangement Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09-91), effective December 1, 2009 (see Annex I). External debt is defined by the residency of the creditor, excluding any taka-denominated treasury bonds and any U.S. dollar-

denominated bonds issued by the central government's Directorate of National Savings that are held by nonresidents (see TMU paragraph 29).

29. Excluded from the ceiling are (i) the use of IMF resources; (ii) concessional debts; (iii) debts incurred to restructure, refinance, or prepay existing debts, to the extent that such debt is incurred on more favorable terms than the existing debt and up to the amount of the actually restructured/refinanced/prepaid debt; (iv) any taka-denominated treasury bonds held by nonresidents; and (v) any U.S. dollar-denominated bonds issued by the central government's Directorate of National Savings that are held by nonresidents.

30. For program purposes, the guarantee of a debt arises on any explicit legal obligation of the central government or BB to service debt in the event of nonpayment by the main obligor (involving payments in cash or in kind).

31. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The NPV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by the Organization for Economic Cooperation Development (OECD). For debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the NPV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD would continue to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

## **B. Short-Term External Debt**

32. A continuous ceiling applies to new nonconcessional debt with nonresidents with original maturities of up to and including one year contracted by the public sector and/or guaranteed by the central government or BB. The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received. This applies to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the central government or BB.

33. For program monitoring purposes, the definition of debt is set out in Point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangement approved by the Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09-91), effective December 1, 2009 (see Annex I). External debt is defined by the residency of the creditor, excluding any taka-denominated treasury bills or BB bills held by nonresidents (see TMU paragraph 34).

34. Excluded from the ceiling are (i) debts classified as international reserve liabilities of BB; (ii) debts incurred to restructure, refinance, or prepay existing debts, to the extent that such debt is incurred on more favorable terms than the existing debt and up to the amount of the actually restructured/refinanced/prepaid debt; (iii) taka-denominated treasury bills and BB bills held by nonresidents; (iv) concessional debts; (v) normal import financing; (vi) suppliers' credit and other short-term financing for oil imports from the Islamic Development Bank (IsDB) and other official entities; and (vii) forward contracts, foreign currency swaps, other futures market contracts, and short-term liabilities of the banking system. A financing arrangement for imports is considered to be "normal" when the credit is self-liquidating.

### **C. Suppliers' Credit and Other Short-Term Financing for Oil Imports**

35. A ceiling applies on the net change in suppliers' credit and other short-term financing for oil imports.

36. For program monitoring purposes, suppliers' credit is defined in Annex I. Other short-term financing for oil imports comprises financing received for this purpose from the IsDB and other official entities and through syndicated loans, which is contracted by the public sector and/or guaranteed by the central government or BB.

## **VI. EXTERNAL PAYMENT ARREARS**

37. A continuous ceiling applies on the accumulation of new external payments arrears by the public sector.

38. For program monitoring purposes, external payments arrears comprise external debt and debt-service obligations (principal and interest) that have not been paid at the time they are due, as specified in the contractual agreements. However, for program purposes, overdue debt and debt-service obligations that are in dispute will not be considered as external payment arrears.



