

Editorial

MSMEs of the Remote Areas should Get Special Focus

Second wave of the COVID-19 Pandemic has hard-hit the economy of Bangladesh from March of this year. There was a clear symptom of recovery in the businesses till February, 2021. But this new wave with new strain has struck the economic activities of the country again. Businesses, specially, Micro, Small and Medium Enterprises (MSMEs) are experiencing the worst impact of this wave. It has added new dimension to the existing vulnerability of MSMEs, who were facing problems like lack of access to finance, poor market linkage, lack of skilled labor, absence of export market, etc. SMEs of the remote areas are biggest sufferers. They were struggling to mitigate the losses from the first wave of COVID-19. Now they are facing again a major shock, which can force them to quit from businesses.

To support the private sector, till now Government of Bangladesh has announced Stimulus Packages worth BDT 1.2 trillion, which has been instrumental in supporting the private sector so that they can sustain their business and investment to combat the impact of COVID-19. However, the cottage, micro, and small entrepreneurs face certain challenges and constraints in availing finance, including the stimulus package.

To address the monumental crisis of MSMEs of the remote areas, Business Initiative Leading Development (BUILD) organized a Virtual Dialogue on April 1, 2021 titled "Creating Resilient Recovery for Businesses through Enhancing Investment Opportunities: A Case of Southwest Bangladesh" with support from the PROKAS program of the British Council. Southwestern coastal regions are most vulnerable areas of the country. Climate related hazards are leading to displacement of people and impacting businesses in these regions. COVID-19 is deepening the existing crises of the MSMEs of these regions.

The main objective of the dialogue was to solicit feedback from businesses, banks, and stakeholders about constraints and solutions to ensure access to finance required for a resilient recovery from COVID-19 and longer-term challenges. Another objective was connecting local businesses, banks and practitioners from Mongla-Bagerhat and Southwest Bangladesh with central policy makers to enhance exchange of ideas and uptake of recommendations.

To facilitate access to finance of remote MSMEs and vulnerable businesses, BUILD suggests Banks and other FIs and NBFIs to come up with proper initiatives. Banks can provide concessional loan to environment-friendly sectors like plastic recycling, water distillation and so on. Bangladesh bank should take steps for developing adaptation financing facilities in collaboration with banks, NBFIs and developments partners. Unbanked businesses should be provided loan if they fulfill at least certain criteria, as banks don't provide loans if clients don't have bank account for a certain period such as one year.

Agent banking should be expanded by banks to reach remote areas. In this case, BRAC could be model to be followed. In disbursing loans, chambers and associations could play greater role. They should hold regular meeting with their unbanked members to facilitate their financial inclusion. The credit guarantee scheme (CGS) of Bangladesh Bank that seeks to provide collateral-free loans should be expanded and should reach the MSMEs in the remote areas. Movable asset-based financing or asset-based lending should be encouraged. Various financing tools such as supply chain financing, factoring could be explored to extend non-collateral-based lending.

BUILD expressed gratitude to Bangladesh Bank for assuring their openness to frame any relevant policy or measure to MSMEs on specific suggestions or recommendations. BUILD also expresses heartiest thanks to the central bank for informing about extending the timeline and amount of the stimulus package for SMEs. The organization wants proper implementation of the new phases of the SPs for SMEs. It is hoped, these initiatives will help ensure economic resilience that will enhance GDP, employment, and inclusive development.

Ferdous Ara Begum, CEO, BUILD

BUILD's Budget Proposals for FY2021-22 to NBR



Business Initiative Leading Development (BUILD) Chairperson Abul Kasem Khan places the budget proposals for FY2021-22 to the Chairman of National Board of Revenue (NBR) Abu Hena Md. Rahmatul Muneem on March 16, 2021.

BUILD placed some effective recommendations in a bid to facilitating the tax revenue collection procedure of the government focusing on widening tax net, corporate tax reduction, minimizing the gap of supply side and demand side and simplifying the tax payment procedures.

During the meeting with NBR, BUILD Chairperson said that we see no other option for increasing the Tax-GDP ratio. He added, the existing ratio of direct and indirect tax in Bangladesh is around 35:65 which should be reversed to uphold the interest of the consumers and the productive sectors. Priorities for this year Budget should be increase the tax net, reduce the tax rates, simplify tax payment procedures to encourage taxpayers.

BUILD urged to reduce the costs of administration and compliance, ensure procedural fairness, avoid discrepancies and discrimination, ensure transparency and build confidence in the taxpayer-citizen-client. It also demanded the increased reliance on Information Technology – electronic payment facilities. BUILD asked for considering the taxpayer as customer and facilitating compliance. It raised the importance of tax audit strategies to increase efficiency and reduce risk of leakage. The policy paper also identified the urgency of the segmentation of taxpayers for creating better service levels for all.

Further BUILD urged the NBR to address the minimum turnover tax (2%) on gross receipts (82C of ITO 1984) for telecom sector since the present rate is discriminatory as for other sector it is 0.50%, for tobacco it is 1%.

After LDC Graduation Bangladesh will need to be more independent in acquiring technology and innovation. Research expenditure is the lowest in the country, BUILD proposed to consider 1% of Gross Revenue for Research, Innovation, Skills development and training as Tax deductible for 3 years.

In addition, individuals spending on computer, smartphones, laptops, trainings, skill development, research etc. for their family up to BDT 200,000 should get tax deductibles. These would encourage people to be trained and also improve technology adaptation, secondly improving skills set.

In respect of Audit, BUILD proposal said, the big companies are frequently audited that adds the additional costs, so the companies can be audited by the auditors that are approved by NBR in order to stop unnecessary audits on companies or individuals.

