

Editorial

Ensure Redesigned Stimulus Package for Revitalizing the Private Sector Growth

Bangladesh saw first COVID-19 case on March 8, 2020. The enormity of the impact of the pandemic in our lives and economy is unprecedented. Businesses, specially, Small and Medium Enterprises (SMEs) of the country, were wrecked by the shocks emerged from the COVID-led disruptions. Ready-made Garments (RMG) sector grappled with huge losses for the cancellation of orders.

Soon afterward, govt. announced a number of stimulus packages to tackle the devastating economic impact of pandemic. In the first round, govt. initiated 23 stimulus packages worth about Taka 124,053 Crore in total, accounting for 4.4 percent of Bangladesh's GDP. These packages were designed to help the export-oriented industries, shipment credit, agricultural sector, and low-income groups, including farmers and CMSMEs to survive.

The progress in the disbursement of the first-round of stimulus packages were not so much high. Stimulus payments to non-RMG and small businesses have been slow, and rather inadequate. Micro, Small and Medium Enterprises (MSMEs) have not largely benefitted due to their lack of capacity in influencing the disbursement by the banks, and a lackluster incentive for banks to reach out to them due to the ceiling on lending rates.

While Bangladesh was about to handle the impact of 1st wave, a second round of wave since April 2021 impacted on employment and demand, however, the severe impact of third wave of COVID-19 spreading all over the country from June 2021 because of dangerous delta variant from India dominated the new infections as it is more transmittable. The situation is worsening day by day. The poor are experiencing a devastating situation with their lives and livelihoods. The impact of the second and third waves have brought severe impacts on the private sector. There is a probability of facing the fourth wave which can be disastrous for the businesses. The country is yet to develop a new stimulus package for the private sector and ultra-poor community to mitigate the financial crisis arising from the new waves in 2021.

BUILD organized a Webinar titled 'COVID Stimulus and Links to Employment, Consumption, and Investment: The Bangladesh Experience, Global Lessons, and Priorities for Next Round Support' as part of supporting the Government for redesigning the next round of stimulus packages for inclusive economic recovery on June 24, 2021. M.A Mannan MP, Hon'ble Planning Minister, GoB, graced the webinar as the Chief Guest.

For an effective 2nd round stimulus package, boosting consumer demand requires more than cash transfers. It is needed to focus on most vulnerable sectors like: retail, tourism, transport etc. The design of the packages needs to consider the challenges and needs of small entrepreneurs. Working capital support with effective links with employment, incentives for employers to sustain employment. Demand levels also need to be sustained and vibrant to keep economic players active.

Experts also stressed on investment attracting policies for FDI attraction, allocation for the vulnerable groups of people, a segmented stimulus package considering 60.5 million labor force, addressing unemployment issues, employment through Economic Zones and Extended Social Safety Net Program, broadening the health coalition to involve non-government or private sector actors, investment for a modern social protection system, massive re-skilling and up-skilling, tax deductibles for the individual taxpayers with greater spends and developing a national database of small businesses etc.

Many countries have already started implementing their 2nd round stimulus packages. In the second round, these countries are trying to reach those people or businesses who were deprived of the first-round of packages and still are suffering from financial crisis. In that case, CMSMEs should get special focus in this round. It is essential to ensure a redesigned and result oriented stimulus package for revitalizing the growth of the private sector.

Ferdaus Ara Begum, CEO, BUILD

A Well-Designed and Tailored COVID Stimulus Package for Inclusive Economic Recovery Proposed by BUILD



M A Mannan, MP, Minister for Planning speaks at the meeting as the Chief Guest.

Business Initiative Leading Development (BUILD) conducted a study on COVID Stimulus and Links to Employment, Consumption, and Investment: The Bangladesh Experience, Global Lessons, and Priorities for Next Round Support that aims to assess the effect on Bangladesh economy in the immediate aftermath of COVID-19, understand the stimulus and its key features, understanding the economic recovery post-covid stimulus, focusing on consumer demand, employment and private investments, comparative analysis of measures taken in select countries, derive key takeaways and key recommendations for a quick and inclusive turnaround of the economy.

Conducted a rapid survey (Feb, 2021), which was a part of the study also found that the sales of SME firms have been negatively impacted due to the pandemic and a number of firms reported a depressed demand currently compared to the pre-COVID scenario, which indicates consumption and demand has not recovered fully.

These major findings were revealed at the webinar held on Thursday, 24 June 24, 2021. The event was organized virtually by BUILD as part of supporting the Government for redesigning a second-round stimulus package for inclusive economic recovery.

Having joined the webinar as the Chief Guest, M A Mannan, MP, Minister for Planning said that the country's economy has been growing gradually because of millions of small drops of investment. Referring to the recent UNCTAD report of 2021, he said, the government is always welcoming greenfield FDI in Bangladesh considering quality of investment. Responding to the points raised by the discussants, he said the National Budget for FY 2021-22 has focused on the continued economic recovery amid the pandemic. The government will consider the demand of the bottom line of the society if a second stimulus package is formulated where importance will be given to activate more SME supportive organization. Best practices from different developed countries should be considered to make the overall economic ecosystem of Bangladesh vibrant. He also appreciated central bank's role in disbursing stimulus package of the CMSME.