**Table 1. Bangladesh: Data Reporting Requirements**

<b>Item</b>	<b>Reporting agency</b>	<b>Periodicity</b>
<b>I. Monetary, exchange rate, and interest rate data</b>	<b>Bangladesh Bank (BB)</b>	
Daily exchange rates (taka per U.S. dollar)—weighted-average, open market (buy and sell rates), interbank (high and low rates), and BAFEDA member rates.	BB	Daily, next working day
Daily foreign exchange interbank market trading spot, forward, and swap volume	BB	Daily, next working day
Net open position of deposit money banks	BB	Daily, next working day
Stock of gross international reserves (GIR), Asian Currency Unit liabilities, Foreign Exchange Clearing Account balances, Foreign exchange overdraft balance (FXOD) and exchange rate valuation changes to GIR.	BB	Daily, next working day
Detailed data on the composition of GIR, including currency composition	BB	Daily, next working day
Stock of GIR, net international reserves (NIR), NFA including subcomponents, both at program and market exchange rates.	BB	Daily, next working day
Stock of noninvestment grade bonds by name of issuer, investment rating, and currency composition	BB	Monthly, within two weeks of the end of each month
Sales and purchases of foreign exchange by BB	BB	Daily, next working day
Daily bank and call money market rates	BB	Daily, next working day
Daily BB repo and reverse repo rates and interbank repo and reverse repo rates (weighted average yields)	BB	Daily, next working day
Daily BB repo and reverse repo and interbank repo and reverse repo trading volumes (billions of taka)	BB	Daily, next working day
Daily volume of open market operations (sales and purchases) by BB (billions of taka)	BB	Daily, next working day
Stock of reserve money and its components	BB	Daily, next working day
Excesses/shortfalls of DMBs' reserves	BB	Daily, next working day
Bangladesh Bank's balance sheet and off-balance items by currency representation	BB	Monthly, within two weeks of the end of each month
Treasury bill and bond auction reports, including range of bids submitted by primary dealers	BB	Weekly, within one week of the end of each week
Weekly retirement of government securities and outstanding balances of Treasury bills and bonds	BB	Weekly, within one week of the end of each week
Bangladesh Bank bills and auction reports	BB	Weekly, within one week of the end of each week
Balance sheet of BB (form 10 G)	BB	Monthly, within six weeks of the end of each month
Balance sheet (aggregate) of commercial banks (form 20 G)	BB	Monthly, within six weeks of the end of each month
Monetary survey (form 30 G)	BB	Monthly, within six weeks of the end of each month
Foreign assets and liabilities of BB	BB	Monthly, within six weeks of the end of each month
Foreign exchange cash flow of BB	BB (Foreign Reserve and Treasury Management Department)	Monthly, within five working days of the end of each month

**Table 1. Bangladesh: Data Reporting Requirements (continued)**

Item	Reporting agency	Periodicity
<b>II. Fiscal data</b>	<b>Ministry of Finance(MOF)</b>	
Fiscal outturn, including financing of the overall fiscal balance	MOF (Finance Division (FD))/ Controller General of Accounts (CGA)	Monthly, within six weeks of the end of each month
Revenue, by type of tax and nontax revenues (with main subheadings)	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
Privatization receipts	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
National Bureau of Revenue collections (by type of tax and subheadings)	NBR	Monthly, within six weeks of the end of each month
Recurrent expenditure, including spending on pay and allowances, goods and services, interest payments (domestic and foreign), subsidies, transfers, and block allocations (with main subheadings)	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
Breakdown of subsidies by main categories (agriculture, fertilizer, food, exports, and others)	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
Outstanding payments due to settle commitments arising from fertilizer subsidies	MOF(FD)/CGA)	Monthly, within six weeks of the end of each month
Fertilizer subsidy commitments in FY13, both actual and projections, by regularly monitoring the trade gap between import costs and sales revenue as per the monitoring framework.	MOF (FD)	Monthly, within six weeks of the end of each month
Social spending (see Table 4)	MOF (FD)/CGA	Quarterly, within six weeks of the end of each quarter
Food account surplus/deficit	MOF (FD)/CGA	Monthly, within six weeks of the end of each month (quarterly for detailed data)
Annual Development Program (ADP) expenditure funded by (i) the central government and (ii) foreign grants and loans, included in the budget, including separately for Padma Bridge (domestically and externally funded)	MOF (FD)/CGA	Monthly, within six weeks of the end of each month (quarterly for detailed data)
Non-ADP capital spending (including main subheadings) and net lending (including by receipts and payments, including a breakdown by state-owned enterprises (SOEs))	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
Extraordinary expenditures (by type)	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
Foreign financing, comprising (i) disbursements and amortization of program and project loans; and (ii) changes in external debt arrears, classified into principal and interest arrears	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
Disbursements of program and project grants	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
Foreign financing, comprising (i) disbursements and amortization of program and project loans; and (ii) changes in external debt arrears, classified into principal and interest arrears	MOF (Economic Relations Division (ERD))	Monthly, within four weeks of the end of each month
Disbursements of program and project grants by donor	MOF (ERD)	Monthly, within four weeks of the end of each month
Domestic financing, comprising (i) borrowing from and repayment to BB, DMBs, and nonbanks; (ii) changes in deposits held in BB, DMBs, and other deposit-taking institutions (see Table 2)	MOF(FD)/CGA/BB	Monthly, within six weeks of the end of each month

