

## Editorial : Budget 2018-19 and Investment Targets

The budget for FY 2018-19 themed as 'Bangladesh on a Pathway to Prosperity' has been passed with a growth target of 7.8%. Among the key strategies, the budget included support for reducing infrastructural gaps for encouraging more private investment, human resource development, employment generation and promoting export competitiveness and diversification. Bangladesh is in the process of up-gradation of its status from LDC to a MIC. Hence, in order to increase income status importance of investment is significant. In the year 2017-18, public investment was 8.22% of GDP against 23.25% from the private sector. In total it was 31.47%, which needs to be raised to at least 35% whereas for 2018-19, projected investment target is 33.54%.

It follows from the above that in 2017-18, the requirement of investment were 20.64 billion and 63.24 billion, respectively from public and private sectors, target of which has been raised to 24.58bn and 73.58bn, thus total required investment needs to grow from 83 bn to 100 bn, i.e., 20.5% higher. The budget does not clearly identify sources of the additional investment. The capital market is not an effective channel for mobilizing investment while the banking sector is beset with an array of problems. With this business confidence is also not at a required level because of the investment supportive policy measures are not adequately incorporated in the budget. Hi-tech park is one of the examples, the government has announced some policy supports, some foreign investors have shown their interests, but because of required initial funding, these parks cannot move further.

Tax-GDP ratio is a challenge that presently needs to increase at least to 15-16% from 9-10%. Corporate tax is one of the most debated issues and one of the highest in the country in comparison with other similar countries. In the budget, for the first time the number of VAT slabs have been reduced to five. Now slabs are 2%, 5%, 7%, 10% and 15%. Some of the slabs such as; 11.5%, 3%, 4%, 4.5%, 6%, 7.5% have been dropped. It is observed that in all the cases VAT rate has been increased to make the services costlier, indirectly impacting on investment.

Investment is a long term venture. In order to mature an investment decision in Bangladesh takes at least three years. During this time if policies are not consistent, investors endure hesitation to initiate the long time venture. In the changing pattern of business, compliance and other related global issues are causing delays in taking investment decisions.

The target of export of goods and services to be attained by the next fiscal is \$44 billion, while the target for 2021 is \$60 billion with an addition of \$40 billion export in the economic zones. The growth target for export has been set at 7.4% in FY 2019 in place of 6.7% achieved up to May 2018. This export growth has been driven by export growth of RMG (9.8%) while growth of non RMG (-6.6%) is negative.

The growth target for import has been set at 12% in FY2019. Total import growth was 25.2% up to April FY2018, it is believed that a huge amount of capital machineries has been imported for the mega projects being implemented in the country.

Some environment friendly steps have been taken to make single-use plastic or polyethylene bags at distribution level costlier, reduction of SD on hybrid motor cars, import duty exemption for all fire safety equipment and systems which are mandatory to comply with international safety standards. VAT Exemption on local Motorcycle and parts manufacturers has also been implemented as per BUILD's reform proposal. In order to build confidence among potential investors, policies would need to be consistent and prior discussion with the business can help prepare business friendly policies.

Ferdaus Ara Begum  
CEO, BUILD

## 10<sup>th</sup> PSDPCC Meeting at PMO Put Thrust on Reform Implementation



The 10<sup>th</sup> Private Sector Development Policy Coordination Committee (PSDPCC) meeting is in progress at the Prime Minister's Office under the chairmanship of Md. Nojibur Rahman, Principal Secretary to the Prime Minister.

The 10<sup>th</sup> Private Sector Development Policy Coordination Committee (PSDPCC) meeting took place at the Prime Minister's Office under the chairmanship of Md. Nojibur Rahman, Principal Secretary to the Prime Minister on May 21, 2018. Khandker Anwarul Islam, Sr. Secretary of Bridges Division was also present to take stock of the implementation status proposed in the 9<sup>th</sup> and other PSDPCC meetings.

As part of updating the implementation status of the 9<sup>th</sup> PSDPCC meeting, BUILD CEO Ferdaus Ara Begum informed that, out of 59 reform proposals submitted through the committee 12 has already been implemented while another 22 is in the process of implementation, where 28 will need further review. The meeting discussed in details about the status of other reform proposals vital for investment and business expansion. The meeting requested for continuous follow-up by the secretariat so that implementation can be much more speedier. The meeting also suggested same timeline for quick implementation of suggested reforms.

As part of advocacy effort by BUILD for positioning cold storages from the kamala kha to green category is a revolutionary reform. In regard to online monitoring of ETP, Abdullah Al Mohsin Chowdhury, Secretary (Acting), MOEF informed that a pilot for ETP is underway. Dr Sultan Ahmed, DG, DOE informed that they are working very closely with A2I on these issues. Principal Secretary opined to integrate ICT division to help online monitoring of ETP project. Sr. Secretary Khandaker Anwarul Islam supported him.

For extending 4% interest rate for Tea sector like other agricultural products, the Chair wanted to know the progress while Nihad Kabir, President of MCCI clarified the situation, referring that a Fund release request is waiting to be disbursed through Bangladesh Kripi Bank and she requested the Ministry of Commerce (MOC) to act positively on this issue. It was decided that MOC will initiate the issue to implement through the Ministry of Finance and will report within 3 months.

