

## Editorial

### Editorial: Bonded Warehouse Policy Issues and the Export Diversification Aspiration of Bangladesh

Bonded Warehouse (BWH) facility is to support export oriented (E/O) industries for importing inputs/raw materials, including deemed export items without paying any duty or taxes. The National Board of Revenue (NBR) issues licenses for BWH. The principal policy for BWH is based on Customs Act 1969 (Clause 13 and 84-119) and the Customs Bond Commissioners are incumbent offices for availing and exercising bond related activities from both ends.

There are two broad categories of BWH facilities, namely: Special Bonded Warehouses covering export-oriented readymade garments, and General Bonded Warehouses covering other export-oriented (E/O) sectors and deemed export. As the major share of industrial raw material is import based, export-oriented industries need BWH facility to ensure flawless supply chain of raw material and finished product. Those who do not have any direct export operations and carry out activities through subcontracting and receive their proceeds in standard foreign currency through local back-to-back letters of credit. In total, 6983 BWH licenses have been issued till 2020, among which 3818 are active.

A bond is granted 'Entitlement' to import or locally purchase without duty-tax payment for a certain amount of raw materials over a specific period of time. Entitlement is granted for one year.

The utilization declaration (UD) facility is granted only for the RMG industry and is issued by Bangladesh Garments Manufacturers & Exporters Association (BGMEA) and Bangladesh Knitwear Exporters Association (BKMEA). UD based entitlement depends on the Utilization Declaration and Master LC values. On the other hand Utilization Permit (UP) is required for General BWH users. UP is provided by customs authority based on estimated entitlement for the general BWH holders. While BGMEA and BKMEA are allowed to provide UD and entitlement for their members, Non-RMG sector are not allowed to do that.

BUILD organized a number of consultation sessions in collaboration with IFC-WBG on some important Non-RMG sectors such as; plastic, leather and leather goods, agro sector, electronics and they have raised their issues and the discriminations they are facing.

National Board of Revenue (NBR) had a specific order (#14 issued in 2008) in regard to entitlement. On June 17, 2020, an amendment of the order # 14 of 2008 was issued which has created more confusions about entitlement volume for the E/O industries that are availing General BWH facilities. The affected important sectors are leather and footwear, plastic, etc. Another confusing issue of the amendment was definition of "compliant factory". Subsequently an office order (56/2020 on 16/09/2020) has been issued to clarify the entitlement procedure (in an added subsection of order No. 14 i.e. entitlement rules 2008) and provide a definition of "compliant factory", which is rather more stringent for compliant factories.

Overall, 244 SROs and office orders have been issued regarding the BWH policy. The existing E/O industries including deemed exporters are facing operational problems regarding BWH that require support from Custom Bond Commissionerate (CBC). The potential export sectors like agro-processing sector are facing problem in applying for the license as two separate application forms are made available by Customs and CBC and the category of licenses are unclear.

NBR need to clarify the entitlement getting process for 100% export oriented industries so that all such industries can avail and enjoy BWH facilities irrespective of size, type and sector. Facilities like allowing BWH for subsidiary industrial premises and sub-contracting policy option should be equal for all industries as in the case of Special BWH.

Issuance of interim SROs, GOs, Executive orders and office orders granting additional or discriminatory privilege to specific interest groups should be avoided. Required changes in BWH policy for the broader interest of national economic development may be brought about through Finance Acts to update and improve the main policy.

Finally, automation can be an option for providing the BWH license, coefficient and bond entitlement issuing process where the whole calculation would be done on the basis of track record data on machinery capacity, machinery capacity use, raw material inventory, future export order and other important components related to the estimation process.

Ferdaus Ara Begum, CEO, BUILD

### BUILD Formed Platform for 4<sup>th</sup> Industrial Revolution and ICT



BUILD CEO Ferdaus Ara Begum presents the paper at the working committee meeting.

Massive industrial change is afoot and fuelled by the advancement of digital technologies. The fusion of physical and virtual worlds into a cyber-physical system will have a disruptive impact on every element of manufacturing. Keeping this into consideration, BUILD took an initiative in forming 4th Industrial Revolution and ICT Working Committee with Bangladesh Hi-Tech Park Authority (BHPTA) and Bangladesh Association of Software and Information Services (BASIS).

The first meeting of the newly formed 4th Industrial Revolution and ICT Working Committee (4IR&ICTWC) of BUILD was held on October 21, 2020 at the office premise of BHPTA. Two Co-chairs of the working committee – Hosne Ara Begum, Managing Director (Secretary), BHPTA and Syed Almas Kabir, President, BASIS – took the leading role in the meeting.

BUILD's Chief Executive Officer Ferdaus Ara Begum gave a presentation introducing BUILD and newly formed Working Committee. BHPTA Director (Joint Secretary) A.N.M. Safiqul Islam, Director (Joint Secretary) Fahmida Akhtar and Deputy Director Norottom Paul, representatives from Ministry of Industries (MoI) and e-Commerce Association of Bangladesh (e-CAB) put their valuable remarks in the meeting.

In her presentation, BUILD CEO briefly elaborated the structure and activities of the thematic working committees of BUILD and described the objectives and scope of activities of 4IR&ICTWC. She introduced the TOR and Action Plan of the Committee and requested opinions from the distinguished present in the meeting.

In the introductory speech, BHPTA MD Hosne Ara Begum expressed her expectation to get help from the private sector to formulate a curriculum for the technology institute which is under process of establishment. She said that BUILD could help BHPTA in this regard through its 4IR&ICT working committee.

BASIS President and Co-Chair of 4IR&ICTWC Syed Almas Kabir said that a large number of workers from different sectors will lose their job with the technological development and incorporation of 4IR in the private sector. Workers of readymade garments sector are at great risk. In this regard it is highly important to up-skilling and re-skilling the workers. He expressed the importance of 4IR and ICT working committee for taking specific need-based initiatives and policy recommendation.