**Table 1. Bangladesh: Data Reporting Requirements (continued)**

<b>Item</b>	<b>Reporting agency</b>	<b>Periodicity</b>
Balancing items reported by the CGA	MOF (FD)/CGA	Monthly, within six weeks of the end of each month
<b>III. State-owned enterprise data</b>	<b>MOF</b>	
See Table 3 on key financial indicators for Bangladesh Power Development Board (BPDB), Bangladesh Petroleum Corporation (BPC), and Bangladesh Chemical Industries Corporation (BCIC).	MOF (FD/SOE Monitoring Unit)/BPC	Quarterly, within six weeks of the end of each quarter
<b>IV. Debt data</b>	<b>MOF/BB/National Savings Directorate (NSD)</b>	
New external debt obligations contracted and/or guaranteed (concessional and nonconcessional) by the government of Bangladesh, BB, nonfinancial public enterprises, departments and autonomous and semi-autonomous bodies of all ministries and divisions (i.e. the public sector), including details on the amounts, terms, and conditions of each new obligation	MOF (ERD)/BB	Monthly, within six weeks of the end of each month
Total amount disbursed for each loan and guarantee included under the ceiling on nonconcessional external debt	MOF (FD)	Quarterly, within six weeks of the end of each quarter
Stock of outstanding external debt (short-term and medium- and long-term obligations) of the public sector, by creditor (in original currency and U.S. dollars)	MOF (ERD)/BB	Quarterly, within eight weeks of the end of the quarter
Stock of arrears on external debt contracted or guaranteed by the public sector by creditor (in original currency and U.S. dollars)	MOF (ERD)/BB	Monthly, within six weeks of the end of each month
Stock of domestic debt, including the outstanding balance of Treasury bills, Treasury bonds, as well as breakdown of instruments of the National Savings Directorate (i.e. National Savings Certificates)	MOF (FD)/BB/NSD	Monthly, within six weeks of the end of each month
Projections of daily individual oil-related payments by commercial banks.	BB	Monthly, two weeks in advance of the beginning of each month
<b>V. Financial data</b>	<b>BB</b>	
Financial soundness indicators of DMBs	BB (Department of Off-Site Supervision (DOS))	Quarterly, within eight weeks of the end of the quarter
Bank-by-bank data for the DMBs on credit to the private sector, as reported to BB for the purpose of compiling the monetary survey	BB	Monthly, within six weeks of the end of each month
Bank-by-bank data for the DMBs on deposit and advance position	BB	Weekly data reported on a monthly basis, within two weeks of the end of each month
Compliance of state-owned commercial banks (SOCBs) with memoranda of understanding	BB (DOS)	Quarterly, within six weeks of the end of the quarter
Net loans and advances and components for each of the four largest SOCBs (Agrani, Janata, Rupali, and Sonali).	BB	Quarterly, within six weeks of the end of each quarter
External borrowing in foreign currency by each SOCB from nonresident institutions	BB	Within a week from the date of approval by BB
Total capital market exposure and total share holding (in percent of total liabilities) of DMBs, and their exposures via subsidiaries	BB (DOS)	Monthly, within six weeks of the end of each month
Risk-weighted capital asset ratios and asset quality indicators of DMBs	BB (DOS)	Quarterly, within six weeks of the end of each month
Stock of loans extended to SOEs (BPC, BPDB, BCIC) by SOCBs (Sonali, Agrani, Janata, Rupali) and BASIC bank, both funded and unfunded loans	BB (DOS)	Monthly, within four weeks of the end of each month

**Table 1. Bangladesh: Data Reporting Requirements (concluded)**

<b>Item</b>	<b>Reporting agency</b>	<b>Periodicity</b>
<b>VI. External data</b>	<b>BB/Other agencies</b>	
Detailed balance of payments	BB	Monthly, within six weeks of the end of each month
Export data by goods	Export Promotion Bureau	Monthly, within four weeks of the end of each month
Import letters of credit (settlement, opening, and outstanding)	BB	Monthly, within four weeks of the end of each month
Remittances and manpower exports	BB/Bureau Manpower, Employment, and Training	Monthly, within two weeks of the end of each month
<b>VII. Other data</b>	<b>Bangladesh Bureau of Statistics (BBS)</b>	
National accounts, by expenditure and by production, in nominal and real terms	BBS	Annual, within three months of the end of each year
Overall consumer price index	BBS	Monthly, within six weeks of the end of each month
Industrial production statistics	BBS	Monthly, within eight weeks of the end of each month

