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B1 Rawhide traders may get better prices this Eid



P11 Self-actualisation on Zakir's mind



P10 Tracing the History of the Indo-Bangla Enclaves



P7 New Sudan ceasefire takes effect

Tight monetary policy. But is it enough?

Doubts hang over IMF-prescribed policy's ability to tame inflation

AKM ZAMIR UDDIN

On the surface, the monetary policy appears to be tuned to the need of the hour: bring down inflation and conserve reserves. But it comes caving down on careful reading.

"There is a question of how the central bank will actually implement this seemingly contractionary monetary policy," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

In a break with tradition, it shifted from a quantitative-based monetary policy to an interest-based one as per the terms agreed with the International Monetary Fund for the \$4.7 billion loan.

Under the quantitative-based monetary policy, a central bank increases or decreases the money supply to achieve its inflation target.

But the interest-based monetary policy focuses fully

"The interest rate and the exchange rate will become market-based and the financial account will turn positive. But how is that possible?"

Ahsan H Mansur, executive director of the Policy Research Institute

on the key interest rates -- repo, reverse repo, and special repo -- to tackle higher prices.

Accordingly, the central bank increased the rate at which cash-strapped banks take short-term loans by 50 basis points to 6.50 percent.

This is the fifth time in a year that the BB has increased this rate, known as the repo rate.

The central bank also increased the rate at which banks keep funds at the BB -- known as the reverse repo -- by 25 basis points to 4.50 percent.

Both the measures can potentially mop up the money supply and hopefully bring down inflation.

However, the BB slashed the rate at which banks secure emergency funds from the central bank -- known as special repo -- by 50 basis points to 8.50 percent.

Hussain is sceptical that the repo rate increase would have any major impact on the money supply given that the interest rate cap was withdrawn.

"The new method for setting interest rates will not bring any major change to the financial sector," he said.

Under the new method, the central bank would initially set a monthly reference rate based on the weighted average rate that would be calculated based on the interest rates of the six-month short-term treasury bill.

Another weighted average rate would be set six months later based on the monthly weighted average rates of the T-bill. The rate will be called SMART, which will be adjusted every month considering the interest rates of the treasury bill.

The central bank will allow banks to add a maximum of 3 percent, which would be called the reference rate to the weighted average rate.

Currently, the interest rate of the six-month T-bill is 7.10 percent.

SEE PAGE 2 COL 1



After a drizzle, dark clouds gather, the wind picks up and the storm sweeps over Batir Char on the Jamuna in Bogura's Sariakandi. Darkness descended nearly an hour earlier than the dusk. The photo was taken around 5:45pm yesterday.

PHOTO: MOSTAFA SABUI

Geopolitics behind Moody's downgrade

Says BB governor

STAFF CORRESPONDENT

Bangladesh Bank Governor Abdur Rouf Talukder yesterday downplayed the importance of the country's sovereign rating downgrade by major credit ratings agency Moody's as it was not made on economic grounds.

"Their downgrade has geopolitics behind it -- it is not based on pure economics," he told reporters while unveiling the monetary policy for the second half of the year.

Earlier on May 30,

SEE PAGE 2 CO 4

Lopsided deal to cost Biman over Tk 1,000cr

CAG audit finds

ZYMA ISLAM and RASHIDUL HASAN

Biman has violated procurement rules to hire a vendor for its online ticket sales and reservation services, and this will lead to Biman losing over Tk 1,000 crore in 10 years, according to a recent audit report by the Office of the Comptroller and Auditor General of Bangladesh.

Since 2003, Sabre GBL Inc, a Texas-based firm, has been providing Biman with a global distribution system (GDS), which hosts Biman tickets and bookings for travel agents across the world.

While a firm named SITA was serving Biman with a passenger service system (PSS), which keeps tabs on how many passengers are actually boarding planes after booking tickets, and a departure control system (DCS), a tool for pre-flight operations.

SITA told Biman in October 2019 that it would stop providing the PSS and DCS services.

On June 3, 2020, Biman invited financial proposals from firms interested in providing PSS, DCS, e-commerce services, loyalty programme, business intelligence, customer service agents, and other related services.

Sabre won the contract as it offered the lowest price.

The auditor general's office stated in its report that Sabre aced the competition because many particulars of its financial proposal were not presented before the evaluation committee. Biman officials curtailed competition on purpose and hid the actual estimates that may make the carrier lose at least Tk 1,059 crore during the 10-year contract

SEE PAGE 6 COL 4

Editors concerned over journos' safety

Demand punishment to Nadim's killers; US for a comprehensive probe

STAR REPORT

Sampadak Parishad (Editors' Council) yesterday demanded exemplary punishment to the killers of journalist Golam Rabbani Nadim in Jamalpur.

In a statement signed by its President Mahfuz Anam and General Secretary Dewan Hanif Mahmud, the council expressed deep concern over the feelings of insecurity that pervade the journalists on duty.

Nadim came under attack by supporters of an influential public representative in Bakshiganj upazila for publishing reports, said the statement.

Many journalists were killed in the past, but the trials are yet to be completed, said the council, adding that the murder of Nadim, who was killed for writing the truth, is an example of the lack of security of the journalists.

Torture and killing of journalists go against freedom of speech and human rights, it observed.

The council condoled with the bereaved family members of Nadim.

Nadim was the Jamalpur district correspondent of Banglanews24.com and also the Bakshiganj upazila correspondent of Ekattor TV.

SEE PAGE 6 COL 2



Fishermen use nets to collect eggs released by fresh water fish like ruhi, katol and mrigel from the Halda river at Nayahat in Chattogram's Hathazari yesterday. The fries that hatch from the eggs are used in fish farms. Inset, a man shows the eggs gathered from the river, the major breeding ground for carp fish.

PHOTO: RAJIB RAIHAN

BOTCHED C-SECTION

Mother dies 8 days after baby

STAFF CORRESPONDENT

Eight days after the death of her newborn, following an alleged botched C-section at the Central Hospital, Mahbuba Akter Akhi died yesterday.

The 25-year-old had been on life support at the LabAid Hospital. She breathed her last around 1:45pm.

Her baby died just after the C-section on June 10.

Akhi's condition started deteriorating after the surgery and she was taken to LabAid Hospital the same day.

"I demand justice," her husband Yakub Ali Sumon told reporters yesterday.

Following the death of the baby, Yakub filed a case with Dhanmondi Police Station on June 14, bringing allegations of botched C-section and

SEE PAGE 2 COL 1



Akhi

Condolence
Reliance Insurance Limited
deeply mourns the sad demise of-



(02.10.1965 - 16.06.2023)

Arshad Waliur Rahman

Director-Reliance Insurance Limited

We, Reliance Insurance family are deeply shocked at the demise of our Director Arshad Waliur Rahman. We pray to the Almighty for the salvation of his departed soul and for giving enough strength and patience to bereaved family members to deal with the irreparable loss.

"Your dedication, diligence and contribution will continue to inspire us. Your fond memories will always be cherished by us."

In reverence & remembrance -
The Management and all Members of



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