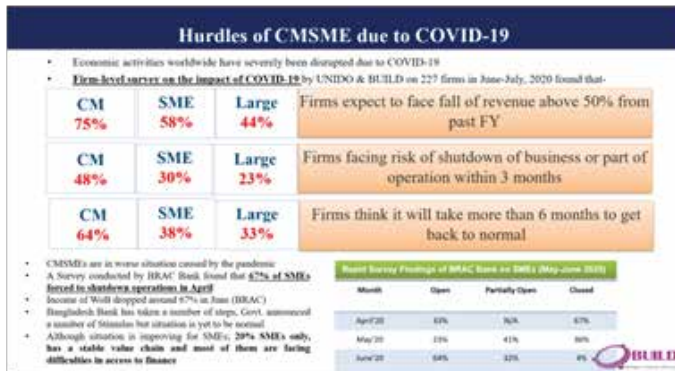
BHPTA Director A.N.M. Shafiqul Islam informed that countries like Japan are thinking about 5th Industrial Revolution (5IR). Though we are far behind from them, BUILD's initiative is a timely action. Private sector of Bangladesh should think about 4IR with great importance.

BHPTA Director Fahmida Akhtar urged upon for including development partners in the member list of the committee.

Mohammad Sahab Uddin, Vice President of e-CAB, said that the first duty of the 4IR and ICT working committee could be conducting a gap analysis. After that we will be able to identify our position in the global arena. We will then understand how far USA, China or Indonesia have proceeded than us.

Referring to the introductory meeting of October 6, 2020 for the formation of the committee where along with MD, BHPTA Chairperson BUILD was also present, CEO, BUILD informed that Abul Kasem Khan, Chairperson, BUILD gave importance of taking support from a number of reputed person working abroad and their willingness to contribute for the country.

## BUILD for Creating more Opportunities for Women MSMEs in Stimulus Package



Business Initiative Leading Development (BUILD) in collaboration with the International Trade Centre (ITC) organized a virtual dialogue on “Access of MSMEs and Women Entrepreneurs to Stimulus Package” on September 22, 2020. Abu Farah Md. Naser, Executive Director, SMESPD, Bangladesh Bank (BB) was present in the dialogue as a guest of honor. Sharifa Khan, Additional Secretary, Ministry of Commerce chaired the panel discussion session.

Welcoming the participants, BUILD Chairperson Abul Kasem Khan said that the Stimulus Package is a timely and praiseworthy initiative of the Government to combat the negative impact of COVID-19 on economy of Bangladesh. However, proper execution of this package is important to bring stability in the CMSME sector as this sector is the worst sufferer of pandemic. Belalur Rahman, Research Associate, BUILD delivered the keynote presentation.

While moderating the open session Sharifa Khan said that government has taken initiatives to support the affected sectors of the economy through various stimulus packages. The implementation of SP is important to ensure the revitalization of CMSME. However, a gap exists between supply side and demand side, which is hindering the flow on loan disbursement to the CMSMEs.

M. A. Baqui Khalily, professor and former head of Department of Finance, University of Dhaka addressed the definition issue of CMSMEs. He opined that there should not be a separate category as cottage industry and can be included in the micro category, thus, the definition of MSME will match with international standard.

Syed Almas Kabir, President, BASIS suggested a database for WEs can be performed as a formal register for WEs which can treat as an alternative for trade license as is the case of ICT. He also opined that Credit Guarantee Scheme (CGS) should provide 100% guarantee for WEs.

Syed Abdul Momen, Head of SME Banking, BRAC Bank Ltd. stated that according to the instruction of Bangladesh Bank, commercial banks are relaxing different terms and conditions to facilitate cottage, micro and small industries. He also informed that BRAC bank has relaxed the assessment process to streamline the loan disbursement of CMSME.

Abu Farah Md. Naser, Executive Director, SME and Special Programs Department, Bangladesh Bank informed that in order to reduce the process time Bangladesh Bank has initiated a pilot program with The City Bank Ltd. to disburse loan through mobile banking system. He has informed that besides the BDT 20,000 crore package, there are a number of other packages dedicated for the CMSME.

Although Bangladesh Bank has issued several circulars for WEs, due to lack of access to information these circulars cannot reach potential female borrowers. He requested that business chambers and associations could play a significant role to disseminate this information to WEs. Finally, he informed that if any commercial bank refuse to provide stimulus package on the basis of previous loan repayment, Bangladesh Bank has a hotline, through which WEs can inform for remedy.

Tanvir Ahmad, Country Coordinator, SheTrades Initiatives of ITC stated that cottage should receive as much importance as medium industries. He suggested for a dedicated number for the SME Help Line as has been used by the government in other cases.

Ferdaus Ara Begum, CEO, BUILD in summing up the discussion highlighted the need for dissemination information for WE, she thanked all the participants for their enthusiastic participation. She said that in order to encourage WEs to obtain trade license, the fee of trade license should be reduced. She added that alternative financing opinions should be assessed properly to formulate tailor-made package for WE.

## Make Stimulus Loans Collateral-free for Small Businesses



BUILD Chairperson Abul Kasem Khan (First in second row from right) makes keynote during the dialogue.

BUILD and the Citizen's Platform for SDGs Bangladesh, a platform of non-state actors and their networks and associates jointly organised the dialogue on post-pandemic status of CMSMEs and effectiveness of stimulus packages. It was held on September 30, 2020.

The central bank should make lending to pandemic-hit cottage, micro, small and medium enterprises (CMSMEs) from the stimulus package collateral-free to accelerate disbursement of the fund as many of them are struggling to stay afloat because of a shortage of finances, speakers said at the dialogue.

Studies show that the units that availed the money from the fund have benefited," said Dr. Debapriya Bhattacharya, convenor of the Citizen's Platform for SDGs, Bangladesh and a distinguished fellow of the Centre for Policy Dialogue. "The CMSMEs are lagging because their voices were not raised strongly with the government's decision-making level."