In regard to a proposal for a circular to declare Jute as agro processed sector, Principal Secretary informed that it will come soon and for this we will have to wait until the budget is announced. For the simplification of repatriation policy, Member, BIDA Mainul Islam informed that a guideline for repatriation of Royalties, Technical Know-How and Other Fees are in progress and will be circulated soon. BUILD also put forward comments on the guideline.

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The Secretary of Ministry of Commerce Subhashish Bose informed that value addition criterion for non traditional export products, a list of non-traditional products, definition of Proforma Invoice, definition of deemed export will be included in the upcoming Export and Import policy.

In regard to the Quarantine Rules 2017, DG, Department of Agricultural Extension informed that the policy is in the process and will be circulated soon.

In response to a coordinated CSR Policy, draft has been prepared and waiting for approval of Banking Division informed Fouzia Zafrin, Additional Secretary, Planning Division, Ministry of Planning. As the strategic partner and secretariat of PSDPCC, BUILD will be working for more follow-up, one to one meeting in collaboration with PMO so that implementation of reforms can be done sooner requested by the Chair.

BUILD also placed two reform policy papers and includes Export Competitiveness of Leather Footwear Industry in Bangladesh and Policy Reforms for Plastic Sector.

While underscoring a reform for reducing lead time for importing raw materials for leather and leather goods, the principal secretary informed that BIDA is working for ease of doing business, ASYCUDA World when will be implemented properly, lead time problem can be resolved.

Mahbubul Alam, Chairman, BUILD and President, Chittagong Chamber of Commerce & Industry added that in order to reduce lead time rather depending on port fully, rail connectivity can be increased and huge unused land under the Ministry of Railway can be used for warehousing and dumping of goods.

In the reform policy paper, there was a request for efficiency of port handling, Sr. Secretary Bridges Division informed that in Bangladesh Computerised Terminal Management System (BCTMS) is in place which has been practiced in Singapore, but it cannot be implemented properly because of some supporting infrastructural deficiency. In this respect Trade logistics should be integrated in a holistic manner, which was echoed by FBCCI Vice President. In this regard activities of Ministry of Shipping, NBR and BIDA need to be aligned. CEO of PPP Authority Office Syed Afsor H Uddin informed that they are working for privatization of three ports.

In course of discussion on simplification of Plastic Sector, a Plastic Policy is in process as informed by the Ministry of Industries. Jashimuddin, President, BPGMEA requested for similar policy benefits for plastic and all other export oriented non traditional sectors. Endorsing the proposal of BUILD he requested to acknowledge Deemed export by making EXP mandatory.

Mentioning, a separate Economic Zone for plastic, there was a discussion, Dr M Emdadul Haque, Executive Member, BEZA informed that it needs to be approved in the governing board of BEZA. The meeting requested to have the BEZA meeting as soon as possible.

DG, BITAC Dr. Md Mofizur Rahman responding to a proposal of BUILD on Mold for the plastic sector, informed that they are working for a Tool Institute and requested for support from EC4J Project for establishing a Technology Training Centre for supporting their institute.

DG BSTI, Sardar Abul Kalam in replying to the reform proposal under the study requested to include more products in the mandatory list of Import Policy so that they can also accommodate those products in the mandatory standards.

Principal Secretary acknowledged the contribution of all implementing agencies and authorities for their valuable inputs and requested to contribute further to develop private sector capabilities. He requested for a Satisfaction Survey by January 2019 in regard to assess the contribution of the committee by having a feedback from all concerned.

Subir Kishore Choudhury, Secretary, ICT Division, Air Vice Marshal Naim Hasan, Chairman, Civil Aviation Authority of Bangladesh, Sawpan Kumar Bala, Commissioner, BSEC, Abu Hena Md Razi Hasan, Deputy Governor, Bangladesh Bank, Rina Parvin, ED, JDPC, Md Salahuddin, DG, PMO among others were present and put forward their points of views.

President Dhaka Chamber of Commerce Abul Kasem Khan, Sr. Vice President, FBCCI Sheikh Fazle Fahim, President, Bangladesh Tannery Association, Shahin Ahmed, Chairman, BFFLLFEA Mohiuddin Ahmed Mahin were also present and spoke on the occasion.

## Plastic Sector to Avail GTF Urged at FSDWC Meeting (Preparatory)



Abu Hena Mohd. Razee Hassan, Deputy Governor of Bangladesh Bank chairs the FSDWC preparatory meeting on June 7, 2018.

Held in the Bangladesh Bank, the meeting kicked off with a short introduction of the Financial Sector Development Working Committee (FSDWC) which is co-chaired by the Deputy Governor and DCCI President.

In course of discussion, BUILD CEO updated that the Leather and Leather Goods, Plastic and Engineering and Electronics Goods (EEG) have been prioritized by BUILD in this year in collaboration with BICF II for maximizing export competitiveness and export diversification. She placed the key identified factors of these sectors to concentrate on environmental and social compliance, market information and branding, productivity, product quality and price competitiveness and supportive infrastructure.

In reference to a request from BUILD, the Bangladesh Bank representatives agreed in principle that the plastic sector can be included for availing GTF despite unavailability of the Green Transformation Fund (GTF) for plastic manufacturers.

