

Editorial National Budget FY 2020-2021 should be More Private-Sector Friendly

The budget for the FY 2020-2021 has set the GDP growth target at 8.2% and revenue growth target of 8.5% is a tall order to achieve, amid the devastating socio-economic impact of the COVID-19 pandemic. How the businesses beleaguered by the lockdown and slump in economic activities could provide the tax is a difficult question to tackle.

To reflect the needs of the moment, the government came up with a list of priority sectors which included health (education), agriculture, social safety net, and job creation (industry and trade). One of the key focus of course for this year's government expenditure involves the giant stimulus package of more than 1.03 trillion taka which is designed to cater to the needs of the various business sectors including wage support for RMG and export-oriented sectors, concessional loans for cottage, micro, small and medium enterprises (CMSMEs) and so forth.

However, as the response to the stimulus package is now being observed, it can be seen that CMSMEs are particularly struggling to avail benefits from the well-intended package of the government. The 8m CMSMEs have counted a loss of as much as 760b Taka including opportunity costs arising from COVID-19. Unfortunately, Banks are wary of the risk of extending loans through overdraft to the CMSMEs. Moreover, the 25% ceiling of working capital loan may be deemed inadequate by the beneficiaries. It would need to set targets to extend loans to micro and cottage industries which are the most vulnerable among all businesses in the country. Another useful measure could be extending loans via the 117 SME clusters identified by the government – a measure that would also align with the SME Policy 2019.

A major insight that has emerged from the economic shock of COVID-19 is that there is no alternative to formalization of informal sector which is an invaluable provider of jobs, GDP and social inclusiveness. In every sector ranging from health care to social security to regulation of businesses including CMSMEs, there is no other option but to bring the producers and users under a robust regulatory and information system that doesn't thwart the spontaneous dynamism, but facilitates and expedites it. Besides, government needs digitalization of its own systems, including seamless online integration of all tax related services.

Some analysts are suggesting that a more domestically oriented economic paradigm may be suitable for the coming readjustment of economic cooperation. While the stimulus program sought to buoy up the export oriented enterprises, probably a much more transformative and proactive vision is needed in the critical year ahead as to how Bangladesh would keep up its growth momentum under changing circumstances.

A key line of response of the government has been extending some protectionist support to industrial sectors. Government also extended tax holiday for a few sectors. The government did well to extend tax exemptions for 17 COVID-related items. The government initially raised the taxes on mobile phone call charges, but in the face of general urge to bring it back to the earlier level, responded positively to keep down the taxes on mobile calls in a time when people are ever more dependent on communication technologies for personal and professional activities.

BUILD has urged the government to bring down corporate tax rate for all the major export oriented industries – such as leather, plastic, light engineering and so on – to at par level with the apparel sector. This could be a meaningful way to boost the business climate of the exporters in those sectors as Bangladesh needs to gear up export prospects in new sectors. The recent duty concession provided by China is a positive sign, but Bangladesh needs to negotiate similar trade-creating concessions and FTAs with other existing and prospective export destination countries as well. Companies that retain their employees during these testing times should have their corporate taxes reduced by an additional 2%. The turnover taxes can be brought down to 2% as the incidence of this tax is relatively higher compared to VAT.

Ferdaus Ara Begum
CEO, BUILD

Initial Reaction of BUILD on Budget FY 2020-21

BUILD submitted forty nine (49) proposals to the National Board of Revenue for addressing COVID-19 crisis emphasizing on health, agriculture, social protection, SME development etc. on May 2020. Earlier BUILD submitted 53 proposals on different Tax, VAT and Customs related issues on March 2020 to NBR of which a number of proposals have been accepted which we believe will help create enabling business and investment environment in the country. BUILD in its analysis suggested that target of the Budget would be tough to be achieved if the strategies and steps are not very clearly spelt out.

The budget identifies some policy initiatives which will support business, but the government has aimed at collecting revenue of BDT 3.78 tr. for the FY 2020-21 which is 8.5% higher than that of the revised Budget.

Among this, NBR have to collect BDT 3.30 tr. of revenue for FY 2020-21, which is 11% higher than the previous year. Non-tax revenue is BDT 0.33 tr. that had been BDT 0.35 tr. in last year revised Budget. Estimated shortfall according to NBR data is massive. No structured way has been shown yet to achieve this huge revenue target in this tragic moment of COVID-19

Hassles for doing business needs to be reduced, in that respect more automated process as targeted by NBR needs full implementation.

Almost all the main newspapers covered BUILD's Initial reaction and highlighted some recommendations for further consideration which were suggested by BUILD, such as:

- The government needs to spell out a clear vision of how private sector credit and investment can be promoted and facilitated in the wake of both the COVID-crisis and the large budget deficit to be financed through the banking channel by the government.
- The government should immediately prepare a COVID19 Recovery Plan and a well planned Exit Policy, otherwise sustenance of economic growth and LDC Graduation target would be difficult to achieve.
- A fully planned Health Sector Management Policy is needed and funding should be proposed aligning these needs.
- The government should mobilize the other means such as savings from lower oil prices, suspension of non-priority ADP projects, contain unnecessary expenditure and so forth.
- Tax at source should remain as it is in the last year to 0.25%
- A number of non-traditional sectors such as toys, float glass, ships, boat and floating structures, solar module are adding to the export basket needs proper attention.
- The government should re-prioritize ADP and delay execution of non-priority projects.

