

Editorial

Definition of Cottage, Micro, Small and Medium-Sized Enterprises (CMSME) in Bangladesh

In Bangladesh, Cottage, Micro, Small and Medium Enterprise (CMSME) comprises about 99.84% of total establishments which indicates the significance of CMSME in the economy. In addition to that CMSME dominates the private sector as they constitutes 90% of total private sectors. Most of the countries use employee size, annual turnover, registered capital, investment and total asset for defining CMSMEs over the world. Some countries have separate definition for manufacturing, service and trade industries. The criteria used in Bangladesh to define CMSME is similar to the other countries. The National Industrial Policy (NIP) 2016 defines CMSME by the criteria of investment and employment. As per the NIP-2016 the manufacturing industries are defined as follows:

Type	Investment	Employment
Cottage	Maximum BDT 10 lakh	up to 15
Micro	BDT 10 lakh - BDT 75 lakh	16-30
Small	BDT 75 lakh- BDT 15 crore	31-120
Medium	BDT 15 crore - BDT 50crore	121-300

As per the opinion of international experts, the cottage is a type where micro, small, medium and large enterprises are considered as size. Because cottage is related to the location rather than the size. So the cottage and micro industries could be merged to define them as MSME instead of CMSME to maintain the international standard.

But some problems may arise while we talk about the formal and informal enterprises. Because, if the cottage and micro industries become merged together the percentage of micro industries (88%) in Bangladesh will be 99% of total enterprises. But the micro and cottage are mostly in informal sector in Bangladesh. Therefore, it would be difficult to compare them with other countries like EU, USA or other Asian countries. So it is a very problematic issue in the context of Bangladesh whether we differentiate the industries on the basis of formal and informal.

In Bangladesh, the size of the industries has been considered rather than type when we conduct any research or develop literature. But if we consider the criteria like investment size, turnover and employment to define the industry, the employment size is more available than the investment amount. Most of the manufacturing industries are reluctant to disclose their investment amount because of tax and other related issues.

But in practical perspective, the definitional issue is mostly considered in case of access to finance for CMSME, because banks are more interested to finance the medium enterprises rather than cottage, micro and small enterprises because of the credit management cost and other security issues. The loan amount demanded by micro and small enterprises is less than the medium but the loan management cost of it is higher or almost same to medium enterprises.

In case of Women entrepreneurs, most of them belongs to informal cottage, micro and small category, so banks are not willing to finance them.

BUILD in collaboration with International Trade Center (ITC) arranged an international expert consultation meeting focused on the categorization of industrial segments based on the need, type and size, accordingly alignment of policies so that access to finance and other segment-specific support is possible. As per the outcome of the meeting, the terminology CMSME can be changed to Micro, Small and Medium-sized enterprises that means MSME can increase clarity.

Practically, the distinction on formal vs. informal enterprises is a critical issue. When 'cottage' is used, informal is assumed. This needs to be taken into account. From this perspective, it is best to divide on 'cottage+micro+small' and 'medium + large' to facilitate financing perspective and make lenders more accountable and the progress more tractable.

Ferdaus Ara Begum, CEO, BUILD

High Powered Committee for Logistics Infrastructure Development Formed by PMO and BUILD



The 1st meeting of Logistics Infrastructure Development Working Committee (LIDWC), co-chaired by Md. Tofazzel Hossain Miah, Secretary, Prime Minister's Office and Abul Kasem Khan, Chairperson of BUILD was held on 23rd December, 2020 at PMO.

Prime Minister's Office and BUILD have jointly formed the 7th thematic High-Powered committee namely Logistics Infrastructure Development with an objective to propose a strategy for Logistic Infrastructure Development in the country.

Md. Tofazzel Hossain Miah, Secretary, Prime Minister's Office said that, "as a nation, we are celebrating the 100th Birth Anniversary of Father of the Nation Bangabandhu Sheikh Mujibur Rahman. In this "Mujib Borsho", I do strongly believe that Logistics Infrastructure Development Working Committee (LIDWC) will assist the Government of Bangladesh by providing policy research assistance for the betterment of logistics infrastructure scenario of Bangladesh to make the reality of Vision 2041 that is declared by our Honourable Prime Minister Sheikh Hasina." He also said that there is a huge gap between the understanding of public and private sector while huge development program has been taken up by the government, the committee will help reducing the understanding gaps. He informed that by the year 2022-23 a number of new projects will be coming, we need a better institutional arrangement for this job. He emphasized for an action plan as proposed in the BUILD presentation. He stressed on preparing a concept note on "the need for sectoral recognition of logistics in the 'National Industrial Policy 2021'", which will be presented to Ministry of Industries to recognize logistics as a priority sector.

Abul Kasem Khan, Chairperson of BUILD said that this working committee is a good example of public private dialogue platform. Top priority has to be given on infrastructure and logistics development in the country. Six to seven percent of GDP will be required for infrastructure development of the country. This working committee following concrete objectives can contribute a lot regarding the logistics and infrastructure development in the country. Pragmatic collaboration between public and private sector is a must in this regard.

Ferdaus Ara Begum, CEO, BUILD on her presentation informed that Institutional fragmentation of the logistics sector in Bangladesh is complex. Nine ministries and twenty sub-agencies have the jurisdiction over the logistics sector in Bangladesh. Formation of LIDWC is a timely initiative to ensure harmonization of Logistics Infrastructure issues with SDGs, Perspective Plan 2020-2041 etc. She also highlighted the composition of BUILD and its seven working committees. She said that the logistics performance of the country needs to be developed as it is highly related with the achievement of Sustainable Development Goals, she added.

Mohammad Lutfullah, Senior Private Sector Specialist, IFC presented a study on 'Logistics for Sustained Growth'. He highlighted the priority given towards logistics in the Perspective Plan Bangladesh 2021-2041.