Industries Minister Nurul Majid Mahmud Humayun MP asked banks to ease rules and disburse collateral-free loans to the CMSMEs as the enterprises play significant roles in the national economy.

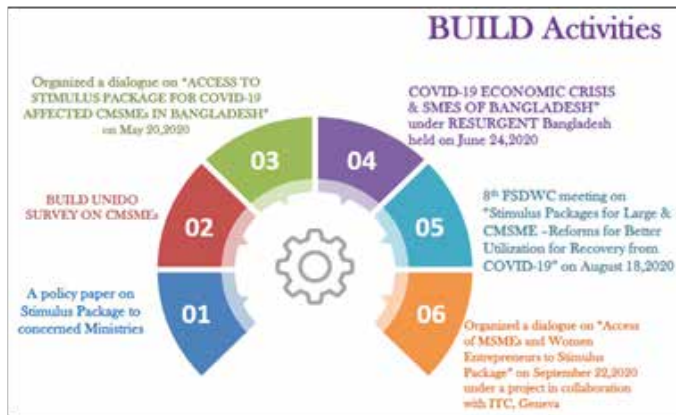
Abul Kasem Khan, Chairperson, BUILD gave the keynote presentation. He pointed out that there are many informal CMSMEs in Bangladesh which are not registered under any systems and do not maintain any financial records. These CMSMEs are highly unlikely to benefit from the newly implemented Credit Guarantee System (CGS) which can be a tool to expedite the implementation of the working loans for CMSMEs.

As loan disbursement towards CMSMEs is slower, aggressive implementation strategy needs to be ensured. He recommended bringing the unbanked entrepreneurs in the banking channel, stopping tax and VAT pressure, facilitating sources of alternative financing, easing the process of doing business, making CGS provisions more flexible and supportive and creating a database for the informal SMEs, amongst others.

Shams Mahmud, President of the Dhaka Chamber of Commerce and Industry, said there is a perception that the money from the stimulus package is free. "People should change such mentality as it is a loan, but at a lower interest rate."

The definition of SMEs needs to be changed to make the initiative time-befitting, the industries minister said. He committed to preparing a database of the CMSMEs.





The graph shows activities conducted by BUILD in response to COVID-19

Nasim Manzur said the government should have given subsidies on VAT, tax, utilities and factory and office rents during the difficult period to CMSMEs so that they can survive and continue their operations. Many CMSMEs have had to shut their business because of high office rents and costs. The government should have announced the stimulus packages in consultation with other stakeholders so that all units get the fund properly, he said.

Bhattacharya said "Alternatives should also have been thought about a lot earlier because many enterprises have been doing business for many years but they are still unbanked."

Momtaz Uddin Ahmed, an honorary professor of economics at the University of Dhaka, said there should be an updated database of the CMSMEs so that every unit can avail financing from the fund. He supported financing CMSMEs through MFIs.

Mustafizur Rahman, another distinguished fellow of the CPD, said CMSMEs not only serve the local markets. They also help a lot in value addition for export-oriented sectors.

Syed Almas Kabir, President of the Bangladesh Association of Software and Information Services, said none of 1,500 members of the association received loans from the stimulus packages as IT companies cannot provide any collateral. However, BASIS members secured loans from two private commercial banks under special arrangements, he said.

Anwara Ferdousi, president of the Rangpur Women Chamber of Commerce and Industry, said handicrafts and beauty parlours are the worst sufferers as they did not get loans from banks. "Banks are not giving loans to small entrepreneurs because of collaterals."

Humaira Chowdhury, co-founder and managing director of Frontier Technologies Ltd, said she is not getting loans from banks although her company has a strong financial base.

Syed Abdul Momen, head of SME of Brac Bank, said that out of his bank's total portfolio of Tk 12,000 crore, Tk 10,000 crore are collateral-free loan for the CMSMEs. Some 70% to 80% of the CMSMEs that have received the loan from the stimulus package have returned to their businesses, he said. Asif Ibrahim, Chairman of the Chittagong Stock Exchange, also spoke on the occasion.

The dialogue was attended by Ferduas Ara Begum, CEO of BUILD, Dr Rasheda K. Choudhury, Executive Director, Campaign for Popular Education (CAMPE), Asif Ibrahim, Advisor, BUILD, and Professor Mustafizur Rahman, Distinguished Fellow, CPD.

Angela Gomes, Eminent Activist, Jessore and Founder and Executive Director, BancheShekha, policy experts and a select group of representatives from CMSME sector including women entrepreneurs spoke at the event.

## Need for Simplifying Bonded Warehouse Facilities for Leather Goods and Footwear Sector



BUILD Chairperson (first in 3rd row) Abul Kasem Khan delivers welcome speech at the meeting in presence of sectoral representatives.

A consultation program on Simplifying Bonded Warehouse Facilities for Leather Goods and Footwear Sector was organized by BUILD in cooperation with IFC - World bank Group on September 21, 2020 using Zoom Platform under the Project Support to Organize Stakeholder Outreach and Consultation Programs (SOSOCPC). Trade Competitiveness for Export Diversification (TraCED) project under the BICF II has been working with the NBR to simplify and harmonize the customs clearance process, promote a risk-based customs control, modernize the tariff structure and support to extend the Bonded Warehouse (temporary admission) facilities to non-RMG sector. BUILD is collaborating with IFC to gather inputs from the private sector about the policy related constraints they are facing and how they would like to see to resolve the problem.

Leather and Leather Goods and Footwear is a promising sector has been marching towards achieving the targeted export volume of USD 3 billion by 2024. However certain policy discriminations bedevil rapid development of the sector. BUILD CEO presented a paper that identified the policy discrepancies and advocated addressing these to ensure a fair and enabling environment for the sector.

While discussing with the stakeholders it was found that the leather sector has been facing problems regarding bond related issues such as coefficient, entitlement, and Utilization Permit (UP) approval with CBC endorsement, etc. Presently LFMEAB has been supporting Duty Exemption and Draw Back Office (DEDO) by providing co-efficient which is finally approved by the DEDO, but they have been given this authority for six months which will be completed in December 2020.