**Table 2. Bangladesh: Components of Domestic Bank Financing  
of the Central Government**

A new data reporting format is being established, as follows:		
<b>Item</b> (in Tk millions)	<b>Reporting agency</b>	<b>Periodicity</b>
Bank financing	Bangladesh Bank	All quarterly
Bangladesh Bank		
Change in claims on government (excluding change in claims on autonomous and semi-autonomous bodies)		
<i>Of which:</i> Change in ways and means balance		
Change in overdraft		
Change in overdraft block		
Change in holdings of Treasury bills and bonds		
Change in government currency liabilities		
Change in accrued interest		
Change in government deposits and lending funds (excluding change in deposits of autonomous and semi-autonomous bodies)		
Change in government deposits		
Change in government lending funds		
<i>Memorandum items:</i>		
Change in credit to autonomous and semi-autonomous bodies		
Change in deposits of autonomous and semi-autonomous bodies		
Commercial banks		
Change in claims on government (excluding change in claims on autonomous and semi-autonomous bodies)		
<i>Of which:</i> change in holdings of Treasury bills and bonds		
Change in advances and bills to ministries (of food and others)		
Change in accrued interest		
Change in government deposits and lending funds (excl. change in deposits of autonomous and semi-autonomous bodies)		
Change in government deposits		
Change in government lending funds		
<i>Memorandum items:</i>		
Change in credit to autonomous and semi-autonomous bodies		
Change in deposits of autonomous and semi-autonomous bodies		

<b>Table 3. Bangladesh: Template for Key Financial Indicators of Bangladesh Petroleum Corporation (BPC), Bangladesh Power Development Board (BPDB), and Bangladesh Chemical Industries Corporation (BCIC)</b>	
<b>Name of company (BPC, BPDB, or BCIC)</b>	<b>Periodicity</b>
<b>Item</b> (in Tk millions of taka)	All quarterly
Tax payments, due to the National Bureau of Revenue (NBR)	
Tax payments, paid to the NBR	
Debt service payments, due to the government	
Debt service payments, paid to the government	
Quarterly profit (loss) reported by company	
Transfers received from the budget	
New interest-bearing loans received from the budget	
Outstanding stock of funded loans from state-owned commercial banks (SOCBs)	
<b>Additional items (for BPC only)</b>	
<i>Financing requirements:</i> (in Tk millions, unless otherwise indicated)	
Oil import costs	
Costs of operating BPC	
Repayments of SOCB loans	
Repayments to Islamic Development Bank (IsDB) (in US\$ millions)	
Repayment of deferred payments (other suppliers' credit) (in US\$ millions)	
Repayment of syndicated loans	
Increase in assets (inventories, cash, etc.)	
Other	
<i>Sources of financing:</i> (in millions of taka, unless otherwise indicated)	
Sales revenue	
Other income	
Gross disbursements of loans from SOCBs	
Gross disbursements from IsDB (in US\$ millions)	
Gross disbursements of deferred payments (other suppliers' credit) (in US\$ millions)	
Gross disbursement of syndicated loans	
Net lending from the government	
Increase in payables	
<i>Other items:</i>	
Exchange rate imputed for estimated outturns (taka per U.S. dollar)	
Demand volumes of petroleum products (kerosene (SKO), diesel (HSD), furnace oil (FO), petrol (MS), octane (HOBC), and jet fuel (JET-A-1))	