BUILD also made a call for Discounted Corporate Income Tax rate of 25% for all One Person Company (OPC) under new tax slab to encourage them, also requested to reconsider paid up capital requirements as announced in the policy and reduce the amount as a rational manner so that a good number informal entrepreneurs can be formalized.

In order to encourage tax payers BUILD Chairperson referred introduction of Tax Card in different names for all tax payers which will be a recognition and reward to tax payers. It must be made into smart card so that it is not only a dynamic database but also linked to NID and also become a reference for loans and services.

In response to BUILD's proposals, NBR Chairman told that the scope of Tax Cards in order to recognize the taxpayers of the country can be widened and in that respect NBR can prepare a list in consultation with other organizations. He further added that we need to make sure that no one can misuse it and it will not be linked to any financial benefits. NBR cannot do it alone, so NBR will need supports from other organizations to prepare the list, BUILD can also extend support to NBR.

The proposal of introducing incentives on employment generation is a good option for us but we need to make sure how the employment over scope will be ensured, said the NBR Chairman. He said that it should be proportionate and in that respect capability of an organization to create employment is to be considered. He agreed with the proposals of BUILD that there is a need for more investment on research and innovation and in that respect universities would need to be engaged. We can support result oriented research in the country but this research should be linked to industries, he further added.

Having underscored the opportunities in the local market, he said that we should not remain attached to importing products that can be produced in the country at reasonable cost. To strengthen the spillover effects, we should facilitate linkage with other businesses that operate outside the economic zones.

New Economic Frontier Concept in Special Economic Zones of BEZA Underscored



BUILD Chairperson Abul Kasem Khan hands over BUILD publications to Paban Chowdhury, Executive Chairman of Bangladesh Economic Zone Authority (BEZA)

BUILD Chairperson Abul Kasem Khan called on Paban Chowdhury, Executive Chairman of Bangladesh Economic Zone Authority (BEZA) on March 2, 2021 at his office to discuss more private sector-friendly policies and joint research for further success in BEZA.

BEZA Executive Chairman informed that BEZA has already received more than USD 20bn of investment and it is going to reach USD 30bn soon. Terming Mirersarai EZ as a Game Changer, he shared that land allocation is almost exhausted in this Zone. Considering the potential, the areas of the Zone can be increased further encompassing Companigong, Sitakunda, Sandip, Hatia and so on.

He put emphasis on the macro-level policy reforms and strong governance for the successful completion of the targeted EZs in Bangladesh.

He further suggested that BUILD should come up with comprehensive proposals with facilitation of trade and investment, attracting more FDI, supporting SMEs, spillover impact in society in the SEZs etc.

BUILD CEO Ferdaus Ara Begum said that the policy gaps in handling private and public EZs and other country-specific EZs would need to be minimized. She added that BUILD will come up with a research study on the New Economic Frontier to consolidate the idea and seek support from the government for policy reforms in attracting more private sector investment.

Committee for Green Growth & Recycling to be formed for Achieving Industrial Sustainability



MOEFCC Secretary speaks at the meeting.

The 3rd Sustainability and Green Growth Working Committee (SGGWC) meeting took place on March 9, 2021 virtually to discuss different tools and Policies for Extended Producers Responsibilities (EPR) for the plastic sector. The meeting was presided over by Ziaul Hasan ndc, Secretary of Ministry of Environment, Forest and Climate Change (MoEFCC), Government of Bangladesh while Wasim Zakariah, Chairman of Standing Committee on Research & Development, BGMEA was present.

The Ministry of Environment, Forests and Climate Change (MoEFCC) will work closely with BUILD as well as other relevant stakeholders to ensure an effective policy on Extended Producer Responsibility for the plastic sector, said the Environment Secretary.

He added that we will form two new sub-committees on recycling and green growth under the existing Sustainability and Green Growth Working Committee (SGGWC). The two new platforms should hold regular discussions and deliberations on critical issues on sustainable development in the private sector. We are seriously concerned over the issue of pollution control, in that respect in 2018 there was a SRO on EPR but it could not play proper role, he said.

BUILD Chairperson Abul Kasem Khan said that in addition to recycling and management of waste, we also need to promote green growth through diversification and wider adoption of environment-friendly models and solutions such as jute-based pulp, bamboo-based fiber, bio-fuel from waste, and so on. Citing the example of neighboring countries that are coming up with innovative and sustainable business solutions, he underscored the importance of close and regular cooperation among public and private sector through the SGGWC and its two proposed sub-committees.

At the beginning of the meeting, BUILD CEO Ferdaus Ara Begum updated the meeting with the progress achieved in implementation of decisions of the Sustainability and Green Growth Working Committee. She mentioned that the Bangladesh Bank has revised the provisions and design of the Green Transformation Fund to make it more accessible for all manufacturers-exporters for importing environment-friendly machinery. The Bangladesh Road Transport Authority (BRTA) has issued a SRO to get the battery-run electric vehicles registered.

Md. Tahmid Zami, Additional Research Director of BUILD made a presentation on Extended Producer Responsibility (EPR) in the Plastic Sector of Bangladesh. Citing the growth of per capita use of plastic waste in urban areas of Bangladesh, he mentioned that the country should follow the footsteps of more than sixty countries around the world that have adopted some model of EPR to combat the growing menace of

mismanaged plastic waste. The government's EPR policy should address how to upgrade the waste collection efficiency, expand plastic recycling capacity, and ensure regular stakeholder cooperation on the multi-faceted problem. The plastic industry is a high-priority sector for export diversification and it needs proper incentives, finance and technology to ensure its export competitiveness as well as proper waste management.

