How IMF is scrubbing economic ledger

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Bangladesh entered the IMF programme at a moment of deepening stress. By late 2022, foreign exchange reserves had fallen below $20 billion, down from over $40 billion just a year earlier. Import bills had surgedwhile export growth and remittances weakened. The Bangladesh Bank repressed exchange rate flexibility. Inflation was in double digits, GDP growth on a downslide.

The IMF supportcame against this backdrop. The Fund approved a 42-month package worth $4.7 billionin January 2023, later expanded to $5.5 billion with one year extension to June 2027. The programme disbursement, designed to stabilise the balance of payments and push fiscal, monetary and banking reforms, is currently paused until after the elections.

What role has it played so far? What is the outlook?

THE SCORECARD TWO YEARS ON

Growth was subdued compared to pre-programme expectations, with IMF staff repeatedly marking down projections amid political uncertainty, trade headwinds, and tighter financial conditions. External balances improved in 2025. Programme financing catalysed budget support provided by other significant creditors.

A central plank of the programme has been moving toward greater exchange-rate flexibility and reducing quasi-fiscal and administrative distortions in the foreign exchange market. The idea is to curb discretionary intervention, align rates, and improving foreign exchange liquidity via market instruments. The 2025 IMF staff reviews linked tranche releases to progress on flexibility and transparency. BB reporting of reserves using BPM6 definitions was triggered by the programme as was the reporting of distressed assets in the banking system.

ILLUSTRATION: **ZARIF FAIAZ**

> The IMF programme has pushed long-delayed reforms forward, but it has also exposed deep banking and governance fragilities, revealing how fragile macro-stability remains without durable political ownership.

Tax-to-GDP ratio needs to rise to protect social and priority investment even as subsidies—especially electricity—are rationalised. The programme targets higher, more sustainable revenue through phasing out exemptions, strengthening VAT compliance, and reorganising tax administration. The outcomes have eluded programme target of increasing tax to GDP ratio by 50 basis points annually.

Banking fragilities—rising non-performing loans, capital shortfalls, corporate and regulatory governance weaknesses—were flagged early and

SEE PAGE 31