**Table 4. Bangladesh: Safety Net Programs**

	<b>Programs</b>	<b>Name of Ministry</b>	<b>Code</b>
<b>(A.1) Cash Transfer (Allowances) Programs &amp; Other Activities:</b>			
(A.1.1) Social Protection			
1	Old Age Allowance	Ministry of Social Welfare	3960
2	Allowances for the Widow, Deserted and Destitute Women	Ministry of Social Welfare	3965
3	Allowances for the Financially Insolvent Disabled	Ministry of Social Welfare	3970
4	Maternity Allowance Program for the Poor Lactating Mothers	Ministry of Social Welfare	4715
5	Honorarium for Insolvent Freedom Fighters	Ministry of Social Welfare	3587
6	Honorarium & Medical Allowances for Injured Freedom Fighters	Ministry of Social Welfare	3585
7	Grants for Residents in Government Orphanages and Other Institutions	Ministry of Social Welfare	0000
8	Capitation Grants for Orphan Students in Non-government Orphanages	Ministry of Social Welfare	3451
9	General Relief Activities	Disaster Management & Relief Division	0001
10	Block Allocation for Disaster Management	Disaster Management & Relief Division	0003
11	Non-Bengali Rehabilitation	Ministry of Social Welfare	0015
12	Allowances for Distressed Cultural Personalities/ Activists	Ministry of Cultural Affairs	0001
13	Pension for Retired Government Employees and their Families	All Ministries	
14	Ration for Shaheed Family and Injured Freedom Fighters	Ministry of Liberation War Affairs	0001
(A.1.2) Social Empowerment			
1	Stipend for Disabled Students	Ministry of Social Welfare	4711
2	Grants for the Schools for the Disabled	Ministry of Social Welfare	0001
<b>(A.2) Cash Transfer (Special) Program</b>			
(A.2.1) Social Empowerment			
1	Housing Support	Disaster Management & Relief Division	0001
2	Agriculture Rehabilitation	Ministry of Agriculture	0012
<b>(B) Food Security Programs: Social Protection</b>			
1	Open Market Sales (OMS)		
2	Vulnerable Group Development (VGD)	Ministry of Women & Children Affairs	0005
3	Vulnerable Group Feeding (VGF)	Ministry of Women & Children Affairs	0007
4	Test Relief (TR) Food	Food Division	0001
5	Gratuitous Relief (GR)- Food	Food Division	0001
6	Food Assistance in CTG-Hill Tracts Area	Ministry of Chittagong Hill Tracts	0003
7	Food For Work (FFW)	Disaster Management & Relief Division	5010

**Table 4. Bangladesh: Safety Net Programs (continued)**

	<b>Programs</b>	<b>Name of Ministry</b>	<b>Code</b>
<b>(C.1) Micro-Credit Programs: Social Empowerment</b>			
1	Micro-credit for Women Self-employment	Ministry of Women & Children Affairs	3092
2	Fund for Micro-Credit through PKSF	Finance Division	3912
3	Social Development Foundation	Finance Division	3946
4	NGO Foundation	Finance Division	2829
<b>(C.2) Miscellaneous Funds: Social Empowerment</b>			
1	Fund for the Welfare of Acid Burnt and Disabled	Ministry of Social Welfare	3967
2	Fund for Assistance to the Small Farmer and Poultry Farms	Finance Division	3996
3	Swanirvar Training Program	Finance Division	3961
4	Shamaj Kallyan Parishad	Ministry of Social Welfare	3091
<b>(C.3) Miscellaneous Funds: Social Protection</b>			
1	Fund for Climate Change	Ministry of Environment & Forest	0002
2	Allowances for Urban Low-income Lactating Mothers	Finance Division	4005
3	Block Allocation for Various Program	Finance Division	0000
4	Employment Generation Program for the Ultra Poor	Disaster Management & Relief Division	0006
5	National Service	Ministry of Youth and Sports	4729
6	Special Program for Irrigation and Water Logging	Ministry of Agriculture	4837
7	Skill Development Fund for Expatriate Returnees and New Entrants to Labor market	Ministry of Expatriates Welfare & Overseas Employment	0010
8	Child Development Center	Ministry of Social Welfare	3489
9	Service and Assistance Center for Disabled	Ministry of Social Welfare	3490
10	Ghare Fera Program (Returning Home)	Banking Division	0014
<b>(C.4) New Fund: Social Protection</b>			
1	Rehabilitation and Creation of Alternative Employment for People Engaged in Begging Profession	Ministry of Social Welfare	3495
<b>(D) Development Sector Programs: Social Empowerment</b>			
<b>(D.1) Running Development Programs</b>			
1	Stipend for Primary Students	Ministry of Primary & Mass Education	6020
2	School Feeding Program	Ministry of Primary & Mass Education	5150
3	Stipend for Dropout Students	Ministry of Primary & Mass Education	5960
4	Char Livelihood	Rural Development & Cooperatives Division	6980
5	"Ashrayan" (Housing)	Prime Minister's Office	6520
6	Stipend and Access Increase for Secondary and Higher Secondary Level Students (including Secondary Education Stipend Project)	Ministry of Education	5620