Wasim Zakariah, Chairman of Standing Committee on Research & Development, BGMEA endorsed the formation of two committees so that comprehensive policies in these two important areas can be framed. He also added that rather sectoral incentives it should be based on the contribution of recycle of the sector or business have been able to do. The government may come up with policy incentives for RMG factories in order to promote waste management of plastic. Besides, we do not have any kind of chemical safety management policy in place that resulting in accidents around our industry. He also urged the Government to form a platform that will be responsible for recycling of all kinds of wastes.

Arif Faisal, Programme Specialist at UNDP Bangladesh said that the Government can make an action plan for next 10 years on the SDG-12 on Sustainable Consumption and Production. For control of single-use plastic, market-based solutions should be adopted in the coming days.

Muhammad Rashed from BSCIC mentioned that the government has taken all necessary measures for establishment of the plastic industrial park which should be complete within the next one and a half year.

Nazmul Hassan, President of Bangladesh Pet Flakes Manufacturers and Exporters Association (BPFMEA) suggested that PET bottles should have some engraving or traceable mark that would enable recyclers to understand whether those are made from virgin plastic or from recycled material.

Syeda Masarrat Quader, Regional Sustainability Manager of H&M mentioned that on top of plastic recycling, we should also take immediate measures to ensure recycling of other materials such as pre and post-consumer waste in the textile sector. Bangladesh should quickly take steps to expand its recycling capacity for textile like other countries like China, India, Vietnam, Turkey, etc.

Shamim Ahmed, former President of Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) mentioned that banning plastic solutions without alternatives won't be feasible while financial tools like imposing levy on single-use plastic could be more effective. Mr. Narayan Dey, Secretary of BPGMEA urged on speedy completion of the plastic industrial park.

Prof. Engineer Abu Bakr Siddique, Dean at BGMEA University of Fashion and Technology mentioned that he has developed solutions for producing various usable material from recycled plastic. Swapan Kumer Ray, Principal Scientist of BCSIR said that he has already developed solutions for aggregate modification of various waste including plastic for producing construction material.

Abu Hasnat Md. Maqsood Sinha, Executive Director of Waste Concern urged on speedy approval of the Urban Waste Management and Handling Rule that would provide a legal basis to implement EPR. Upstream management would be the only sustainable solution for plastic waste.

A. Shamim Al Razi, Additional Secretary (Development Wing) of the MoEFCC mentioned that the BEST project supported by the World Bank will include a component to implement required measures for waste recycling.

Mr Nazmul Hasan, Director of Department of Environment (DOE) put emphasis on Green Budget and requested BUILD to support in that respect. He further suggested that there is a Technical Committee in DOE on EPR where BUILD can be a member. Referring proposals of BUILD in the earlier meeting he informed that Battery recycling policy has been updated.

The meeting was also attended by representatives from BSTI, BIDA, Ministry of Water Resources, Finance Division, Ministry of Industries, Ministry of Fisheries and Livestock, Unilever, and so on.

Financial Support to Cottage, Micro, and Small Enterprises will be expanded further



Abu Farah Md Naser, Deputy Governor of the Bangladesh Bank speaks at the Virtual Dialogue titled "Creating Resilient Recovery for Businesses through Enhancing Investment Opportunities: A Case of Southwest Bangladesh".

The Bangladesh Bank has taken the initiative to extend the timeline of the current stimulus package and by 2023, a total of BDT 60,000 crore will be extended to SMEs to ensure economic resilience that will enhance GDP, employment, and inclusive development, said Abu Farah Md Naser, Deputy Governor of the Bangladesh Bank. The Deputy Governor of the Bangladesh Bank joined the meeting as Chief Guest while Sk Abdur Rahman, Mayor of the Mongla Municipality of the Bagerhat District joined as the Special Guest. Business Initiative Leading Development (BUILD) with support from the PROKAS (Promoting Knowledge for Accountable Systems) program of the British Council organized the dialogue virtually on April 1, 2021.

The Bangladesh Bank Deputy Governor mentioned that the BDT 2,000 crore collateral-free loan opportunity for SMEs made available under the credit guarantee scheme should be utilized as much as possible. He held the example of City Bank's Leno financing model that uses digital technology to process loan applications in the shortest possible time and encouraged other banks to follow the example.

For banks operating in grassroots level, he encouraged digital technology to ensure that loan evaluation and processing can be managed in the shortest possible time. Abu Farah Md Naser thanked BUILD for organizing the meeting to address the concerns of cottage, micro, and small enterprises from remote regions. He mentioned that Bangladesh Bank is also facilitating expansion of aggregate demand by nurturing Bank-MFI linkages that has a base of three crore people across the country.

Sk Abdur Rahman, Mayor of the Mongla Municipality mentioned that the neediest section of the population – the cottage enterprises, fishermen and the working class – has largely missed the benefits of the stimulus package. He suggested that banks should provide not only credit but also technical support to ensure that the credit is properly utilized for repayment. Training and capacity building provided by the government at the local level need to be scaled up. He encouraged speedy completion of the Mongla airport to ensure accelerated investment and development in the region.

In the opening remarks of the meeting, BUILD Chairperson Abul Kasem Khan noted that the COVID-19 has affected businesses all around the country, especially the MSMEs. The timely initiatives by the Hon'ble Prime Minister and the government to prepare the country to tackle the health challenges as well as economic effects of the pandemic combined with the all-out action by the Bangladesh Bank and other government agencies were instrumental in protecting the country from the worst consequences.

Aside from supply side interventions, there also need to be demand side initiatives so that the income and consumption of the ordinary people can be boosted to reinject dynamism in the economy. He requested for social safety bond for the small entrepreneurs and some tax changes in the Tax policy and extend tax incentives so that large scale industries can also sustained.

BUILD's CEO Ferdaus Ara Begum while moderating the session informed in reply to a point raised by Bangladesh Bank that BUILD is working closely with the Ministry of Industries to get the definition of cottage, micro, small and medium enterprises to ensure that smaller

and vulnerable businesses receive more policy priority and support. As BUILD continues to engage in research and facilitation of the businesses in Mongla and Bagerhat the support from the central bank will be essential.

