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Rights-based Civil Society Organizations Oppose IMF Loan Conditions

Rationalizing Subsidies Amid Inflation

Dhaka, 6 May 2024: Rights-based civil society organizations, coordinated by the Equity and Justice Working Group (EquityBD), staged a human chain in front of the National Press Club in Dhaka today to protest the stringent conditions imposed by the International Monetary Fund (IMF) on its loan to Bangladesh. The speakers urged resistance against IMF advice that undermines the financial interests of ordinary people.

Bangladesh's economy had been relatively stable in recent years, and the government had not required IMF loans for development. However, the global economic downturn due to the COVID-19 pandemic and the ongoing war in Ukraine has caused significant economic stress. As a result, Bangladesh's economic reserves fell from \$41 billion in 2021 to \$19.5 billion in 2023, prompting the government to request a \$4.7 billion loan from the IMF last year. The IMF is now in Bangladesh to negotiate the release of its third installment, but their stringent conditions are causing concern.

One condition demands the discontinuation of subsidies on electricity, furnace oil, and gas to save dollars. However, the IMF mission is not addressing critical issues like capital flight and money laundering, nor suggesting ways to increase tax revenue. Instead, they recommend increasing indirect taxes, placing a heavier burden on ordinary citizens. The speakers highlighted the need to rationalize subsidies and crack down on financial crimes rather than imposing punitive measures on the public.

Representatives from various organizations stood in solidarity with EquityBD, including Badrul Alam from Bangladesh Krishok Federation, Iqbal Faruk from Water Keepers, Ibnul Said Rana from NDF, Ziaul Haque Mukta from CSRL, Omour Faruk, and Ferdous Ara Rumeel from COAST Foundation. The human chain was moderated by Mustafa Kamal Akanda from EquityBD, while Rezaul Karim Chowdhury from EquityBD presided over the event.

Rezaul Karim Chowdhury emphasized that subsidies for electricity, oil, and gas are crucial because they benefit the poor and ensure food security through agricultural support. He criticized the IMF's recommendation to cut subsidies, suggesting instead that the government should focus on reducing capital flight. Badrul Alam pointed out that the IMF's lack of concern for bankruptcy and capital flight raises questions about their intentions. He suggested that the stringent conditions might undermine food security by discouraging agricultural production.

Other speakers echoed these sentiments. Iqbal Faruk said that Bangladesh should only accept loans that are free of stringent conditions. Ibnul Said Rana highlighted that the rising costs of agricultural production are dissuading farmers from continuing their work, which could impact the country's food security. Ziaul Haque Mukta noted that money laundering and capital flight contribute to the high inflation rate and that those responsible should face severe consequences.

Omour Faruk explained that Bangladesh carries more than \$100 billion in foreign loans, with a per capita loan of BDT \$580. Furthermore, about BDT 12,000 crore leaves the country annually due to money laundering and offshore banking. He also criticized the IMF's suggestion to increase VAT and indirect taxes, which primarily affect the general public. Ferdous Ara Rumeel pointed out that the IMF's proposal for a 15% VAT across all transactions is unfairly burdensome on consumers instead of traders. She suggested that to generate revenue, the government should focus on taxing the wealthy directly.

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