

Bangladesh Seeks Compensation for Economic Losses from Middle East War

Bangladesh has incurred an additional \$4.12 billion in fuel and fertiliser import costs over the past seven months due to the war in the Middle East. At an exchange rate of Tk 122 per dollar, the additional expenditure amounts to approximately Tk 502.64 billion (Tk 50,264 crore).

If the conflict continues, the additional monthly import bill for the two commodities could rise to around \$600 million. Facing this enormous financial burden, Bangladesh is seeking international assistance. At the same time, the question of compensation for countries suffering economic losses from the conflict despite not being directly involved in it has emerged at the international level.

Meanwhile, the heads of the World Bank and the International Monetary Fund (IMF) have expressed optimism that joint efforts to address the crisis will continue.

World Bank preparing assistance for 30-40 countries

The World Bank is holding discussions with 30 to 40 countries on possible emergency assistance to help them cope with rising fuel and other commodity prices caused by the Middle East war.

World Bank President Ajay Banga told the media that the amount of assistance could be increased to as much as \$100 billion if the situation deteriorates further. An initial crisis-response fund of \$25 billion has been arranged, while resources from ongoing and approved projects could also be reallocated to support affected countries.

The initiative is significant for Bangladesh. However, access

to potential financing will depend on the country's needs, spending plans and the terms of the assistance. Funding to cover higher fuel and fertiliser import costs could help ease pressure on the country's foreign exchange reserves.

Separately, Bangladesh has sought an additional \$10 billion in financing from the World Bank over the next three years, beyond its regular assistance. Discussions are also underway with the IMF on a new three-year loan programme worth \$4.5 billion.

These financing arrangements are not designated as compensation for war-related losses. Rather, they form part of broader efforts to manage economic pressures and support recovery.

Compensation or loans: The question of financing terms

Although Bangladesh's additional import expenditure due to the war has reached approximately Tk 500 billion, no definite mechanism for recovering this amount as compensation has emerged so far.

Alongside seeking international assistance, Bangladesh must therefore consider what type of financing would be most beneficial to its economy. New loans could help ease immediate pressure on import payments, but they would have to be repaid with interest, potentially increasing the country's external debt burden over the long term.

Grants or financing on concessional terms, by contrast, would impose a comparatively smaller financial burden.

For Bangladesh, the terms, intended use and long-term implications of financing are therefore as important as the amount itself. The main priorities should be maintaining uninterrupted energy supplies, preventing disruptions to agricultural production and protecting low-income households already struggling with inflation.

New pressures compound existing economic problems

Bangladesh is also dealing with longstanding economic problems alongside the new pressures created by the Middle East conflict.

Dr Rashed Al Mahmud Titumir said the country was still grappling with the consequences of corruption, irregularities in the banking sector and persistently high inflation inherited from the previous government's tenure.

The additional cost of energy and fertiliser imports could further complicate efforts to stabilise the economy and restore confidence in key sectors.

Employment remains a major challenge

Beyond the immediate impact of the war, developing countries face a significant challenge in creating enough jobs for their growing young populations, World Bank President Ajay Banga said.

According to figures presented by Banga, around 1.2 billion young people in developing and emerging economies will reach working age over the next 10 to 15 years. However, current trends suggest that only about 400 million jobs may be created for them, leaving a potential shortfall of approximately 800 million jobs.

Speaking at the annual meetings of the World Bank and the IMF in Bangkok, Banga said addressing this challenge would require not only public financing but also greater private investment, wider use of technology and expansion of productive sectors.

For Bangladesh, higher import costs resulting from the war could increase industrial production expenses and affect investment and employment. Alongside international assistance, the country will need to boost investment in productive sectors and strengthen its overall economic capacity.

The Middle East conflict is therefore not merely an energy-import cost crisis for Bangladesh. It poses a broader economic challenge involving foreign exchange availability, government expenditure, agricultural production, inflation and the cost of living.

The additional expenditure of approximately Tk 50,000 crore on fuel and fertiliser imports over seven months highlights the scale of the pressure.

Bangladesh's immediate objective is to secure effective financing from international development partners. However, distinguishing clearly between compensation for war-related losses, emergency assistance and loans will be crucial in identifying the most sustainable solution in the country's economic interests.