In the keynote presentation, Md. Tahmid Zami, Additional Research Director of BUILD noted that in the local BSCIC Industrial Estate of Mongla, around 50% businesses are out of operation and only 20% workers are retained in many factories. The coconut oil mills, rice mills, small traders, and many other sectors have faced tremendous shock due to the COVID-19. Finance should be distributed to the cottage, micro and small enterprises without stringent requirements for rescuing the endangered businesses.

He referred the e-survey in the form of a KPI conducted by BUILD during February-March, 2021 covering chamber representatives, local Government and BSCIC, Bank officials and Businesses.

Husne Ara Shikha, General Manager, SME and Special Credits Department informed about 6% of total money disbursed for SME have gone of Southwest region, in case of women, in number it is about 5.43% of the total and noted that there are both positive signs and mixed results in distributing credit to SMEs in the region.

She mentioned that Bangladesh Bank has gone out of its way to develop a data dashboard to collect and manage disaggregated data on finance at local level. As the finance extended under the Stimulus Package is high powered money, it cannot be continued for an indefinite period, it is essential to ensure especially state-owned commercial banks fully utilize their wide network of branches to disburse adequate credit to the remote businesses.

Syed Abdul Momen, Head of SMEs of BRAC Bank mentioned that the definition of SMEs should be modified to target the cottage, micro and smaller enterprises more effectively. The decentralized credit management of BRAC and the agent banking sets a good example for the banking industry of the country for meeting the needs of the businesses in the rural level.

S Humayun Kabir, Vice President of Bangladesh Frozen Foods Exporters Association (BFEEA) requested for a proper insurance policy for the shrimp industry as well as higher incentives such as cash subsidy to ensure better development of the high-potential sector. Cold storage facility for the shrimp and fish sectors should be boosted.

He further suggested to consider the sector as agro-based sector while extending support facilities. In case of getting finance, Banks and FIs request for higher collateral considering uncertainty of the production.

Md. Mofidul Islam Tutul, Director of Khulna Chamber of Commerce and Industry stressed on the prospects of the jute sector. Illustrating the vulnerability of the Southwest region, he mentioned that very recently a few villages in the region have been flooded, which is hurting the shrimp and fisheries businesses.

Md. Abul Basar, IBP Manager, Climate Finance of PROKAS Program appreciated the role of Bangladesh Bank and urged the stakeholders to create resilient recovery for businesses in southwest region of the country.

BUILD Articles

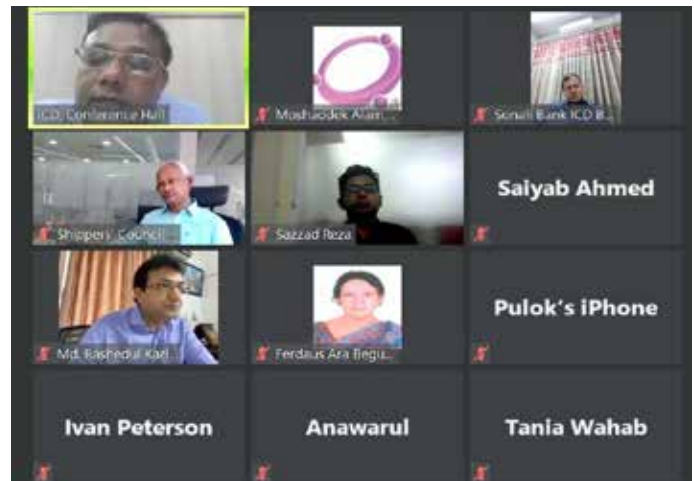
Urgent need for plastic waste management policy and EPR

<https://thefinancialexpress.com.bd/views/reviews/urgent-need-for-plastic-waste-management-policy-and-epr-1618153551>

BB to support SMEs boost economy

https://en.prothomalo.com/business/bb-to-support-smes-boost-economy?fbclid=IwAR0XvDT-nx3-hp8JwbY7mEXJqLlq4eqgk_3BjqVs3XGYQh234hmeufuUw

Long-Term Health Safety Measures for Export Competitiveness



Muhammed Mahbubur Rahman, Additional Commissioner, Custom House, Dhaka highlights steps taken by the Dhaka Customs for smooth and effective implementation of their daily tasks while maintaining health safety protocol.

To disseminate and reemphasize the core health safety guidelines to prevent further spread of the disease and maintain trade and business activities of the economy following the impact of COVID-19 pandemic, Business Initiative Leading Development (BUILD) and International Finance Corporation (IFC) organized a virtual workshop on Workplace Health Safety for Business Continuity with Inland Container Depot (ICD) during COVID-19 on March 7, 2021.

This initiative is supported by BICF II, which is implemented by the IFC, World Bank Group and funded by the Foreign, Commonwealth & Development Office (FCDO). The objectives of the workshop were to sensitize concerned service providers and service takers to maintain health safety measures to run businesses even in the post-COVID stage to mitigate export losses.

The Custom House clears 3,000-4,000 bill of lading (B/L) everyday while minimizing risks and ensuring quality so that COVID exemptions are not abused. In order to maintain export and import growth as well as manage the supply chain, ICD, Dhaka worked hard so that revenue collection does not fall. Because of their sincerity, import growth has remained steady.

Ferdous Ara Begum, CEO, BUILD welcomed the participants and mentioned that the likely losses of export earnings annually for the country could be about USD 7 billion after the LDC graduation by 2026. We need to be prepared for that and start working in a coordinated manner to stave off the potential negative impact.