BUILD CEO made a presentation highlighting major upcoming activities and research under FSDWC with special mention of fiscal benefits of the Leather and Footwear sector, such as financial support for Tanneries, long term financing schemes and EDF for exporters, technology supporting schemes and Instruments, cash incentive based on value of exports, incentivize bulk importers etc.

Bangladesh Bank will review the allocation limit of EDF for leather and Leather Goods Sector. A request from the concerned Association has already been submitted to the Bangladesh Bank while BUILD will be pursuing for this issue and will send a request letter. The meeting ended with the indication of upcoming 7th FSDWC meeting, which will be held this year.

In course of discussion, recent problems of banking sector came up. The recent policy reform for addressing liquidity inadequacy of banks and increase of advance deposit ratio (ADR) has pushed up interest rates. Then authority slashed the cash reserve ratio (CRR) to increase capital adequacy of the banks, but things are yet to be stable is another reason for poor use of fund. The advances to deposits ratio measures loans (advances) as a percentage of deposits. A ratio of 100% or less shows that the bank is funding all its loans from deposits rather than relying on wholesale funding specially from the capital markets or other banks.

In regards to the constraints faced by the ADs for not increasing the use of the Fund, it was informed that many borrowers said that the GTF is giving partial financing support focusing on import of capital machineries only. But the maximum need of a project revolves around the local procurement, working capital and the total project funding.

The meeting was attended by Khondkar Morshed Millat, Deputy General Manager, SME and Special Programs Department, Md. Harun-Ar-Rashid, Deputy General Manager, Foreign Exchange Policy Department were present in the meeting from Bangladesh Bank and Hosna Ferdous Sumi, Private Sector Specialist, IFC- WBG



### Preparatory Meeting of SGGWC Held

A preparatory meeting of the Sustainability and Green Growth Working Committee (SGGWC) took place at Ministry of Environment, Forests (MoEF) on May 17, 2018 in presence of representatives from MoEF, BUILD and UNDP Bangladesh. The meeting was chaired by Abdullah Al Mohsin Chowdhury, Secretary of Ministry of Environment, Forest and Climate Change.

BUILD CEO briefed him about the previous activities of BUILD and sought advice from the Secretary (In-Charge) about the future activities in collaboration with the Ministry of Environment, Forest and Climate Change.

The meeting discussed about the preparation of the Sustainability and Green Growth Working Committee (SGGWC) co-chaired by the Secretary, MOEFCC and President, BGMEA.

Abdullah Al Mohsin Chowdhury, suggested BUILD to organize the working committee meeting as soon as possible. He suggested to hold the meeting in the conference room of the Ministry and offered to extend all supports to have the meeting in an effective manner.

He also suggested that in regard to get more public sector representatives in the meeting his secretariat could be helpful to ensure their confirmation.

BUILD shared the tentative agenda of the meeting with the Secretary In Charge. BUILD finalized some research topics on the basis of valuable instruction by the Secretary of MoEF. These are-Green Transformation Fund and Green Financing, Environmental Sustainability in the Plastic Sector and Waste Management.

The meeting was attended by Mayeesha Azhar, Research Assistant, UNDP Bangladesh and Tahmid Zami, Sr. Research Associate of BUILD.

### BUILD Meeting with SFD at Bangladesh Bank

BUILD Team met Sustainable Finance Department (SFD) of Bangladesh Bank Team to discuss the current condition of Green Transformation Fund on 10 May 2018 at 3pm. Ferdous Ara Begum, CEO, BUILD with two Research Associates of BUILD discussed with Manoj Kumar Biswas, General Manager, Sustainable Finance Department, Bangladesh Bank along with other representatives of SFD in the meeting.

Bangladesh Bank (BB) has established the Green Transformation Fund (GTF) to accelerate sustainable growth in export oriented textile and leather sector, Jute was included later. The Fund has been conducive for transformation of these sectors towards green economy.

It is observed that only 3 sectors have been included to avail of the opportunity of GTF. No ceiling has been fixed on total amount of loan for any specific sector. The areas of availing GTF have also been limited to: water use efficiency in wet processing, water conservation and management, waste management, resource efficiency and recycling, renewable energy, energy efficiency, heat and temperature management, air ventilation and circulation efficiency, work environment improvement initiatives etc.

In course of discussion it was informed that, in order to facilitate the green initiative in the high performance export sector, the green transformation fund (GTF) established.

For example, boosting up the tannery sector after relocating to Savar from Hazaribagh regarding the capital machineries and accessories is an illustration in this regard. In reply to a point raised by BUILD, BB representatives informed that only two RMG companies have so far been qualified for a small amount of investment

### Meeting with Foreign Reserve and Treasury Management Department

The meeting was held between BUILD and Forex Reserve and Treasury Management Department (FRTMD), Bangladesh Bank at the office Bangladesh Bank on 14 May 2018. A team of BUILD discussed with Md. Bazlar Rahman Molla, General Manager, Forex Reserve and Treasury Management Department, Bangladesh Bank along with other representatives of FRTMD in the meeting. The present conditions of GTF, way of popularizing GTF, the role of FRTMD and ADs were the points of discussion in the meeting.