Post Budget Analysis - Macro Measures Identified by BUILD

The investment target achieved in the last fiscal was only 12.7%, against that projected investment in 2020-21 is 25.3%. The export target was 15% while it was negative at 10% in the last year. The import growth was also negative at 10%, and this year's target is estimated at 10%. In view of this situation, enabling policy environment for the private sector is sorely needed but in the Finance Act 2020, most of proposals from the private sector were not accepted. Some of the examples are:

- Consumption based Input rebate
- Doubling of disputed VAT payable on appeal (10% to 20%)
- Restriction on Input VAT rebate on legitimate business expenditures
- Reintroduction of extensive withholding VAT
- Restriction on allowable promotional expense to 0.5% of Turnover
- Corporate tax rates for non-listed companies have been reduced from 35% to 32.5% in general category (i.e. not banking, telecom, etc.).
- Businesses pay 5% at import stage (AIT for Industrial Undertakings) and then suffer up to 5% TDS when they supply those goods to customers. For some service providers it is 10%. Businesses appealed for rationalized TDS/AIT rates to be e.g. 5% to be reduced to 3%; 10% can be reduced to 6%
- Tax on gratuity etc.

Public Investment and Public Debt: To revive the sustainability of the economic growth, government has increased both the targeted amount of public investment and public debt than the previous year. Government has also targeted to borrow BDT 85,000 crore from the bank compared to 47,000 crore in last FY. Government should find out alternative sources of public borrowing rather than being over-dependent on the banking sector.

Private Investment and Credit Growth: To set and expect 125% higher Private Sector Investment (Tk. 4, 45,761 cr.) in FY 21 than FY 20 by allocating only 1.9% higher credit growth is almost impossible to attain. Besides, a huge amount of government borrowing from the commercial banks in FY 21 will reduce availability of private sector credit.

ADP: Annual Development Programme (ADP) amounts to Tk 2.05 trillion for the FY 2020-21, compared to Tk. 1.92 trillion in last FY. Government should conduct need-based Project/Sectoral Assessment before allocating budget of ADP as well as postpone non-development projects. Project authority or concerned ministry should run systematic monitoring and evaluation to grab proper utilities of the project. Rental electricity plants contract renewal issues can be revisited to reduce costs of production of additional electricity.

Health Service: Budget allocation to Health Services Division and the Health Education and Family Welfare Division in FY is BDT 29,247 crore which was BDT 25,732 crore in last FY. Also allocated BDT 41,027 crore to the combined initiative of 13 Ministries & Divisions to Combat COVID-19. Medical research and transparency of the utilization of the allocation is important now.

Agriculture Sector: Government has allocated BDT 22,489 crore for the agriculture sector for FY 21, which was Tk. 21,484 in previous FY. The money is for cash subsidy, loan at subsidized interest rate, and strengthening the capacity of agricultural banks to ensure National Food Safety & Security. We are import-dependent on a number of agricultural products. Crop diversification would need some budget in future to reduce import dependency.

SSNP: To strengthen social safety nets program (SSNP) and social security, BDT 95,574 crore has been allocated in FY 21. Within this amount, BDT 33,000 crore has been allocated for pension, interest subsidy, interest waiver, refinancing scheme and loan for May-June 2020 Volume 9 Issue III employment. However, these expenditures should not be included in the SSNP.

Employment Generation: Government has allocated BDT 2000 crore as a form of loan. Under the priority areas of job creation, i.e. industry and trade, enough importance has been given to expanding the role of SMEs. Special financial package needs to be announced for cottage and micro-entrepreneurs as they are not capable of getting bank financing since a significant number of them are in the informal sector, though they create about 80% of the total employment.

Some Fiscal Measures Waiting for Consideration

BUILD submitted a letter along with some major policy reform proposals (35 Proposals) to NBR on July 25, 2020 for overall private sector development for this fiscal year.

