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BUSINESS

Austerity hits July's ADP spending

REJAUL KARIM BYRON and MD ASADUZ ZAMAN

The government's austerity measures have hit implementation of the annual development programme (ADP) in the first month of the current fiscal year, with just 0.96 per cent of the total allocation being spent, the lowest in the last four years. This means ministries and divisions spent Tk 2,455 crore out of the total allocation of Tk 256,003 crore, according to data of the Implementation Monitoring and Evaluation Division (IMED) under the planning ministry. In contrast, the rate was 1.14 per cent in July of fiscal year 2021-22 when the total allocation amounted to Tk 236,793 crore. The last time the rate was lower than that of this fiscal year was in fiscal year 2018-19 when the rate was 0.57 per cent and the total allocation amounted to Tk 180,869 crore.

Ministries and divisions spent Tk 2,455 crore in July out of the total allocation of Tk 256,003 crore

Sources said this slow implementation over four years back was due to it being an election year. In the initial couple of months of a fiscal year, the implementation rate usually remains low according to past trends. Moreover, this year saw the emergence of the Russia-Ukraine war for which the Finance Division issued a circular on austerity measures on the first day of the month of July, according to a planning ministry official. The stance comes in the face of strained foreign currency reserves, higher global and domestic inflation, low fiscal space and ongoing concerns over the war. As a part of the austerity measures, the ADP have been categories based on their importance as A, B and C. A category projects will continue running as usual while up to 75 per cent of allocations for B category projects can be spent. All C category projects have been put on hold but the ministries and divisions can re-route these

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AUDITOR'S FINDINGS

Prime Islami Life kept collateral against a loan taken by PFI Securities violating rules

From this, the insurer incurred a loss of **167cr**

Prime Islami's share sale proceeds of Tk **15cr** were not repaid by PFI Securities

Prime Islami Life kept collateral against a loan taken by Prime Islami Securities violating rules

From this, the company incurred a loss of Tk **79cr**

Prime Islami Life invested Tk **15cr** in a group without deal and there was no disclosure in financial report

BEHIND THE ANOMALIES

A director and his family members were in the boards of all three companies -- Prime Islami Life, PFI Securities, and Prime Islami Securities

ABOUT PRIME ISLAMI LIFE



Paid-up capital Tk 30cr



Gave 25pc dividend in 2016, but that dropped to 10pc in 2019



Sponsors hold 36pc shares, institutes 37pc and general public 27pc



Got listed in 2007



Ex-directors swindle Tk 300cr out of Prime Islami Life Ins

AHSAN HABIB

A number of directors of Prime Islami Life Insurance siphoned off more than Tk 300 crore funds by keeping the fixed deposits of the insurer as collateral to secure bank loans for another company, putting policyholders' interests at risk, according to an audit.

The former directors sat on the board of both the insurer and their company PFI Securities Ltd. And the directors during their tenure forced Prime Islami Life Insurance to keep the fixed deposits as collateral with the banks to help the securities company avail the loans, breaching the company rules, found the special audit run by the Bangladesh Securities and Exchange Commission (BSEC).

In the middle of 2021, the BSEC moved to carry out the audit when allegations of irregularities surfaced against the company.

It found the board of directors of Prime Islami Life Insurance approved keeping the fixed deposits of Tk 120 crore as collateral in favour of loan to PFI Securities in 2012.

Accordingly, the insurer opened fixed deposits totalling Tk 117 crore with three banks, and the banks lent Tk 59 crore to PFI Securities.

As PFI Securities did not repay

the loan, the banks adjusted the fixed deposits against the loans and interests in 2017 and 2018.

But the insurer showed the fixed deposits and the earned interests worth Tk 167 crore as a short-term investment in PFI Securities.

"The board of the insurance company took the investment

on the investment for 2018 and is still showing the amount as receivable. The auditor termed the interest as doubtful.

The loan was not recognised and disclosed in the audited financial statements of PFI Securities for 2020 as well, creating significant doubt about whether the fund would be

a private bank in 2012 but it was transferred directly to the securities firm through pay orders.

Prime Islami Life Insurance did not take any legal action until 2020.

Former directors of the insurer are not the sole wrongdoers in the insurance industry in Bangladesh who used the policyholder's premiums as collateral to secure loans for themselves or for others.

In fact, with evidence surfacing of a couple of insurance companies misusing funds of policyholders, the Insurance Development and Regulatory Authority recently directed them to refrain from borrowing from banks using life funds as collateral.

The move came after such borrowers became defaulters and banks and financial institutions subsequently claimed the fixed deposits, according to insiders.