Absence of logistics contains national growth by 19% and causes higher cost of the product ranging between four to forty eight percent. He gave examples of several competitive countries such as Ethiopia, India, Indonesia, Malaysia etc. which are developing logistics system fast under a national strategy. Ensuring cost reduction, attracting investors, having national framework etc. are the areas the other competing countries give priority to formulate logistics plan. Bangladesh does not recognize logistics as a separate sector and it causes several issues such as cost increase and lack of competitiveness in several sectors. IFC-WBG is currently working on several analytical works on logistics of the country focusing on achieving timebound results in logistics development. Integrating logistics in the 8th five year plan is a required action that can be taken up immediately. Formation of smaller expert task group under this working committee can be fruitful to achieve faster result.

Nihad Kabir, President, MCCI said that strategy regarding logistics has to be formulated aligned with national growth. Rail network is very important for the country. Development in rail network and warehousing in land and water ports is highly needed. Central warehousing, bonding etc. processes in warehousing needs to be improved in this regard.

Mahbubul Alam, President, CCCI said that a joint working group is needed for better fruitful outcome along with short term, midterm and long term outcomes. Water, rail and road connectivity have to be given priority. Water connectivity has to be given topmost priority.

ASM Mainuddin Monem, President, Private Economic Zones Association of Bangladesh said that location is a big issue for utilizing the economic zones. Therefore, deciding strategic points of location is needed for connectivity development. Integration of national plan is required for development of logistics plan of the country. Fitting of multimodal in cost effective manner is needed.

Mohammad Naquib Uddin Khan, President, Bangladesh Supply Chain Management Society said that this initiative is a pragmatic and timely step. An integrated national strategy is a must for logistics development. Lead time is a big issue in terms of export and minimizing lead time is required to ensure the country's competitiveness.

Kabir Ahmed, President, Bangladesh Freight Forwarders Association said that there are 1100 members in their association contributing in ninety percent of the international trade of the country. He said that water ways needs to be given topmost priority for logistics development.

Md. Rezaul Karim, Chairman, Shippers' Council of Bangladesh said that water ways needs to be given more priority compared to that of rail and road. Traffic jam in road ways increases cost and causes loss in competitiveness in trade. Therefore, water ways needs to be given priority. He said that the country has improved its position in Lloyd's list which is a good sign in logistics improvement.

Dr. M. Masrur Reaz, Chairman, Policy Exchange of Bangladesh said that the LIDWC is a very timely initiative to develop infrastructure and logistics in the country. Although logistics is a complex issue, the public-private collaboration is direly needed to address the issues regarding logistics. A holistic strategic approach is needed for long term logistics development in the country. Export led growth strategy with diversification has to be ensured through ensuring efficiency in logistics. The post LDC graduation will bring international compliance pressure in Bangladesh. Ensuring cost efficiency in logistics will increase the country's competitiveness. He also said that small industries amid COVID-19 situation must be brought under linkage policy to tap their resurrection. He suggested for formalization of committee through a gazette notification.

Md. Faizur Rahman Faruqui, Joint Secretary, Ministry of Railways said that implementation of high speed train will ensure efficiency in terms of time and cost in rail network. Dhaka to Sylhet, Dhaka to Rajshahi, Panchagar-Banglabandha etc. connectivity can be prioritized along with Dhaka-Chattogram connectivity.

Shams Mahmud, President, DCCI, Dr. Zaki Uz Zaman, Country Representative, UNIDO, Dr. Shobod Deba Nath, Associate Professor & Chairman, Department of International Business, Faculty of Business Studies, University of Dhaka, Prodip Kumar Mahottom among others, attended the meeting.

Equal Treatment of the non-RMG Export Industries Urged at T&I Working Committee Meeting of BUILD



Dr. Md. Jafar Uddin, Secretary, Ministry of Commerce and Barrister Nihad Kabir, President, MCCI co-chaired the T&I Working Committee Meeting

After graduation of Bangladesh a number of DFQF (Duty-Free Quota-Free) facilities will be eroded, the country will need to proceed for bilateral FTA with potential partner countries for which we need to have deeper studies, research and understanding for offsetting revenue loss in order to make the country competitive in export, said Dr. Md. Jafar Uddin, Secretary, Ministry of Commerce.

While co-chairing the 8th meeting of Trade & Investment (T&I) Working Committee of BUILD on December 31, 2020 at the Ministry of Commerce, Dr. Md. Jafar Uddin said that export diversification is one of the priorities of our government for which our Government is working actively.

Having welcomed the representatives from different public and private sector entities, the Secretary of Ministry of Commerce assured for implementation of the proposed reform of BUILD for export diversification and supportive policies for Non-RMG sectors.

He also requested BUILD to send all proposals coming out of the Trade and Investment Working Committee meeting and these will be actively considered but we need the recommendations with action matrix so that we can coordinate with different ministries accordingly to see a better implementation of our reforms.

Barrister Nihad Kabir, President, Metropolitan Chamber of Commerce and Industry (MCCI) who is the Co-chair of the Trade and Investment Working Committee from the private sector said that the government should come forward to provide equal fiscal and monetary assistance to all the potential export oriented sectors like the RMG.

Having appreciated BUILD for presenting data driven and research-based policy advocacy papers on such two important issues, she underscored the need for public private dialogue before formulating policies that matter most to private sector development.

To resolve the constraints to avail trade licenses for e-commerce business, Ministry of Commerce may consult with LGRD to ensure simplified policies, said she.

She stressed on the need to increase the frequency of organizing the meeting of Trade & Investment Working Committee. She emphasized on the implementations of the recommendations through regular meeting.