- Increasing the tax-free income limit: After 5 years the tax exemption slab has been changed. The tax deduction for the highest slab will be much higher. With all these considerations, a tax-free slab of at least BDT 4 lakh can be made. There will be no deficit in the revenue collection of the government.
- Corporate tax rate: Corporate tax rate should be progressive. There can be at least 2% tax benefit to encourage entrepreneurs who tried hard to retain their existing employment.
- Any amount invested in securities by any person between the first day of July 2020 and the thirtieth day of June 2021 will be taxed at the rate of 10% (New inclusion ITO 1984 16 AAAA & 16AAAAA). The policy of providing opportunities to launder black money should be reconsidered to keep the core philosophy of the budget stable, as it is discouraging honest taxpayers.
- The turnover tax (TT) rate is considered as the final tax of this taxpayer group, as there is no scope for rebate in this case. Turnover tax (TT) rate can be set at 2%. It has been observed that those who pay VAT at the rate of 15%, after availing the concession or rebate, the tax rate is reduced from 1.5% to 2%. But on the other hand Turnover Tax (TT) payers pay TT at 4%. This is much higher than the general VAT payers.
- According to sub-section 4 of section 83 of the VAT Act, there is a risk of harassment if the general revenue officer is allowed to inspect and audit the premises without the permission of the commissioner. So this law can be changed.
- At the trading stage, VAT should be reduced to 2% as it does not allow for VAT credit. This can be done at least during the COVID-19 period.
- Finance Bill 2020, Chapter 3, Paragraph 10, Customs Act 1969 (Section 79) has been amended. Those whose imported goods have arrived after the import invoice have to submit the bill of entry within the newly stipulated time frame. It is difficult for many traders to collect the bill of entry from the bank within five days of the arrival of the product. So this provision should be amended. This matter is involved with Shipping Agent of Landing Port, Courier Service, L / C Applicant of Bank, Shipping of Destination Port etc.
- Increase in excise duty is not proportionate. For balance above TK 10 lakhs, the increase of TK 500 is 0.05% of the minimum balance. For balance above TK 5 Crore, the increase of TK 15,000 is only 0.03% of minimum balance. As balance goes up, the effect of the increase goes down. This need to be rationalized.

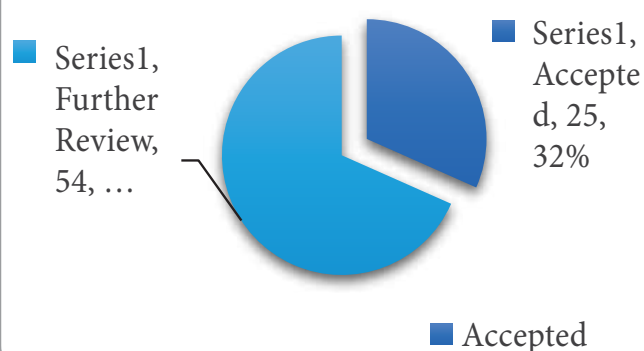
Some Fiscal Measures Waiting for Consideration

Sector/ Area	No. of Placed Proposals	Implemented		Total	Acceptance Ratio
		Fully	Partially		
Agriculture Sector	10	2	3	5	50%
Health Service & Health Education	2	1	1	2	100%
Social Security	2	1	1	2	100%
Annual Development Program	5	2	2	4	80%
Income Tax	19	3	3	6	32%
Value Added Tax (VAT)	30	4	1	5	17%
Customs	11	1	0	1	9%
Total	79	14	11	25	32%

Some Major Implementation:

- Increase the tax-free income threshold
- Extended the deadline for submission of Tax Return File

Implementation Status



- Corporate Income Tax(CIT) for non-publicly traded companies has been reduced from 35% to 32.5%
- Number of non-priority projects have been reduced
- Clarification of decreasing adjustment regarding VAT & Advance Tax (AT) paid at import stage has been incorporated in VAT & SD Act.2012
- Increased Allocation for the Health Sector
- Increased Allocation for the Agriculture Sector etc.

COVID-19 Economic Crisis and SMEs of Bangladesh



A virtual dialogue on COVID-19 Economic Crisis & SMEs in Bangladesh was organized on 23th June, 2020 via Zoom by Resurgent Bangladesh (RB) and Business Initiative Leading Development (BUILD). Nurul Majid Mahmud Humayun, MP. Hon'ble Industries Minister was present at the dialogue as Chief Guest. The major objective of the dialogue was to discuss and learn from the SME entrepreneurs about the challenges faced by them because of COVID-19 pandemic and taking experts' opinion how it can be mitigated in consultation with the policy makers. Abul Kasem Khan, Chairperson, BUILD stated that post-COVID-19 world will not be same as before and change in the economy is inevitable.

In order to adjust with the newly emerged situation, the Industrial Policy of Bangladesh must address the crisis. Ferdaus Ara Begum, CEO, BUILD in presenting the keynote on 'COVID-19 Economic crisis and SMEs of Bangladesh' emphasized on the need for adequate information through SME database to identify worst sufferers and requested for different policies for micro and cottage sectors as they need distinctive treatment, a significant number of whom are informal.

Dr. M Masrur Reaz, Chairman, Policy Exchange moderated the session.

Dr. Monzur Hossain, Senior Research Fellow, BIDS informed that according to a BIDS survey only 35% of SME's have access to banking channel. In this case, including Micro-Finance Institutions (MFI) can prove effective as 49% of SMEs are dependent on this channel for financing. Md Safiqul Islam, MD, SME Foundation stated that the proper allocation of the stimulus package can be ensured by utilizing the Credit Wholesaling Program (CWS) of SMEF.

