

# Star BUSINESS

Kaus Mia led his business empire and became a top taxpayer in Bangladesh, from a room in the Hakimpuri Zarda factory in Old Dhaka.



Story on B4

## IMF sets 33 conditions for next two loan instalments

REJAU KARIM BYRON and AHSAN HABIB

Bangladesh will have to comply with 33 new conditions by June next year in order to receive the next two instalments under the International Monetary Fund's \$4.7 billion loan programme.

It came as the lender approved the third tranche of \$1.15 billion yesterday in a boost to Bangladesh's foreign exchange reserves.

The fresh conditions are aimed at helping Bangladesh overcome four persisting challenges: depleting foreign currency reserves, rising inflation rate, lower revenue earnings, and a lack of governance in the banking sector.

In a letter to IMF's Managing Director Kristalina Georgieva, Finance Minister Abul Hassan Mahmood Ali said: "Bangladesh continues to face challenges as external shocks persist, which has made it difficult to restore macroeconomic stability."

"Considering persistently difficult external conditions, we commit to step up our efforts."

He elaborated on the steps, saying it will raise revenues to enable higher development and social spending, enhance fiscal governance, modernise the monetary policy framework, and increase exchange rate

**2024**  
December

Finalising medium and long-term revenue strategy and implementation framework

**2024**  
December

Preparing strategy paper on multi-year public investment programmes for five sectors

**2025**  
March

Conducting risk-based supervision of 20 banks

**2024**  
December

Publishing climate stress test for financial system

**IMF's benchmark conditions and time to fulfil those**

**2024**  
June

Publishing updated debt management strategy

**2025**  
June

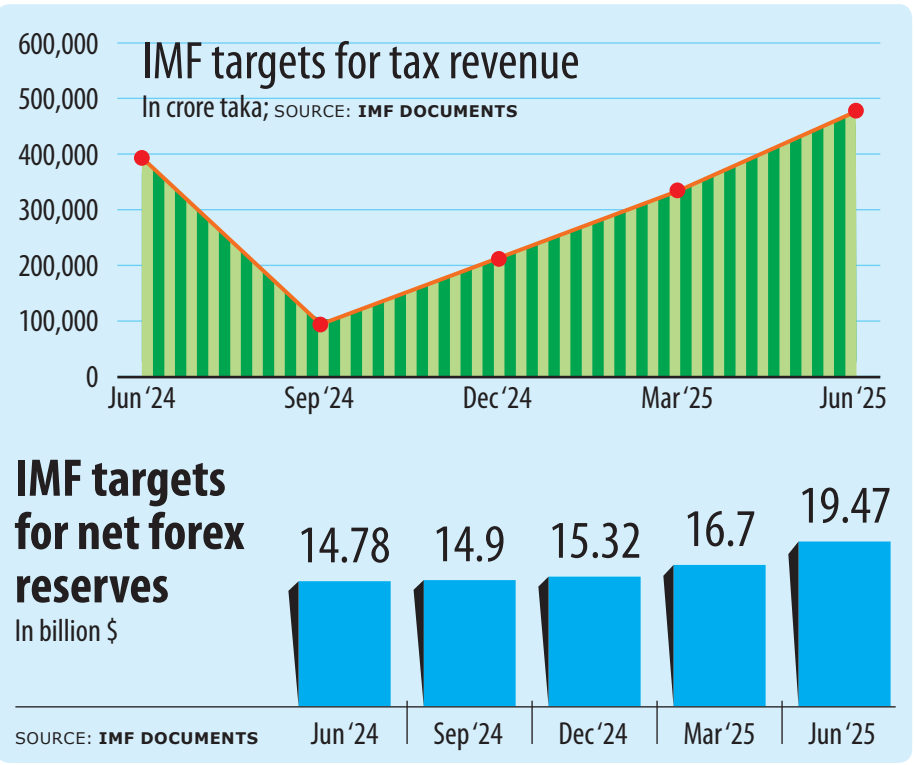
At least 50% government transaction should be done through electronic fund transfer

**2025**  
June

Onsite examination of at least five high-risk banks

**2025**  
June

BB should make a plan for the banking sector to adopt International Financial Reporting Standards



on June 30. So, the government will have to tighten its belts in 2024-25.