Ferdaus Ara Begum, CEO, BUILD presented two key presentations in the meeting such as 'Export Diversification Need – Policy Discrimination of Bonded Ware House Facilities for Non-RMG Sector' and 'WTO SPS Agreement and Introducing e-Phytosanitary Certification for Agro & Agro Processing Sector in Bangladesh'.

She informed that out of proposed 13 reform proposals in the last committee meeting, seven were approved. The major implemented reforms include digital e-commerce cell in the MOC, 100% FDI in the e-Commerce sector, training of entrepreneurs for e-banijjo, and individual ETP by the Ministry of Industries.

In the presentation, she referred some policy differences for non-RMG sectors, specifically in availing the benefits of Bonded Warehouse (BWH) facilities in respect of new entitlement, UD, coefficient, automatic renewal of BWH, audit, sub-contracting, sample import etc. and suggested simplification of policies that benefit all sectors such as leather and leather goods, plastic, electrical and electronic goods and agro-processing sector.

It was found in a study of IFC that equal access for Non-RMG sector to only BWH policy could have fetched US\$4.2–US\$8.4 billion additional export.

In the second policy paper highlighting the requirement of SPS measures and the concerned agreement of WTO and policy options included in the Export policy of 2018-21 for e-Phytosanitary (e-PC) certification, she recommended a fully automated e-PC, online payment, registration of the applicant in such a way so that repeated requirement of submitting the same documents are not required, establishment of a national plant quarantine authority etc.

Md. Hafizur Rahman, Additional Secretary, Export Wing, MOC conducted the discussion session and said that export sectors apart from RMG should get the equal treatment in case of export. COVID-19 has made us agree to bring changes in policies related to export, he said.

While responding to the proposal of difference of policies in providing Utilization Declaration (UD) by RMG sector while other concerned sectoral association cannot give UD for their members, Md. Zakir Hossain, Additional Commissioner, Customs Bond Commissionerate (CBC) informed that as the requirement of importing raw materials are very diverse, in case of other sector it becomes quite difficult for them to allow providing UD for other sectors.

Md. Abdur Rahim Khan, Joint Secretary, Export-2, Ministry of Commerce informed that Ministry of Commerce has already taken initiatives to establish Health Certification Agency in Bangladesh to facilitate the export of agro-processing products. He also informed that Export Promotion Bureau has a guideline in that respect to follow.

In reply to the implementation of e-banijjo platform, Md. Hafizur Rahman, Director General (Additional Secretary), WTO Cell, Ministry of Commerce said that Ministry of Commerce initially planned to train 5000 e-commerce entrepreneurs through e-banijjo platform and they have already trained 2500 entrepreneurs. Presently, MOC has sent a new proposal to Ministry of Planning to upgrade the numbers to 12000.

BUILD-ITC Dialogue for CMSME Definition

BUILD in collaboration with International Trade Centre (ITC)-She Trade Initiatives organized a consultation session on “Definition of Cottage, Micro, Small & Medium Enterprises (CMSME) in Bangladesh” on December 10, 2020. The meeting mainly focused on categorization of industrial segments based on the need, type and size, accordingly alignment of policies so that access to finance and other segment-specific support is possible.

Having underscored the need for unifying the definition of CMSMEs, Ferdaus Ara Begum, CEO, BUILD in her keynote exhibited that CMSME comprises the 99.84% of total establishments which indicates the significance of CMSME in the economy of Bangladesh. She stated the nature of the cottage and micro enterprises are almost the same as most of these industries are involved in retail trading and manufacturing sector. They are mostly informal and work as extending ancillary support to medium and large industry. Given the alike nature of Micro & Small Enterprises (MSEs) policy support for them should be same while policies for Large & Medium (LMEs) can be based on their distinct nature.

She informed that most of the countries use the term MSME instead of CMSME. She also informed that in the amendment of New Companies Act it included One Person Company (OPC), therefore SMEs will automatically be formalized, in that respect tax, treatment for small enterprises will be changed. Paid up capital threshold and turnover included in the amendment for OPC need to be aligned with definition. In case of Income Tax Ordinance there are changes in the new Finance Act.

Due to some gaps in the eligibility criteria of the stimulus package mostly medium industries can get the benefit of it. At the end of her presentation, she stated that category standardization is important, an universal definition of MSMEs for better cross cutting analysis is needed.

Michael Frosch, Senior Statistician, ILO stated that ILO does not have an official statistical definition of SMEs. However, there is a strong focus on small and micro enterprises due to the link with informality and informal sector. He also informed that 61% of the world’s employed population is in informal employment.

Olga Solleder, Expert of ITC said that the criteria used in Bangladesh to define CMSME is similar to the other countries. But different organizations for example-WBG, SDG, WTO etc. only defined Micro Small and Medium industries instead of CMSME and the term MSME is used most of the cases. Harmonizing the definition depends on nature and type of the country, Cottage is more than a type not a size.

Prof. Dr. Baqui Khalily, Former Head of Department of Finance, University of Dhaka, said that the definitional issue is mostly considered in case of access to finance for CMSME, because banks are more interested to finance the medium enterprises rather than cottage, micro and small enterprises. So the Large and Medium enterprises (LME) should be considered in same category while micro and small can be treated in the same group.

Md. Salimullah, Senior Assistant Secretary, Ministry of Industries said that Ministry of Industries (MOI) is in the process of formulating a new industrial policy and MOI is keen to incorporate all the rational proposals in the policy. As the nature of cottage and micro industries is almost similar and a similarity between medium and large industries is clearly visible, accordingly supporting policies should be devised.

Md. Joynal Abdin, Secretary, Dhaka Chamber of Commerce and Industries (DCCI) said that our policymakers should visit the SME clusters before preparing the next National Industrial Policy 2021. Because the actual scenario of CMSME can be understood from the 177 SME clusters. He wants to get a clarification of replacement costs in the upcoming policy.

