



Alauddin Kha plants green chili on his homestead in Vhelumia union of Bhola sadar upazila. He opts for crop rotation on this eight gonda (6,912 square feet) of land to grow seasonal crops for his family, the most recent one being Aman paddy. The photo was taken recently. PHOTO: MONIR UDDIN ANIK

Foreign-funded projects top priority

Abdus Salam says after joining office as planning minister

STAR BUSINESS REPORT

Planning Minister Abdus Salam will give highest priority to foreign-funded projects and will ensure such projects are not delayed as faster implementation will release more money from the pipeline.

"I understand that foreign-funded projects can get delayed for various reasons. But I want to see what hurdles there are for these projects and I will remove those barriers. There is no room for compromise."

The minister made the comments while talking to journalists on his first day in office at the planning ministry yesterday.

"Two things I want to put emphasis on are rural connectivity and the healthcare sector."

Rural connectivity is an essential part of Bangladesh's economy, he said.

He added that migration from rural areas would slow if rural people were provided with more work opportunities.

On the healthcare sector, Salam said it is plagued by irregularities, most of which are addressable.

Oil prices rise

AFP, New York

Oil prices climbed Friday after US and UK forces launched strikes against Iran-backed Huthi rebels, while global stocks were mixed following the kickoff of corporate earnings season.

Crude prices spiked more than four percent before ebbing somewhat after the allies launched deadly strikes following weeks of disruptive rebel attacks on Red Sea shipping.

"The fear in the oil market is that the region is on an unpredictable escalating path, where at some point down the road, supply of oil will indeed in the end be lost," noted Bjarne Schieldrop, chief commodities analyst at SEB bank.

He noted that if the US-UK attacks were unsuccessful in destroying Huthi weapons, and oil tankers need to go around Africa, then up to 80 million barrels will be locked in transit - sending prices up as much as \$5-10 per barrel.

The Huthis have carried out a growing number of strikes on vessels in the Red Sea, a key international shipping route, since the Gaza war erupted in October.

The attacks have affected trade flows at a time when supply strains are putting upward pressure on inflation globally.

In Friday trade, the Dow dipped while the S&P 500 edged higher as investors digested corporate earnings and a surprise drop in wholesale inflation.

Leading banks were mostly lower following a deluge of quarterly results, while airlines were hammered after Delta's forecast disappointed investors.

"The market is optimistic as it can be about (interest) rate cuts," said Steve Sosnick of Interactive Brokers, adding that investors want to see solid earnings.

Sonali Life Insurance board suspends CEO

Chairperson himself under regulatory audit

SUKANTA HALDER

Just 15 days past a regulatory audit being initiated against him, the chairperson of Sonali Life Insurance has informed that its board of directors had suspended its chief executive officer (CEO) yesterday over allegations of misappropriating funds.

In a meeting, the board also decided "to appoint and constitute an Investigation Committee" to provide a report on the misappropriations, said a letter sent to the Insurance Development and Regulatory Authority (IDRA) by the chairperson.

"The company's own investigation found the allegations to be true," Sonali Life Insurance Chairperson Mostafa Golam Quddus told The Daily Star.

The insurance watchdog had appointed audit firm Hoda Vasi Chowdhury & Co on December 31 last year to complete within 30 days investigations into 17 claims of irregularities at Sonali Life, including that over Quddus' appointment.

The allegations include the chairperson not meeting the prerequisite of owning a minimum of 2 percent of the company's shares and purchase of a Tk 1.7 crore luxury car for the chairperson alongside exorbitant expenses for its maintenance from 2021 to 2023.

Sonali Life also allegedly paid Tk 13.75 lakh in 2021 in the form of taxes owed by the Dragon Sweater and Spinning, a company having no connection to the insurer other than being owned by Quddus.

The audit will also look into the means and manner through which the Sonali Life directors purchased its shares to boost its paid-up capital in 2018.

The company has also shown inflated figures as its life funds, said an IDRA official on condition of anonymity.

The IDRA had also instructed Sonali Life to limit spending to settlement of insurance claims and clearing employee salaries and allowances.

Afterwards, Chairperson Quddus in a letter requested that the IDRA postpone

the audit, claiming that the CEO "was absent" at the office.

However, in another letter, CEO Mir Rashed Bin Aman informed the IDRA that the board of directors had kept him locked out of his room since the start of this year.

