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# BUILD Annual Report

2020





# **BUILD Annual Report 2020**

## **Business Initiative Leading Development (BUILD)**

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# Contents

i	Chairperson's Review — Looking Back .....	6
ii	Brief on BUILD .....	15
iii	Major Policy Reforms .....	26
iv	Major Policy Papers .....	38
v	Working Committee Meetings .....	52
vi	Major Events.....	82
vii	Meetings with Other Organisations.....	115
viii	International Events .....	132
ix	Financial Report.....	138
x	Partners and Affiliations.....	146
xi	BUILD Secretariat .....	147

# Chairperson's Review — Looking Back



As Business Initiative Leading Development (BUILD) was gearing up to celebrate its 10th anniversary in 2020, the world faced the coronavirus pandemic, which upended people's lives and business operations both locally and globally. Following the countrywide lockdown to restrict the spread of the deadly virus in March 2020, global agencies set out predictions of worldwide recessions for 2020, with a meagre growth of 2.3 for Bangladesh. The nationwide lockdown resulted in significant ramifications for the livelihoods, economy and businesses and is expected to transform business models.

The pandemic has significantly impacted Bangladesh's economy. The decline in national and global demand for manufactured goods, particularly in the garment sector, risks creating unemployment and deepening poverty. According to a Bangladesh Institute of Development Studies (BIDS) survey, about 13% of people have become unemployed in the country due to the COVID-19 pandemic. According to another study, Bangladesh will have 16.4 million new poor in 2020 as the income of the working class in urban and rural areas have fallen sharply due to the lockdown to stop the spread of the COVID-19 pandemic.

The pandemic has affected the export and import of Bangladesh by large margins. There are concerns that the economic recession in the United States and Europe, the two leading export destinations of Bangladesh, is likely to be prolonged. Bangladesh has a greater reliance on trade relative to the other countries in the region, making the country more exposed to changes in the global economic environment due to the current pandemic. Lead time and costs increased for export and import as Chittagong sea port, Benapole land port



and airport were partly closed. The trade balance recorded a more significant deficit of USD16.07 billion during July-May, FY2019-20 compared to USD 14.98 billion in July-May, FY2018-19. Import during July-May of FY2019-20 fell by 10.81% and stood at USD 49.98 billion against USD 56.03 billion of July-May, FY2018-19.

I have taken over as the Chairperson of the Trustee Board of BUILD for 2020-2021. My predecessor was Mahbubul Alam, President of the Chittagong Chamber of Commerce and Industry (CCCI), who led the organisation for 2018-2019. As a Chairperson, I am proud of how BUILD stood by the government's side and unfurled numerous actions to support the private sector of Bangladesh.

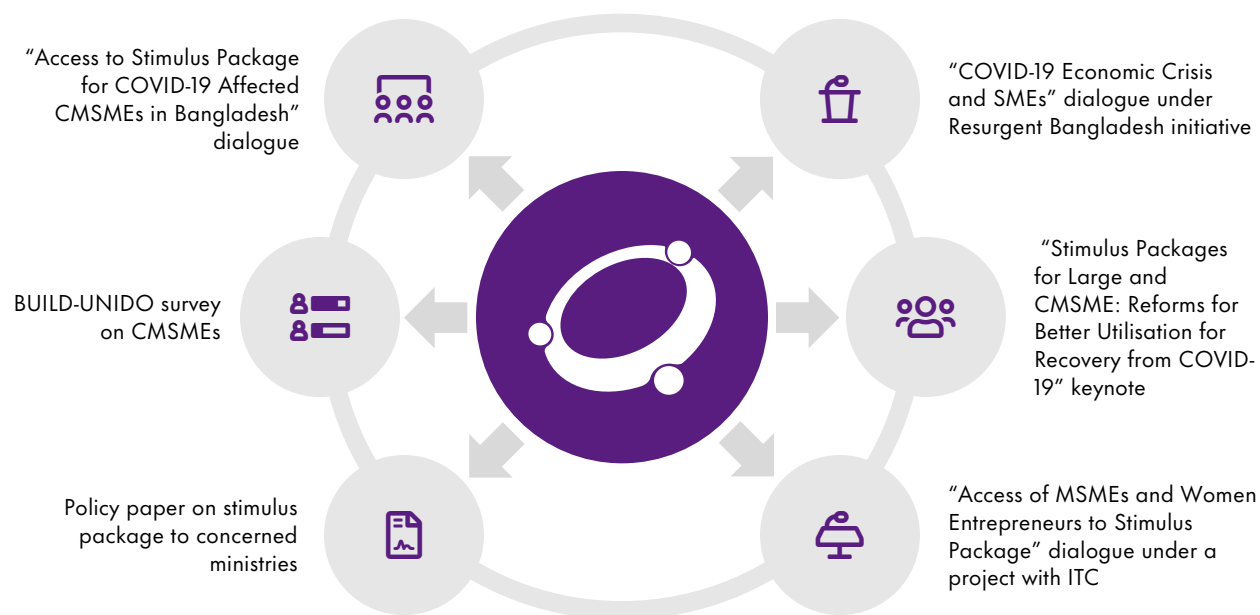
This 2020 annual report (starting from January to December) shows continued diversification in our work areas, project numbers, engagement in the government's policymaking process, and a substantial upswing in our private sector development engagement through many channels and covering many sectors.