The primary deficit is the difference between government revenues and expenses, excluding interest payments.

The government will have to raise its tax revenue to Tk 478,050 crore where the collection goal was Tk 394,530 crore for FY24. This means the country will have to mobilise more than 21 percent higher revenue, which could prove to be difficult since receipts averaged 15 percent in recent years.

The other three performance criteria are controlling reserve money, expanding social spending, raising capital investment of the government, and getting rid of external payment arrears.

Among the structural benchmarks, Bangladesh needs to fulfil five conditions this month and most of them are related to revenue collections.

As part of the condition, the country will prepare a report on tax exemptions given in the areas of personal income tax, corporate income tax, and value-added tax.

By September, the Bangladesh Bank will have to complete the first phase of

the modernisation of its monetary policy framework in line with recommendations of the IMF in order to contain inflation.

"To address elevated inflation and falling foreign exchange reserves, we have realigned the exchange rate to the market-clearing level and simultaneously adopted a crawling peg with a band system as a transitional step toward greater exchange rate flexibility in line with the IMF recommendations," said the finance minister.

The government has also initiated measures to further safeguard the foreign exchange reserves buffer with IMF assistance, he said.

"We have also adopted a mechanism of readjusting the band to allow for additional exchange rate flexibility and to prevent excessive loss of FX reserves."

The country will have to fulfil five conditions by December. The National Board of Revenue (NBR) will have to adopt a tax compliance improvement plan covering VAT. It will finalise a medium and long-term revenue strategy covering indirect and direct taxes.

The planning ministry will formulate sector strategy papers and a multi-year public investment programme for five sectors.

The government will simplify organogram related to the supervision of each bank

by a single team. It will issue an updated regulation to align the definition of non-performing exposures and forbearance in line with the Basel guidelines.

By June 2025, at least 50 percent of

government transactions, excluding interest payments, subsidies, loans, equity, and liabilities will have to be carried out via electronic funds transfer.

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flexibility further.

He also said that his government would work to reduce financial sector vulnerabilities and develop capital markets, improve the investment climate and boost productivity, and establish an enabling environment to better adapt to climate change.

IMF's loan programme contains two types of conditions: seven are linked to performance criteria and the rest are related to structural benchmarks.

Of the seven, the country will have to increase its net international reserve (NIR) to \$19.47 billion by next June. The revised target was \$14.78 billion for June this year.

The primary budget deficit will have to be brought down to Tk 128,300 crore from the Tk 138,360 crore set for 2023-24, which ends

## Govt commits improving on 50 issues to IMF

REJAU KARIM BYRON and AHSAN HABIB

The government gave its commitment to the International Monetary Fund regarding around 50 issues to restore macroeconomic stability and good governance in the financial sector.

On Monday, the commitments were placed at a board meeting of the IMF.

The government has introduced a roadmap aiming to bring down the overall banking sector's non-performing loan (NPL) ratio to 8 percent by 2026 while maintaining an NPL ratio of around 10 percent in state-owned commercial

banks. To bring this about effectively, it plans to strengthen the legal departments of banks so that pending cases can be settled in the debt court quickly.

"We will continue to strengthen our NPL roadmap in consultation with the IMF," the government said in a statement to the financial agency.

About bank mergers, the government said it was encouraging a market-driven process for the consolidation of weak banks and strong banks within the next few years to strengthen the financial system.

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## BB issues new rules on home loan repayment

STAR BUSINESS REPORT

The Bangladesh Bank has issued new directives on the repayments of industrial term and home construction loans in line with the new market-based method of calculating the interest of bank loans.

The central bank scrapped the previous formula, which was based on the Six-month Moving Average Rate of Treasury bills, abbreviated as SMART, on May 8 this year in order to make interest rates fully market-based.

The adverse global economic situation and the new method of calculating interest on bank loans have caused the interest rate to surpass the fixed rate that was in effect before July 1, 2023, according to a central bank circular.

This rate hike has put borrowers in trouble as the amount of each instalment has increased.

Rescheduling the number of instalments without increasing the repayment amount needs to be considered so that the trend of industrialisation and export can be maintained. This would also boost the repayment capacity of borrowers with limited income, according to BB.

At present, bank-client relationships, demand for loans and the supply of loanable funds are the main factors in fixing the market-based interest rate.