During the welcome note, Abul Kasem Khan, Chairperson, BUILD said that the initiative and leadership of our Honorable Prime Minister to combat the COVID-19 gave confidence to the economy. Unemployment, demand generation, and savings need to be addressed to make the initiative more fruitful.

Md Jashim Uddin Ahmed, President, FBCCI said that in the national budget of FY 2021-22, the government addressed private investment, SME, agriculture, health, education, employment, social safety net, integrated logistics system, etc. as the equipment of the economic recovery plan. He cordially appreciated the government for coming up with some simplified reforms on tax and VAT issues to assist the private sector amid the pandemic.

Tuomo Poutiainen, Director, International Labour Organization said that social inclusive measures like assisting youth, real unemployed, vaccination program, access to education, mental health etc. need to be addressed and linked to the stimulus package. To ensure continuity of the growth of investment, productive employment, the social safety net program, etc., the upcoming stimulus package should be focused on inclusive areas. He praised the government to address almost all the micro and macroeconomic issues with the context of the pandemic in the 8th Five Years Plan. To attract FDI in Economic Zones, the skill ecosystem needs to be upgraded to provide a technically and technologically sound workforce.

Dr. M. Masrur Reaz, Chairman, Policy Exchange made the keynote presentation and highlighted that the design of the government announced stimulus packages is not adequately inclusive because of a lack of consideration of the challenges and needs of small entrepreneurs. He added that the working capital support and the overall design of the packages lacked incentives for employers to sustain employment. Sharing some examples of stimulus packages in different countries such as Germany, India, China, Vietnam, and the USA, he proposed several short and long-term recommendations for a robust next round of support.

Nihad Kabir, President, Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) moderated the panel discussion and open floor session. She said while summing up the panel discussion that the informal economy does not receive the expected benefit from the announced Financial Stimulus Package (FSP). She focused on the upgradation and modernization of the education system of Bangladesh.

Mahbubul Alam, President, Chittagong Chamber of Commerce and Industry (CCCI) said that our desired results are not achieved through the first announced FSP. Private investment and demand are decreasing, on the other hand unemployment rate is increasing. The government has taken mega projects to reach the logistics sector to a global height.

Prof. Dr. Mustafizur Rahman, Distinguished Fellow, CPD said that employment generation should get proper focus on FSP. FDI has been reduced amid the COVID-19 at an alarming rate. He referred targeted FDI of 7th FYP was \$33 billion of which only \$11 billion has been achieved. He recommended for segmented stimulus considering the 60.5 million labour force of which 4.4% are employees, 44% are self employed, 11.55% are family helpers and 15.5% labors. The involvement of NGOs, Associations in the disbursement process of FSP will make the better SME environment.

Rizwan Rahman, President, Dhaka Chamber of Commerce and Industry (DCCI) said that COVID-19 hits the GDP growth, employment generation, SME sector, consumers demand, retail & tourism sectors as well as other economic indicators are facing slow momentum. The cash flow system needs to be taken into account. Terms and conditions for the informal sector to avail FSP need to be simplified. Moreover, the initiative to formulate SME database will identify the true beneficiaries.

Dr. Md. Masudur Rahman, Chairperson of SME Foundation thanked BUILD for coming up with suggestions for the development of the SME Sector. The government has announced two FSP for SMEs but the disbursement process from the end of the commercial bank is not adequate. As most of the SMEs are from an informal sector that makes them unable to be bankable.

Asif Ibrahim, Chairman, Chittagong Stock Exchange and founder chairperson of BUILD focused on taking learning from the first FSP to make the second more effective. Health, education, rural economy should get the highest priority while designing the second stimulus package. Constraints faced by SMEs to avail stimulus package needs to be addressed in an innovative and simplified manner.

Jamal Uddin, General Manager, Bangladesh Bank informed that about 73% of CMSME stimulus has been disbursed benefited about one lac entrepreneurs of which about 5.58% are women entrepreneur. While 98% of announced FSP for Large scale entrepreneurs. In case of agriculture about 80% has been disbursed benefited about 1.7 lac people.

BUILD CEO Ferdaus Ara Begum told that a redesigned second round of stimulus would be helpful for the private sector and will support the

BUILD's Call on with FBCCI President



BUILD Chairperson Abul Kasem Khan congratulates the FBCCI President Md. Jashim Uddin in floral bouquets.

BUILD Chairperson Abul Kasem Khan paid a courtesy call on the newly elected President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Md. Jashim Uddin, on May 31, 2021 at the FBCCI Secretariat.

BUILD Chairperson said that under the dynamic leadership of new FBCCI President we will see further development of business and industry in the country. BUILD Chairperson said that FBCCI President's guidance during the pandemic will be very important for our business community. Referring to the MOU signed between FBCCI and BUILD in 2015, BUILD Chairperson requested the support from FBCCI for joint collaboration.

Md. Jashim Uddin said FBCCI will work towards accelerating private sector growth and will give highest priority in resolving the many challenges faced by businesses. He stressed the need to strengthen research and innovation as these would help reach the 2041 economic vision for the country.

BUILD CEO Ferdaus Ara Begum also welcomes the new President as the Co-chair of the Taxation Working Committee of BUILD and requests his support and guidance.