Sectoral stakeholders proposed that the responsibility for coefficient approval can be handed over to the concerned leather association permanently as like as BGMEA. It was proposed that LFMEAB can be authorized to provide coefficient and entitlement approval permanently on the basis of shared ASYCUDA data. UP authorization can be delegated to the competent association with ASYCUDA data synchronization of each consignment imported under supervised bonded warehouse facility.

Leather goods and footwear is a fashion-related industry that depends on 80% imported raw-materials. The entitlement criteria for the industry needs to be framed squarely as designs change frequently causing fluctuation of raw material use as well as required amount of import.

It is cumbersome to renew bond licenses for the sector as automatic renewal is not allowed. BWH renewal from CBC requires audit report of consecutive two years (separately) and recommendation from association. Earlier renewal required 14 documents, but as per the SRO (136 ain/2020/87 Customs) of 3rd June, 2020, 23 documents are required for issuing new license and renewal. To reduce the burden, BWH renewal should be for 3 years rather than annual. The required documents should be reduced to five as in the case of RMG.

The complicity regarding inclusion of new raw material in entitlement become unclear (order no. 52/2020 issued on 17/06/2020), an amended Order no. 56/2020 on 16/09/2020 has been issued and cleared the definition of compliant industry, still it has not supportive to the non-RMG sector.

The RMG enjoys extended bonded warehouse facility if the mother production unit is located within 60 km radius. Similar extended bonded warehouse should be provided for Leather and Leather Goods (LLG) sector.

Common or central bonded warehouse is absent in Bangladesh where the homogenous industries can keep required raw materials. It can be a solution for potential homogenous industries like finished leather, leather good and footwear.

Some other recommendations of the consultations were: HS code specification for chemical products, simplification of annual audit process, sub-contracting for partial production as allowed for RMG, minimization of undocumented costs, simplifying the cumbersome process of getting back the money of financial guarantee, full implementation of automation and modernization of assessment of capacities of machinery, simplification of import entitlement of raw material policy of 2008, Order of 14/2008 etc.

### First Virtual Workshop on Workplace Health Safety for Business Continuity during COVID-19



Nusrat Nahid Babi (fourth in the first row), Private Sector Specialist, International Finance Corporation, World Bank Group speaks at the meeting.

The First Virtual Workshop on Workplace Health Safety for Business Continuity during COVID-19 for Chattogram Custom House was held at 3pm on October 25, 2020. The event was organized by Business Initiative Leading Development (BUILD) and Bangladesh Investment Climate Fund II, which is implemented by the International Finance Corporation (IFC), World Bank Group and funded by the Foreign, Commonwealth and Development Office (FCDO). A series of customized guidelines were prepared since March, which were finalized in June and except for a few recent updates, most of the suggestions are still valid.

Ferdaus Ara Begum, CEO, BUILD delivered the welcome remarks of the workshop. She said that the Customs House Chattogram plays a crucial role in this international trade. The COVID-19 has created a serious impact on trade and business in Bangladesh since March 2020. It is important to ensure proper hygiene and safety in the workplace to prevent any disruption owing to the risks of COVID-19. Automation is an important line of future-oriented progress for facilitating trade and COVID-19 is meant to boost the automation.

Nusrat Nahid, Private Sector Specialist, International Finance Corporation, World Bank Group provided an overview of the initiative taken up by the IFC and shared Audio-Visuals on Health Safety Guidelines. She mentioned that the World Bank Group had shared global guidance notes for trade policy and trade facilitation since the spread of the pandemic but this was the first time customized country-specific guidelines have been produced with joint initiative of BICFII and NBR.

The pandemic has left negative impact on trade that is anticipated to last a few more years. Large scale order cancelation and deferment has affected RMG and leather goods reemphasizing the dire need to export diversification. Restrictions on medical supplies have increased 20 times compared to previous years. Export volume has significantly declined in the current year, but as per NBR data, import has remained relatively stable due to effective measures taken up by Customs and Port Authorities.



NBR took up some exemplary measures in crisis response. Legal provisions for national single window for trade, e-certificates of origin, e-payment of customs duties, etc. were introduced and Risk Management Directorate was set up during this period. Expediting and completing ongoing modernization programs of NBR would be crucial going forward, especially for economic recovery from COVID.

Dr. Mohammad Abul Hasnat gave a presentation on Health Safety Guidelines. In the presentation, he underscored that the first step for COVID-19 is creating a response team vested with appropriate authority, to ensure observance safety guidelines and to isolate anyone with COVID-19 symptoms. He stressed on the importance of maintaining key measures such as wearing personal protective equipment of staff involved in entry management and cleaning, ensuring wearing of mask for all staff and clients.

Temperature screening at entry, liquid soap dispenser to wash hands for at least 20 seconds, maintaining social distance of at least 1m, minimizing paper-based interactions and face-to-face meetings, and so on are essential steps. He explained the specific safety measures to be adopted for the different parts of the customs house as well as other government agencies involved in the service delivery.

M. Fakhrul Alam, Commissioner, Custom House, Chattogram thanked the organizers and said that the his organization has taken the relevant steps, including introducing a public address system, operating a quick response team to monitor the maintenance of the safety measures in the customs house, and so forth. As import and export had declined in the customs house, roster duty was introduced using 30-35% of officials at a time to obviate the risk of COVID-19 transmission.

Mahbubul Alam, President, Chittagong Chamber of Commerce and Industry (CCCI) said that the contribution of Chattogram Customs knows no boundary in the economy of the country.

Further, he said that the goal of customs is not revenue collection as such but to facilitate trade in the greater interest of the country. Stakeholders have to visit the customs house for business purposes and automation has made some headway in customs. He thanked the organizers of this workshop and hoped that the knowledge derived from this workshop will facilitate every stakeholder to mitigate the impact of COVID-19 and Chittagong Customs will continue its great contribution towards the country's economy.