Rashedul Karim Munna, MD, Creation Ltd suggested that a SME database should be formulated to identify the informal SMEs.

Then, a separate work plan should be designed for those informal sectors.

Asif Ibrahim, Chairman, Chittagong Stock Exchange said that the government set a good example of stimulus package disbursement to RMG workers through mobile banking accounts, and similar efforts should be undertaken for disbursing SME credit.

Nihad Kabir, President, MCCI said that small and medium sectors are often lumped under the same category without taking into account the wide gulf of difference in size between the two sectors. Md Shafiqul Islam, MD, SME Foundation spoke on the occasion. Shams Mahmud, President, DCCI summarised the discussion points and said that new opportunities have to be explored for solving the crisis faced by the SMEs.

Dialogue on Job Creation in the Era of COVID-19



A Policy Cafe on "Job Creation in the Era of COVID-19" was organized by Centre for Research and Information (CRI) on 24 June 2020 (Wednesday) at 9:30pm. Sabbir Hasan Nasir, Executive Director, ACI Logistics, Syed Akhtar Mahmood, Former Lead Private Sector Specialist, World Bank, Abul Kalam Azad, Former SDG Coordinator, Prime Minister's Office, Ferdaus Ara Begum, CEO, BUILD, Fazlul Kader, General Manager, PKSF, Ahsan Mansur, Executive Director, Policy Research Institute, Imran Ahmed, Head of Programs, Shakti Foundation, Syed Mafiz Kamal, Senior Policy Analyst, Centre for Research and Information.

BUILD CEO put emphasis on the role of Micro, Small, and Medium Enterprises (MSMEs) in Bangladesh economy that have been most seriously affected with very high job loss figure, while the measures taken to revive the sector is not enough. More specific reforms can be taken for short term recovery. She added that BBS predicted that Bangladesh's poverty level may double to 40.9% from that prior to the beginning of the COVID19 while BIDS said about 1.5 crore people have gone down the poverty line As per the latest Labour Force Survey (LFS) by BBS, unemployment rate in Bangladesh is 4.37% and among these total unemployed 46% are of "Youth University Graduate".

CMSME comprises about 99.84% of the total enterprises and about 86% of the total employment. In which in cottage and micro sector there is a significant proportion in the informal sector(70-80%). We need to create a data base of these sectors and identify the most suffered segments to provide them support so that they can sustain, this would need to be our primary requirement. Taka 20,000 crore has been announced as stimulus package (SP) for CMSME, but utilization is still not significant. The reasons are: conditionalities are stringent; banks are taking long time for scrutiny; no collateral-free loan for cottage and micro sector are available; actual sufferers are not yet identified, etc. As Stimulus Packages (SPs) are not fully implemented in favour of SMEs thorough Banks; micro-finance organization, SME Foundation, BSCIC, PKSF, Chambers can work together to extend support to them. An amount of collateral-free funding can be allowed as India has done. Cluster-based funding can also be thought of as individual SMEs are difficult to be traced.

In preparing the database, expanding information through NID can be useful. Because of the pandemic, income inequality, poverty inequality and education inequalities have been increased. In order to create new jobs, focus on agriculture sector employment can be given, since agriculture is still contributing more than 40% of total employment.

BUILD Chairperson on Channel 71 on Addressing SME Issues in the COVID-19 Pandemic



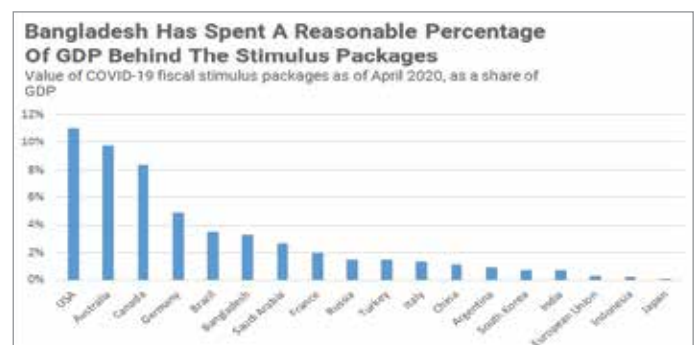
BUILD Chairperson Abul Kasem Khan joined Dr. M. Masrur Reaz, Chairman of Policy Exchange for addressing challenges related to economic impacts among Bangladeshi SMEs due to COVID-19 pandemic on 71 TV on June 24, 2020.

BUILD Chairperson Abul Kasem Khan said that in the private sector, SMEs are the worst victims of COVID-19 outbreak. He apprehended that unemployment may rise and economic dynamism might be stymied unless SMEs' current situation improves. He urged the government to come up with insights and guidance for small businesses to cope with the operational stress generated by COVID-19. Refinancing scheme can be a useful tool to improve access to finance for the SMEs.

