

## INTERNATIONAL

### **Bangladesh requests loan from IMF; economists say ‘reforms in financial sector’ needed**

Bangladesh asked for loan from the IMF in view of rapidly declining foreign exchange (Forex) reserves, Dhaka Tribune reported. Bangladesh has formally requested for a USD 4.5 billion loan from Washington-based multilateral lender International Monetary Fund (IMF) to combat the ongoing financial crisis in the country, according to a media report. Bangladesh asked for loan from the IMF in view of rapidly declining foreign exchange (Forex) reserves, Dhaka Tribune reported. In a letter to IMF Managing Director Kristalina Georgieva, according to sources, the government sought the loan as a balance of payment and budget support as well as to mitigate the effects of climate change on Bangladesh. According to Finance Ministry officials, USD 1.5 billion of the USD 4.5 billion, which the country has sought to mitigate the on-going crisis, would most likely be interest-free and the remaining amount would come at an interest less than 2 per cent. An IMF mission is expected to visit Bangladesh in September to negotiate the terms and conditions for the loan, the report said. A deal is expected to be locked by December, and to be placed before the global lender's board meeting in January, the officials added. Renowned economist Debapriya Bhattacharya, however, said Bangladesh will have to go through several conditions to get a loan from the multilateral lender, which puts harsh conditions in front of the borrower country to get the loan. "Right now, we have a large trade deficit. At the same time, remittances are also on the decline. There is great pressure on the exchange rate," the economist explained. He also said that imports were getting difficult owing to the lack of foreign exchange, and "going to the IMF is logical and the right move at this time of crisis". "Sri Lanka's delay in doing so caused them a huge loss," Bhattacharya added. The economist said the IMF money would mainly be used to meet the large deficit in foreign transactions at the moment, and to stabilise the exchange rate of Taka against the dollar by selling dollars. "However, before receiving this money, the government has to take several steps to show they are responsible in the eyes of the IMF. This is what we call pre-action. Also, they have to take some steps before releasing each installment," he said. Asked about the possible reform and IMF conditions, Debapriya said: "The exchange rate of Taka should be floating and based on the market. The incentives given by the government to the foreign currency now may need to be adjusted. Monetary policy should be harmonized with fiscal policy." "In that case, a level has to be specified in the subsidy in order to control the expenditure. Besides, the role of the central bank should also be strengthened. And in that case, there may be conditions for the recovery of defaulted loans," he added. He explained the IMF was saying what independent economists had been telling the government for a long time, but no action was taken so far. "Even now, if these reform measures are taken, it will be good for our economy." He warned that it was not good for the political situation in the country, especially on the eve of elections, to resort to such controls. Earlier last week, a visiting IMF delegation in a discussion with Bangladesh Bank officials expressed concern over the weakness of the country's banking system and the high rate of non-performing loans (NPLs). "The IMF has recommended removing the interest rate caps on lending and borrowing. Apart from a market-based floating exchange rate of Taka or foreign currency exchange rate system, the organisation has also suggested resetting the methodology on foreign currency reserves," a senior Finance Ministry official said. In South Asia, Sri Lanka, facing its worst economic crisis

in seven decades, is currently in negotiations for an IMF bailout. The island nation ran out of foreign currency to import, even its most vital essentials, triggering long queues at petrol stations, food shortages and lengthy power cuts. Pakistan, whose foreign exchange reserves are rapidly depleting, reached an agreement with the IMF earlier this month to pave the way for the release of an additional USD 1.2 billion in loans and unlock more funding.

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## **UN relaxes arms embargo on Central African Republic**

The U.N. Security Council voted Friday to relax the arms embargo against the Central African Republic, a disappointment to its government, which sought a complete lifting of the ban on the sale or transfer of weapons and ammunition. The vote was 10-0 with Russia, China and the council's three African members that supported the lifting of the embargo abstaining. Sylvie Baipo Temon, the Central African Republic's foreign minister, told the council after the vote that the government welcomed the first step toward an arms embargo on armed groups. She also welcomed the end to limits on some categories of weapons for government forces, but she stressed that "this embargo is no longer justified." "The embargo from 2013 is undeniably ineffective because it no longer provides specific solutions to the grave problems posed by the proliferation of arms by extremists and rebels who have many, many sophisticated weapons themselves," Baipo-Temon said. The mineral-rich but impoverished Central African Republic has faced deadly intercommunal fighting since 2013 when predominantly Muslim Seleka rebels seized power and forced President Francois Bozize from office. Mostly Christian militias later fought back, also targeting civilians in the streets. Untold thousands were killed, and most of the capital's Muslims fled in fear. A peace deal between the government and 14 rebel groups was signed in February 2019, but violence erupted after the constitutional court rejected Bozize's candidacy to run for president in December 2020. President Faustin Archange Touadera won a second term with 53 per cent of the vote, but he continues to face opposition from a rebel coalition linked to Bozize. The government controls the capital, but much of the country is controlled by armed groups. France drafted the resolution and engaged in lengthy negotiations with Russia over maintaining the arms embargo to avert a possible Russian veto. France's deputy political coordinator Wadid Benaabou said the objective of the arms embargo has always been to reduce the threat of armed groups. He said the Security Council "has always been attentive" to the needs of the CAR government and Friday's resolution makes it even easier for its forces to obtain all types of weapons and ammunition. "They have thus received more than 20,000 weapons and 29 million rounds of ammunition in recent years," Benaabou said after the vote. Kenya's U.N. Ambassador Martin Kimani said the resolution "has taken a positive step towards the full lifting of the arms embargo." But he said Kenya voted to abstain because the resolution doesn't fully lift sanctions against the CAR government, a view backed by Ghana and Gabon. US deputy ambassador Jeffrey DeLaurentis welcomed the extension of the arms embargo, travel ban and asset freeze saying these measures aim to promote peace and stability in CAR and across the region. "On

the arms embargo, the region is awash with guns and it's time to stem the unfettered flow," DeLaurentis told the council after the vote. "If effectively implemented, this arms embargo will help silence the guns." He called on CAR authorities to continue improving physical protection and accountability for its weapons. "The truth is, military actions alone will not resolve CAR's crises," DeLaurentis said. "Good governance, credible security sector reform, transparent disarmament and reintegration, national dialogue, and justice and accountability are the most important steps toward peace."

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