IDRA had appointed an audit firm on December 31 last year to complete investigations into 17 claims of irregularities, including over Golam Quddus' appointment as chairperson

Moreover, the board had denied him access to the company's software, for which he could not perform his duties, said the CEO.

On January 10, the IDRA sent a letter condemning the board, saying its actions were illegal and against corporate

governance guidelines.

It also directed the board to let the CEO enter his office and extend all cooperation so that he could conduct his duties.

Yesterday the IDRA also requested Dhaka Metropolitan Police to ensure the CEO's security at his office, informing that some of the board members who were involved in financial irregularities were barring his access.

The board did not comply with the IDRA directive to extend cooperation so that the CEO could perform his duties and now the regulator will take steps as per the law, said Zahangir Alam, spokesperson of the IDRA.

Meanwhile, CEO Aman told The Daily Star that he had not received any official letter regarding his suspension as of yet and the allegations against him were all false.

"Why are they (the board) not helping the audit firm in investigating the irregularities and corruption allegations against the company," he questioned.

Dollar crisis puts

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However, only 10 or 11 of these firms can issue regular imports while the remaining 13 to 14 companies cannot do the same for difficulties in opening LCs, he added.

Haque informed that the companies struggling to directly import LPG are being forced to operate by purchasing the fuel from larger firms that are importing regularly.

The companies even cannot open LCs for importing LPG by paying the full margin in addition to more than the government rate for US dollars, he said.

Md Masudur Rahman, chairman of the SME Foundation, acknowledged that SMEs are facing difficulties in opening LCs to import necessary materials.

The big corporate houses that have good relations with banks are getting priority in opening LCs, but SMEs are being deprived of this benefit, he said.

"We have already discussed the issue with Bangladesh Bank, and the industries and finance ministries to find a solution. But it would take at least six months until stabilisation of the US dollar crisis," he added.

Rahman also said SMEs make huge contributions in terms of employment and so, they should be given priority in facilitating imports.

Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry, said the US dollar crisis emerged at a time when demand increased in the post Covid-19 period and impacted LC opening.

"The big houses could manage banks in opening LCs due to their longstanding business relations and volume of transactions. But small ones cannot do the same," he added.

Ahmed also said the US dollar supply will improve as the government is taking several measures to stabilise the country's foreign currency reserve.

"Bangladesh will have a stable foreign currency reserve within three to six months. Then, importers will not face challenges in opening LCs," he added.

Govt hikes interest rate

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the Bangladesh diaspora," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

The economist, however, said there is a lack of trust among the investors because some of them are facing difficulties in withdrawing funds in the dollar.

"So, because of the dollar crisis, it will not be attractive for investors even after the hiking of the interest rates."

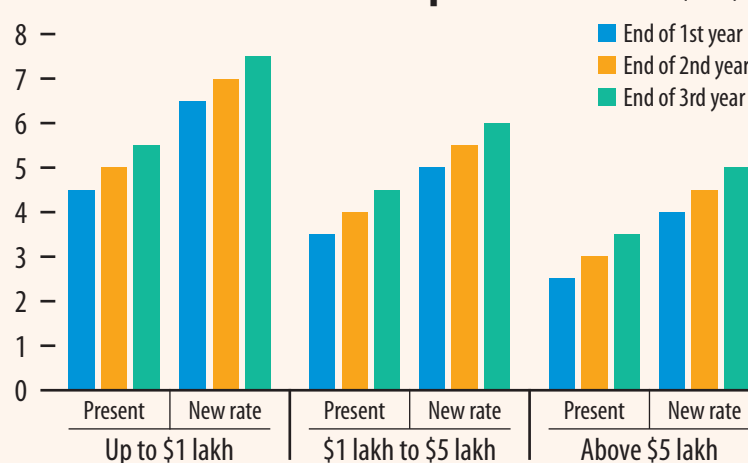
The bond return has been revised

upwards at a time when the country is facing a severe dollar crisis due to higher outflows compared to inflows.