The role of Forex Reserve and Treasury Management was discussed in the meeting regarding the operation of Green Transformation Fund. The constraints and challenges regarding the GTF disbursement were discussed. The reasons for low utilization of GTF were highlighted in the meeting. Inadequate initial promotion of GTF, lack of willingness of ADs, insufficiency of awareness building among the private sector, coordination and communication gap among the ADs and borrowers were specifically highlighted in the meeting.

Some suggestions have also been highlighted in the meeting. Workshop and stakeholders meeting can be arranged to raise awareness among the ADs and private sectors. It can be done for all the available fund such EDF, GTF and other refinancing scheme of BB. High level executive meeting can be a platform for awareness building and knowledge sharing. The disbursement has been made up to 1,30,000 US dollar. Other proposals are in the pipeline till now. In regards to the constraints faced by the ADs for not increasing the use of the Fund, it was informed that many borrowers said that the GTF is giving partial financing support focusing on import of capital machineries only. But the maximum need of a project revolves around the local procurement, working capital and the total project funding.

GTF can be utilized in only for the import payment of capital machineries. The other financing is needed to be managed from Long Term Financing Facility (LTFF). For the loans regarding green building industry, the firms are borrowing the fund from LTFF with even high interest, but not interested for GTF funding. Some stakeholder meetings or workshops can be arranged in order to create awareness about the green transformation fund (GTF).

### Definition of Import against Indenting and Proforma Invoice



BUILD CEO speaks at the meeting with BIAA.

Following the query of the Office of Chief Controller of Imports and Exports, BUILD organized a meeting with the Bangladesh Indenting Agent Association on 14th May, 2018 at BUILD in order to discuss the likely definition of Import against Indenting and Proforma Invoice and the meeting set out other related recommendations. BUILD sent the definition and other discussed recommendations to the Office of the Chief Controller of Imports and Exports for further action. BUILD is currently working with the Ministry of Commerce so that these recommendations can be included in the Import Policy 2018-21.



## Cash Incentives for Bonded Warehouse Stressed at BUILD- BBPMEA Meeting



BUILD CEO (from left) speaks at the Meeting at Meghna Group.

A meeting between BUILD and Bangladesh Bicycle and Parts Manufacturers' and Exporters Association (BBPMEA) took place at the Conference Room, Meghna Group to discuss some measures taken for this sector and to share opinions of Bicycle manufacturers. Held on June 26, 2018, the meeting discussed post budget fiscal and tax related policies and measures for supporting Bicycle Industries in the country and how BUILD and the Association can work together addressing the constraints faced by the sector through policy advocacy and bringing necessary reforms.

BUILD CEO, Ferdaus Ara Begum presented a power point on "Budget 2018-19: Policies for Export Diversification – A Case Bi-Cycle Industry. The presentation gave a brief on the fiscal and taxation policy measures included in the Budget 2018-19 to support the light engineering sector as a whole and the bicycle sector in specific and put forward some recommendations. The recommendations were validated by the Association members.

CEO, BUILD informed that policy changes regarding two important components ( Brake and Saddle under HS code 8714.94.10 and 8714.95.10), the custom Duty (CD) have been increased to 25% from the previous level of 10%. The tariff value for Frames and Forks used in Bicycle industry was a concern for the sector but not addressed in the Budget for FY 2018-19.

Md. Lutful Bari, President of BBPMEA appreciated the policy changes of duty enhancement and acknowledged the support of BUILD and informed that these will be helpful for the exporter to gain competitiveness through reducing the dependence on imported parts and components for bicycle manufacturing in Bangladesh.

He also argued that cash incentives are not allowed for the bonded warehouse owners, but, the industries which do not enjoy bonded facilities such as tyre and tube and other bicycle parts manufacturers should have these facilities. About 164 components are required for producing a high-end bicycle for export, so a number of backward and forward linkage industries can be established in the country. Cash incentive facilities for this sector could help establish a self sustained sector.

Kabir of the association also mentioned that the sector is not prepared enough for the new situation to emerge after the preference "erosion" after 2027 with the effect of LDC graduation of Bangladesh. In this respect, this sector needs more policy support from the government to establish the industry as self-sustained sector.

Director, Meghna Group, Supal Chandra Shahá remarked that Govt. policy support would be needed to transform the industry to high end product producers like China and Taiwan.

CEO, BUILD, mentioned that there could be consultations with the other association members of Bicycle exporters and parts manufacturers while the Full Policy Paper of BUILD would be ready. President BBPMEA endorsed the plan and agreed to extend all support to the research of BUILD and requested to extend all advocacy support for the sector's sustainability.

## Budget 2018-19 –Initial Reaction of BUILD

Finance Minister presented his 12<sup>th</sup> national Budget of TK 4.64 trillion for the FY 2018-19 at the Parliament on June 7, 2018 with an ambition to maintain continual growth rate of the economy.

The Budget is 17% higher than the earlier years and 25% higher from the revised Budget. From the experiences of last consecutive years, it is seen that, Budget has been trimmed at the last stage. This year size of the ADP is 24 thousand crores higher, while about 14% of ADP could not be implemented in the last fiscal. Instead of 11 types of VATs, the budget has announced seven types of rates. Prices of the flat will increase further while real state sector is already in almost stagnant stage. The furniture is also another sector has got potential for export will face hard competition. 1% increase on petroleum transport will increase cost of transportation.