From mid-March 2020, like much of the Bangladeshi workforce, BUILD staff worked remotely for several months before a staged return to the office. We are immensely proud of the efforts of our staff. Despite the challenges, they continued to produce high-quality research with the Prime Minister's Office, Ministry of Commerce, Industry, Finance (National Board of Revenue), Environment and Climate Change and Bangladesh Bank and ICT Division.

Since its first detection in Bangladesh on 8 March, the pandemic COVID-19 has slowly but almost ineluctably imploded the incredible dynamism of the country's economy. The viral havoc has been not only a global health emergency but also an economic shock of epochal proportions. It has pierced the economic momentum, GDP growth projections came crashing down from more than 8% to just above 2% in 2019-2020. According to the World Bank, South Asia's economic performance will be the worst in four decades due to the COVID-19.

As an organisation committed to private sector growth and sustainable development, BUILD quickly responded to the vacuum created by the unforeseen economic fallout due to COVID-19. The experts and analysts from BUILD's team provided a steady stream of commentary and analysis on the COVID-19 crisis from early on. In synchrony with the fluid and evolving situation, BUILD adapted and updated its assessment and proposed policy suggestions for the government.

For the private sector development, we tabled several policy recommendations at the Private Sector Development Policy Coordination Committee (PSDPCC) Meeting headed by the Principal Secretary to the Prime Minister at the Prime Minister's Office and other Working Committee Meetings, and the government has already implemented a considerable number of policies.



Before recommending any policy suggestions to the Government, BUILD maintains a structured filtration system and puts its utmost effort to identify the cross-cutting and sectoral issues. Issue identification method and collection of baseline information follow a structured process of filtration. Implementation of the filtration mechanism of BUILD ensures that this basic information is available even before the reform is recommended. PSDPCC and seven working committees play a significant role in the entire reform architecture of BUILD. Using PSDPCC, Working Committees, National Budget, and other platforms, BUILD successfully helped the Government implement 57 reforms.

BUILD features public-private dialogues on seven thematic areas by way of working committees — tax, SMEs, financial sector development, trade and investment and sustainability and green growth, ICT and 4IR, and logistics infrastructure development. Each

working committee is co-chaired by the Secretary of the concerned government ministries and President of the leading chambers. It undertakes analysis and advocacy to support the dialogue process and develops specific, measurable, and results-based recommendations for the government to implement. Using PSDPCC, Working Committees, National Budget consultation, and other platforms BUILD successfully managed to implement several reforms in 2020, and they include,

- Trading ceiling for bank Increased
- Chamber/associations/trade bodies/CMSME are now social guarantors
- Direct financing in EUR in green transformation fund
- Inclusion of new products/initiatives in the List of environment-friendly green products/initiatives of Bangladesh Bank



- Increase of fund limit of refinancing scheme for environment-friendly green products/initiatives/projects
- Income tax exemption limit extended
- Reduction of advance tax
- Wet blue leather export is allowed by the government
- Credit guarantee scheme is allowed for CMSMEs
- The working capital limit for CMSMEs under the stimulus package increased
- Individual ETP allowed for private sector
- Limit for the trading sector in stimulus packages has been increased
- Time extension for the disbursement of BDT 20,000 crore stimulus package scheme for working capital for CMSMEs affected by COVID-19
- Steps of Bangladesh Bank towards relaxing foreign exchange regulations for trade transactions

The following table demonstrates the number of working committee meetings held in 2020 and the number of policy suggestions accepted by the government.

BUILD Trustee Board members called on Dr Ahmad Kaikaus, Principal Secretary to the Prime Minister and discussed BUILD's activities, including Private Sector Development Policy Coordination Committee (PSDPCC) established at PMO at the meeting on 4 March 2020 at the Prime Minister's Office. Endorsing BUILD

Chairperson Dr Ahmad Kaikaus, Principal Secretary to the Prime Minister, appreciated the role of PSDPCC and mentioned that it is truly a unique platform to facilitate the private sector growth more effectively, and the PMO will continue to assist and support.