Virtual Dialogue on Access to Stimulus Package for COVID-19 Affected CMSMEs in Bangladesh

Business Initiative Leading Development (BUILD) and the Technical Assistance Component of the Poverty Reduction through Inclusive & Sustainable Markets (PRISM) – a European Union funded programme under the auspices of the Ministry of Industries, jointly organized a virtual dialogue on "Access to Stimulus Package for COVID-19 Affected CMSMEs in Bangladesh" on May 20, 2020.

The objectives of the dialogue were to discuss the prevailing situation and the needs of CMSMEs regarding stimulus packages announced by the government, simplification of the process of availing stimulus fund for CMSMEs, especially for the micro and cottage entrepreneurs and what other actions can be suggested, both in short and medium terms, so that funding support to CMSMEs can be improved.



Introducing quick and hassle-free loan processing system by banks under the announced stimulus packages, establishing monitoring cell to screen overall CMSME loan disbursement procedures, preparing the COVID-19 affected CMSME database, increasing the repayment and grace period of loan for CMSME, implementation of credit guarantee scheme to mitigate the risk of financial institutions were the major findings of the dialogue.

Abul Kasem Khan, Chairperson, BUILD, Dr Mohammad Abdus Salam, Director, BSCIC and Project Director, PRISM, Ferdaus Ara Begum, CEO, BUILD, Ali Sabet, Team Leader, PRISM – TA to BSCIC along with a number of CMSMEs, supportive organization representatives, such as SME Foundation, UNCDF and Bangladesh Bank and SME Heads of a number scheduled Banks, were among others present in the meeting.

Bangladesh Forward – Avenues for Recovery & Growth

US Chamber of Commerce, U.S. Bangladesh Working Group organized a virtual dialogue on June 17, 2020 where Nisha Biswal, Senior Vice President-South Asia, US Chamber of Commerce was present and welcomed the participants. H E Md Ziauddin, Hon'ble Ambassador of Bangladesh to US and H. E Earl Miller, Hon'ble Ambassador of US to Bangladesh also spoke on US-Bangladesh Economic Cooperation. Dr Ahmad Kaikaus, Principal Secretary to the Hon'ble Prime Minister presented a paper on Bangladesh's Economic Recovery Strategy. H.E Salman F Rahman, Hon'ble Private Sector & Investment Advisor to the Hon'ble Prime Minister also spoke on avenues for growth and investment. Hon'ble State Minister for ICT Division Zunaid Ahmed Palak presented a paper on the occasion.

A preparatory meeting was held on June 10, 2020 under the chairmanship of the Principal Secretary, PMO where Hon'ble Private Sector & Investment Advisor to the Hon'ble Prime Minister along with the secretaries of concerned ministries, and Executive Chairman, BIDA were present. A number of private sector representatives attended the meeting and put forward their opinion to make the upcoming meeting successful. Chairperson, BUILD, Abul Kasem Khan and CEO, Ferdaus Ara Begum were also present and interacted in the meeting.

AK Khan put emphasis on potential trade opportunities, supply side constraints and investment opportunities. He said that Vietnam and Indonesia are preparing themselves to accommodate US investment withdrawn from China. Bangladesh would need to be ready in that respect. He said that there is a complete shift of world economic orders and how much we can get out of it is a crucial point to ponder. CEO BUILD highlighted some of the issues already raised by the US business and investors in the 5th TICFA meeting and posed a question on how the Intellectual Property (IP) issues will be addressed by the country while investors are serious in getting protection of their valuable IP rights.

Meeting with UNIDO Regional Office Representative

A meeting between Chairperson BUILD Abul Kasem Khan and Rene van Berkel, Representative, Regional Office India, United Nations Industrial Development Organization (UNIDO) was held on June 28 through Zoom platform. The meeting was to discuss about building partnership for establishing a platform named Build Back Business from Crisis (B3C) for supporting MSMEs to restart, recover and revitalize their business.

Rene made a presentation on how this platform can support CMSMEs to recover and revive from the pandemic situation. The modular platform comprises of a number of core packages including online tutorials supported by hands-on guidelines and fact sheets.

Chairperson BUILD showed his interest and informed that BUILD will maintain contact through local office of UNIDO so that it can be a part of the platform to support CMSMEs.

Dr Zakiuz Zaman, resident Representative, UNIDO and Ferdaus Ara Begum, CEO BUILD were present in the meeting.

Budget should be SME Friendly

Fiscal measures outlined in the proposed budget for FY 2020-21 are not aligned with the ground realities. The budget has been outlined with unrealistic targets, inadequate allocations in priority sectors such as health. It also overlooks the increasing discrimination in society. The budget may require a revisiting of its allocations and priorities considering the COVID-19 challenges. The government needs to focus on saving and improving citizens' lives and livelihoods rather than focusing on GDP-centric growth. The government may create a taskforce to improve accountability in budget implementation, especially for COVID related activities.

These views were shared at the CPD Budget Dialogue 2020 on 20 June 2020. The event was organized under CPD's flagship programme Independent Review of Bangladesh's development (IRBD).