BUILD Congratulates Mahbubul Alam for being Re-elected as CCCI President



BUILD Trustee Board congratulates Mahbubul Alam, Chairman of M Alam Group for being re-elected as the President of Chittagong Chamber of Commerce and Industry (CCCI) for the fifth consecutive time for 2021-22 and 2022-23 period. He has been the Trustee Board Member of BUILD and served as the Chairperson of BUILD during 2018-19.

BUILD also congratulated Tarafder Md Ruhul Amin, Director of Saif Powertech Ltd, and Syed Mohammad Tanvir, Director of Pacific Jeans for being elected as Senior Vice President and Vice President respectively. BUILD Trustee Board expressed willingness to extend all supports.

Financial Support to Cottage, Micro, and Small Enterprises to be Expanded



Abu Farah Md Naser, Deputy Governor of the Bangladesh speak at the meeting.

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 at the Virtual Dialogue titled "Creating Resilient Recovery for Businesses through Enhancing

Investment Opportunities: A Case of Southwest Bangladesh. 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. BUILD with support from the PROKAS 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.

Sk Abdur Rahman, Mayor of the Mongla Municipality mentioned that the neediest section of the population: the cottage enterprises, fishermen and the working class have largely missed the benefits of the 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 business 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.

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.

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 south west region of the country.

BUILD's Virtual Dialogue on Redesigning a 2nd Stimulus Package for Economic Recovery of CMSMEs



Abul Kasem Khan, Chairperson of BUILD (middle) presided over and moderated the session.

Cottage and micro enterprises should be separately grouped and targeted apart from Small and Medium enterprises so that their access to the stimulus packages can be increased, said Husne Ara Shikha, General Manager (SME & Special Programmes Department), Bangladesh Bank observed. She was speaking at the virtual dialogue on "Redesigning a 2nd Stimulus Package for Economic Recovery of CMSMEs" organized by BUILD on zoom on Sunday, May 23, 2021.

She said that at present, 6% of the stimulus package has gone to cottage and micro enterprises, while women entrepreneurs have received 6% of the SP. The Bangladesh Bank is working to support employment generation by allocating funds to organizations like Karmasangsthan Bank, Prabashi Kalyan Bank, and so on, added the Bangladesh Bank GM (SME-SPD).

Dr. M Masrur Reaz, Chairman, Policy Exchange of Bangladesh delivered a presentation on "Redesigning Stimulus Package for Economic Recovery of CMSMEs". Highlighting global and national impact of covid, he mentioned that in Bangladesh GDP growth decelerated from 8% in FY19 to, while the RMG sector has faced cancellation order worth \$3.2bn, leading to loss of jobs of 24,000 workers between April and June 2020. There has been a 39% drop in Domestic and FDI proposals in FY20, while import of Capital Machinery & Disbursement of Industrial Loans Dropped.

Rizwan Rahman, DCCI President suggested that definition of SMEs needs to be clarified and national database for SMEs should be set up. Cash flow based financial transaction and reduction of documentation costs should be reduced.

Dr. Md. Mafizur Rahman, Managing Director, SME Foundation urged that bank-client relations criteria needs to be readdressed to avail FSP. Proper coordination among focal point of a Bank & local branches is required. BUILD should be invited to join SMEF to assist Electronic Database for SMEs in collaboration with a2i.

Monowara Hakim, President, Chittagong Women Chamber of Commerce & Industry highlighted the deprivation of WEs in availing FSP. Bankers should be trained to deal with WEs with utmost care.

Akhil Ranjan Tarafder, General Manager, BSCIC identified a certain lack of awareness about BB circular among scheduled bankers. BB should take initiative to reach all the BB Circular to scheduled banks. Bank-client relations as the set criteria to avail FSP is one of the biggest problems.

Mohammad Nazmul Avi Hossain - Programme Officer, ILO, mentioned that financial stimulus package should be treated at package of multiple purpose. These should address Financial Literary along with other Technology & Technical issues.

Mazedul Islam, Development Coordination Officer, UNRCO recommended developing gender-disaggregated database to address to destination of FSP. The banking procedures should be simplified.

Ferdaus Ara Begum, CEO, BUILD concluded the meeting by sharing the workplan of BUILD going forward. The BUILD-ILO study will work to link employment and investment in the context of COVID 19 which will feature hon'ble Planning Minister as the Chief Guest. Moreover, BUILD will organise webinar in mid-June 2021 to present the outcomes of the STUDY. She pledged that BUILD will take initiative to create awareness on Bangladesh Bank's circular among SMEs, and work with PPD Platform for furthering policy simplification. BUILD and SME foundation will work for Digital Dynamic Database for SMEs.

Dialogue on Removing Time, Cost and Process related Bottlenecks in Company Registration



Santosh Kumar Pandit, Additional Registrar (Joint Secretary), Office of the Registrar of Joint Stock Companies and Firms (middle) speak at the meeting.

BUILD organized a virtual consultation on reducing time, cost and process related bottlenecks in Company Registration on June 6, 2021. The consultation focused on the findings of the recent survey that was conducted by BUILD during March-May 2021 of the companies that have been registered over the past two years. This initiative was supported by USAID funded Feed the Future Bangladesh Improving Trade and Business Enabling Environment Activity.