**Table 4. Bangladesh: Safety Net Programs (continued)**

	<b>Programs</b>	<b>Name of Ministry</b>	<b>Code</b>
7	Maternal Health Voucher Scheme	Ministry of Health & Family Welfare	8540
8	National Nutrition Program	Ministry of Health & Family Welfare	8320
9	Protection of Children at Risk	Ministry of Social Welfare	7011
10	Economic Empowerment of the Poor	Rural Development & Cooperatives Division	8162
11	Fundamental Education for Urban Working Children	Ministry of Primary & Mass Education	5964
12	Employment for Ultra-Poor in Northern Region	Rural Development & Cooperatives Division	7000
13	Participatory Rural Development (2nd Phase)	Rural Development & Cooperative Division	8090
14	Rural Employment Opportunity for Public Asset	Local Government Division	6030
15	"Gucchagram" (Climate victims rehabilitation project)	Ministry of Land	5010
16	Rural Employment and Rural Maintenance Program	Local Government Division	8112
17	Preliminary Education for Development of Children	Ministry of Women & Children Affairs	5011
18	Vulnerable Group Development for Ultra Poor (Women)	Ministry of Women & Children Affairs	5100
19	Reconstruction of Houses of SIDR affected landless people	Food Division	5160
20	Construction of Flood-Shelter in Flood Prone and River-Erosion Areas	Food Division	5381
21	Disaster Risk Mitigation and Reduction	Disaster Management & Relief Division	5010
22	Small Farmers Development Foundation	Rural Development & Cooperatives Division	7250
23	Regional Fisheries and Livestock Development	Ministry of Fishery & Animal Division	5300
24	Projects Undertaken for Fisheries Development	Ministry of Fishery & Animal Division	7050
25	Jatka (Fish)Protection and Alternative Employment for Fishermen	Ministry of Fishery & Animal Division	5390
26	Micro-Nutrient Supplementation	Ministry of Health & Family Welfare	8340
27	Post Literacy Education Project for Human Resource Development	Ministry of Primary & Mass Education	5960
28	One Household One Farm	Rural Development & Cooperatives Division	7310
29	Revitalization of Community Health Care Initiative in Bangladesh	Ministry of Health & Family Welfare	5450
30	Sisimpur Outreach Project	Ministry of Women & Children Affairs	7021
31	National Sanitation Project	Local Government Division	5140
32	Pulse and Oil Seed Project	Ministry of Agriculture	7450
33	Community Based Adaptation to Climate Change through Coastal Aforestation in Bangladesh	Ministry of Environment & Forest	5360

**Table 4. Bangladesh: Safety Net Programs (concluded)**

	<b>Programs</b>	<b>Name of Ministry</b>	<b>Code</b>
34	Comprehensive Village Development	Rural Development & Cooperatives Division	8167
35	Comprehensive Disaster Management Program	Disaster Management & Relief Division	5041
36	Urban Public Environment Health Development Program	Local Government Division	7479
<b>(D.2) New Development Programs</b>			
1	Poverty Eradication and Ensuring Livelihood for the People Living in Economically Backward Areas.	Ministry of Fishery & Animal Division	6463
2	Poverty Eradication through Social Aforestation.	Ministry of Environment & Forest	7396
3	Improvement and Quality Seed Production of Rice, Wheat and Maize.	Ministry of Agriculture	8881

## Annex I. Guidelines on Performance Criteria with Respect to External Debt

Excerpt from Executive Board Decision No. 6230-(79/140), subsequently amended, including by Executive Board Decision No. 14416-(09-91), effective December 1, 2009.

9. (a) For the purpose of this guideline, the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

(b) Under the definition of debt set out in point 9 (a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.