Access of CMSMEs and Women Entrepreneurs to Stimulus Package

BUILD in collaboration with the International Trade Centre (ITC) jointly organized an exclusive validation meeting to share the findings of their study on Access of CMSMEs and Women Entrepreneurs to Stimulus Package on November 30, 2020 via zoom platform. The program was organized in continuation of a policy advocacy program for supporting COVID-19 affected women entrepreneurs initiated by BUILD and ITC-SheTrades.

Ferdaus Ara Begum, CEO, BUILD delivered the keynote presentation, in which she appreciated Bangladesh Bank’s initiative of extending the deadline of BDT 20,000 crore stimulus package for CMSME till December 31, 2020. She stressed that as the COVID-19 situation is still precarious, Bangladesh Bank could consider extending the deadline further. Detailed implementation status of different packages should be officially published by Bangladesh Bank with disaggregated data. She stated that e-Commerce businesses face challenges in obtaining trade license. In this case, formal registration with chambers and associations can be treated as alternative to trade license. She also stated that as many of the CMSMEs are currently outside the banking network and operating their business informally, a central dynamic database should

be created for CMSMEs with the support of advanced software and mobile app.

In order to align with global practice, MSME term is more suitable than CMSME, and cottage industry could be integrated with micro industry considering the similarity of these two categories.

Syed Abdul Momen, Head of SME, BRAC Bank Limited informed that BRAC Bank has already disbursed 1,000 crore of the stimulus package out of the targeted amount of 1,100 crore. He suggested that the threshold for trading sector could be further increased up to 45% as a huge number of trading businesses are consolidated in cottage and micro sector.

In terms of CMSME definition, he agreed with BUILD proposal that the nature of business of cottage, micro and small industry are almost same and together these industries need different treatment compared to medium and large industries. These three categories could be brought under same policy while medium industries could be tagged with large industry. He hailed Bangladesh Bank for introducing Credit Guarantee Scheme (CGS) amid COVID-19 crisis. However, he observed that there are few gaps in the CGS, which need to be addressed to ensure its effectiveness.

Husne Ara Shikha, General Manager, SME & Special Programs Department, Bangladesh Bank stated that the disbursed amount of BDT 20,000 crore stimulus package is BDT 9,060 crore which is 48% of total amount till November 2020. Around 2,961 women entrepreneurs have availed the stimulus package across the country and the total amount availed by them is only around 2% of the total package, falling below the 5% target set by the central bank. She emphasized on creating awareness to facilitate women entrepreneurs on access to finance with the support of chambers, business associations and think tanks.

Bangladesh Bank has also taken aggressive policy to create awareness about the stimulus package by publishing advertisements in print media. They have also initiated awareness campaign in district levels. In order to facilitate trading sector they have already withdrawn BDT one crore limit for loans. She noted that Ministry of Industries and City Corporations were the key stakeholders who could reform policies in favor of allowing e-commerce businesses availing CMSME funds without conventional trade license. In this case, an alternative methodology or policy for trade license can be formulated. Bangladesh Bank appreciated the concept of escrow finance for e-commerce and f-commerce.

Md. Salim Ullah, Senior Assistant Secretary, Ministry of Industries (MoI) requested BUILD to send suggestions to MoI regarding the upcoming Industrial Policy, which is going to be published in the end of 2021. He stated that all of the recommendations would be considered carefully and would be included in the policy, including the issue of definition of CMSMEs.

Joynal Abedin, secretary, DCCI requested to increase the annual turnover limit from existing Tk 5cr to address the Financial Reporting Council (FRC) issue because it is difficult for some entrepreneurs generating annual turnover of such amounts but limited profit margin and capacity to dedicate manpower to submit the audit report time to time. He also requested BBS to prepare the upcoming industrial census 2022-23 that could be translated into a database incorporating CMSMEs.

Ali Sabet, Team Leader, PRISM urged Bangladesh Bank as well as private sector to take the lead for monitoring the issue of Credit Guarantee Scheme. He suggested that the CGS could be an autonomous body. He said that govt. should provide comprehensive business support to CMSMEs in Bangladesh with special focus on industrial clusters around the country. BSCIC could extend their support through the 64 service centers in the district level.

Suman Saha, AGM, SME Foundation said that SME Foundation is conducting training programs for women entrepreneurs to upgrade their understanding for better access to finance. He also informed that SMEF provides up to Tk 15lac collateral-free loan for women entrepreneurs. They are also arranging awareness programs with women entrepreneurs about stimulus package and CGS. They have formulated an informative guideline about stimulus package for women entrepreneurs. He added that CMSME database is one of the main priorities of SME Foundation. However, he emphasized on forming a live database, which would be updated continuously.

Tanvir Ahmed, Country Coordinator, SheTrades Initiatives, International Trade Centre (ITC) requested extending the disbursement time of SP by considering the evolving situation of COVID-19. He also demanded increase of the limit for WEs from 5% to up to 25% under the Tk 20000cr stimulus package. He also desired for a national helpline or call center service for CMSMEs in Bangladesh.

Muhammad Abdul Wahed Tomal, General Secretary, e-CAB emphasized on introducing special trade license for facilitating e-commerce and f-commerce business as they do not have any physical location for their business. He also requested the concerned authorities to introduce wallet based mechanism as the alternative of conventional bank records. He emphasized on utilizing the escrow account system to facilitate e-commerce business.

A number of women entrepreneurs participated in the dialogue raising their practical problem in getting financing support.

WBG Consultation on Baseline Study for Plastic Management

BUILD CEO Ferdaus Ara Begum attended the Consultation on draft baseline study and action plan for plastic management. The World Bank Office organized the virtual consultation to share initial draft baseline study and an action plan on December 22, 2020 for sustainable management of plastics and receive inputs. The Wasteconcern made the presentation.