Santosh Kumar Pandit, Additional Registrar (Joint Secretary), Office of the Registrar of Joint Stock Companies and Firms said that Registrar of Joint Stock Companies and Firms present during the meeting has mentioned that the institution is planning automation and merger of name clearance, company registration and fee payment into a single process. On Starting a business, the first indicator of Ease of Doing Business Index of World Bank Group, Bangladesh ranks 131st because of digitisation efforts of the automation by the Registrar of Joint Stock Companies and Firms.

Having welcomed the participants at the virtual consultation, BUILD CEO Ferdaus Ara has mentioned that some changes in the registration process will facilitate the businesses start-up. She further emphasized the need for simplifying the process of registration for one person company, self-amendment while having company registration, capitalization, and simplification on trade licenses.

Oleg Grigoroi, Costing Expert of the USAID Feed the Future Bangladesh Improving Trade and Business Enabling Environment mentioned the importance of baseline measurement of administrative burden and the impact of high administrative burdens on business enabling environment.

Md. Kamran Hasnain, Research Associate of BUILD made the keynote presentation and highlighted key challenges that include difficulties in obtaining information regarding step of the company registration process, requirements for hiring consultants and third parties, informal fees paid by the applicants to speed up the process, presence of intermediaries and informal parties and rules of Citizen Charter etc.

Afsarul Arifeen, Secretary General of Dhaka Chamber of Commerce and Industry said that the Government may consider empowering the trade bodies by involving them in trade license issue, to encourage enterprises to become members of relevant chambers and associates.

Engr Mohd. Farque, Secretary (In charge) of Chittagong Chamber of Commerce and Industry urged the Government to make the registration process transparent and decentralize the process to reduce entrepreneurs dependence on intermediaries, and thus cutting the cost of registering and operating a business.

Barrister Shajib Mahmood Alam said that website of Registrar of Joint Stock Companies and Firms should be mobile responsive and made a call for reducing the registration fee for foreign companies to attract the foreign investment and cut down the time for company registration from the current 19.5 days.

BUILD's Dialogue on Identifying the Challenges and Measuring Gaps of Present Standardization Capability in Bangladesh for Export Potential Products



Dr. Md. Nazrul Anwar, Director General of BSTI speaks at the meeting.

The Bangladesh Standards and Testing Institution (BSTI) is keen to align its efforts with international standards for which it is already working with academia to have research-based product standardization and upgrading its capacity by setting up new laboratories to ensure proper testing and standards certification for a variety of sectors, said Dr. Md. Nazrul Anwar, Director General of BSTI. He was speaking on Tuesday, May 25, 2021 at a Virtual Dialogue on Identifying the Challenges and Measuring Gaps of Present Standardization Capability in Bangladesh for Export Potential Products. BUILD in collaboration with IFC-WBG organized the webinar.

While Moderating dialogue, Ferdaus Ara Begum, CEO, BUILD in the beginning delineated the objectives of the Dialogue informed that in order to become successful and competitive exporter in the current global market, they must be ensured that their products fulfill the strict requirements of quality demanded by the foreign markets. In this respect up to date information on technical regulations specified in standards or technical regulation set by WTO as demanded by the foreign markets is very important.

Dr. Syed Humayun Kabir, Former Director General, SARSO, SAARC made the keynote presentation on the importance of standard setting for Potential Export Products (PEP). He focused on identifying gaps of PEP in existing BSTI standards, identifying international standards for shortlisted PEP for plastics, leather and leather goods, and light engineering, and developing recommendations to harmonize those additional standards.

Shamim Ahmed, President, Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) mentioned that the plastic industry is a very important export-oriented industry that also serves other sectors as a backward linkage industry specially RMG, electronics sector etc.

Dr. Aloke Kumar Mozumder, Professor, BUET pointed out the limitations of standardization gaps and said that it is a very difficult and complex process to set standard for products. Setting standards of products based on local demand requires local research.

MD. Towhidur Rahman, BAB said that there are 80 laboratories accredited by BAB and it is working to secure international recognition for its work. BSTI and BAB are working together. The private sector should come forward to work with BSTI. BAB is working for Halal Food Standardization and Accreditation. International recognition of such initiative will open export opportunities for this sector.

K.M. Iqbal Hossain, BPGMEA held that local industries often have to send products to Singapore to get product standardization, incurring huge costs and time, thereby increasing the cost of doing business as well as hindering export growth. He sought the help of the World Bank to address the problem.

Hafizur Rahman Khan, Chairman, Runner Group opined that product specification is the most important issue rather than standards to boost exports. The World Bank may initiate a project to set product specifications and establishment of quality testing laboratory. He thanked BSTI for being very supportive to the motorcycle industry.

Nilufa Haque, Director, BSTI mentioned BSTI follows the ISO and international standards following 6 steps set by ISO, and also works on the basis of local demand. BSTI assists exporters to convert standards set by specific country.

Hosna Ferdous Sumi, Private Sector Specialist, World Bank stated that local and International standardization of product should be synchronized as it is one of the competitive factors to attract foreign buyers. Complexity in Product standardization and accreditation process is one of the key barriers for export growth in Non-RMG export sectors.

