



IMF getting BB ready for post-LDC world

Interest rate caps, fixed exchange rate to go in first stage

REJAUL KARIM BYRON

Bangladesh's preparation for LDC graduation would start in earnest with the International Monetary Fund's 42-month loan programme, where one of the objectives is to overhaul the monetary and exchange rate policies to meet the needs of an open economy.

"The current eclectic monetary policy regime may not be effective in meeting the challenges of a more diversified and open economy after the LDC graduation," said the IMF in its staff report for the \$4.7 billion loan programme.

The existing monetary policy framework has a "multitude of policy instruments" — such as targets for credit growth, broad and reserve money — that aim for "opaque objectives" and emit "weak communication" about the Bangladesh Bank's strategy.

This limits the central bank's standard objectives: low and stable inflation and helping manage economic fluctuations.

Subsequently, the Washington-based multilateral lender prescribed an interest rate corridor system and a floating exchange rate as the first steps towards modernising the monetary and exchange rate policies.

To put it simply, the much-maligned interest rate caps, which have effectively left Bangladesh Bank ineffectual in containing the elevated inflation in recent months, would be abandoned.

And the managed exchange rate system, which is draining the central bank's reserves, would be going out, too.

In their letter of intent, Bangladesh Bank Governor Abdur Rouf Talukder and Finance Minister AHM Mustafa Kamal agreed to adopt an interest rate corridor system by July and the floating exchange rate by June.

"Seeing is believing — let's see if they can do it," said Ahsan H Mansur, executive director of the Policy Research Institute.

Followed by many central banks around the world, including the Reserve Bank of India, the interest rate corridor is the range between which interest rates move in the money market.

The highest point is determined by the rate at which the central bank lends money to banks, which is called the repo rate. The lowest point is

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"We cannot go for floating exchange rate and interest rate corridor just for the sake of it. We have to create the conditions for these to work."

— Ahsan H Mansur, executive director of PRI



A fire broke out at a multi-storey building in the capital's Gulshan last evening, leaving one dead and several others injured. Nineteen fire engines and an air force team brought the blaze under control around 11:00pm. In this photo, fire service members trying to extinguish the blaze and rescue people using aerial ladders.

PHOTO: PALASH KHAN

Rouf Chy's Dua Mahfil tomorrow

STAFF CORRESPONDENT

A Dua Mahfil for eminent businessman

A Rouf Chowdhury will be held at the Gulshan

Central Masjid following Asr prayers tomorrow.

His family members requested his friends and well-wishers to join and pray for his eternal peace.

Founding chairman of Rangs Group and Sea Resources Group, Rouf Chowdhury passed away at his home in the capital on Saturday at the age of 86.

He was one of the directors of Mediaworld Ltd, the parent company of The Daily Star.

The noted entrepreneur is survived by his son Romo Rouf Chowdhury and

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No bar for Khaleda to do politics Says law minister

STAFF CORRESPONDENT

While releasing BNP chief Khaleda Zia from prison, the government did not impose any restrictions on her getting involved in politics, said Law Minister Anisul Huq.

He, however, questioned if Khaleda's

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Panic as fire engulfs Gulshan high-rise

1 killed, dozens injured; blaze under control after 4 hours

STAFF CORRESPONDENT

A massive fire ripped through seven top floors of a 13-storey residential building in the capital's Gulshan last night, leaving at least one man dead and dozens injured.

Firefighters rescued 11 women, a child and 10 others from the building

on road 104.

The blaze was brought under control around 11:00pm last night after four hours of efforts by the firefighters who were joined at one point by the air force and army personnel.

The fire originated on the sixth floor around 7:00pm and quickly

spread upwards as the rising plume of black smoke could be seen from far away.

Officials could not confirm the cause of the fire and extent of its damage. Firefighters said their efforts were delayed because of the crowd of hundreds of onlookers on the street.

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