BUILD CEO Ferdaus Ara Begum as a panelist attended the program and highlighted some areas of the Budget 2020-21. She said while four specific strategies on discouraging luxuries expenditures, creating loan facilities at subsidized interest rate, expanding social safety net and protect informal sectors and increasing money supply without inflation are all well-intended but measures to ensure effective implementation of these strategies are not clear. She highlighted some sectoral issues where reform reversals have taken place that could discourage job creation. The affected sectors are plastic, leathers, footwear etc. She also highlighted allocation of some trade and business supporting ministries which are much less than the requirements.

M A Mannan, MP, Hon'ble Minister for Planning, GoB, present as the Chief Guest at the dialogue, said that the government is observing the crisis very carefully and making necessary interventions where necessary. It is true that there are some limitations in implementing the government's decisions, but we can work together to overcome the challenges.

Saber Hossain Chowdhury, MP; Honorary President, Inter-Parliamentary Union (IPU); and Chairman, Parliamentary Standing Committee on Ministry of Environment, Forest and Climate Change, spoke as a Guest of Honour at the event. He said that it is not the time to run after GDP growth. China did not declare their GDP growth this year, rather they are working on improving the employment scenario in their country. We should also look into improving and saving the lives of our citizens. We need to come out from the traditional fiscal framework and should really put focus on improving the quality of public services.

Nahim Razzaq, MP, Member, Parliamentary Standing Committee on Ministry of Foreign Affairs, as Guest of Honour, observed that there is lack of accountability in implementing budgetary allocations, particularly for the COVID-19 related activities.

6th Meeting of BGTF Held

The 6th meeting of Bangladesh Government Tenderers Foundation (BGTF) was held on June 17, 2020 via Zoom platform. Mr Md Abdus Sattar, Executive Engineer, Local Government Engineering Division (LGED), chaired the meeting as the convener.

CEO BUILD as a member of the executive committee attended the meeting to put forward the private sector perspective on the Memorandum of Articles of Association and Rules for formalizing the organization.

The main objectives of the organization is to establish a cordial relation between Public Entities (PEs) and the tenderers so that the public procurement process in the country can be streamlined further and accountability can be ensured and public procurement process are more disciplined and well-ordered.

Central Procurement Technical Unit (CPTU) will be supporting the organization in all respects. After the full operation of CPTU the procurement process has been made online through e-GP process. BGTF will be a supporting organization to accommodate joint efforts of both public and private sector.

Export Incentive FY 2020-21-BUILD's Proposals

BUILD team headed by the CEO Ferdaus Ara Begum joined a meeting via Zoom platform organized by the Ministry of Commerce (MoC), GoB on June 7, 2020, in regard to review the justification of getting cash incentives for existing and potential sectors/products in the upcoming FY 2020-21. The meeting was chaired by the Additional Secretary (Export), MoC, Obaidul Azam.

Ministry of Commerce is responsible for reviewing and recommending the potential export sectors to be given cash incentives in every fiscal year based on export potentials and proposals submitted by the private sector. Bangladesh Tariff Commission supports Ministry of Commerce for analyzing rationale of recommending sectors for getting cash incentives.

A number of private sector representatives from different traditional and non-traditional sectors were present in the meeting along with their proposals for inclusion as new sectors and increase the amount of cash incentive considering the COVID19 situation.

As, a private sector think tank BUILD shared views on the proposals discussed in the meeting along with some specific proposals. Because of COVID-19 crisis, export of all sectors reduced drastically – especially RMG faced a significant cancellation export orders.

As demand of medical & personal protective equipment (MPPE) products, special types of fabrics, test kits have been increasing and some RMG sectors have already started producing these products, BUILD proposed for inclusion of these items under cash incentives in FY 2020-21. BUILD also proposed increasing cash incentive for crust leather from the existing 10% to 20% to sustain the export of the Leather sector. Agro and agro-processing sector could be given enough thrust as it has huge demand and its export is on the rise in spite of the COVID-19 crisis.

Some new non-traditional products like fish scales, recycled garment waste, chilled fish, paper and paper products, biax films, sheet glass and opal ware were proposed to be included in the cash incentive circular of FY 2020-21.

Dialogue on Post COVID-19 Youth Development



Centre for Research & Information (CRI) organized a virtual Dialogue on May 21, 2020 on Job creation for youth where “What PPP initiatives can help youth-led MSME (micro, small and medium enterprises) bounce back” was the topic for discussion by Ferdaus Ara Begum, CEO, BUILD as one of the panelists in the program.

Md. Zahid Ahsan Russel, MP, State Minister, Ministry of Youth and Sports was present as chief guest while Mohibul Hassan Chowdhury, MP, Honorable Deputy Minister, Ministry of Education, Golam Md. Hashibul Alam, Executive Chairman, National Skills Development Authority, Dr. Nazneen Ahmed, Senior Research Fellow, BIDS, Ejaj Ahmad, President and Founder, BYLC, Dr. Muhammad Munir Hussain, Programme Analyst - Adolescent & Youth, UNFPA, Shahrima Tanjina Arni, International Affairs secretary, DUCSU, Dr. Sakia Haque, Travelettes of Bangladesh; Swarna Moye Sarker, BRIDGE Foundation, Shakila Islam, Youth Net for Climate Justice and Syed Mafiz Kamal, CRI were present. The session was moderated by Dr. Nuzhat Choudhury, Associate Professor, Ophthalmology, BSMU.

