

Beza sought approval from the government to terminate a deal to set up SGB Economic Zone inside Bangabandhu Shilpa Nagar

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IMF positive about lending additional \$3b

STAR BUSINESS REPORT

The International Monetary Fund (IMF) is positive about lending an additional \$3 billion to Bangladesh but the multilateral lender wants to know what reforms the interim government is planning to take.

The topic came up during Finance Adviser Salehuddin Ahmed's maiden meeting with the Washington-based lender on Thursday.

Chris Papageorgiou, chief of the IMF staff mission that is overseeing the \$4.7 billion loan programme for Bangladesh, led the IMF team at the virtual meeting, which was also attended by Finance Secretary Khairuzzaman Mozumder.

Speaking with journalists at the Secretariat yesterday, Salehuddin said the IMF wanted to know about reform plans and whether the tax-to-GDP ratio would increase.

"I told them 'definitely'," he added.

He said the Bangladesh Bank has already moved for the \$3 billion loan

prevalent for almost two years.

Inflation remained high in July, with the consumer price index rising by 1.94 basis points to 11.66 percent while food inflation crossed 14 percent in July for the first time in 13 years.

Meanwhile, Bangladesh's foreign exchange reserves, which stood at more than \$40 billion in July 2022, almost halved to \$20.5 billion on August 21, according to the IMF's BPM6.

The interim government has taken some measures to tackle the situation, such as hiking the policy rate and implementing some strict measures for the banking sector.

Earlier, the IMF mission suggested various reform measures.

Considering Bangladesh's low tax-to-GDP ratio, the multilateral lender said it is imperative to prioritise sustainable revenue generation to bolster investments in social welfare and development initiatives.

To this end, tangible tax policy and



KEY POINTS

- IMF positive about lending \$3b more
- Bangladesh Bank already moved for the loan proposal
- IMF keen to know about reforms planned by interim govt
- IMF inquired if tax-to-GDP ratio will increase
- Russia positive about extending loan repayment period for Rooppur plant

proposal, adding that details would be discussed when an IMF mission visits Bangladesh later this month.

Following his appointment as Bangladesh Bank governor last month, Ahsan H Mansur initiated talks over an additional loan from the IMF to repay foreign liabilities and boost foreign exchange reserves.

IMF officials informed the finance ministry and central bank officials that they are assessing how much it can lend to Bangladesh without exceeding the quota for the country.

According to finance ministry calculations, Bangladesh can take another \$3 billion without exceeding the quota.

A meeting on the loan arrangement could be held on the sidelines of the World Bank-IMF annual meeting in Washington in October, an event Bangladesh's finance adviser and central bank governor are likely to be a part of.

The IMF has so far released \$2.3 billion under the \$4.7 billion loan programme since it was approved in January last year.

The interim government took charge amid high inflation and depleting foreign currency reserves, issues that have been

administrative measures should be incorporated in the FY25 budget to augment tax revenues by 0.5 percent of the GDP, it added.

At the same time, a medium-and-long-term revenue strategy, with an accompanying implementation framework, should guide future reforms.

The IMF also recommended that reducing subsidies, improving expenditure efficiency, and managing fiscal risks will allow for additional spending on social safety nets and growth-enhancing investment.

"Reducing banking sector vulnerabilities remains a priority. Efforts to implement the non-performing loan reduction strategy should help support the growing financing needs of the economy," it said.

At the same time, the Bangladesh Bank should continue the transition to risk-based supervision to enhance financial sector resilience while continuing legal reforms to improve corporate governance and regulatory frameworks, it added.