While Budget has reduced corporate tax rate from 40% to 37.5% for publicly trade Banks, FI and Insurance companies, and 40% from 42.5% for non-publicly traded Banks, FI and Insurance companies which is a positive step will give a relief to the private sector if interest rates by the banks are reduced.

The high interest of Scheduled Banks was long debated issue. To fix up the interest rate, there is cost on deposit, the administrative cost, cost of risk and huge cost of NPL. Considering NPL and other costs, the interest rate becomes high for the scheduled banks. Foreign Private Sector lending was allowed by the Bangladesh Bank for the minimization of the interest rate of the scheduled banks.

It is mentioned that Banks and Financial Institutions (FI) will be allowed to change the interest or profit rate once in amonth. Presently banks and FI disclose these issues quarterly, these will increase their administrative hassles and may reduce their competitiveness. In addition, there is a mention of weighted average rate of spread which is to be maintained at 5%, presently Banks are maintaining it at 4.5%, meaning 50% of a single digit interest rate.

There is no specific mention of policies for addressing the present situation of banks and financial institutions. In the budget, it is mentioned that there will be a Central Database for Large Credits (CDLC) Banks for monitoring the large funds but who will maintain it is not mentioned.

Considering employment, SME and women concentration and for attracting FDI, 3 important sectors such as leather andleather goods, plastic and Engineering and Electronics Goods have extensive potentials. The Budget did not mention any policy support for these sectors.

Allocation for education sector was BDT 19,837 in the year 2011-12, increased to BDT 47,334 crore in 2018-19 which was BDT 41,619 in 2017-18, meaning 13.73% increase. The areas of expenditure of the money are, scholarship for students, teachers' salary, establishment of schools and college, free books, research, training and skill development, establishment of computer labs and science labs, education related social safety net program (SSNP) etc. The budget did not give details of the allocation of these areas. Budget for R&D is one of the lowest in the country needs to be increased in a strategic manner.

The Govt. has imposed 5% VAT on E-commerce business which is one of the budding business sectors owned by the small and micro entrepreneurs. Rural people has just started to get benefits from the E-Commerce. Imposition of tax at this stage may reduce the growth of the sector. Financial inclusion is one of the important target of SDG, . This imposition of tax may slow the pace of development of the new sector.

Women empowerment has been highlighted in the budget. Employment creation has been increased from 16.2 million (2010) to 18.6 million (2016-17) while the budget is expected to increase the number of girls technical school, engineering college in each division and increase the capacity of women. The quality of the training institute need to be ensured at any cost as there are a number of training institutes already existing in the country, but their quality of services for skill development is very poor.



### Meeting between BUILD and BTA put light on Issues of TED



*BUILD CEO passes publications of BUILD to BTA President.*

A meeting with the members of the Bangladesh Tanners Association was held on June 27, 2018, at the office of the Association to discuss the problems BTA members are facing after the shifting of the tanneries from Hazaribagh to Savar Tannery Estate Dhaka (TED). The present situation of the land transfer and CETP issues and the type of measures to ensure the sustainability of the leather export sector were discussed.

Shaheen Ahmed, President, Md. Sakawat Ullah, General Secretary, BTA; and Md. Nurul Islam, Secretary were present at the meeting with BUILD team.

The export of tannery products has been showing a declining trend. In 2016-2017, export was 229 million, but reduced to 168 million in 2017-18, which is about 27% fall. Shaheen Ahmed, President, BTA said that the major reasons were the lack of preparation by the tannery owners and the absence of supportive infrastructure in the Tannery Estate Dhaka (TED), non-cooperation between BSCIC and Ministry of Industries. Without full implementation of CETP and other related management related issues, the tannery owners are not in a position to operate fully. He added that TED was supposed to tan 600-700 million sqft of leather. Presently only 300 million sqft finished leather is produced.

Md. Nurul Islam, Secretary, BTA remarked that TED as a whole is not certified as a compliant estate yet, so exporters are still exporting as a non-compliant sector, and thus they are not getting required price, which should be at least 3-4 per sqft. of leather whereas they are getting only \$1-1.3 per sqft. They are unable to export to the reputed brands through Bond/LWG such as Macy's, Sears, ABC Mart, Eldo, etc. TED would need to be registered as LWG. A significant number of tanning industries could complete shifting from Hazaribagh to TED and thus remain closed. The number could be about 50-60. There were 220 tanneries in Hazaribagh but only 150 moved to TED.

Md. Sakawat Ullah, General Secretary, BTA said that the government has issued a gazette notification (SRO No 152) for providing duty exemption for import of chemicals for the tannery owners. The Association felt that the duty exemption would be lowered further from the present level of 5% (CD). They calculated that with the 5% CD, plus 15% VAT, AIT, ATV total tax imposition becomes about 30%, which is too high.

The President, BTA also informed BUILD that the Association has identified a list of 21 Chemicals, which they specifically require for Tanning process for which they requested for duty break. He requested BUILD to advocate for the Association.

BTA also requested to review the Salt Act. During every Eid-ul-Adha, the tanneries need approximately 70-80 thousand metric tons of salt. As the tannery owners are not allowed to import salt under 'leather' type, the salt mill owners import salt for their business. Soon after the salt mill owners make a syndicate, increase the price of salt and create a feud of high-price. The normal 600-700 BDT priced salt rises to 1400-1500 BDT.