Youth led MSMEs are quite vulnerable to economic crises and business and jobs can be lost as a number of units operated by them remain informal. The Resolution Foundation – an independent British think tank claimed that more than one in three 18 to 24-year-olds is earning less than what they did before the COVID-19 outbreak. According to ILO, workplace disruptions are expected to wipe out labour equivalent to the effort of 1.25 billion workers or 195 million full-time workers, or 6.7 percent of hours clocked worldwide, in the second quarter of this year.

Bangladesh government has announced Stimulus Package of about \$ 10.9 billion, among which for SME/Start up of \$ 2.35 billion, these are all concessional loan, refinancing and working capital support. So far disbursement of loans is not significant because Banks and Financial institutions consider MSMEs risky for financing. The idea for Public Private Partnership (PPP) initiatives is a good one, but a lot of new issues and thinking must be involved. PPP programs in Bangladesh is still at a cross roads.

PPP initiatives are mostly meant for the large scale investment and initiatives. These are complex, time consuming, and need detail technical know-how and management efficiencies. SMEs may find it costly, time-consuming, or otherwise challenging to respond to complex prequalification criteria or bidding documents. PPP uptake within a short time is not possible unless a new approach is adopted. She suggested some specific manufacturing and services sectors which can be outsourced from small SME young entrepreneurs to initiate PPP activities.

Partner's Corner

**DCCI Opens 'SME Development Department'
to Facilitate CMSME**



ঢাকা চেম্বার অব কমার্স অ্যান্ড ইন্ডাস্ট্রি

Dhaka Chamber of Commerce & Industry (DCCI), the largest SME representative trade organization in the country relentlessly works for the development of cottage, micro, small and medium enterprises for more than six decades. As a part of its initiative, DCCI opened a separate 'SME Development Department' operating from 1st June, 2020 to facilitate its members of cottage, micro, small and medium enterprises sector.

The contribution of cottage, micro, small and medium enterprises (CMSMEs) to our overall economy is undeniable. Amid coronavirus pandemic, the government of Bangladesh has already announced stimulus packages for the development of affected CMSMEs. But there may be a few affected small entrepreneurs who might be deprived of getting this stimulus fund due to lack of completing proper documentation processes. Considering the issue, DCCI will guide its CMSME members through this department by providing necessary information to prepare proper documentation processes needed for getting stimulus from banks including other related advisory services.

To strengthen the national economy and to recover it from the coronavirus pandemic crisis, we need to give especial consideration to the CMSME sector. DCCI thus takes the initiative to facilitate its CMSME based members so that they can avail the stimulus allocated by the government and accordingly can contribute to the sustainable economic resilience

Reaction: MCCI Sees Challenge in Fiscal Management



Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) congratulated Finance Minister A H M Mustafa Kamal for presenting his second national budget before the Jatiya Sangsad on Thursday for the financial year 2020-2021 (FY21), said the chamber in a statement on Friday.

It is indeed a very challenging task for the Finance Minister to prepare a budget in the current domestic and global situation created by the Covid-19 pandemic. Over the last five months, the deadly novel coronavirus has completely changed the global and domestic social and business eco-system, it added.

With a vaccine and or a cure for the virus still to be found, in-person social and work-related interaction norms will remain changed and constrained. Without the full flow of interactions able to renew very shortly, the economy will take time to recover, it said.

This year, the budget cannot be like the usual budget of previous years. The FY21 budget is expected to address the normalization of lives and livelihoods to a reasonably stable situation without being concerned much about deficits and growth targets. From a business perspective as well, the first priority of the budget must be to ensure the health and economic security of the citizens as far as possible; and secondly to infuse vitality in economic activities through the raising of aggregate domestic demand, the MCCI said.

Return Submission on Imports in Five Days: CCCI's Call to Reverse Finance Bill measure



Chattogram Chamber of Commerce and Industry (CCCI) called upon Finance Minister AHM Mostafa Kamal not to execute the amendment on fixation of submission of return on imported goods within five days.

President of CCCI Mahabubul Alam sent an urgent letter to the finance minister in this regard on Tuesday.

He wrote in the letter, "In the finance bill 2020 the section 79 of Act no. 1V of 1969 amended and the amended bill said that (1B) A bill of entry under sub-section (1) shall be delivered within five working days since the arrival of goods. Provided that the Board may, by notification in the official Gazette, extend such time upon stipulating such conditions or limitations as it deems fit and proper. But, the total subject is dependent on stakeholders including Suppliers, Suppliers Bank, Shipping Agent of Loading Port, L/C applicant bank, Courier Service and Shipping Agent of Destination Port.