Recognising e-commerce as a future potential business and trade platform for women entrepreneurs, BUILD called for policy support for providing e-commerce businesses legal and formal identity through providing the trade license at the 7<sup>th</sup> Trade and Investment (T&I) Working Committee.

To bring in changes in policy for creating a smooth and efficient environment across the logistics value chain of Bangladesh, BUILD and Prime Minister's Office (PMO) formed the Logistics Development Working Committee. Md Tofazzel Hossain Miah, secretary at the Prime Minister's Office, and Abul Kasem Khan, Chairperson of BUILD, co-chaired the first meeting of the Logistics Infrastructure Development Working Committee (LIDWC) on 23 December 2020 at PMO.

Keeping massive industrial change and advancement of digital technologies, BUILD formed the 4th Industrial Revolution and ICT Working Committee with Bangladesh Hi-Tec Park Authority (BHPTA) and Bangladesh Association of Software and Information Services (BASIS). The first meeting of the newly formed 4th Industrial Revolution and ICT Working Committee (4IR&ICTWC) of BUILD was held on 21 October 2020 at the office premise of BHPTA. Co-chaired by Hosne Ara Begum, Managing Director (Secretary), BHPTA

Public and Private Sector Collaboration						
Working Committees (WCs)	Co-chair of Public and Private Sector	Number of Members	Number of WC and Review Meeting	Number of RPPs	Total Proposals	Reforms Implemented
Trade and Investment	Sr. Secretary, MOC	Public Sector: 6	WC: 8	23	200	55
	President, MCCI	Private Sector: 14	RM: 1			
Taxation	Chairman, NBR	Public Sector: 4	WC: 2	26 (Project/RPP/Issue Brief) + 8 (Budget Proposal)	58 + 106	116
	President, FBCCI	Private Sector: 6	Preparatory: 3 RM: 1			
SME Development	Sr. Secretary, MOI	Public Sector: 4	WC: 7	14	163	39
	President, CCCI	Private Sector: 12	RM: 1			
Financial Sector Development	Dy. Governor, BB	Public Sector: 3	8WC: 8	19	180	32
	President, DCCI	Private Sector: 12	RM: 1			
Sustainability and Green Growth	Secretary, MOEF	Public Sector: 7	WC: 2	2	8	—
	President, BGMEA	Private Sector: 6 Civil Society/Academia: 6	Preparatory: 1			
4IR and ICT	Secretary, BHTPA	Public Sector: 13	WC: 1	1	4	In process
	President, BASIS	Private/Civil Society/Academia: 14	Sub-committee: 1			
Logistics Infrastructure Development	Secretary, PMO	Public Sector: 12	WC: 1	1	5	In process
	Chairperson, BUILD	Private Sector: 13				
Total			38	94	724	242

and Syed Almas Kabir, President, BASIS co-chaired the meeting.

The 8th meeting of Trade and Investment (T&I) Working Committee of BUILD on 31 December

2020 at the Ministry of Commerce co-chaired by Dr Md. Jafar Uddin and Nihad Kabir, President of MCCI, called for equal treatment of the non-RMG export industries. BUILD presented two critical presentations in the



meeting: “Export Diversification Need – Policy Discrimination of Bonded Warehouse Facilities for Non-RMG Sector” and “WTO SPS Agreement and Introducing e-Phytosanitary Certification for Agro and Agro-Processing Sector in Bangladesh”.

Through the Financial Sector Development Working Committee (FSDWC), BUILD placed policy papers on Financing Schemes for Export Competitiveness of Bangladesh and Access to Collateral Free Loan for Women Entrepreneurs, and a number of reforms were implemented by Bangladesh Bank proposed.

Under the SME Development Working Committee (SMEDWC) meeting, BUILD and PRISM, a European Union-funded programme under the auspices of the Ministry of Industries, jointly organised a virtual dialogue on “Access to Stimulus Package for COVID-19 Affected CMSMEs in Bangladesh” on 20 May 2020 focusing on the needs of CMSMEs regarding government announced stimulus packages.

The Sustainability and Green Growth Working Committee implemented a number of significant projects. Under the Climate Finance Transparency Mechanism supported by DFID, UKAID and British Council, BUILD conducted research and held dialogues on green financing and green transport. BUILD also organised transactional dialogues under the Textile Sustainability Platform (TSP) for harnessing solar energy for the textile sector. Under the Climate-Induced Migration Project, BUILD held workshops and research to develop bankable business plans for secondary cities that could provide jobs for

climate migrants. We also implemented a project with Bangladesh Centre for Advanced Studies (BCAS) on promoting adaptation investment among SMEs in Southwest Bangladesh.