The central bank's instructions regarding the collection of instalments of loans disbursed before July 1, 2023, include extending the period required for collection of instalments so that recovered loans do not become part of debt restructuring.

In the case of loans taken against the salary of employees, the bank may decide on its own regarding repayment within the period of retirement of the customer from employment.

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## Amnesty to black money may continue despite criticism

MD ASADUZ ZAMAN

Despite widespread condemnation from economists, watchdogs, businesspeople and even multiple lawmakers, the government is expected to retain the amnesty allowing individuals and businesses to whiten black money without scrutiny by paying a 15 percent tax in the upcoming fiscal year.

In a meeting with the National Board of Revenue (NBR) yesterday, government high-ups gave their consent to keep the provision in the Finance Bill 2024, according to finance ministry officials.

If lawmakers raise no objection, the bill is likely to be passed in parliament on Thursday. Afterwards, individuals and businesses can enjoy the benefit from July 1 this year to June 30 next year.

According to the new provision, no authority can raise any question if a taxpayer pays tax at fixed rates for immovable properties such as flats and land, and 15 percent tax on other assets, including cash, securities, bank deposits, and savings schemes.

Finance Minister Abul Hassan Mahmood Ali placed the provision while unveiling the proposed budget on June 6, aiming to increase the flow of money into the economy.

Consequently, think tanks, watchdogs, chambers, and several lawmakers criticised the move, labelling it as unethical, unjust and unacceptable.

Independent lawmaker AK Azad from Faridpur-3 constituency said the proposal contradicts the Awami League's election manifesto, which declared zero tolerance for corruption, at the parliament this week.

"It is not comprehensible how the sovereign parliament can legalise the laundering of black money," he said, questioning why the origin of black money cannot be scrutinised.

A group of lawmakers, including Pran Gopal Datta from Cumilla-7, Zahid Maleque from Manikganj-1, former foreign minister AK Abdul Momen, and

**KEY POINTS**

- 15% tax has to be paid for whitening money
- Tax will be applicable for immovable properties such as land, apartment
- Other assets to be taxed: securities, cash, bank deposits, financial schemes and instruments, all savings

**WHO CAN WHITEN MONEY?**  
Businesses and individuals

Jatiya Party lawmaker Nurun Nahar Begum, criticised the provision in the parliament recently, according to media reports.

On June 23, the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI) wrote to the finance minister, calling him to allow the amnesty only to businesses and companies, not to individuals.

The apex trade body said companies should only be eligible for this facility if their income is legal.

"Such measures will protect the transparency and fairness of the tax

policy and ensure equal opportunities for all tax paying entities."

The Transparency International Bangladesh (TIB) has termed the amnesty as an "unethical provision".

"This will foster an environment that is conducive to carrying out corrupt practices."

The Centre for Policy Dialogue, the South Asian Network on Economic Modeling (SANEM), and the Bangladesh Economic Association also lambasted the provision.

The government is also likely to revise

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## External debt dips

Hits \$99.30b in March

STAR BUSINESS REPORT

Bangladesh's foreign debt decreased by \$1.34 billion in the first three months of this year.

The country's total public and private sector debt stood at \$99.30 billion as of March, according to data from the Bangladesh Bank.

The external debt crossed \$100 billion for the first time in December last year.

At the end of March this year, the private sector's total debt stood at \$20.29 billion, three percent lower than \$20.94 billion in December last year.

Meanwhile, the government's foreign debt stood at \$79 billion, down from \$79.69 billion at the end of 2023.

In March, the private sector's short-term foreign debt reached \$11.04 billion, a decrease of \$750 million from \$11.79 billion in December.

Meanwhile, the private sector's long-term external debt decreased to \$91.53 billion in March from \$92.56 billion in December.

Industry insiders said the private sector external debt decreased as borrowers were repaying existing loans due to the increased value of the US dollar against the taka and rising international loan interest rates.

STOCKS	
DSEX ▲	CASPI ▲
0.41%	0.75%
5,241.83	14,837.17

COMMODITIES	
Gold ▲	Oil ▼
\$2,332.56 (per ounce)	\$81.35 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.88%	▲ 0.95%	▲ 0.37%	▼ 0.44%
78,022.98	39,173.15	3,326.28	2,950.00