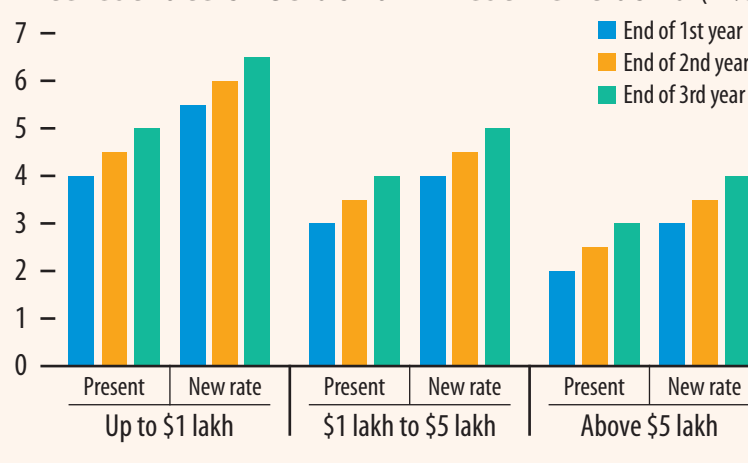
The reserves have been declining for the lower receipts in the form of exports and remittances and higher outflows through an elevated level of imports. Capital flight is also blamed for the drying up of reserves.

The foreign currency reserves stood at \$20.18 billion on January 10, which was \$40.7 billion in August 2021.

Interest rate of US dollar premium bond (In %)



Interest rate of US dollar investment bond (In %)



Price drop in China leads to calls for stimulus

ANN/CHINA DAILY

China's consumer prices dropped for the third consecutive month in December, indicating subdued demand and prompting calls for additional stimulus measures to invigorate domestic demand and encourage consumption.

While China's continued economic recovery is still facing pressures from insufficient demand, analysts said China is capable of registering notable economic growth this year amid a gradual recovery in consumption, investment and the stabilization of the property market.

Looking ahead, they said China's consumer prices will gradually rise in the following months at a moderate rate, with the economic recovery gaining further momentum this year.

Data from the National Bureau of Statistics showed on Friday that the country's consumer price index, a main gauge of inflation, dropped by 0.3 percent year-on-year in December after a 0.5 percent drop in November. For the full year of 2023, the CPI rose by 0.2 percent year-on-year.

Zhang Xuewu, chief of the price analysis and forecasting division at

the Price Monitoring Center, which is part of the National Development and Reform Commission, said the CPI decline is mainly due to the decline in food prices, particularly pork prices.

Within the CPI, food prices fell 3.7 percent year-on-year in December, compared with a 4.2 percent drop in November.

Zhou Maohua, a macroeconomic researcher at China Everbright Bank, said China's consumer prices tumbled in some months of 2023 due to fluctuations in food prices, declining crude oil prices and a high base effect.

Handset production

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For instance, Pakistan and Nepal utilise NEIR to curb illegal trade and support local manufacturers.

But in Bangladesh, crucial functions like blocking fake, unauthorised, or cloned handsets are not yet operational. The government has also not initiated the blocking of illegally imported mobile phones.

Further exacerbating the woes of local manufacturers was the introduction of VAT in the sales and production stages over the past two years, according to industry players.

The production of handsets in Bangladesh made impressive strides in recent years, aided by huge tax benefits unveiled by the government in fiscal year 2017-18.

Since then, 17 factories have been set up, creating jobs for around 15,000 people.

Before 2020-21, there was around 58 percent tax on mobile phone imports, whereas the tax on locally assembled and manufactured handsets was 15 percent to 20 percent.

Afterwards, it increased to 30 percent to 35 percent because of the imposition of a 5 percent VAT on each of the three stages of sales - from the factory to distributors to retailers.

In a further blow to manufacturers, the revenue authority has imposed more VAT in the production stage since the beginning of the current fiscal year.

An additional 2 percent VAT was slapped for the first time on products that make use of wholly locally-made components.

Moreover, the VAT applicable on handsets produced with at least two locally made components has been increased from 3 percent to 5 percent.

Similarly, the VAT on handsets assembled wholly with imported components has been increased from 5 percent to 7.5 percent.

The government has set a \$5 billion export target for ICT services and digital devices by 2025, with a major contribution is expected to come from laptop and mobile phone exports.

But industry insiders say although

Symphony and Walton exported some handsets to the US and Nepal, the volume and value were meagre, so it might not be possible to meet the target.

Govt to build

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"We want to modernise sugar mills to make them profitable. A salt institute will be set up in Cox's Bazar for the salt industry's development. Our team, led by a senior secretary, is going to work on it, said Humayun.

"We will jointly work with the ministry concerned to keep food prices bearable in the country," he said.

Humayun came to office for the first time yesterday on taking oath as the industries minister for a second time.

He placed a wreath at the base of a statue of Bangabandhu Sheikh Mujibur Rahman on the ministry premises. Humayun also unveiled a book on the ministry's achievements in the last 15 years, titled "The 15 years of Development".