Under the Taxation Working Committee (TWC), BUILD submitted 49 proposals to the National Board of Revenue for addressing the COVID-19 crisis emphasising health, agriculture, social protection, SME development etc., in May 2020. Earlier BUILD submitted 53 proposals on different Tax, VAT and Customs related issues on March 2020 to NBR. Several proposals have been accepted, which will help create enabling business and investment environment in the country.

In cooperation with IFC–World Bank Group, BUILD also held series of consultations on simplifying bonded warehouse facilities for leather goods and footwear sector, plastic sector, agro-processing sector and electrical and electronics sector under the Support to Organise Stakeholder Outreach and Consultation Programs (SOSOC) project. Trade Competitiveness for Export Diversification (TraCED) project under the BICF II has been working with the NBR to simplify and harmonise the customs clearance process, promote a risk-based customs control, modernise the tariff structure and support to extend the Bonded Warehouse (temporary admission) facilities to non-RMG sector. BUILD is collaborating with IFC to gather inputs from the private sector about the policy related constraints they are facing and how they would like to see to resolve the problem. Based on the reports, Sectoral Policy Notes will be

prepared and presented to the sectoral stakeholders to have validation and remarks which will be submitted to the Ministry of Finance and NBR through PSDPCC.

BUILD and IFC organised a series of workshops on Workplace Health Safety for Business Continuity during COVID-19 for different Custom Houses. A series of customised guidelines were being prepared since March, which were finalised in June.

Women traders face more challenges than their male counterparts. To find out the gender discrimination issues in the trade process and specific challenges of women traders, a baseline survey was conducted by BUILD in association with International Finance Corporation (IFC). BUILD presented the survey report titled “Challenges of Trading across Borders Facing the Women Traders of Bangladesh: Recent Findings and Way Forward” on 19 January 2020 at InterContinental Dhaka.

In order to understand the impact of COVID-19 on the manufacturing sector BUILD, in collaboration with United Nations Industrial Development Organisation (UNIDO), the Dhaka office has surveyed to assess the effects of COVID-19 on some selected manufacturing sectors in the country. The result of the survey was used to inform the government aiming to support businesses during the crisis.

International Trade Centre and BUILD collaborated on creating recommendations for government to make special provisions for disbursement of the fund to include women-

owned businesses as well as stakeholders on the implementation of the BDT 20,000 crore CMSME stimulus package.

BUILD and ITC hosted two dialogues to gather stakeholders’ input and agree on recommendations, including measures and policy interventions, for CPTU, women’s chambers, and Ministries to consider regarding better gender-disaggregated data on tenders, and capacity building of women to better meet tender requirements.

BUILD in collaboration with International Trade Centre (ITC)-She Trade Initiatives organised a consultation session on “Definition of Cottage, Micro, Small and Medium Enterprises (CMSME) in Bangladesh” on 10 December 2020, focusing on the categorisation of industrial segments based on the need, type and size.

To attract Austrian investors to Bangladesh by boosting their confidence in the policy measures, economic outlook and favourable investment climate of these countries, the Austrian Embassy Commercial Section, New Delhi, in collaboration with BUILD, held virtual talks with Austrian investors on 30 July 2020.

Early in the year, BUILD organised the third round of the Bangladesh-Austria Trade and Economic Forum along with Advantage Austria. BUILD has been the official partner of the Austrian Embassy Commercial Section (Advantage Austria) since 2016. BUILD and Advantage Austria organised the prestigious National Energy Globe Award Giving Ceremony-2019 as well.

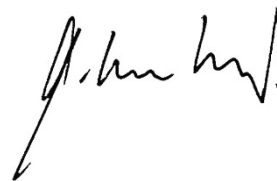
Besides, as a valued member, BUILD attended all meetings of Policy Coordination Committee on Leather goods and Footwear Sector, Taskforce of Action Plan Formulation and Development of Recommendations for the Leather Sector, Bangladesh Trade Portal, National Steering Board of the Bangladesh Water Multi-Stakeholder Partnership (MSP) Steering Committee, National Consultative Committee on Export Policy, National Consultative Committee on Import Policy Order, Government-Tenderers' Forum (GTF), National Consultative Committee on Taxation, National Single Window, Trade Facilitation Committee, SDG Platform, Water Governance and Sustainability Work Stream, Agriculture Work Stream, Integrated Private Sector Policy Concept Note Preparation Committee, Asia Pacific Business Forum (APBF) by UN ESCAP, Credit Guarantee Fund (CGF) Advisory Committee of BFP-B, Global Partnership for Effective Development Monitoring Survey, Working Group on Improvement of Investment Climate(Japan), Project Implementation Committee (PIC) Member of the project for promoting Investment and Enhancement of Industrial Competitiveness, Friday Market of Bangladesh Bank, Committee on preparing recommendations for Import Policy 2018-2021, Guideline for Green Economic Zone, Investment Promotion Team, SME Policy Advocacy, Research and SME Database Development Working Committee of Ministry of Industries, Leather Sector Development and Taskforce in the Ministry of Industries.