At the beginning of her speech, BUILD CEO narrated the present scenario of the plastic industry and existing incentives for this sector. She stressed on two major concerns about plastic, e.g., use of toxic plastic and unmanaged plastic waste.

Ferdaus Ara Begum said that there are two types of gap in the plastic waste management chain, which are collection gap and recycling gap. According to her, a solution to the collection gap and treatment gap in plastic waste management chain is direly needed. Extended producer responsibility (EPR) could be an option to consider in this respect.

Going further on EPR, she said that EPR not only seeks to shift responsibility upstream to the producers for post-consumer waste, but thereby incentivizes producers to adapt product designs to minimize waste or incorporate environmental considerations. She expressed that the Department of Environment (DoE) under Ministry of Environment, Forests and Climate Change (MoEFCC), Government of Bangladesh drafted a SRO in 2018 to introduce EPR in Bangladesh. However, the draft SRO has not been finalized, issued, or enacted. Thus, implementation of the proposal for EPR has been waiting for several years.

According to her, it is very important to create the motivation and an enabling environment to accept EPR in Bangladesh. In line with that she urged for a clear rationalization of why EPR is a valid, logical and ethically fair system. She also expressed about the necessity of vocal consumer and citizen pressure for management of plastic waste and/or reduction of plastic use. Besides she urged for a clear signaling of political will from the highest levels of the administration and demonstration of international success stories or success in national level pilot projects for EPR.

BUILD Also agreed to send a written comment on the baseline study.

Reforms of BUILD

Limit for Trading Sector in Stimulus Packages has been Increased

Stimulus package(SP) to the amount of BDT 20,000 crore has been announced for CMSME of which 70% was for manufacturing and service sector. Only 20% of the loan was allocated for trading sector. In the 8th Financial Sector Development Working Committee meeting of BUILD on 8 August 2020, a recommendation was placed to increase the ceiling for trading sector as majority of cottage industries deal in wholesale and retail businesses.

BUILD in collaboration with She Trade of ITC organized a Dialogue on Access of MSMEs and Women Entrepreneurs to Stimulus Package on September 22, 2020, the recommendation was again placed where a number of CMSME representative and concern officials of Bangladesh Bank were also present.

Accordingly SMESPD circular letter no. 12 was issued on 28 October, 2020 where allocation of SP for CMSME Trading sector has been extended up to 30% from 20%. Furthermore, BUILD followed-up this issue in its several platform, the proportion of trading now increased to 35%. SMESPD Circular Letter no. 16 on November 26, 2020 BB instructed all banks and FIs to allow the limit upto 35% for the Trading Sector. The disbursement for trading recorded high now which benefited a number of cottage and micro entrepreneurs.

Time Extension for the Disbursement of Stimulus Package Scheme for CMSMEs affected by COVID-19

Bangladesh Bank issued a SMESPD Circular Letter no. 16 on November 26, 2020 where they extended the time for the disbursement of stimulus packages (SP) for CMSMEs worth BDT 20,000 crore up to December 31, 2020. As the disbursement is not enough and from different platform and dialogue BUILD came to know that many CMSMEs are not able to get loan form SP.

And one report from Bangladesh Bank it has been seen that, till 30 December 2020 the disbursement amount is 54.13% (BDT 10825.28 crore) , while total approved amount is BDT 12598.10 crore or 62.99%. BUILD also pursue Bangladesh Bank to extend the time further for more implementation in the month of December 2020.

BUILD Hails Steps of Bangladesh Bank towards Relaxing Foreign Exchange Regulations for Trade Transactions

BUILD – a platform for public-private dialogue between Government on the one hand and trade and industry on the other, praised Bangladesh Bank's steps towards easing foreign exchange regulations on trade transactions for the exporters of the country.

Bangladesh Bank via FE Circular No. 49 on November 18, 2020 said that all exporters irrespective of the sectors will be allowed a maximum 210 days to bring their export proceeds into the country due to the inauspicious impact in the wake COVID-19. The extension will remain effective until March next year. In the earlier circular (FE Circular No. 30) published on July 23, 2020, only exporters of readymade garments and textile sectors were given opportunity to avail the facility.

In the 7th Financial Sector Development Working Committee (FSDWC) meeting of BUILD held on August 7, 2019, a study named 'Financing Schemes and Available Credit Facilities for Export Competitiveness of Bangladesh' was presented. The study focused on creating level playing field for all the exporters of the country to strengthen the competitiveness of the export oriented private sectors.

In the study, BUILD suggested a specific recommendation to ease trade process and assist the exporters through stimulus package.

Exporters have been facing problems in repatriating their export proceeds on time in the ongoing pandemic. Several foreign buyers reportedly become unable to make their payments against imported items from Bangladesh. The non-RMG exporters, as a result, are facing problems to realize the export proceeds.

It is believed that the extension of the tenure of realization of export proceeds up to March 2021 for all sectors will help the exporters of the country to revive amid the COVID-19 induced crisis.

Scopes of BUILD

Increasing Women's Participation in Public Procurement Opportunities in Bangladesh

BUILD and SheTrades Initiative of International Trade Centre (ITC) in collaboration with Central Procurement Technical Unit (CPTU) have initiated a joint collaboration to design a public procurement roadmap in order to make public procurement more gender-responsive.

BUILD & ITC-SheTrades Program had previously conducted a study on access to public procurement for women entrepreneurs, which included consultation with CPTU officials, trainers and entrepreneurs participating in the bidding system for procurement. The prior work also included consultation with women entrepreneurs, which revealed that they are not aware of the prevailing scopes for them in the public procurement domain.