Md. Zafar Alam, Joint Secretary, Member, Chittagong Port Authority said that it is important to incorporate the Chattogram Port Authority as well, since Customs House and Port Authority are complementary. The two organizations had to run on an emergency basis at the beginning of lockdown to ensure the logistics supply chain. The CPA provided stimulus to workers of the port, produced and distributed sanitizers, installed hand wash facilities, and held training sessions. COVID-19 PCR testing booth was set up in the Port. Isolation unit and separate hospital ward for patients was set up. These measures boosted the confidence of the personnel.



## Stakeholder Virtual Consultation on Simplifying Bonded Warehouse Facilities for Agro-Processing Sector



The meeting is in progress on ZOOM Platform

BUILD and IFC jointly organized ‘Stakeholder Virtual Consultation on Simplifying Bonded Warehouse Facilities for Agro-Processing Sector’ under the project “Support to Organize Stakeholder Outreach and Consultation Sessions” on October 5, 2020 via zoom platform. Broader objective of the session was to have remarks/suggestions of the stakeholders of the agro-processing industries to ensure a modernized custom system, simplified process, supportive policies and easy documentation concerning the Bonded Warehouse Management of Bangladesh. Ultimate goal of this BUILD-IFC joint session was to prepare a policy note based on the findings of the stakeholder consultation session.

Ferdaus Ara Begum, CEO, BUILD presented the Keynote paper on Simplifying Bonded Warehouse (BWH) Facilities for Agro-Processing Sector. The presentation focused on an overall scenario of agro-processing sector in Bangladesh, potentials of the sector, constraints faced by the agro-processing industries, facilities for export-oriented industries offered by the government, bonded warehouse facility, a case study on Green Grain Cashew Processing Industry, and the way forward. She added that the sustainable growth of the agro-processing industry of Bangladesh would assist the government to achieve SDGs 2, 5, 8, 9, 12, 14, 15 and 17 by 2030.

Stakeholders of the agro-processing sector informed that due to the implementation of the new process to have a BWH license as well as to have the declaration certificate of a new BWH station, they have to follow 15 steps, which were only 12 earlier. There is no surety to have the permission of new BWH even within the period of 8/9 months. Export oriented industries have been suffering from such complex procedure for last four to five years. Such time consuming and complex procedure directly impedes the export competitiveness initiatives as well as export earnings. They have also faced severe constraints because of yearly audit of bonded warehouse, complexity for issuance of utilization permit, coefficient etc. There is no specific classification of bonded warehouse license for agro-processing industry, no specific guidelines for joint venture initiatives and HS code related problems etc., they informed. Anis Ud Dowla, the Chairman of ACI Group, highly appreciated the initiative of BUILD and IFC for taking a move to simplify the BWH system in Bangladesh. He said that policy and process simplification for BWH would attract the FDI and Joint Venture in Bangladesh.

A high-powered dedicated single window wing with the composition of the representatives of the Ministry of Finance, Ministry of Commerce, NBR and Ministry of Law, Justice and Parliamentary Affairs can be established to simplify the process, reduce time and cost.

A specific category of BWH needs to be set for Agro-Processing Sector. Stagnant operational situation of the export of raw material during the yearly audit needs to be addressed.

Capacity building of concern association of agro-processing sector to ensure the issuance of coefficient and utilization permit by the association.

To reduce tariff burden, NBR may classify the important and potential agro-processing raw materials items under specific HS code, etc.

Ferdaus Ara Begum, CEO, BUILD informed the stakeholders that BUILD and IFC will prepare a policy paper based on the recommendations raised by the private sector and that will be presented to PSDPCC to have a constructive attention of Ministry of Commerce and National Board of Revenue. Prior to that, a workshop will be organized where this policy paper will be presented to the stakeholders to have their validation.

## Virtual Stakeholder Consultation on Simplifying Bonded Warehouse Facilities for Plastic Sector



BUILD CEO delivers welcome speech at the virtual dialogue.

BUILD organized a virtual stakeholder consultation on simplifying bonded warehouse facilities for the Plastic Sector on September 27, 2020 in association with the IFC. The objective of the project is Export Diversification through addressing policy discrimination for non-RMG sector, since as per Kyoto protocol any sort of discrimination is not allowed. The assignment seeks to identify the areas of discrimination and suggest to the government to address those. The purpose of this workshop is to prepare a policy note on BWH policies and discrimination of policies for all Non-RMG sectors.

Participants included representatives from sectoral chambers and businesses, development partners, and so forth. The consultation was started with the welcome remarks from Ferdaus Ara Begum, CEO, BUILD, who also moderated the meeting.

A brief presentation on “Simplifying Bonded Warehouse Facilities for Plastic Sector in Bangladesh” was presented by Md. Tahmid Zami, Additional Research Director, BUILD, discussing usage of the bonded warehouse facility in the plastic sector and identified the key challenges and barriers. Jashim Uddin, President, Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) and representatives from the plastic sector discussed the problems they face in using the bonded warehouse facility. They mentioned that for entitlement and renewal, they have to suffer additional hassle compared to the RMG sector.

Proposed recommendations included the following:

- (1) The concerned association, e.g., BPGMEA, BGAPMEA, etc. should be vested with the UD-issuing authority as in the case of RMG industry in accordance with the SRO 101-ain/2017/11/Custom
- (2) The coefficient determination should keep being done by the associations like BPGMEA and BGAPMEA and for common items, the common coefficients should be allowed for all companies. BPGMEA or BGAPMEA should be able to determine their own coefficients for new goods.
- (3) Entitlement should be for 2 years duration rather than one year. The authority to issue entitlement should be vested to the associations.
- (4) Bonded warehouse license renewal should be for 3 years instead of two years so that businesses have to spend less time and cost for this process.
- (5) Common or central bonded warehouse can be provided for the plastic sector.
- (6) Automation can be introduced and it can be used in the coefficient and bond entitlement issuing process where the whole calculation would be done on the basis of track record data on machinery capacity, machinery capacity use, raw material inventory, future export order and other important process related to the estimation process.
- (7) The audit process should be made simpler and faster.