Nusrat Nahid, Private Sector Specialist, IFC, made a presentation highlighting issues of health safety and informed about the impacts of the COVID-19 in trade, and stressed upon the need to maintain different health and safety guidelines even after the roll-out of the vaccines.

She showcased some audiovisuals on health safety guidelines which was prepared after carefully reviewing all the different health protocols and guidelines issued by the Government of Bangladesh, NBR and WHO. She requested for further circulation of the AVs through different customs houses for educating the customs personnel, service providers and other relevant frontliners which will save them from this deadly pandemic.

Dr. Mohammad Abul Hasnat, International Public Health Specialist, emphasized on the policy level decision for addressing this type of pandemic and appreciated the role of the government for all time-bound policies to address the pandemic. He informed that the impact of a virus may remain for 2-3 years to be contained fully, and thus we need to maintain all safety practices throughout 2021.

High officials from Custom House, Dhaka and private sector officials of the trade-related agencies participated in the workshop.

Gender-Responsive Public Procurement Policy Recommends for Gender Enabling Policy Urged at BUILD-ITC Policy Dialogue



BUILD CEO Ferdaus Ara Begum presents the keynote presentation.

BUILD in association with the Central Procurement Technical Unit (CPTU) of and the International Trade Centre (ITC)'s She Trades Initiative organized the 3rd virtual policy dialogue on "Gender-Responsive Public Procurement in Bangladesh: Interview Findings" on March 10, 2021, 2021 to increase women's participation in the public procurement in Bangladesh.

Survey results, scored country assessment based on specific questions as developing, meaning of which is inclusion of Women Owned Business (WoB) in the country's agenda is in place but not yet fully accomplished in case of public procurement. In case of entity assessment in that respect, current situation is marked as developed meaning some action /administration issues have been done but the results are yet to be achieved. Data on WoB shows almost similar number in the case of "yes" and "no", meaning there are similar number of benefits at the same time barriers for encouraging participation of WE in the tendering process in public procurement.

Masud Akhter Khan, Director (Joint Secretary), CPTU in his speech informed that as the main authority of dealing the public procurement issue in Bangladesh, CPTU has been working very closely with World Bank & ITC to increase the capacity of WoB. He stressed to take initiative to define the definition of 'women owned businesses' and the Ministry of Commerce & Ministry of Women & Children Affairs may take initiative in that respect. Besides, global best practices need to be analyzed while preparing the roadmap and policy in the context of Bangladesh. Moreover, he noticed that procurement is a complex and comprehensive issue. Prior to engaging in that system, WoB need to upgrade themselves with proper technical knowledge.

Ferdaus Ara Begum, CEO, BUILD made a presentation in that respect highlighting the findings of the survey conducted during Jan-Feb'21 for getting Gender Specific information on public procurement. Women entrepreneurs are not totally aware of the prevailing scopes for them in the public procurement domain. She presented country comparison among Nigeria, Chile, Gambia & Bangladesh to have the scenario of public procurement.

Tanvir Ahmad, Country Coordinator, ITC SheTrades in his speech appreciated the joint initiative of BUILD & ITC for preparing Gender Responsive Public Procurement Roadmap. This roadmap will assist the WEs to cope up with the post COVID economic era as well as it will ensure gender equality in the business community. Findings of the survey interview will be the vital information to prepare a comprehensive roadmap as the reflections of the public and private sector are reflected in the survey.

Anahita Vasudevan, Associate Economic Affairs Officer, ITC- She Trades Initiatives in her presentation described the overall process and methodology to conduct the survey and explained the terms and definition of women owned business (WOB). She also explained the assessment tool. She informed that by the late March, 2021 the final document will be submitted which will help WEs to participate in PPR.

BUILD CEO joined e-Commerce Policy Conference of e-CAB

BUILD CEO Ferdaus Ara Begum attended the Rural to Global E-Commerce Policy Conference 2021 Seminar on Digital Commerce in Bangladesh: Quest for a Master Plan (2021-2025) as a panelist. The conference was held on April 11, 2021 and organized by e-CAB. Hon'ble Minister for LGRD Md Tazul Islam, MP was the Chief Guest. Junaid Ahmed Palak MP, State Minister, ICT Ministry was and Dr Jafaruddin Ahmed, Senior Secretary, Ministry of Commerce were present and spoke on the occasion.

Ferdaus Ara Begum, referring its formation of 4IR and ICT Development working committee Co-chaired by the Secretary, Bangladesh Hi-Tech park Authority (BHPTA) and President, BASIS informed that BUILD did a gap analysis about the situation of Bangladesh in the 4IR implementation issues comparing similar other countries in Asia and have found a significant gaps in the Industry-Academia collaboration in having required research.

BUILD CEO attended Meeting on Leather Goods & Footwear Sector Capacity Building at MOC

BUILD CEO Ferdaus Ara Begum as a member of the committee attended the meeting and contributed for sector development. It was seen that leather and leather goods export fell by 46.21% during 2019-2020 in comparison with the year 2018-2019, Footwear export also fell because of COVID situation, there is an urgent need for policy support. In the coming Qurbani Eid, raw hide exporters will face another problem because of necessary support for bank loan.

In course of discussion, it was informed that footwear made of synthetic and fabrics will now enjoy cash incentives at the rate of 15% as per FE circular # 5 of Bangladesh Bank.

BUILD CEO Joined ILO Meeting for Private Sector Role and Analysis of UN System

ILO Country Director Tuomo Poutiainen and Mia Seppo, United Nations Resident Coordinator, United Nations Country Team in Bangladesh and a number of public and private sector representatives were present in the meeting. BUILD CEO attended the meeting on April 5, 2021. BUILD as private sector led organization raised the issue of inclusive and sustainable development for which employment generation and quality education would need to give thrust.