Looking ahead, domestic capital market development will be instrumental

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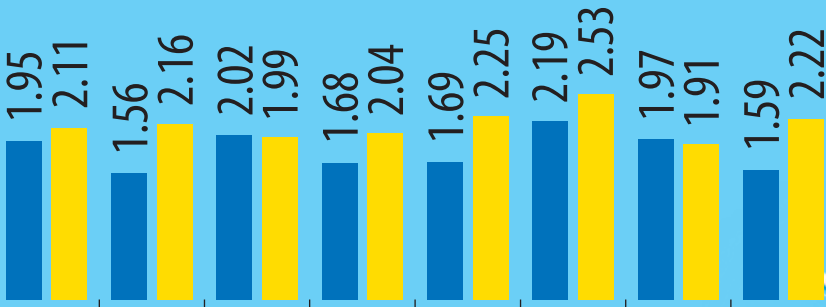
Remittances jumped 39% in August

August's receipts were 16.10% higher than those in July

REMITTANCE INFLOW

In billion \$; SOURCE: BB

■ 2023 ■ 2024



TOP FIVE REMITTANCE RECIPIENTS



Islami Bank	405
Trust	290
BRAC	206
Janata	155
Mutual Trust	106

In million \$



Expatriates have sent more remittances in part due to their confidence in the new government

Monzur Hossain

Research director at BIDS



AM JAHID

Remittances sent by Bangladeshis living abroad soared nearly 39 percent year-on-year to \$2.2 billion in August, which is likely to ease pressure on the foreign exchange reserves to some extent.

"It obviously comes as a sigh of relief for the economy. As this additional remittance will increase our existing reserves, it will intensify money circulation in the economy, and thus increase investments," said Monzur Hossain, research director at the Bangladesh Institute of Development Studies.

August's receipts were 16.10 percent higher than those recorded in July, when remittances hit a 10-month low of \$1.90 billion.

The slump in July occurred because expatriates were unable to send funds in the middle of the month as the government imposed an internet blackout to quell protests centring the quota system in government jobs that ultimately forced the previous government to quit and led to the formation of an interim government.

Broadband internet was suspended for five consecutive days and mobile internet was off for 10 days. Apart from that, banks were also shuttered from July 19 to July 23

As a result, foreign transactions with the country's banks virtually ground to a halt.

At the same time, some remittance earners launched a campaign to express solidarity with the student-led protests by refraining from sending money to the country.

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Hossain said the jump in remittances indicated that expatriates were eager to be a part of the development of a "new Bangladesh".

"Expatriates have sent more remittances in part due to their confidence in the new government and in its slogan of building a new country," he said.

He added that increasing remittance receipts would have a positive impact on the current account.

In order to sustain the growth of remittance flow, Hussain said it is important for the interim government to give positive indications of their commitment to rebuilding the country.

"If the current government fails to do that,

remittance flow may decrease again," he added.

Owing to low remittance inflow and high import bills, Bangladesh's foreign exchange reserves have been declining for the last couple of years.

The forex crisis intensified in mid-2022 due to the price hike of essential goods and commodities in the global market because of supply chain disruptions caused by the lingering impacts of the Covid-19 pandemic and outbreak of the Russia-Ukraine war.

Bangladesh's foreign exchange reserves soared to a historic high of \$48 billion in August 2021.

However, after the start of the Russia-Ukraine war, import costs increased sharply. At the same time, due to insufficient growth in remittances and exports, reserves began to decrease rapidly.

The central bank has taken various steps to encourage remittance earners and these measures have had a positive impact.

On May 8, the Bangladesh Bank withdrew the fixed exchange rate mechanism and introduced the crawling peg system for spot purchases and sales of US dollars.

The same day, the central bank increased the price of each US dollar to Tk 117 from Tk 112.

Such moves encouraged expatriates to send more remittances through formal channels, according to exporters and banks.

Central bank data showed that remittance inflow, a key source of foreign currency, grew 10 percent year-on-year to \$23.9 billion in FY24.



Now First Security Islami Bank freed from S Alam's grip

Former Islami Bank MD made its chairman

STAR BUSINESS REPORT

S Alam Group's control over First Security Islami Bank Ltd (FSIBL) ended yesterday after Bangladesh Bank reconstituted the board of the Shariah-based bank, which was heavily dominated by individuals linked to the Chattogram-based conglomerate.

The central bank dissolved the previous 11-member board, of which Mohammad Saiful Alam, founder of S Alam Group, was chairman.

Alam's wife Farzana Parveen and four other relatives were also on the board of the FSIBL, which the group established in 1999.

In their place, Bangladesh Bank formed a new five-member board with independent directors.