### Outcome of Battery Run Three Wheelers Study Presented at PMO



*BUILD CEO presents publications of BUILD to Md. Abdul Halim, DG, GIU.*

The BUILD team attended a meeting with the Governance Innovation Unit of the Prime Minister's Office, at PMO on 7 May 2018 to present the outcome of the study of BUILD on Battery Run Three Wheelers in Bangladesh. Md. Abdul Halim, DG, GIU was present in the meeting along with other representatives of GIU. Daisuke Arai, Country Representative, Jetro Dhaka Office was also present in the meeting with other Jetro officials.

A presentation of the study on Battery Run Three Wheelers in Bangladesh indicated that the BRTWs are increasingly popular in the country. Battery-run Three-Wheeler (BRTW) vehicles could be a useful means of transport generating better environmental sustainability along with socio-economic benefits.

There are around 500,000 BRTWs currently running in Bangladesh, predominantly in district towns and rural areas. Various models of BRTWs operate, running with 5 batteries and accommodating 4 to eight passengers. The cost of traveling in BRTW for less than 5 km distance is one-fourth of the cost of equivalent distance in Rickshaw and half of that in CNG. Electric three wheelers or the easy bikes currently transport 2.5 crore passengers in both urban and rural areas every day and has created jobs for 30 lakh people. A survey conducted by BUILD revealed that around 50,000 BRTWs run in the five districts in the country. In the five districts, around 52,000 BRTWs created employment for around 58,000 people.

An illustration of Indian policy was presented in the meeting. In India, there are around 1.85m BRTWs which are called e-Rickshaws there. The Government of India (GoI) took a clear view of the benefits of e-Rickshaws, that include higher mobility for citizens, saving of foreign currency due to reduced import bill for LNGs, energy security due to reduced dependence on imported fuel, generation of employment, improved urban air quality and reduction in GHG emission.

A suggestion was given in the presentation that Bangladesh can follow the Indian example in promoting FDI and local content manufacturing. Eventual transition to lithium-ion battery and renewable energy technology could be kept in the horizon in planning the pathway for BRTWs. From the conservative estimation, it is seen that the government can earn BDT 5500 from a battery run three wheeler every year through the registration fee, route permit, fitness certificate, driving license examination fee, tax token and route permit.

BUILD gave several recommendations regarding policy reform for the Battery Run Three Wheelers. The government should develop an interim mechanism to ensure smooth transition to regularization of BRTWs. The government can include provision in the upcoming Bangladesh Road Transport Act to address the issue of electric vehicles including BRTWs. The national policy can be revised to promote BRTWs through subsidies and other incentives. The design of BRTWs should be geared towards maximum energy efficiency. Registration, certification, licensing, and permit procedures need to be instituted and regularized.



## BUILD Reform

### Policy Reform by BUILD for FY 2018-19 Through National Budget

BUILD has proposed some specific proposals for accelerating the investment growth and promoting targeted private sector development as budget proposal for FY 2018-19. The proposals (102) were placed with analyzed findings from different researches conducted by the five working committees of BUILD.

Among the placed proposals fifteen were agreed and implemented through the recent budget for FY 2018-19, reforms are; revision of clause 30(h) of ITO 1984 in regard to give a relief to new industries for repatriation; Corporate Income Tax on publicly and non-publicly traded banks was reduced to 37.5% and 40% consecutively; in case of widening tax network "Virtual business: and online advertising platforms has been incorporated in existing VAT law; to promote manufacturing in Bangladesh it has agreed to exempt VAT on local Motorcycle and Parts Manufacturers; a separate HS code has been announced for "Open Cell" which will simplify the import of Television component and raw materials, VAT was exempted on coriander seed at import stage; duty on UPS has been increased to protect the industry, in case of sustainability and safety issue the duty on hybrid and Electric cars duty reduction, inclusion of "seamless Pipe" in duty exemption list, imposing supplementary duty on single use polythene bags are notable to mention.

#### Cold Storage now in 'Green Category'

The Government has recently included Cold Storage in 'Green Category' under the Bangladesh Environment Conservation Act, Clause 20. (Source: SRO No 349 Law/2017 dated 21/12/2017 by the Ministry of Environment and Forests).

Having reviewed the guideline, this policy reform came into force following the recommendation of BUILD at the 5th Private Sector Development Policy Coordination Committee Meeting at the Prime Minister's Office.

BUILD CEO Ferdaus Ara Begum hails this effort of the Ministry of Environment and Forests and the Department of Environment that enables the entrepreneurs of the sector to contribute more to the country's agro business economy.

Bangladesh has limited post-harvest storage infrastructure such as Cold Storages (current capacity 2.4 million MT in 393 cold storages all over the country against the demand of 4.5 million MT).

The shortage contributes to 40% post-harvest losses worth USD 430 million a year- mostly borne by the farmers, also discouraging processors from investment (valued at USD 64 million) while Bangladesh needs at least 6.5 million MT or 1,244 cold storages to strive to reach 10% cold storage infrastructure by 2022. (IFC Study).

Previously Cold Storage was under Orange B category of the Environment Policy 1992 and Environment Conservation Act 1995, Environment Conservation Rules 1997 and Environment Court Act 2000.