Further, BUILD CEO said that there is a need for non-financial support services to the start-ups and CMSMEs. In terms of gender equality, there is a need for increasing participation of women entrepreneurs in the Public Procurement, an area on which BUILD is working, and has given some policy suggestions, informed CEO, BUILD.

FGD on Impact Assessment in terms of Trade Facilitation Reforms

BUILD organized a Focus Group Discussion on 'Impact Assessment in terms of Trade Facilitation Reforms' on April 5, 2021. The objectives of the Dialogue were focused on the potential benefits of the trade facilitation reforms in terms of cost and time reduction of trade activities to gauge the awareness of relevant stakeholders on such reforms. Modernization of customs management and administration is essential not only for the protection of legitimate revenue and trade, safety to life and environment but also for the Facilitation of legitimate trade (imports and exports) in terms of reduction of time, cost and simplification of procedures. Most important of such measures are:

1. WTO TFA implementation support
2. Implementation of TRS based reforms
3. Policy and operational strategies for National Single Window for Trade
4. Customs Act implementation support
5. Expansion of Bonded warehouse facility to Non-RMG exporting sectors
6. Risk based Customs control for reduced inspection

Ferdaus Ara Begum, CEO, BUILD, Md. Farid Uddin, former Member, NBR, Kabir Ahmed, President, BAFFA, Syed Md. Bakhtiar, Director, Shipper's Council of Bangladesh, Kazi Roushan Ara, Executive Director, LFMEAB, Manzur Ahmed, Former Advisor, The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), K M H Shahidul Haque, Former President, Bangladesh Indenting Agents Association, Asif Ayub, Secretary, Metropolitan Chamber of Commerce and Industry (MCCI), Abdullah Fahren Reazi, Manager, Commercial, Apex Footwear Limited, Dr. Syed Humayun Kabir, Former Director General, South Asia Regional Standards Organization attended the FGD.

Partner's Corner

DCCI on Current Reforms in Ease of Doing Business in Bangladesh and Preparedness for the Future



BUILD Chairperson Abul Kasem Khan speaks at the DCCI Business Conclave-2020

DCCI Dhaka Chamber of Commerce & Industry (DCCI) organized a discussion meeting on the current reforms in the ease of doing business in Bangladesh and preparedness for the future on April 27, 2021. Executive Chairman, BIDA Md. Sirazul Islam joined as the chief guest and Md. Billal Hossain, Additional Secretary (Executive Member 5), BIDA joined as special guest. DCCI President Rizwan Rahman in his remarks said that after successful economic graduation in 2026, Bangladesh will lose most of the preferential trade facilities which may hurt our competitive export market. In this context, the ease of doing business is essential to reduce the cost of business as global trade is getting more competitive.

Md. Sirazul Islam, Executive Chairman, BIDA said ease of doing business is a bigger thing. We do not like to mainly focus on scoring rather we are trying to create a business friendly environment. Some of the reforms have already been done by the government, for which BIDA is coordinating. He therefore requested the private sector to go through the reforms and report based on the real facts. BIDA needs to be strengthened more.

Md. Billal Hossain, Additional Secretary (Executive Member 5), BIDA said investors always want to know the ranking before any investment and in that context we need to improve in the ranking. He requested the private sector to response the survey considering the reforms already done. For that he requested the businessmen to know about the reforms. At present 48 services are being given through the OSS.

Asif Ibrahim, Trustee Board Member of BUILD and Chairman of Chittagong Stock Exchange Ltd, Md. Rashedul Karim Munna, Director, DCCI, Data Magfur, Former Director, DCCI, M S Siddiqui, Member, DCCI and Kabir Ahmed, President, Bangladesh Freight Forwarders Association took part in the open discussion session.

MCCI for Reduction in Corporate Tax



MCCI The Metropolitan Chamber of Commerce and Industry said that businesses were not receiving the benefits of the reduced rate of corporate income tax as the existing withholding taxes at different stages were raising the effective tax rate to abnormally high levels.

The MCCI demanded rationalisation of withholding taxes to bring down the effective corporate tax rate saying that the higher effective tax rate was affecting both domestic and foreign investment in the country. NBR chairman Abu Hena Md Rahmatul Muneem presides over a pre-budget discussion with a delegation of Metropolitan Chamber of Commerce and Industry held at the NBR headquarters at Segunbagicha in Dhaka on March 8, 2021. MCCI president Nihad Kabir led the MCCI delegation.

The government reduced the corporate income tax rate to 32.5 per cent from 35 per cent in the fiscal year 2020-21 but the effective tax rate went up to 50-60 per cent due to withholding taxes at different stages, including the import and middle stages of production and on finished goods, said MCCI president Nihad Kabir.

She also requested the NBR to formulate the upcoming national budget for the fiscal year 2021-22 keeping the COVID-19 fallouts in mind so that business activities could return to pre-COVID levels. She urged the NBR to gradually bring down the corporate tax rates as part of the preparations to graduate from the Least Developed Country (LDC) status by 2026.

MCCI taxation sub-committee chairman Adeeb H Khan said it was difficult to say what the corporate tax rate in the country was as the effective tax rate was much higher than the announced one.

CCCI Made a Call for an Increase in the Tax-free Income Limit



CCCI The Chittagong Chamber of Commerce and Industry (CCCI) has proposed an increase in the tax-free income limit for individuals, women, the elderly, physically-impaired and freedom fighters in the next national budget, considering the adverse impacts of the ongoing pandemic.

During a meeting with NBR on March 11, 2021, CCCI proposed that the tax-free income limit should be raised from Tk 3 lac to Tk 4 lac for individual taxpayers, Tk 3.5 lac to Tk 4.5 lac for women and elderly taxpayers above 65 years of age, Tk 4.5 lac to Tk 5.5 lac for the physically challenged taxpayers and Tk 4.75 lac to Tk 5.75 lac for war-injured freedom fighters.