## Scope of BUILD

### Policy Paper on the Review of Export Policy 2018-21 and Way Forward

BUILD is going to review the policies announced for export diversification in the Export Policy 2018-21. The government has declared 13 sectors as Highest Priority Sectors, 19 as the Special Development Sectors and 2 as Special Development Service Sectors. For the advancement of these sectors, the government announced 12 specific incentives/benefits.

Besides, several inter-sectoral projects will be taken to ensure product diversification. In that continuation, BUILD is going to prepare a policy paper that will be focused on reviewing the sector-wise incentives offered by the government to ensure export diversification. Through this policy paper, BUILD will place some policy recommendations to ensure export diversification through its Trade & Investment Working Committee at the Ministry of Commerce.

### Policy Paper on Reviewing Action Plan of SME Policy 2019

BUILD is reviewing the action plans of SME Policy 2019 of Bangladesh. SMEs constitute more 99% of the total industries in the country, in which a significant number (88%) are cottage and micro, as per definition of Industrial policy 2016 their scale is very much small.

BUILD will assess the action plan for the different actors of the SME Policy 2019, demonstrate the opportunity to specify the interest of the cottage and micro industries and suggest the way forward.

### Policy Paper on Credit Guarantee Scheme for Cottage and Micro Industries

BUILD is looking forward to conducting a study on Credit Guarantee Scheme (CGS) for the cottage and micro enterprises in the country. In a bid to support the cottage, micro, and small (CMS) enterprises engrossed in the financial difficulty amid COVID-19, Bangladesh Bank approved a CGS worth BDT 20,000 crore on July 27, 2020.

In the SMESPD Circular No. 03 dated July 27, 2020 Bangladesh Bank defined the scope and detailing other aspects of the CGS such as, the eligibility criteria for scheduled banks and financial institutions (FIs) as well as for businesses, application procedure, fees, settlement of claim etc. The central bank has also prepared a CGS manual.

BUILD has already shared Malaysian example of CGS with the central bank. In the 8th Financial Sector Development Working Committee of BUILD it was said that the CGS will be gradually open for large enterprises also. BUILD opines that more flexible and supportive CGS provisions can be declared for cottage and micro-entrepreneurs compared to Small ones.

## Reforms of BUILD

### Working Capital limit for CMSMEs under the Stimulus Package Increased

At the 8th Meeting of the Financial Sector Development Working Committee (FSDWC) of BUILD held on 18 August, 2020, via Zoom Web Platform co-chaired by Ahmed Jamal, Deputy Governor, Bangladesh Bank and Shams Mahmud, President, Dhaka Chamber of Commerce and Industry (DCCI), BUILD proposed for subsidized loans for CMSMEs to cover at least 50% of the working capital instead of present level of 30% for affected CMSMEs.

On August 31, 2020 Bangladesh Bank issued a SMESPD circular letter no 07, where increased ceiling of working capital loan up to 50% from existing 30% have been approved for manufacturing and service industries.

Furthermore on September 28, 2020, Bangladesh Bank issued SMESPD circular letter no 10 where Bangladesh Bank allowed 50% subsidy on approved working capital loan for individual commercial banks which was earlier on actual disbursed working capital loan for CMSME.

## Individual ETP Allowed for Private Sector

Central Effluent Treatment Plant (CETP) of Tannery Industrial Estate of Savar, Dhaka(TIED) was not in function fully. To analyze why the CETP is not fully functionalized in TIED, BUILD took up the case while also trying to understand the need of private sector. BUILD prepared a concept note on “Approval of Effluent Treatment Plant (ETP) in Parallel with CETP in TIED” where it suggested that Permission for Individual ETP is a key concern for the private sector. From private sector view point, two large tanneries – Apex and Bay Tanneries – have applied for individual ETP provided that they bear all costs of CETP.

BUILD placed this recommendation on 12th Private Sector Development Policy Coordination Committee (PSDPCC) on 10 February 2020 at PMO. Following considerable follow-up and advocacy of all concerned and BUILD, the Ministry of Industries issued an Order on July 23, 2020 where they allowed Apex Tannery and Bay Tannery to set up individual ETP in Savar Tannery Industrial City followed by some rules and regulation mentioned in the order.

A Central Effluent Treatment Plant was supposed to be set up in order to manage waste of all factories in the tannery industrial city, but the plant has not finished in eight years. Due to the lack of proper waste treatment and drainage, the environment around river Dhaleswari and adjacent areas is seriously being polluted.

Tannery waste management is not only crucial for environment, but also for commercial reasons. The tannery industry of a country does not receive international recognition if it does not follow proper waste treatment procedures. Big brands do not buy such industry's leather goods. It is crucial for tannery companies to be certified by the internationally recognised Leather Working Group (LWG) for export.

## Preparatory of 14th PSDPCC Meeting Held

A meeting with DG, PMO and Director-1, Anisur Rahman was held on October 29, 2020 at the office of the DG to discuss about the 14th PSDPCC meeting.

Zubaida Nasreen at the outset wanted to know about BUILD and PSDPCC. CEO, BUILD gave a brief to the DG about BUILD and PSDPCC and the outcome of the last 13 PSDPCC meetings. Discussion was held on the agenda of the 14th PSDPCC meeting. There was a detailed discussion on the PSDPCC process and how it can be made more workable for the private sector development.

Anisur Rahman asked about some of the information included in the BUILD's presentation in regard to poverty issues which quoted a BIDS study. BUILD CEO and Research Associates explained the issue. In regard to special treatment for Cottage and Micro enterprises BUILD CEO also explained their justification. In regard to BOND Policies, all of them agreed about the discrimination Non-RMG sector is facing.