In regard to the gender-responsive public procurement roadmap, a vigorous study will be conducted on public procurement for women entrepreneurs, which included consultation with relevant policy makers and a series of discussion session with stakeholders. This study is scheduled to be finalized within March, 2021.

Company Registration Survey

BUILD is currently working on Company Registration Survey. This survey is undertaken under the USAID Feed the Future Bangladesh Improving Trade and Business Enabling Environment (FtF-BITBEE) Activity project.

The objective of this project is to obtain a good understanding of the time, costs, and bottlenecks of the process for company registration in Bangladesh. The data collection process includes gathering answer of the questions about company registration. There will be gender-specific questions for women entrepreneurs so that any differential treatment or additional hassle borne by them can be identified. Under different stages such as name clearance, registration process, obtaining tax identification number, opening bank account, obtaining trade license, registering for VAT etc. there will be several questions regarding time and cost consumption a trader incurs. The satisfaction level in each stages will also be measured through the data analysis. Both interviews and focus group discussions will be conducted to gather necessary data.

After the detailed analysis, recommendations will be provided for policy advocacy towards simplification of company registration process. This survey report is scheduled to be finalized within February, 2021.

Partner's Corner

DCCI for Investment-friendly Simplified Revenue Structure



Dhaka Chamber of Commerce & Industry (DCCI) arranged a virtual workshop on "Finance Act 2020 and VAT & Supplementary Duty Act 2012" on November 14, 2020.

DCCI President Shams Mahmud in his welcome address said due to Covid 19 disruption, the world-wide economy has experienced a shock. Considering this pandemic, the budget of 2020-21 aimed to re-build the disrupted economy. He also said that this year NBR revenue target is 3,30,000 crore taka which is 9.82% more than the revised budget of last fiscal year. He emphasized on increasing tax-GDP ratio and investment-friendly simplified revenue structure to reach the goal of becoming developed nation. For that we need to increase tax net, online tax and VAT return submission system, simplification of return submission and hassle free service, he told. He also requested to exempt VAT on lease rent for the registered industries that are in operation in the economic zones. He also suggested to reduce rate of advance tax for the local SMEs who import raw materials. Shams Mahmud informed that like the previous years this year DCCI publishes its regular publication "DCCI Tax Guide 2020-21".

Md. Alamgir Hossain, Member (Tax Policy), NBR said the government is trying to balance between the target of GDP growth and the challenge of Covid 19 situation. In comparison with other neighbouring countries our tax rate is not too high but it can be more rationalized, he said. He said, if NBR feels that reduction of particular tax may increase business activities, that will definitely be done. He expressed his hope that online VAT and tax return system will be completely implemented by the next year. In order to increase the tax net, the tax structure will be reformed soon, he informed. There are 1,76,000 business houses registered under RJSC among those 70-75 thousand are TIN holder but only 36,000 from them submit their returns, he told.

Masud Sadiq, Member (VAT Policy), NBR said we need to simplify VAT system to ensure ease of doing business. It is true that for country's development, increased revenue target is a reality but at the same time we need to balance between the increased revenue target and rationalized tax regime, VAT structure.

M. Shafiqul Alam, FCS, FCA, Convenor, DCCI presented a paper on DCCI's proposals on Budget 2020-21. He requested to ease VAT return submission process, refund of advance VAT system. He also suggested for a comprehensive online VAT return submission system.

Snehasish Barua, FCA, Tax Consultant, DCCI and Partner, Snehasish Mahmud & Co. presented another paper. He claimed for a simplified, easy, automated, sustainable and hassle free tax and VAT return submission system.

Tax Deducted at Source is a Disincentive to Exports: MCCI



The Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka suggested halving the tax deducted at source (TDS) on exports, describing it as a disincentive to export growth and tax compliance. It also said the tax has emerged as one of the biggest roadblocks to growth of export and business.

"In reality, the TDS has turned to be an export sales tax rather than tax on anticipated profit on export," it said on November 28, 2020 in a recent letter to the government high-ups.

The MCCI has suggested revising downward the TDS on exports to 0.25 per cent from existing 0.50 per cent for all the sectors and also keeping it unchanged for at least three years.

MCCI president Nihad Kabir sent the letter to National Board of Revenue (NBR) chairman Abu Hena Md Rahmatul Muneem on November 15, 2020.

The trade body said the existing TDS system on export sales is against the principle of income tax. The way TDS is applied is not at all business-friendly and, regrettably, the rates are decided arbitrarily with no prior consultation with the stakeholders, it added.

"Most of the time the TDS rates are published in the Finance Act and with no prior idea what rate would be applied in the coming years, causing total uncertainty in its future application, and future financial planning for the businesses," said the MCCI president. She said that reduction of TDS for export is very important issue for business sustainability across all export sectors in the country, especially in the manufacturing area. The TDS rate on export sales was 0.25 per cent in FY19 but was suddenly increased to 1.0 per cent, a 400 per cent rise, in the budget for FY20, it said.

The increased rate remained applicable until October 21, 2019 which is the peak period for export of leather and footwear items. It suggested initiating consultation with the exporters at the end of the second years before setting the rate of TDS for the next three-years term. A positive decision on this issue in line with the recommendation will result in an enormous positive impact on the total export sector and improve the revenue collection, said the MCCI.

CCCI Signed an MoU with JETRO



The Chittagong Chamber of Commerce and Industry (CCCI) signed an MoU on November 21, 2020 with the Japan External Trade Organisation (JETRO)

The government is developing 100 economic zones, and Japan – a longtime trusted friend of Bangladesh – should utilise this opportunity to boost investment as the country will be prioritised in Bangladesh, said Commerce Minister Tipu Munshi who joined the event as the Chief Guest.

"We are looking to diversify our export basket, and the government is working to provide Japan with easier conditions for making investments. Japan has great potential for investing in our leather, frozen food, light engineering, and bicycle sectors," he added.