CCCI President Mahbubul Alam placed its 14-point proposal in a pre-budget meeting organised by the chamber at the World Trade Centre in Chattogram.

National Board of Revenue (NBR) Chairman Abu Hena Md Rahmatul Munim was the chief guest at the meeting.

The next budget is vital for the nation, which is progressing ahead even after facing pandemic-induced losses, the CCCI president said.

Apart from boosting the country's economy by creating employment through investments in industrialisation, everyone needs to be proactive about achieving the targeted revenue collection, he said. Alam emphasised the need to focus on poverty alleviation, employment creation, investment enhancement and increasing revenue collection while formulating the upcoming budget for fiscal 2021-22.

In his speech, the NBR chairman said the government imposes tax with an aim to develop local industries, production and agriculture, achieve self-reliance as well as protect the environment. Capable people should pay tax duly and play a role in the country's socio-economic development, he said.

BUILD Scope

Study on Medical and Personal Protective Equipment

To identify, pursue and access international markets for locally produced MPPE products along with a report for policy advocacy, BUILD has commissioned a study on “Providing policy advocacy support to identify, pursue and access international markets for the locally produced Medical and Personal Protective Equipment (MPPE) products”. Under the study, a survey questionnaire has been designed to identify, pursue and access international markets for the locally produced MPPE products and provide policy advocacy support so that export competitiveness of this MPPE products can be increased.

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

BUILD, in collaboration with UNIDO, is conducting a survey named ‘COVID-19 Impact on Manufacturing Firms’. The target respondents are the manufacturing firms in the country. The survey commenced from March 25 is a follow-up of a first data collection exercise conducted by UNIDO and BUILD between June and July 2020 in Bangladesh to provide a rapid assessment of the immediate impact of the COVID-19 pandemic.

In addition to offering new insights to the analysis of the evolution of the socio-economic consequences of the pandemic on manufacturing firms, the results of this second survey are expected to inform and guide the policy response of the government towards the design and implementation of economic recovery and resilience measures for the industrial sector.

The questionnaire contained 31 questions consisting of four parts: current impacts COVID-19, expected impacts of COVID-19, dealing with COVID-19, including government support, and general information about respondent firms.

Study on ‘COVID Stimulus and Links to Employment, Consumption and Investment: The Bangladesh Experience, Global lessons, and priorities for Next Round of Support’

BUILD is conducting a study on ‘COVID Stimulus and Links to Employment, Consumption and Investment: The Bangladesh Experience, Global lessons, and priorities for Next Round of Support’ in collaboration with ILO. Policy Exchange is supporting BUILD in conducting the study. This study has been conducted to make SMART and evidence based recommendations for the second stimulus package. The study involves reviewing some benchmark countries such as Germany, India, The USA, China and Vietnam and their COVID-19 related actions, interview and focus group discussions with the stakeholders. A comparative analysis and mapping of policies in Benchmark countries and Bangladesh has also been conducted in the study.

The study shows that a particular concern is the rise in unemployment and consequent poverty due to most firms settling for employee retrenchment to keep costs low, leading to a state of depressed demand in the economy. It is thus vital to increase domestic demand and employment which is the major driving force behind the economy. Policy has to be steered towards retaining employment and increasing consumer demand and private investment to continue the growth trajectory of the past two decades.

BUILD Reforms

Bangladesh Bank has Formulated BDT 5.0B Fund for Startups and New Entrepreneurs

Bangladesh Bank announced a policy relating to the disbursement of funds worth Tk 5.0 billion for startups. BUILD proposed a reform proposal on the formulation of Startup Fund in its 6th SMEDWC meeting held on 24 July, 2019 at MCCI.

The central bank's SME and Special Programs Department issued a circular detailing the policy on March 29, 2021. Bangladesh Bank would form the Tk 5.0 billion refinancing fund to help the country's startups. Individual banks will form their funds with money equivalent to 1.0 per cent of their respective operating profits for the year 2020. The disbursement of funds to the startup clients will be made collateral-free. Each bank will preserve 10 per cent quota for women entrepreneurs. The highest ceiling for the loan from the fund will be Tk 10 million, having a maximum of a five-year repayment period. The rate of interest for the startup loans will not exceed 4.0 per cent. The banks will get funds at a 0.5 per cent interest rate from the central bank refinancing scheme.

If an entrepreneur shares an idea with any bank for getting loan, the bank cannot disclose whether it will fund him/her or not. Besides, the educational certificate of the startup entrepreneurs can be treated as collateral for loans. The Startup Bangladesh Limited, a platform to support new business ideas, aims to provide at least 50 startups with Tk 1.0 billion venture capital within this year. The to-be-funded startups are expected to use the money to expand their businesses and generate new employment, thus contributing to the country's economy. According to Bangladesh Bank, startup means innovations for marketing new products, services and technologies, and such enterprises would create employment and assets in the country.

The Guidelines for Outward Remittance Repatriation for Payment of Royalty, Technical Knowledge/ Technical Know-how Fee(s), Technical Assistance Fee(s), and Franchise Fee(s)–2020 has been published by BIDA

BUILD prepared a Reform Policy Paper (RPP) on Simplification of Policies for Repatriation where BUILD proposed some recommendations regarding the simplification of the Repatriation process for Technical Know-How, Royalties, Technical Assistance Fees and Other Fees (e.g., Training, Consultancies etc.). One of the key proposals of BUILD was to harmonize the policy and align the provision of BIDA Act 2016 and Bangladesh Bank Foreign Exchange Guideline, and the role of the Authorized Dealers (AD) and to publish a guideline on this regard.