MORE IRREGULARITIES

Prime Islami Life Insurance gave a lien of a fixed deposit of Tk 67 crore in favour of Prime Islami Securities without the approval of the board in 2011, 2012 and 2014.

A lien is a right to keep possession of property belonging to another person until a debt

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Mutual funds fall on NBR's tax move

AHSAN HABIB

The unit prices in the mutual fund sector have dropped over the past few weeks even though they disbursed handsome dividends in recent times as the National Board of Revenue (NBR) suggested deducting source tax from the cash dividend income.

Mutual funds pool money from investors to channel it into securities such as stocks and bonds. Depending on the profits earned, investors are paid their share as dividends.

On August 10, the NBR's tax policy department responded in the affirmative to a letter from the Large Taxpayers Unit (LTU), saying that source tax is deductible from a mutual fund's cash dividends.

Such a response from the NBR disheartened unitholders of mutual funds and so, they started selling their units even when the market index was on a rising trend.

"Globally, without exception, the income from mutual funds and other collective investment schemes are tax-exempt," said Hasan Imam, president of the Association of Asset Management Companies and Mutual Funds.

As mutual funds are required by law to disburse a majority of their income to investors every year, they are considered "pass-through" structures.

The revenue authority collects taxes on the dividends disbursed by mutual funds at the investor level.

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Dutch look to boost trade with Bangladesh

Delegation due Aug 28

DIPLOMATIC CORRESPONDENT

As the economy of Bangladesh is growing rapidly, the Netherlands is looking to enhance bilateral trade and utilise investment opportunities here with a strong focus on digitalisation and sustainability.

"As longstanding partners in the multilateral sphere, we also seek collaboration with Bangladesh in promoting a rules-based international order and human rights," said the Netherlands embassy in Dhaka ahead of a visit by a delegation.

The 10-member delegation led by Birgitta Tazelaar, deputy director general for international cooperation from the Ministry of Foreign Affairs, will visit Bangladesh from August 28 to August 31.

The delegation would focus all aspects of Dutch policies for Bangladesh, such as social and economic development, water and climate adaptation, business development and issues of justice and human rights.

"In the new policy strategy...the Netherlands combines trade with development cooperation activities," said the statement.

It said the Netherlands has been contributing to sustainable development in areas such as garments, agriculture, water, women empowerment, sexual and reproductive health and rights and the strengthening of civil society.

The delegation will speak with private sector partners, government actors and the civil society, take a look into different private sector initiatives and development projects and visit the Rohingya refugee camps and local communities in Cox's Bazar.

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Three-fourths of RMG exports concentrated in 9 countries

REFAYET ULLAH MIRDHA

Around 73 per cent of Bangladesh's garment exports is still limited to nine countries for a lack of market diversification in spite of different public and private initiatives.

In the April-June period of fiscal year 2021-22, some \$8.2 billion out of \$11 billion came from the nine export destinations -- the USA, Germany, the UK, Spain, France, Italy, the Netherlands, Canada and Belgium.

The nine accounted for 75 per cent of the total garment export on an average during the April-June period over the last five years.

On top of that, the first three countries accounted for nearly half of the exports.

The figures came up in a "Quarterly Review on Ready-made Garments: April-June FY'22" published by Bangladesh Bank recently.

"This reflects that we still have challenges in market and product diversification," said Selim Raihan, executive director of the South Asian Network on Economic Modelling (SANEM).

"Our export basket is still limited in products and guaranteed markets... But a good sign is that our export to India has been growing in the recent period because



There has been a lack of market diversification for garment export despite initiatives.

PHOTO: STAR

of its increasing imports for a growing middle class," he said.

He said China, which has provided duty free access to 98 per cent of Bangladeshi goods going to the country, could be a

major market, especially for low-cost products.

"We are not exploring that market although it is vital for us," said Raihan, also a professor of economics at the

University of Dhaka.

He said it would be challenging for garments, which accounts for 82 per cent of the overall export receipts, to compete after Bangladesh makes the United Nations status graduation from a least developed to a developing country in 2026.

"Export to protected markets such as European Union where Bangladesh's products get zero duty access, does not reflect our competitiveness," he said.

"Competitiveness will be a big issue in the post LDC phase. So, we need to study other markets, products they use and prepare strategy for that," he said.

"It is true that our export is mainly concentrated in a few countries, mainly in Europe, and the US," said Md Shahidullah Azim, senior vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). "...as from the very beginning of the apparel journey we focused on these markets," he said.

Azim also said the BGMEA sent delegations to Latin American countries such as Argentina, Brazil, Mexico and Chile but the exports did not pick up in those destinations because of high duty and low demand for Bangladeshi goods.

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