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Tipu Munshi, Hon'ble Commerce Minister, while addressing the Memorandum of Understanding (MoU) signing ceremony between the Chittagong Chamber of Commerce and Industry (CCCI) and Japan External Trade Organisation (JETRO), said, "Chattogram has potential for more investment due to its geographic location. I hope that the signing of MoU between the CCCI and JETRO will further increase bilateral trade between Bangladesh and Japan. It will serve as a timely and effective step in the private sector to enhance economic relations between the two nations."

CCCI President Mahbulul Alam and Country Representative of JETRO Dhaka Yuji Ando signed the MoU at the World Trade Centre (WTC) in Chattogram at a virtual event under the title "Celebrating 50 Years of Japan-Bangladesh Economic Friendship: Planning for next 10 Years (2021-2030) of Private Sector Cooperation."

Yuji Ando also serves as the president of the Japan Bangladesh Chamber of Commerce and Industry (JBCCI).

The CCCI and JETRO signed the MoU with the goal of developing a plan for private sector engagement and cooperation in the next 10 years (2021-30), while exploring and identifying challenges and new opportunities to strengthen Japan-Bangladesh commercial ties in terms of both trade and investment.

At the event, the organisations said they will create a Joint Working Group which will work collectively in four major sectors to identify challenges and opportunities faced by Japanese businessmen here, with the goal to boost bilateral trade.

Deputy Minister of Education, Mohibul Hasan Chowdhury, Principal Secretary of Prime Minister's Office Dr Ahmad Kaikaus, Ambassador of Bangladesh to Japan Shahabuddin Ahmed, FBCCI President Sheikh Fazle Fahim, and Chief Representative of JICA Bangladesh Hayakawa Yuho spoke at the event using an online platform.

BUILD and JETRO to develop Roadmap for the Automobile Sector



A meeting between BUILD team and JETRO Bangladesh Office was held on 22 December, 2020 on 2 pm via Zoom Web Platform.

Abul Kasem Khan, Chairperson, BUILD expressed sincere thanks to the Country Representative, JETRO for his time for the meeting and commenced with a brief introduction of BUILD – the first national Public Private Dialogue (PPD) platform. He highlighted the structure of the PPD and denoted the role of thematic working committees of BUILD implemented in cooperation with concerned Government Ministries. He underscored the role of the Private Sector Development Policy Coordination Committee (PSDPCC) at Prime Minister's Office chaired by the Principal Secretary.

Taking a cue from the discussion of Chairperson, Ferdaus Ara Begum, CEO, BUILD highlighted on the past engagement of BUILD with JETRO. She shed lights on the BUILD-JETRO collaborative efforts such as Study on Battery-Run Three-Wheelers, Dialogue on Prospects & Policies of Electric Vehicles in Bangladesh, Supply Chain Cost Stimulation of some Imported Products in Bangladesh, Survey on Japanese-Affiliated Firms in Asia and Oceania, Tax Guide for Foreign Investor, Simplification of Policies for Raising Paid up Capital for Foreign Investors etc.

Yuji Ando, Country Representative, JETRO Dhaka Office extended his gratitude towards BUILD for conducting research on battery run three wheelers in Bangladesh. He said that their push for addressing regulatory issues on battery run electric vehicles in the country would not be possible without this research. Now JETRO is focusing on two wheelers and four wheelers electric vehicles. Companies such as Toyota and Mitsubishi can share their experience so that the automobile sector in the country can be developed. It is needed to gather information regarding this sector and identify potential sectors for electric vehicles in the country. He highlighted on the collaboration between JETRO and Chittagong Chamber of Commerce & Industry (CCCI) regarding survey on Japanese companies. He said that information for four wheelers electric vehicles is limited in this country and more information is highly required to lure the potential investors. He said that BUILD can give their valuable inputs on regulatory issues and VAT/Tax issues in this area.

Abul Kasem Khan, Chairperson, BUILD said that the country needs to increase the competitiveness and go for export diversification. Therefore, thinking out of the box is a priority. He said that the electric vehicle issues can be addressed under the Logistics and Infrastructure Development Working Committee of BUILD.

Yuji Ando, Country Representative, JETRO Dhaka Office said that the physical connectivity between India and Bangladesh needs to be developed. The improvement of the connectivity can help the Japanese investors a lot. The Business Licensing Guidebook is very useful for Japanese investors and therefore, Japanese translation of this book can be conducted. He said that market has to be created in Bangladesh for electric vehicles to attract the investors. He said that Vietnam having half population of Bangladesh has six time larger market in its country for electric vehicles. Bangladesh needs to look at this sector.

Shariful Alam, Director of JETRO said that the Bangladesh Road Transport Authority seems reluctant on electric vehicle issue.

Validation Meeting on Bonded Warehouse Policy for Non-RMG Sector

A virtual validation meeting on Bonded warehouse policy for Non-RMG Sector took place on November 8, 2020 via Zoom Platform by BUILD in collaboration with IFC-WBG under Support To Organize Stakeholder Outreach and Consultation Programs (SOSOCPP) project to engage the key representatives from the four sectors such as, Leather Goods and Footwear Industry, Agro Processing, Plastic & Electrical Sector. A report was prepared and presented to get feedback from the stakeholders. Following recommendations were validated in the meeting.

Leather Sector

1. The office order 52/2020 needs to be abolished or leather sector can be out of the purview as RMG.
2. Coefficient providing authority should be vested solely on concerned organization (LMFEAB) or it can be waived as UP covers every export order.
3. Sample passbook should be available for Leather sector.
4. Audit should be done in the same manner as for RMG.
5. Sub-contracting provision for leather should be like RMG.

Plastic Sector

- NBR needs to be more supportive in allowing the sectoral associations to issue UD. If the plastic sector could implement UD issuance, it would set a good example for other sectors.