Cold storages used to require 13 different licenses, permits and clearances in order to set up and operate, including Environmental Clearance Certificate that additionally required Feasibility study of cold storage, Initial Environmental Examination including process flow diagram and Pollution minimization plan including emergency plan for adverse environmental impact.

As well as cold storages, CNG/ Auto Gas Filling, Solar Power Centre, Bio Fertilizer, LPG Bottling Plant have also come under Green Category.

## BUILD Scope

### Optical Goods Export from Bangladesh

The Engineering & Electrical Goods (EEG) industry in Bangladesh is largely made of small and medium enterprises and produces a wide array of products that supports industrial, agricultural, and other sectors of the economy by providing machinery parts, consumer items, pipeline fittings, equipment, etc. A major component of this sector is the Optical Goods. This includes objective lenses for cameras, projectors or photographic enlargers or reducers, objective lenses (excluding for cameras, projectors or photographic enlargers or reducers) and lenses, prisms, mirrors and other optical elements, of any material, unmounted (excluding such elements of glass not optically worked, contact lenses and spectacle lenses).

Most of the factories that produce these Optical Goods are located within the EPZs (concentrated in Chittagong and Nilphamari). All of them are fully export oriented and set up with 100% FDI investment, mostly from Japan and Hongkong. They outsource raw materials from parent country (Japan), bring the raw materials to Bangladesh, and manufacture their product and export to Japan, Thailand, Malaysia and Singapore etc. Here, very less transfer of knowledge or technology take place though it creates employment in EPZs. These EPZs do not engage with any collaboration or export import with any domestic company in Bangladesh nor do they export to any other country or company other than their assigned ones. In these factories, production units have 47.5% women participation, managerial and admin posts have 35.5% of women, and sales and clerical positions have 35.5% women. Thus, BUILD has initiated a research study to provide policy and advocacy support and facilitate export competitiveness in this sector.

### Leather Tanning Industry in Bangladesh and its Export Competitiveness

The Bangladesh leather sector contributes a significant portion of the economy in terms of both household and export income. The contribution of this sector in total GDP is 0.6% and about 2% of total industrial production. Bangladesh leather industry encompasses a number of industrial processes and outputs. The types of this industry are like- Tanning and Finishing, Footwear and Footwear components and Leather goods (bags, wallets, belts, accessories, etc.). Bangladesh is a good supplier of crust and finished leather in international market beside the domestic market. Currently, Bangladesh produces and exports very good quality leather that has a good international reputation for fine textured skins. The vision of this sector is to increase its export to \$5 billion by 2021. As Bangladesh focuses on value addition and diversification of the leather sector, the export of others products such as, leather footwear and leather goods are increasing but the export of finished and crust leather have been decreasing gradually. The tannery has been shifted from Hazaribagh to Tannery Estate Dhaka (TED) in order to make this sector environmentally complaint and increase export but the scenario is different and export of crust and finished leather declined in 2017-18. BUILD has initiated a study in order to find out the policy and procedural difficulties of Tanning industries in Bangladesh and increase the export competitiveness.

## BUILD Articles

### Increasing export competitiveness of plastic industry

<https://thefinancialexpress.com.bd/views/views/increasing-export-competitiveness-of-plastic-industry-1528040722>

### Domestic electrical and electronics products gaining consumer confidence

<https://thefinancialexpress.com.bd/views/views/domestic-electrical-and-electronics-products-gaining-consumer-confidence-1526224882>



## Partner's Corner

### Regulatory barriers impeding the growth of warehousing sector



Secretary of Ministry of Shipping Md. Abdus Samad speaks as the Chief Guest.

"Regulatory barriers are impeding the growth of warehousing sector in Bangladesh" speakers said in a workshop organized by Dhaka Chamber of Commerce and Industry (DCCI) supported by International Finance Corporation (IFC) on 13th May, 2018 at Sonargaon Hotel, Dhaka. The World Bank Group commissioned a study on "Bangladesh logistics costs study: assessment of storage and warehousing" to analyze current and future industry potential and estimate the market size of warehousing market in Bangladesh.

DCCI President A. K Khan in his welcome address said storage and warehousing competency is the core enabler of an efficient logistics landscape. Bangladesh has been overburdened with communication infrastructure challenges which are deterring the potential of logistic growth and cross border trade expansion. Bangladesh is ranked 87 in Logistics Performance Index (LPI), whereas neighboring India is ranked 35th.

Secretary of Ministry of Shipping Md. Abdus Samad said that port facilities in the country have been improved a lot. He said there are 25 jetties in Chattogram Port and it remains active for 24 hours now. He also informed that in future 30% of port management projects will be implemented through public private partnership initiative. Senior Economist, IFC, World Bank Group Dr. Masrur Reaz said that our export is increasing. Only manufacturing sector accounts for 26% of the total export volume which is a good sign, he said. To expedite export competitiveness, he said, we need smooth flow of goods across the country.

Country Manager for Bangladesh, Bhutan and Nepal, IFC Ms. Wendy Werner also urged for separate policy framework for warehousing and storage. She said the main problem for structured warehousing in Bangladesh is scarcity of land. Government can join hands with the private sector for standardization of existing warehouses, she opined.