## BUILD's Articles in National Dailies

We have failed to attract investors who left China: Abul Kasem Khan  
<https://tbsnews.net/feature/panorama/we-have-failed-attract-investor-s-who-left-china-abul-kasem-khan-146080>

## Country's economic capacity not much behind

<https://tbsnews.net/analysis/countrys-economic-capacity-not-much-behind-145672>

জনগণের কর আদালত এবং কর কাঠামো by Ferdaus Ara Begum, CEO, BUILD  
<https://bit.ly/3nYUhtA>

Defining woman entrepreneurship by Ferdaus Ara Begum, CEO, BUILD  
<https://www.thefinancialexpress.com.bd/views/reviews/defining-woman-entrepreneurship-1600615442>

## Partners' Corner

### DCCI Urged for Long-term Policy to Adopt 4IR & Technological Shift



Long-term policy, modernization of education & curriculum system, infrastructure development, industry-academia collaboration and skilling, re-skilling and up-skilling are priority for adopting the advantages of 4th industrial revolution, said speakers in a DCCI webinar on "4th Industrial Revolution in the wake of COVID-19" held on 3 September 2020.

Minister for Posts, Telecommunications and Information Technology Mustafa Jabbar joined the webinar as the chief guest. Parag, Additional Secretary, Ministry of Industries joined as guest of honour. DCCI President Shams Mahmud moderated the webinar.

DCCI President Shams Mahmud in his welcome address said that the fourth Industrial Revolution is evolving fast and reshaping and global industrial, trade and economic landscape. Bangladesh still lags behind in adopting 4IR technologies in industrial ecosystem and this adoption will accelerate our growth momentum.

Mustafa Jabbar, Minister for Posts, Telecommunications and Information Technology, Government of Bangladesh said that telecommunication sector is the ocean for 4IR. In our country 65% people are under the age limit of 35 years which is an added advantage for us. He said we should not fear from 4IR as our adoptability is too high.

Parag, Additional Secretary, Ministry of Industries said the SMEs of Bangladesh are using technology now and they are producing various diversified products. 4IR will open up new avenues especially in the recycling industries. New technology, automation will create new job opportunities and skill development. She said considering every aspect, the Ministry is drafting National Industrial Policy.

Asif Ibrahim, Chairman, Chittagong Stock Exchange and DCCI Senior Vice President N K A Mobin, FCA, FCS also spoke on the occasion.

### Tax Regime Contradicts Country's Goals, Needs Reforms-MCCI



MCCI and Resurgent Bangladesh emphasised fundamental reforms in tax policy to remove the inconsistencies between the vision of the government and that of the National Board of Revenue.

If transparency and accountability are not ensured in the taxation system, it could not be possible for the country to achieve the sustainable development goals and to reach the target of becoming a developed country by 2041. This observation came in a virtual event titled 'Towards a Conducive Tax System: The Reform Imperative and Priorities' organized by MCCI and Resurgent Bangladesh — a dialogue platform jointly formed by Metropolitan Chamber of Commerce and Industry, Dhaka Chamber of Commerce and Industry, BUILD, Chittagong Stock Exchange and Policy Exchange.

Policymakers and businesses at the event said that modernisation and digitalisation of the NBR only could ensure a favourable environment for the business and investment in the country.

Prime Minister's Private Industry and Investment Adviser Salman F Rahman said that the country's tax-GDP ratio was contradictory with the high economic growth. He said that to become a developed country, the taxation system should be reformed in a short time.

The NBR found it very easy to collect customs duty but the import duty must go, Salman said. 'We should have a uniform rate of VAT and we must depend on income tax and VAT instead of customs duty and advanced tax,' he said.

Prime minister's economic affairs adviser Mashiur Rahman suggested setting up a high-powered body to find flaws in the country's taxation system.

Planning Minister MA Mannan said that all products except essential commodities should come under one single-rate of value-added tax.

MCCI president Nihad Kabir suggested a simple, equitable, transparent and accountable tax system in the country, saying that the taxation system was one of the major roadblocks towards increasing investment in Bangladesh. She proposed a tax ombudsman. The MCCI president said that the taxation system should be organised around different kinds of taxes or different kinds of taxpayers including large, medium and small segments. Nihad said that the objective of a tax administration was not how much revenue was raised rather it should be ensuring procedural fairness and transparency and avoiding discretion and discrimination. The MCCI president stressed increasing reliance on big data, real-time analytics and mobile apps for efficient revenue forecasting.

The DCCI president said if the National Board of Revenue (NBR) played such a role, no matter how hard the Bangladesh Economic Zones Authority (BEZA) and Bangladesh Investment Development Authority (BIDA) tried, foreign investment would not come to the country.

Nihad Kabir, pointed out in her keynote paper that taxpayers needed to be treated as customers. "If we adopt and implement the best practices available in different countries, investment and revenue will increase."

Syed Nasim Manzur, MD of Apex Footwear Ltd and also the former Chairman of BUILD delivered the welcome speech at the webinar that was chaired and moderated by Dr M Masrur Reaz, Chairman of the Policy Exchange of Bangladesh.

### CCCI Launched Program for Professional Skills of Business Executives



A management training program, under the Executive Learning Project for Chattogram was launched on September 26, 2020 by the Chattogram Chamber of Commerce and Industry (CCCI) and the Institute of Business Administration (IBA) of Dhaka University. It will develop the professional skills of business executives in the Chattogram region.

Addressing the programme, Deputy Minister for Education Mahibul Hasan Chowdhury said the CCCI and IBA have undertaken excellent initiatives which have set a milestone.

"It is an excellent example of mutual support between educational institutions and trade organisations through which national goals can be achieved," he said.

Bangladesh Center of Excellence (BCE) – An Initiative of CCCI – is the implementing partner of this project. Dhaka University's IBA is going to provide the first ever training in Chattogram.

MA Latif MP said businesses in Chattogram will benefit immensely from this mid and top-level management training program.