Initial Reaction of BUILD for Budget 2021-22

The 50th Budget of the country of Tk 6.03 trillion for the FY 2021-22, 17.3% of GDP which is 12.25% higher than 2020-2021(17.9% of GDP). The Budget theme is "Priority on lives and livelihoods, tomorrow's Bangladesh."

So far, the Budget seems good in terms of the situation and forward-looking giving 'Made in Bangladesh' concept not only help businesses to diversify but also creates road for our LDC graduation. Agro industry support is welcoming. Also, Medical and Hospital services outside Dhaka, Chattagram and other urban centres is a very important initiative but needs additional support under PPP to create better service levels. In terms of export diversification in Medical and Personal Protective Equipment(MPPE), extension of tax exemption benefits up to June 2022 may encourage export diversification in this sector.

On the other hand, it seems, sluggish investment will continue as COVID uncertainty remains, and private sector credit growth is still at a lower level(8.7%), but SEZ and other investment reforms including ease of doing business reforms should be accelerated so that cost of doing business is reduced. Extended employment targets in the SEZs and Hitech Park has to be continued at any costs.

The revenue target for the next fiscal has been set Tk 3.89 trillion, which is 11.02% of the GDP, of which Tk 330,078 crore will be contributed by the NBR i.e. 9.5% of the GDP. As the proposed budget is 12.25% higher than the previous budget, the revenue collection target for the upcoming year is 19.3% higher where tax revenue is 8.1% higher and non tax revenue 3.37% higher. NBR tax revenue growth is 7.28% in 2020-2021 where it lagged behind BDT 1 trillion.

From the experiences of last consecutive years, it is seen that, Budget has been trimmed at the last stage. Because of the revised Budget, the important sectors/projects which are deprived are not known to the public. ADP of 2021-2022 has been fixed at BDT 2.37 trillion which was BDT 2.25 trillion for the FY of 2020-21 fiscal year.

The proposed budget deficit is above 6 % of GDP amounting BDT 2.11 trillion which may reach to 8% as the revenue collection has been showing slow trend in pandemic period. The deficit will mainly be filled taking loan from the banking sector and foreign loan. The dependence on foreign financing has been increased 162% than previous fiscal which is alarming. The deficit financing from security certificate stood BDT 32,000 which 25,000 in last budget.

Tax Deducted at source (TDS) constitutes a significant share of tax collection. When the tax thus collected exceeds the tax chargeable on them on the basis of tax returns, they are entitled to a refund. However, once the TDS goes to treasury, it becomes impossible to get adjustment. In view of the critical situation of the businesses, the adjustment should be offered to businesses every six months for compliant manufacturers. The source tax on export earnings should be reduced to 0.25% from current 0.50% to offset Covid-induced export loss and be applicable for both RMG and Non-RMG sectors.

VAT exemption facilities with necessary amendments in the following sectors such as for manufacturing of refrigerator, freezer and its compressor for one more year and extension of existing VAT exemption facility for manufacturing of air conditioner and its compressor for three more years is appreciable and will encourage domestic manufacturers and help consumers. The trade VAT of 5% can be exempted or the rate should be reduced. There should be exemption of paying VAT at source for businesses that are paying 15% VAT. Bonded warehouse facility should be offered for all sectors with equal treatment. In Customs procedure, it currently takes one week for release of a consignment. It should be brought down to 24 hours. To reduce the time, ASYCUDA world should be fully integrated with the port authority and the banks through digitization.

BUILD Holds Dialogue on Paper Pulp from Whole Jute Plant: Potential And Way Forward



Mohammad Abul Kalam, NDC, Additional Secretary, Ministry of Textiles and Jute speaks at the meeting.

BUILD organized an online Dialogue on Paper Pulp from Whole Jute Plant (WJP): Potential and Way Forward on 3 May 2021 via Zoom platform. This dialogue focuses on discussion among the concerned from Jute & Textile Ministry, Bangladesh Jute Research Institution(BJRI), Bangladesh Council of Scientific and Industrial Research(BCSIR), Bangladesh Jute Mills Corporation(BJMC) and representative of private paper and paper products producers.

Abul Kasem Khan, Chairperson, BUILD in his welcome note highlighted on the BUILD's meeting with the Minister of Textiles and Jute on 24 February, 2021 regarding an initiative on producing paper pulp from whole jute plant. He said that this dialogue will focus on the scope of commercialization of paper pulp from whole jute plant, developing an ecosystem, bringing changes in existing policy, developing a jute pulp and paper Act and so on keeping in mind the sustainable development fund and climate change issue.

Ferdaus Ara Begum, CEO, BUILD presented the key note on Reviving the Past Glory of Jute: Jute-based Pulp & Paper for Industrial Diversification. She said that pulp, the number one raw material for producing paper, is presently imported and produced locally from recycled waste paper quality of which is not very good. The demand for hard and soft pulp has also been increasing. Green jute based pulp can meet the increasing local & export demand.

Mohammad Abul Kalam, NDC, Additional Secretary, Ministry of Textiles and Jute appreciated the good efforts and the keynote paper said that a professional approach is required for this initiative. At the same time economic viability of using whole jute plant needs to be considered. Getting 40% outcome from 100% input is seemed not as profitable aspect. The farmers are needed to be convinced to produce more jute. On the other hand, industries need to get out of the infant industry concept.