The FSIBL is the fifth bank to have its board restructured as Islami Bank, Social Islami Bank, Global Islami Bank and Union Bank underwent the same over the last couple of weeks.

The central bank appointed Abdul Mannan, who was forced to resign from the post of managing director of Islami Bank Bangladesh in 2017 at "gunpoint", as chairman of the new board of the FSIBL.

The four new independent directors are Azizur Rahman, former executive director of the central bank, Md Abdul Kuddus, former deputy managing director of Uttara Bank, Md Saiful Alam, associate professor of accounting and information systems at the University of Dhaka, and Raghib Ahsan, a chartered accountant.

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Sugar imports slump amid illegal influx

SOHEL PARVEZ

Bangladesh's sugar imports fell sharply in fiscal year 2023-24 as refiners stayed away from placing orders to foreign buyers in the face of an illegal influx of the sweetener through the borders.

Import of raw sugar by the refiners stood at 13.86 lakh tonnes last fiscal year, down 25 percent year-on-year from 18.49 lakh tonnes the previous year, according to data compiled by the commerce ministry.

"Demand for locally refined sugar declined drastically because of smuggling. Why should we import if there is no demand," said Taslim Shahriar, deputy general manager of the Meghna Group of Industries (MGI), one of the leading importers and processors of commodities.

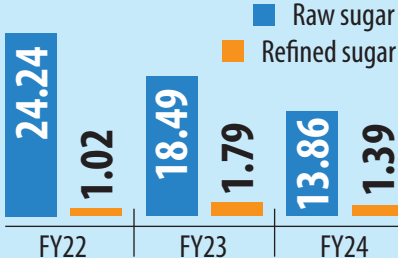
He said the MGI can supply up to 3,000 tonnes of sugar daily. Now demand for sugar at the mill dipped to one-third of the supply.

"India has been maintaining a ban on sugar export. So, sugar prices remain high in the international market. At the same time, the government maintains high import duty on raw sugar. Taking the opportunity, a section of people are smuggling sugar through the borders," he said.

Imports of raw and refined sugar

(In lakh tonnes)

■ Raw sugar ■ Refined sugar



SOURCE: COMMERCE MINISTRY

"This has ruined our sector," he said.

India, the second largest producer of sugar, banned shipment of the sweetener in June 2022 to increase domestic supply amid concerns of poor harvest and spiralling prices. It is yet to lift the ban.

Bangladesh annually requires 24 lakh tonnes of sugar and five refiners meet around 99 percent of the total requirement by importing raw sugar mainly from Brazil.

State sugar mills meet just one percent of the demand.

The MGI official said the amount of sugar being brought illegally through

the borders with neighbouring India is estimated to be nearly 7 lakh tonnes.

The Bangladesh Sugar Refiners Association (BSRA) has long been raising complaints over sugar smuggling and security forces on several occasions earlier this year seized the illegally imported sweetener.

According to customs data compiled by the commerce ministry showed that refined sugar imports slumped by over 22 percent year-on-year. The nation brought 1.39 lakh tonnes of refined sugar in FY24 from 1.79 lakh tonnes in the previous year.

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Repayment rules relaxed for flood affected small borrowers

STAR BUSINESS REPORT

Borrowers of agricultural and cottage, micro, small and medium enterprise sectors in the areas affected by recent floods in the country would get relaxed loan repayment facilities, according to a Bangladesh Bank circular yesterday.

The notice said the instalments of loans, which are payable between August and September, can be paid in the next three months.

Borrowers who would be eligible include those from areas identified by the Ministry of Disaster Management and Relief, including Feni, Noakhali, Lakshmipur, Cumilla and Chattogram. The banks have been asked not to impose any extra interest or charge other than the initial interest on the late repayment.

The central bank said the relaxed facility was introduced to tackle the negative impacts on the country's economic activities.

A total of 54 people, including six women and seven children, died in the ongoing floods in nine districts, as per the disaster management and relief ministry.

Of them, 19 people died in Feni, 14 in Cumilla, eight in Noakhali, six in Chattogram, three in Cox's Bazar, and one each in Moulvibazar, Lakshmipur, Brahmanbaria and Khagrachhari.