To advocate these issues, BUILD placed those recommendations through its 6th Financial Sector Development Working Committee (FSDWC) meeting on June 4, 2017 at Bangladesh Bank which is co-chaired by Deputy Governor, BB and President DCCI and then was discussed at the 9th meeting of Private Sector Development Policy Co-ordination Committee (PSDPCC) at PMO on August 28, 2017 which was co-chaired by the Principal Secretary, PMO. BIDA form a committee where BUILD also shared the proposals to understand the harmonization and to make clear idea.

Advocacy from BUILD and also from different stakeholders, BIDA has prepared guideline on outward remittances on account of royalty, technical knowledge/technical know-how fee(s), technical assistance fee(s) and franchise fee(s) where BUILD also put comments and now BIDA published this guideline on March 3, 2021 and also gazzated on March 20, 2021. Bangladesh Bank also issued a FEPD Circular Letter No. 07 on Payment of royalty, fees for technical knowledge or technical assistance and franchise fees to foreign persons or institutes for Head offices/principal offices of all Authorized Dealers on April 11, 2021.

Consultation on Impact of COVID-19 and Constraints in light Engineering Sector

To discuss on the present scenario of Light Engineering sector of Bangladesh specially the COVID pandemic impact for updating Strategic Export Roadmap on Light Engineering Sector, a virtual consultation meeting between BUILD and the President of Bangladesh Engineering Industry Owners Association (BEIOA) was held on April 12, 2021. BUILD is working on updating the 'Strategic Export Roadmap on Light Engineering Sector' in light of the current context pertaining to the pandemic under the project component entitled "Provide Policy Advocacy Support Through Structured Public Private Dialogue to enhance Competitiveness of Selected Manufacturing Sectors" assigned by IFC, WBG.

BUILD CEO informed that the Vision of the LE Export Roadmap is targeted to reach USD 420 million (both direct and deemed) by 2025. Should we set new Vision of LE sector export for 2025 and 2030 considering the pandemic ongoing situation? What can be the criteria for determining new vision of LE Export, she added.

Md. Abdur Razaque, President, BEIOA said, vision of export of LE sector should be much higher than the present target as export of LE sector has already reached USD 381.63 million in 2020-21 (July-March) with a positive growth of 49.72% than the same period of previous year. He shared export figures of last couple of years to inform about the prospects of the sector.

Virtual Consultation on Impact of COVID-19 and Constraints faced by the Leather Sector and their Inputs for updating Export Roadmap

A Consultation meeting between BUILD and the Leather Goods And Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB) was held on April 20, 2021 to discuss the present scenario of the Leather sector of Bangladesh specially the COVID pandemic impact for updating Strategic Export Roadmap on Leather Sector.

Ferdaus Ara Begum, CEO of BUILD initially briefed about the agenda of the meeting. She outlined the objective of the meeting what is based on the Leather Sector Roadmap. BUILD is working on updating the 'Lether Sector Export Roadmap' in light of the current context pertaining to the pandemic.

LFMEAB President in short informed some of their observation and suggestion in line with COVID and addressing the questionnaire prepared by BUILD.

Virtual Consultation on Impact of COVID-19 and Constraints of Plastic Sector

Virtual Consultation on Impact of COVID-19 and Constraints of Plastic Sector took place on April 21, 2021 to discuss on the present scenario of Plastic Sector, its constraints and the impact of COVID-19 for updating Strategic Export Roadmap on Plastic Sector.

Ferdaus Ara Begum, CEO, BUILD initiated the meeting by giving a brief introduction about the agenda of the meeting to the President and other participants of BPGMEA. BUILD is working on updating the 'Strategic Export Roadmap on Plastic Sector' in light of the current context pertaining to the pandemic.

The strategic Export Roadmap for Plastic Sector set a vision to be among the top 50 largest exporters of plastics (89th position in 2018-19) and among the top 25 largest exporters of toys (53rd position in 2018-19) by 2021.

Shamim Ahmed, President of BPGMEA informed that one of the main raw materials is petrochemical which is totally imported, because of COVID situation the price has swollen up from USD 700/Mt to USD 1200 /MT which is almost unaffordable for them.

High dependency on imported raw materials and lack of trading houses/ central bonded warehouse for bulk import of raw materials for the plastic sector is the biggest constraint. Without reducing cost and the lead time for raw materials, the sector will continue to suffer and will not be able to achieve the full potential.

FGD on Bonded Warehouse Regime

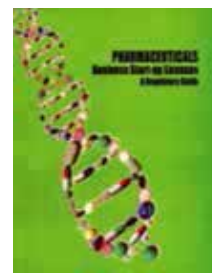
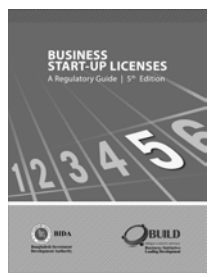
A Focus Group Discussion was held on "Bonded Warehouse Regime in Bangladesh Economic Zones Authority" on April 17, 2021 to discuss the BWH system under BEZA.

Mustafizur Rahman, Deputy Secretary, BEZA said that under their jurisdiction is aligned with Customs Act 1969 and BWH policies by NBR, it takes 21 days for having a BWH license which is easier and faster. Usually Home consumption BWH is used in BEZA. He also mentioned in reply of BWH automation that among 125 services provided under BEZA 48 services (22 services from BEZA and 26 services from other government bodies) are automated. If the BWH become automated by NBR, the BWH for BEZA would be automated as they have an institutional MOU with NBR. He also mentioned that currently 10 BEZA entrepreneurs are using BWH facility under the BEZA Act 2010 and Customs Act.

Nusrat Babi, Private Sector Specialist, IFC-WBG asked a question regarding declaration of Customs BWH (CBWH) area and why it takes long time to declare an area as CBWH station.

BUILD CEO Ferdaus Ara Begum conducted the FGD.

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