Dr. Md. Monjurul Alam, Former Director General, Bangladesh Jute Research Institute (BJRI) agreed with BUILD presentation and said that in that respect BJRI is working for production of this annual plant within a shortest possible time(from 120 to at least 90 days) so that number of production can be increased. He also said that cottage industries can be developed locally to run industries of paper pulp manufacturing from whole jute plant.

Dr. Sarwar Jahan, Director(Pulp & Paper), Bangladesh Council of Scientific and Industrial Research (BCSIR) said that it is not feasible to run the small-scale pulp industries because whole jute plant based pulp will cost more than USD 1100 per ton.

Babul Chandra Roy, Former Director (Marketing), Bangladesh Jute Mills Corporation said that a study was conducted in 2017 on this issue. He presented some of the study findings.

Dr. Ghulam Mohiuddin, Former Director & Principal Scientific Officer, Chemistry and Bio-chemistry Division, Bangladesh Jute Research Institute (BJRI) talked about the NSAQ process and Bioprocess of pulping.

Mustafizur Rahman, Deputy Managing Director, Bashundhara Paper Mills Ltd. said that the capacity of producing high quality paper needs to be increased. It is required to produce paper with 90% brightness.

BUILD will take the lead for a professional study in collaboration with the Ministry and the concern and will have follow up meeting soon to focus on ensuring a holistic approach from every stakeholder to conduct feasibility assessment of jute based paper pulp production.

BUILD and SME Foundation to Create a Dynamic Database for SMEs



BUILD Chairperson Abul Kasem Khan speaks at the meeting.

BUILD and SME Foundation will work on creating a dynamic database for SMEs using upgraded data analytics, so that it can be standardized compared with other countries. This decision was made during a virtual call between BUILD and SME Foundation on May 25, 2021. Dr. Md. Masudur Rahman, Chairperson, SME Foundation said that due to information gap & documental insufficiency a big number of SMEs could not be benefited from the stimulus package announced by the government, as most of cottage and micro entrepreneurs engaged informally.

BUILD Chairperson Abul Kasem Khan said that a dynamic database of all categories of enterprises, including CSMEs needs to be prepared on an urgent basis. This database should include all relevant information that should help them get access to credits. Such a database would help identify enterprises that have not received any support as yet and also sectors that have traditionally received less attention in the package etc. Based on the database, fiscal and monetary policy support could be directly extended to the enterprises.

Earlier Ferdaus Ara Begum, CEO, BUILD delineated a brief intro of BUILD and related activities of SME Development and how SMEF and BUILD can join hands together to support SMEs as the mandate of the two organizations are almost same.

Dr. Md. Masudur Rahman, Chairperson, SMEF agreed the proposal of making an effective database. Referring 7.8 million enterprises as per BBS census of 2013, he mentioned that the number of CMSMEs has now become more than a crore. He added, there are thrust sectors, district chambers, FBCCI as good sources of information. He put emphasis for an operational structure along with specific time frame, in case of financial support it needs to explore alternative sources.

Dr. Md. Mafizur Rahman, Managing Director, SMEF informed that they have already completed ground work for creating a SME Database in collaboration with "a2i". He added, BBS can give us a number but we need a dynamic database.

BUILD CEO Joined Parisher Zanaala Event as Speaker



BUILD CEO Ferdaus Ara Begum joined as the Speaker at Parisher Zanaala program on June 12, 2021 on the occasion of 100th anniversary of Dhaka University. Eminent linguist, columnist, economist and intellectual joined the program virtually.

BUILD CEO Joined IPF Seminar as Keynote Speaker



BUILD CEO Ferdaus Ara Begum speaks as the keynote speaker at the IPF Online Seminar - Plastic Industry Status, Prospects of Exports, Challenges. It was held from July 5th – 8th, 2021 to the South Asian plastics, printing and packaging industries and organized by Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) together with Yorkers Trade & Marketing Service Co., The event was attended by Tipu Munshi, MP, Commerce Minister and Md. Jashim Uddin, President of FBCCI and Shamim Ahmed, President of BPGMEA among others.

BUILD Reforms

Some major implemented budget proposals are given below;

Corporate income tax (CIT) for non-publicly traded companies has been should be reduced from 35% to at least 30%. For public traded companies, the rate is 22.5%.

Mostly the new companies and the existing sole proprietor companies are supposed to come under the OPC (one person company) category. BUILD proposed to announce a new slab for them and the Government introduced CIT 25% for OPC. (Reference: Finance Act 2021, Paragraph Kha, Page: 10085)

These reforms will help the private sector of the country to be competitive.

BUILD Scope

Project on Women, Business and The Law

BUILD in collaboration with the IFC- World Bank Group are going to conduct a joint study namely "Women, Business and The Law in Bangladesh" to find out the discriminatory laws and rules, socio-economical barriers by considering the eight indicators as mobility, workplace, payment & wages, marriage, parenthood, entrepreneurship, assets, and pension. Considering the eight indicators, BUILD will accumulate the comments of the regulatory body, women entrepreneurs, business leaders, financial organizations, sectoral leader, NGOs working for women development, worker associations and women lawyer to have the real scenario of women in Bangladesh. The purpose of the study is to bring gender equality and informing discussions on improving women's economic opportunities and empowerment by policy modification.