"Alongside the establishment of 100 SEZs across the country, about a dozen mega projects are being implemented in the greater Chattogram, including the deep sea port in the Matarbari area. So, arranging proper training for executives is a very important and timely initiative of the Chittagong Chamber," he added.

CCCI president Mahbubul Alam said, "This program of IBA will go a long way in developing skills and providing a more productive and effective role in the national economy by providing proper training to middle and upper level executives."

Professor Syed Farhat Anwar said human resources development is a more important and fundamental element for the implementation of the 2100 Delta Plan, including meeting the SDG targets of 2021, 2030 and building a developed Bangladesh in 2041.



## Groundwork Meeting of Logistics Development Working Committee

BUILD CEO Ferdaus Ara Begum met Tofazzel Hossain Miah, Secretary of the Prime Minister's Office on October 29, 2020 to discuss and assess the key challenges in logistics development and associated commerce and policy reforms for ease of doing trade in Bangladesh.

Highlighting working areas of BUILD, BUILD CEO put lights on activities and BUILD's ongoing work on Export of Non-RMG Export Diversification and Simplification of Bond Licensing policies.

The Secretary of the Prime Minister's Office told that the PMO is also doing similar exercise and has already taken some cases and shared relevant statistics about Bangladesh economy and elaborated that even though COVID-19 has posed a terrible challenge to the Bangladesh economy, it is the only country where growth rate is positive - near about 4% according to IMF statistics - while a number of countries along with the world economy are expected to see negative growth. He appreciated the role of private sector in keeping up the economic momentum.

To bring in changes in policy for creating a smooth and an efficient environment across the logistics value chain of Bangladesh, BUILD CEO shared the concept note for forming the Logistics Development Working Committee and formally requested the Secretary, PMO to co-chair the committee from the public sector.

The Secretary has given his kind consent to co-chair the committee and appreciated the initiative of BUILD and welcomes BUILD Chairperson Abul Kasem Khan for co-chairing the committee from the private sector.

BUILD Chairperson virtually joined the meeting and expressed his gratitude to PMO for accepting the working committee.

The members of the committee may include Secretaries and heads of the concerned departments/ministries such as National Board of Revenue, Commerce, Industries, Central Bank, Civil Aviation, Shipping, Road Transport & Highways, Railways, BIDA with various stakeholders from industry associations, trade and logistics sector representatives etc.

BUILD Chairperson added that the platform can be designed to target the hardware aspects of trade while the software aspects (related to regulatory and procedural environment for trade) to create a smooth and an efficient environment across the logistics value chain of Bangladesh. Further the Secretary requested BUILD to send letters to the concerned Ministries to nominate representatives for the committee and agreed for a meeting in the 3rd week of November, 2020.

BUILD CEO informed that the secretariat will send a letter to the Secretary, PMO once they receive the nominations from different Ministries for the committee.

## Women Affected at Work and in Businesses

A virtual dialogue titled 'Women Affected at Work and in Businesses' was held on 17 September on the basis of a study by BRAC on women entrepreneurs and working women.

Ferdaus Ara Begum said that as there is dearth of research on micro and cottage entrepreneurs. The cottage and micro enterprises lag behind due to their informal status. They cannot reach out to receive loans from banks and other programs.

She said that data shows that 5% of the incentive package has been allocated for women but with specific directions. A total of 11,183 have received loans. 170 women got the loan among 9,500 persons. That means 2% women received loans from the incentive package of BDT 20,000 crore. The BRAC study found that 67% enterprises were closed in April while it decreased to 4% in June. This means that they are coping resiliently with the current situation. She further said that cottage and micro segments will require special policy support to survive.

KM Abdus Salam, Secretary, Ministry of Labour and Employment said that the government has already taken many economic policies. A 20-year (2021-41) perspective plan is also under process. We are planning to remove poverty by 2030-31 and become a medium-income country and become developed by 2041. We are working on the perspective plan with these specific objectives. We made it clear that the key goal of the latest budget is self-preservation. This is a year of survival for us. The Honourable Prime Minister gave 31 directions in March. These directions include health safety, and economic, agricultural and industrial work-plans among many others.

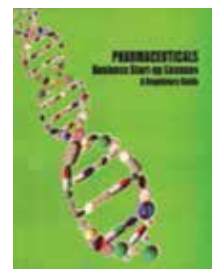
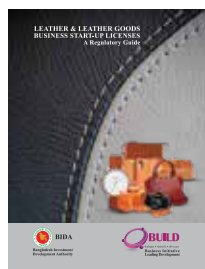
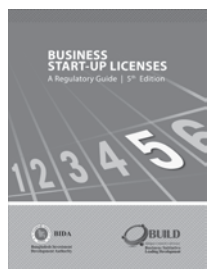
Shameran Abed, Senior Director, Microfinance and Ultra-Poor Graduation, BRAC said that micro and cottage are of one kind, and micro and medium are of different kind. Usually, micro and medium entrepreneurs do not get sufficient loan facilities. To be specific, women entrepreneurs do not get any at all.

KAM Morshed, Senior Director, Advocacy for Social Change, BRAC that we carried out this survey to understand the situation of women entrepreneurs of the CMSM (cottage, micro, small and medium) enterprises and women workers of the informal sector. The survey was done during 8-24 July on 1,589 respondents. 1,000 of them are from informal sector and the rest (589) are entrepreneurs from CMSM industries.

While moderating the session, Nobonita Chowdhury, Director, Gender Justice and Diversity, Preventing Violence Against Women Initiative, BRAC said that women are most likely to fall victims of any kind of disaster in regard to all aspects including the social and economic.

The event was attended by Parveen Mahmud, Chairperson, UCEP and Ex-Chairperson, MIDAS, Kohinoor Yeasmin, Entrepreneur and CEO, TARANGO, Rokeya Rafique, Executive Director, Karmojibi Nari, Nazneen Ahmed, Economist, BIDS, Asif Saleh, Executive Director, BRAC.

## Publications



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