### MCCI Holds Budget 2018-2019: Views of the Business Community



MCCI Holds Budget 2018-2019: Views of the Business Community.



The Metropolitan Chamber of Commerce and Industry jointly with Policy Research Institute (PRI), organized a discussion on 'Budget 2018-2019: Views of the Business Community' at the chamber on 21 June 2018. Md Mosharraf Hossain Bhuiyan, the Chairman of the National Board of Revenue (NBR), Dr. Zaidi Sattar, Chairman PRI, Dr. Ahsan H. Mansur, Executive Director PRI, among others, were present at the discussion.

Md Mosharraf Hossain Bhuiyan said that they would impose a condition on banks that they (banks) would have to bring down the interest rate on loans for enjoying the reduced rate of corporate tax as proposed in the the national budget for the fiscal year of 2018-19. 'Though the government is yet to impose the condition directly, the condition will be enforced ultimately,' he said at a post-budget discussion.

MCCI president Nihad Kabir said that shrinking number of new jobs despite the high GDP growth reported was a major concern that should have been addressed in the budget. She also said that attaining the increased revenue target for FY19 would continue to be a major challenge. MCCI tariff and taxation sub-committee member Adeeb H Khan presented an analysis of the proposed Finance Bill-2018 at the programme. PRI Chairman Zaidi Sattar and ACI Limited Chairman M Anis Ud Dowla spoke while MCCI vice-president Golam Mainuddin and Gonoshasthaya Kendra founder Zafarullah Chowdhury attended the programme, among others.

### CCCI Holds Meeting with Philippines Ambassador to Bangladesh



CCCI Presidents speaks at the Meeting at CCCI.

The Philippines Ambassador to Bangladesh Vincente Vivencio T Bandillo paid visit to the CCCI at the World Trade Centre and exchanged views with CCCI President Mahbul Alam on different aspects of bilateral economic relation between the Philippines and Bangladesh on May 12, 2018.

He has expressed his country's interest to strengthen economic cooperation with Bangladesh. Stressing the need for increasing investment in both public and private sectors for economic development of the two countries, Vincente Bandillo said he would encourage entrepreneurs and business people of his country to come up with investment proposals in Bangladesh which has made lucrative offers for foreign direct and joint venture investment.

Mahbul Alam noted that the two countries enhanced trade and commerce over the last few years but there is ample opportunity to further expand the bilateral trade. Both the countries can play pioneering role in enhancing business in the private sector, he said. He emphasized on exchanging business delegations between the two countries, direct communication and exchange of information regularly. CCCI Directors Anjan Shekhar Das, Md Abdul Mannan Sohail, Tarafdar Md Ruhul Amin and Honorary Consul of the Philippines and president of the Bangladesh-Philippines Chamber of Commerce and Industry (BPCCI) MA Awaal were also present and spoke.

Tarafdar Ruhul Amin praised skills of the Filipino workers in the marine sector and said Dhaka and Manila can work closely in this field.



## Major Photo News



The 13th meeting of the Board of Trustees of BUILD was held on May 5, 2018 at the DCCI Gulshan Center chaired by Mahbubul Alam, Chairman of BUILD and President of CCCI. The meeting was attended by Abul Kashem Khan, President of DCCI, A.H.M Rezaul Kabir, ndc, Secretary General of DCCI, Farooq Ahmed, Secretary General of MCCI, Asif Ibrahim, Adviser to BUILD Trustee Board, Farque Ahmed, Secretary (acting) of CCCI and Ferdaus Ara Begum, CEO of BUILD.



As part of reviewing the regulatory diagnostics, sector diagnostics /analysis conducted under the Provide Policy Advocacy Support through Structured project, a consultation meeting took place at IFC on May 3, 2018.

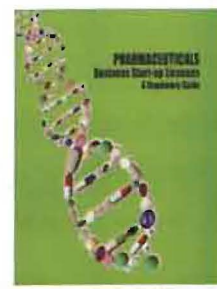
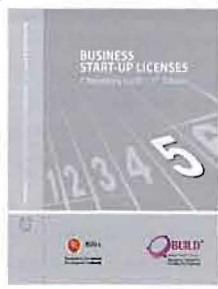
The meeting discussed understanding of the findings and recommendations found so far in leather and leather goods, plastics and light engineering sectors including political economy and stakeholder landscape. The meeting was attended by Sumit Manchanda, Senior Private Sector Specialist at IFC, Ferdaus Ara Begum, Mehruna Chowdhury, Gender Consultant and Hosna Ferdaus Sumi, Private Sector Specialist at IFC among others.



On 4 May 2018, as a part of enhancing the export competitiveness of the sector, PwC and IFC arranged an all-day training session for BUILD on the mass balance system of leather manufacturing process to familiarize the participants with the leather manufacturing process and material flow analysis of the entire process which would facilitate the participants in understanding the needs and possibilities of sustainability interventions in the process particularly at the stages which are environmentally critical.

Training session was graced by the presence of Ferdaus Ara Begum, CEO-BUILD, Sumit Manchanda, IFC and Mamun Rashid, MD of PwC, Sikder Abu Naser, Leather Technologist and Technical Expert including Asha Kothari and Sandeep Kota, Assistant Director of PwC.

## Publications



## Sponsor Partners



## Our Partners



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