"Usually, the date of submission of documents has to be fixed as per decision of supplier. Normally, the ship reaches the port within 5 or 6 days, but documents reach later which is a normal procedure. Besides, when we export goods to foreign countries, we take approval for necessary time for submission of documents. So, we request not to execute the amendment on fixation of submission of return on imported goods within five days."

He stated in the letter that to avoid the misunderstanding hampering of import and export, the minister should not execute the amendment on fixation of submission of return on imported goods.

BUILD Scope

BUILD and UNIDO Survey on COVID-19: Impact on Manufacturing Firms

The unprecedented COVID-19 pandemic has caused disruptions to global trade, business, and education. Bangladesh is equally affected by this contagion. The manufacturing sector plays a vital role and contributes significantly to the economic development of the country and the current pandemic has highly affected the sector.

In order to understand the impact of COVID-19 on the manufacturing sector BUILD in collaboration with United Nations Industrial Development Organization (UNIDO), Dhaka office has been conducting a survey to assess the impact of COVID-19 on some selected manufacturing sectors in the country. This is a perception survey to collect responses from the manufacturing organizations on the ongoing and perceived future impact of COVID-19 on their businesses. The result of the survey will be used to inform the government aiming to support businesses during the crisis. This survey is being conducted online. The key sectors covered in this survey are Leather, RMG, Textile, Plastic, Chemical, pharmaceuticals, Furniture, Process food and also light engineering sector. The survey is for one month and scheduled to be concluded by mid-July 2020.

Guidelines and Comparison of Stimulus Packages for Large Industries and CMSMEs

Honorable Prime Minister announced a number of Stimulus Package (SP) worth around \$12.21 billion (BDT 1.033 trillion) to offset the COVID-19 shock on various sectors of the country and minimize the sufferings of the people hit hard by the nationwide shutdown enforced to fend off the deadly virus. These stimulus packages are in the form of loans, incentives, and subsidies mostly to be provided by the Banks. Among these stimulus packages, BDT 30,000 crore working capital loans for the large industries and BDT 20,000 crore working capital loans for CMSMEs are two major SPs for the private sector to offset the impact of COVID-19.

BUILD is currently working on the identification of problems and stringency of CMSMEs in getting the working capital loan under the announced SPs. In this study, a comparison between the guidelines of the SPs will be conducted to identify the stringent areas for the CMSMEs to get working capital loan.

BUILD Reforms

Income Tax Exemption Limit Extended

BUILD proposed for extension of Income Tax exemption limit at least up to BDT 350,000 taka for the next five fiscal years, presently the exempted income is BDT 250,000. In the year 2020-21 National Board of Revenue has increased the threshold up to BDT 300,000. Exemptions limit for a disabled person has also been increased to 500,000 and earlier it was 400,000 BDT.

Reduction of Advance Tax

BUILD proposed for reduction of Advance Tax to give a relief to businesses so that they can import raw materials at lower costs. In Finance Bill 2020 the Advance Tax (AT) on imported raw materials for manufacturing industries have been reduced from existing 5% to 4%. At the same time NBR also reduced Customs Duty on import of 10 Agricultural Machinery/Parts to 1% from the existing 5-10% CD. These reforms would help encouraging investors to run their business.

BUILD for Continuing Benefits of Good Borrower

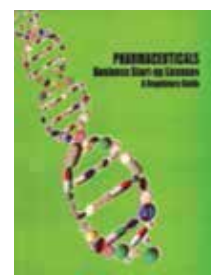
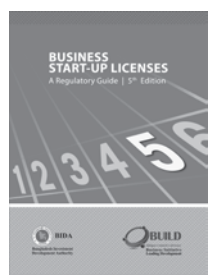
BUILD has realized the need for continuing the benefits of good borrower to discourage loan defaulting culture. BUILD holds that good borrowers deserve patronization in various forms including rebate or incentives. The continuation of recognizing and honoring the good borrowers with rebate is still praiseworthy. But the central bank can revisit the new circular and continue the previously given rebate to the good borrowers to discourage loan defaulting culture.

Bangladesh Bank has recently withdrawn the previous 10 percent rebate to the good borrowers on the interest or profit accrued from working capital, demand and term loans and investments through a recent circular. This incentive was given until the month of September of last year. However, in the circular, Bangladesh Bank asked scheduled banks to continue identifying and honoring good borrowers. From now on scheduled banks will identify good borrowers or investors at the end of December every year and honor them through organizing annual events.

The banking sector has a serious dearth of good borrowers. Bangladesh Bank used to encourage banks to patronize the good borrowers through giving 10 percent incentives. Since the high presence of non-performing loans remains a major problem for most of the banks in the country, finding good borrowers who are regular in servicing their debt obligations needs to be a priority task for the bankers.

At this stage of COVID-19, businesses are struggling for sustenance, withdrawing an ongoing benefit instead of providing good borrowers some additional benefits who are trying hard to maintain jobs of their employees will discourage them. Good borrowers should be encouraged by providing them some incentives and existing policies should remain unchanged in this regard.

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