E&E Sector

1. Home consumption bond facilities should be introduced for the sector.
2. Specialized EPZ should be set up for only electrical and electronics sector.
3. The sector will send their Budget proposals along with Bond related issues to BUILD by this week.

Agro-Processing Sector

- Sectoral stakeholders broadly accepted the ten recommendations mentioned in the IFC concept note. IFC and BUILD requested the concerned associations to share any letter or document that they had submitted to NBR, Finance Division, Ministry or any other wing of the government related to reforms related to bond license facility or associated matters.

Articles of BUILD on National Dailies

সিএমএসএমইদের জন্য আমরা কী করেছি

https://bonikbarta.net/home/news_description/251081/%E0%A6%B8%E0%A6%BF%E0%A6%8F%E0%A6%AE%E0%A6%87%E0%A6%A6%E0%A7%87%E0%A6%B0-%E0%A6%9C%E0%A6%A8%E0%A7%8D%E0%A6%AF-%E0%A6%86%E0%A6%AE%E0%A6%B0%E0%A6%BE-%E0%A6%95%E0%A7%80-%E0%A6%95%E0%A6%B0%E0%A7%87%E0%A6%9B%E0%A6%BF-%fbclid=IwAR0-PCFIOxJBjezHVzqS4gLFpXnWU2bStZaeLvz7m6xpPOQxq11bHxiFnc

Covid vaccine and IPR protection

<https://thefinancialexpress.com.bd/views/reviews/covid-vaccine-and-ipr-protection-1607868165>

BUILD Congratulates DCCI President



Ferdous Ara Begum, CEO of BUILD presents a bouquet to newly elected President of Dhaka Chamber of Commerce and Industry Rizwan Rahman at the DCCI President's Office on December 31, 2020. N K A Mobin, FCS, FCA, Senior Vice President of DCCI is also seen.

BUILD Trustee Board extends heartfelt congratulations to Rizwan Rahman as the President of Dhaka Chamber of Commerce & Industry (DCCI) for the year 2021.

BUILD is confident that under the dynamic leadership of Rizwan Rahman, DCCI will play a pivotal role in the development of the private sector of Bangladesh.

He expressed his willingness to know details about BUILD and wanted to have an exclusive meeting soon.

UNDP Meeting

BUILD CEO Ferdous Ara Begum attended the National Launch of the 30th Anniversary Edition of the Human Development Report (HDR): "The Next Frontier: Human Development and the Anthropocene". The launch took place at the NEC Meeting Room in the Planning Commission on December 21, 2020. The report has been globally launched in Sweden earlier (15th December 2020) in the presence of Stefan Lofven, Prime Minister of Sweden.

The HDR 2020 offers a thought-provoking, necessary alternative to paralysis in the face of alarming planetary change. While Covid-19's devastating effects have taken the world's attention, other layered crises – from climate change to rising inequalities – continue to take their toll. The strain on our planet mirrors the strain facing many societies, making it clear that, though humanity has achieved incredible things, we have taken the Earth for granted, destabilizing the very systems upon which we rely for survival. It's called the Anthropocene – the Age of Humans – and it represents an entirely new geological era.

Meeting with Director General, Central Procurement Technical Unit (CPTU), Ministry of Planning

BUILD CEO Ferdous Ara Begum met Mohammed Shoheler Rahman Chowdhury CP3P MCIPS, Director General (Additional Secretary), CPTU on December 15, 2020 to discuss about the women participation in public procurement of Bangladesh. BUILD & International Trade Centre (ITC)-SheTrades Program in collaboration with Central Procurement Technical Unit (CPTU) decided to collaborate to design a public procurement roadmap in order to make public procurement more gender-responsive.

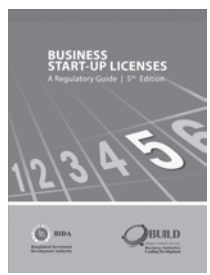
DG, CPTU said that about 4 lac tenderers are registered under CPTU and their tendering value is 4 lakh 20 thousand crore tk. He also informed that about 60% of total procurement in Bangladesh has done by CPTU through e-GP system. He also informed that 90% of government's Annual Development Programme (ADP) is spent on public procurement annually. CPTU is going to provide training about 250 batches tenderer who are registered with e-GP system. He said that in Bangladesh public procurement contributes about 8% of total GDP and about 45% of total budget covered by procurement process. He also informed that CPTU has created a database of Women tenderers who are participating in e-GP.

CEO, BUILD informed that Governments spend \$9 trillion USD on public procurement every year. This can account for approximately 10-15% of GDP in developed countries and up to 40% of GDP in developing countries. Women account for only 1% of public procurement opportunities worldwide. She also said that women entrepreneurs are facing barriers in e-GP for inadequate legislation and policies, Misfit tender design, Excessive requirements, Poor practices by government, Lack of information and Limited capability. In order to recover these barriers Women-owned businesses can take some measures to increase their chances of competing successfully in public tenders, such as proactively searching for tender opportunities; Asking for a post-award debriefing, including score elaboration; Requesting help from procuring entities by asking for guidelines and other support material; Reaching out to more experienced tenderers. In this respect policy makers can play an important role.

DG, CPTU also informed that the councilors of the city corporation all over the country are the member of the National Institute of Local Government (NILG). A significant portion of them can participate in the procurement.

CEO, BUILD also shared a questionnaire for assessing the present situation of female participations in procurement as well as understanding the existing barriers of WEs in Bangladesh. DG, CPTU also expressed his willingness to jointly work with BUILD and ITC for preparing a public procurement roadmap for women entrepreneurs in Bangladesh. He also nominated a focal point from CPTU to look after this issue specifically.

Publications



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