BUILD Articles on National Dailies

One Person Companz and pazbacks of small entrepreneurs

<https://cutt.lz/iQkaHIu>

এদেশে কর ফাঁকি দিয়ে পার পাওয়া যায়

<https://cutt.lz/OQkaDW4>

ভোক্তার ক্রয় ক্ষমতা বাড়তে হবে

<https://cutt.lz/WQkaIXr>

আন্তর্জাতিক বাজার সম্প্রসারণে বিএসটিআইকে আন্তর্জাতিক মানে উন্নীত করতে হবে

<https://cutt.lz/2QkaTcW>

Partner's Corner

DCCI Holds Webinar on “LDC Graduation of Bangladesh: Journey towards Economic Excellence”



Principal Secretary to the Prime Minister Dr. Ahmad Kaikaus joined the webinar as the chief guest while ERD Secretary, Ministry of Finance Fatima Yasmin and Md. Jashim Uddin, President, FBCCI participated as special guests.



DCCI organized a webinar on “LDC Graduation of Bangladesh: Journey towards Economic Excellence” organized by DCCI on May 29, 2021.

In his opening remarks, DCCI President Rizwan Rahman also said it is the right time to increase trade and investment as well as adopt long term strategic planning and their effective implementation to strengthen Bangladesh's position in the international arena after the graduation from LDC.

Speaking as the Chief Guest, Principal Secretary to the Prime Minister Dr. Ahmad Kaikaus said that LDC graduation for Bangladesh is a milestone. We have to mainly focus on how to become competitive. Role of the government is to remove barriers, he added. Bangladesh is a land of 165 million people so we have a big market of our own, he said.

ERD Secretary, Ministry of Finance Fatima Yasmin said that as per 8th five year plan the role of private sector is of about 81%. LDC graduation will boost our own resources and increase the confidence of our entrepreneurs.

Md. Jashim Uddin, President, FBCCI said that to become competitive after LDC graduation Bangladesh have to strengthen its backward linkage industry. The knit and woven sector need value addition to attract local and foreign investments. He also urged for faster implementation of SEZs. He also underscored the importance of engaging private sector in the implementable policy framework.

Barrister Nihad Kabir, President, MCCI thanked the government for forming a 22-member national steering committee under the Principal Secretary to overview the LDC graduation preparedness process.

MCCI Seeks Abolition of Limits in Promotional Expenses for FY22



The maximum limit in the promotional expense for businesses had been fixed at 0.5% of business turnover through the Finance Act 2020

On May 23, 2021, The Metropolitan Chamber of Commerce and Industry (MCCI) has proposed the government to abolish the limits set in promotional expenses of businesses for the budget of the 2021-22 fiscal year. The maximum limit in the promotional expense for businesses had been fixed at 0.5% of business turnover through the Finance Act 2020.

In a proposal submitted to the National Revenue Board (NBR), the MCCI suggested abolishing Section 30 (P) of the Finance Act which introduced the maximum limit. If abolished, the promotional expenditure sector will have no limits on being considered as allowance expenses.

Under the act, promotional expenses exceeding the proposed cap is listed as income and therefore companies have had to pay taxes on the expenditure since FY21. Fast-moving consumer goods (FMCG) and similar industries spend between 5% and 10% of their turnover on promotional activities, according to the MCCI. Therefore, proposed cap on such expenditures means that the cost of doing business increased.

This move has also forced companies to cut down on promotional activities, according to industry insiders.

For Bangladesh, considering the profit rate from 2% to 30%, the effective tax rate has increased significantly, ranging from about 6% to 89%.

To avoid this burden of additional taxes, businesses have reduced promotional activities at a significant rate which can hamper business growth.

Moreover, according to MCCI proposals to the NBR, this prevents every industrial organization from expanding its business. Countries with comparable economies like India, the Philippines, Indonesia, Pakistan, Sri Lanka, etc., do not have such a provision.

From a foreign direct investment (FDI) perspective, the law discourages investment by potential domestic and foreign investors.

In that case, foreign investors are more likely to give priority to neighbouring countries than to Bangladesh, and neighbouring countries have recently reduced their corporate tax rates to attract FDI, the MCCI said.

CCCI Organised Post Budget Dialogue



The Chittagong Chamber of Commerce & Industry (CCCI) and its initiative Bangladesh Center of Excellence (BCE) organised the first national-level Post Budget (2021-2022) Dialogue on June 7, 2021.

The session was chaired and moderated by CCCI President Mahbubul Alam where FBCCI President Md. Jashim Uddin joined as Special Guest of the Panel.

The other esteemed panelists were Faruque Hassan, President, Bangladesh Garments Manufacturer and Exporters Association (BGMEA), Ms. Rupali Haq Chowdhury, President of Foreign Investors' Chamber of Commerce & Industry (FICCI), Alamgir Kabir, President, Bangladesh Cement Manufacturer Association (BCMA), Asif Ibrahim, Chairman of Chittagong Stock Exchange (CSE) and Prof. Dr. Md. Salim Uddin, Chairman, EC, Islami Bank Bangladesh Ltd. The session also saw participation from Chamber Director Syed M. Tanvir and Representatives from Media.

