

IMF approves \$4.7b loan for Bangladesh

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Online Desk: The International Monetary Fund (IMF) has approved Bangladesh's US\$4.7 billion loan proposal during a board meeting on Monday. Bangladesh will get about \$3.3 billion under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) and about \$1.4 billion under the Resilience and Sustainability Facility (RSF), said a press release on Tuesday. IMF's ECF/EFF approval has enabled the immediate disbursement of about \$476 million as the first of the seven instalments slated over 42 months. The remaining amount will be in six equal instalments of \$704 million each.

The 42-month program will help preserve macroeconomic stability, protect the vulnerable, and foster inclusive and green growth. Reforms will focus on creating fiscal space to enable greater social and developmental spending; strengthening the financial sector; modernizing policy frameworks; and building climate resilience. IMF said Bangladesh's robust economic recovery from the pandemic has been interrupted by Russia's war in Ukraine, leading to a sharp widening of Bangladesh's current account deficit, depreciation of the Taka and a decline in foreign exchange reserves.

"The authorities have taken on a comprehensive set of measures to deal with these latest economic disruptions. The authorities recognize that in addition to tackling these immediate challenges, long-standing structural issues and vulnerabilities related to climate change will also need to be addressed to accelerate growth, attract private investment, enhance productivity, and build climate resilience," it added. The IMF-supported program under the ECF/EFF arrangements will help preserve macroeconomic stability and prevent disruptive adjustments to protect the vulnerable, while laying the foundations for strong, inclusive, and environmentally sustainable growth. The concurrent RSF arrangement will supplement the resources made available under the ECF/EFF to expand the fiscal space to finance climate investment priorities identified in the authorities' plans, help catalyze additional financing, and build resilience against long-term climate risks.

IMF Deputy Managing Director (DMD) Antoinette Monceau Sayeh said, "Since independence, Bangladesh has made steady progress in reducing poverty and significant improvements in living standards. However, the COVID-19 pandemic and subsequent Russia's war in Ukraine interrupted this long period of robust economic performance. Multiple shocks have made macroeconomic management challenging in Bangladesh." While confronting challenges resulting from the global headwinds, the authorities need to accelerate their ambitious reform agenda to achieve a more resilient, inclusive, and sustainable growth, she added.

In this regard, she said, substantial investment in human capital and infrastructure will be needed to achieve Bangladesh's aspiration to reach upper-middle income status by 2031 and meet the Sustainable and Development Goals (SDGs). She said the authorities recognize these challenges and also the need to tackle climate change issues, which expose the economy to large risks that could threaten macroeconomic stability. The ECF/EFF arrangement will protect macroeconomic stability and rebuild buffers, while helping to advance the authorities' reform agenda, she added.

She said, "The implementation of the domestic revenue mobilization strategy that relies on both tax policy and revenue administration reforms will allow increasing social, development and climate spending sustainably. Fiscal reforms to strengthen the management of public finance, investment, and debt will improve spending efficiency, governance, and transparency. Reducing financial sector vulnerabilities, strengthening oversight, enhancing governance and the regulatory framework, and developing capital markets will help mobilize financing to support growth objectives."

She mentioned that structural reforms to create conducive environment to expand trade and foreign direct investment, deepening the financial sector, developing human capital, and improving governance to enhance

the business climate are needed to lift growth potential. “Access to RSF will provide financing to support Bangladesh’s climate change adaptation and mitigation efforts. The RSF reforms will complement reforms under the ECF/EFF by improving climate investment potential, strengthening institutions and enhancing climate-spending efficiency to build resilience and catalyze additional official and private finance,” she added.