CCCI President Mahbubul Alam termed the budget of 2021-2022 as visionary and in alignment to the national vision of becoming a developed country by 2041. He particularly lauded government's effort to reduce corporate tax, sector based tax reductions and tax holiday as key indicators of private sector investment facilitation. port and the port city and commercial capital of Bangladesh.

BUILD Meeting with ERF Team

A matching grant fund program namely Export Readiness Fund(ERF) of USD 17.5 million by the World Bank has been announced to be implemented by the Ministry of Commerce under its Export Competitiveness for Jobs(EC4J) project. A new ERF window is for COVID19 Enterprise Response Fund(CERF) launched in March 2021 to support eligible entrepreneurs to manufacture Medical and Personal Protective Equipment(MPPE) under certain conditionalities. The amount of fund is \$7.5 million. BUILD is having a study on marketing of MPPE and exploring supportive policies for the new sector with an objective to achieve export diversification goal of the government.

The meeting with the ERF Team was held on May 26, 2021 virtually where the Export Readiness Fund(ERF) Team Leader Dave Runganaikaloo, and Md. Emdadul Haque, Deputy Team Leader joined. Ms Hosna Ferdous Sumi, Private Sector Specialist- Finance, Competitiveness and Innovation at The World Bank and Officials of EC4J were also joined in the meeting and contributed and explained how ERF will work for supporting MPPE by providing matching grant fund.

It was discussed that BUILD, EFR and Deloitte will work jointly for promoting MPPE from their respective areas so that some extended support for the private sector can be given and the objectives of export diversification goal of the government achieved by having more export in this sector.

GCF Readiness Meeting

An inception workshop of the GCF Readiness Project namely Strengthening Bangladesh's NDA Secretariat, Enhancing Pipeline Implementation and Private Sector Engagement in Effective Climate Action was held on May 27, 2021 organized jointly by the Economic Relations Division (ERD) of the Ministry of Finance Ministry and Food and Agriculture Organization of the United Nations (FAO). This Readiness project will strengthen the capacity of Bangladesh's National Designated Authority(NDA), ERD, to set up processes and mechanisms to effectively engage with the GCF through capacity building for climate finance.

Broad objectives of the project is strengthening Bangladesh's NDA Secretariat, Enhancing Pipeline Implementation and Private Sector Engagement in Effective Climate Action. Other objectives are; strategic frameworks for low-emission investment; paradigm-shift pipeline development; knowledge sharing and learning

The meeting encouraged private sector to put forward their opinions. BUILD as one of the private sector think tank participated and put forward their opinions on behalf of private sector.

Regular public-private dialogues (PPDs) can be organized with public sector and private sector to encourage more private sector financing. BUILD holds PPDs on Sustainability and Green Growth Working Committee (SGGWC) to encourage mitigation and adaptation.

BUILD recommended to form a committee of experts to provide guidance and consultancy support to private sector so that businesses can easily and affordably understand how to apply for the GCF.

BUILD Chairperson Attended Budget Consultation of ERF



Economists and business leaders at a webinar stressed the need for framing a budget for the next fiscal year (FY22) focused on the Covid-19 pandemic, prioritizing the health sector to mitigate the health-related risks, alongside sound macroeconomic management, widening social safety nets, raising the tax-GDP ratio and generating more employments.

BUILD Chairperson Abul Kasem Khan suggested the continuation of the stimulus packages in the next budget as well as rationalizing taxation measures and improving the investment climate at the webinar titled Macroeconomy: Expectations from National Budget 2021-22 on May 3, 2021. Institute of Chartered Accountants of Bangladesh (ICAB) and the Economic Reporters' Forum (ERF) jointly organized the webinar.

Prime Minister's Economic Affairs Adviser Mashiur Rahman spoke at the webinar as the chief guest. Stressing the need for carrying out necessary reforms in the financial sector and in the revenue sector, Mashiur said that reforms in the capital and bond markets are also necessary to attract large-scale investors.

The adviser noted that if the lion's share of deficit financing could be made available from the foreign sources, then its impact in the domestic sector would be not that much. He also stressed the need for boosting confidence among the businesses and investors, attracting more FDI, ensuring skills development and sound basic education up to secondary level.

Major Activities of BUILD in May-June 2021

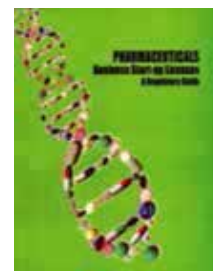
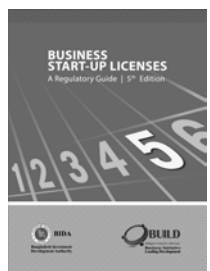
BUILD CEO Ferdaus Ara Begum joined the ICCF-3 Steering Committee held on June 9, 2021

BUILD Additional Research Director Md. Tahmid Zami joined the NDA WP-DOE Dialogue on June 27, 2021

BUILD CEO Ferdaus Ara Begum joined the Leather Task Force Meeting on June 21, 2021

BUILD CEO joined the meeting of Bangladesh Green and Resilient Economic Zone (GREZ) Guideline on June 7, 2021 virtually.

Publications



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Business Initiative Leading Development (BUILD)

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