Our accomplishments would be literally impossible had we not received invaluable

support from our stakeholders such as Dhaka Chamber of Commerce and Industry, Metropolitan Chamber of Commerce and Industry and Chittagong Chamber of Commerce and Industry.

We want to extend sincere thanks to the Prime Minister's Office, World Bank Group, International Finance Corporation, UNDP Bangladesh, USAID, International Trade Centre-Geneva, Austrian Embassy Commercial Section, ActionAid, Japan External Trade Organisation, and PROKAS of British Council for selecting BUILD as one of the partners. At the same time, we would extend sincere thanks to a number of chambers/associations that acknowledged our role and benefited from BUILD's services.

Thank you. It is an honour to serve this unique organisation.



**Abul Kasem Khan**

Chairperson  
Board of Trustees  
Business Initiative Leading Development  
(BUILD)



**Business  
Initiative  
Leading  
Development**



**BUILD**

# Brief on BUILD

**Business Initiative Leading Development (BUILD) is the country's pioneering public-private dialogue platform jointly promoted by the three leading chambers of the country, Dhaka Chamber of Commerce and Industry (DCCI), Metropolitan Chamber of Commerce and Industry (MCCI), and Chittagong Chamber of Commerce and Industry (CCCI).**

Established in 2011, BUILD is uniquely positioned to provide research-driven policy recommendations to the government on behalf of the private sector. Since its inception, BUILD has played important roles in the public-private policy dialogue process by identifying investment, trade and business constraints and recommended policy level changes to help unlock many growth potentials for the private sector and the economy.

BUILD conducts additional research to develop policy recommendations for private sector-led development. It works as a strategic partner of the Private Sector Development Policy Coordination Committee (PSDPCC) at the Prime Minister's Office (PMO) and provides all secretarial support through Policy Coordination Unit (PCU) at the PMO. The Private Sector Development Policy Coordination Committee (PSDPCC) is a high-powered public-private sector committee chaired by the Principal Secretary of the Government.



 BUILD Chairperson Abul Kasem Khan presents a flower bouquet to Dr Ahmad Kaikaus, Principal Secretary to the honourable Prime Minister, at the PMO.

BUILD currently contributes through seven thematic Public-Private Dialogue (PPD) platforms focused on taxation, SME, financial sector, logistics and infrastructure, trade and investments, ICT and 4IR, sustainability, and green growth. These PPDs create the bridge between policy planners and the private sector on a regular basis working towards deeper engagement of the stakeholder dialogue and discussion process for improving policies. Each of the PPD is headed jointly by the senior public and private sector representatives.





Given the ever-changing need, these engagement platforms between the public and private sector create a deeper understanding of the improved planning process and policy design for the economy. BUILD's recommendations from PPDs are forwarded to the Private Sector Development Policy Coordination Committee (PSDPCC). PSDPCC provides guidance and direction on the various recommendations.





# Our Objectives

**BUILD's targets are ambitious — it estimates that it will support the government to achieve the following impacts. However, BUILD's most significant impact is when this permanent change is brought in the way the government and private sector work together to achieve the nation's development goals and ensure a brighter future for Bangladesh.**

- Creating at least 2 million smart, sustainable jobs**
- Facilitating at least USD 10 billion in investment**
- Generating at least 40,000 new small and medium-sized enterprises**



## Board of Trustees

BUILD's Board of Trustees plays an influential role in terms of transformational leadership, coherent strategy, and bringing innovative skills into the fold. Following are the incumbent trustees for 2020-21.



**Abul Kasem Khan**

Chairperson



**Rizwan Rahman**

Trustee Board Member



**Nihad Kabir**

Trustee Board Member



**Mahbubul Alam**

Trustee Board Member



**Asif Ibrahim**

Trustee Board Member



**Syed M. Tanvir**

Trustee Board Member



**Asraful Arefin**

Trustee Board Member



**Farooq Ahmed**

Trustee Board Member



**Engr. Mohd. Farque Ahmed**

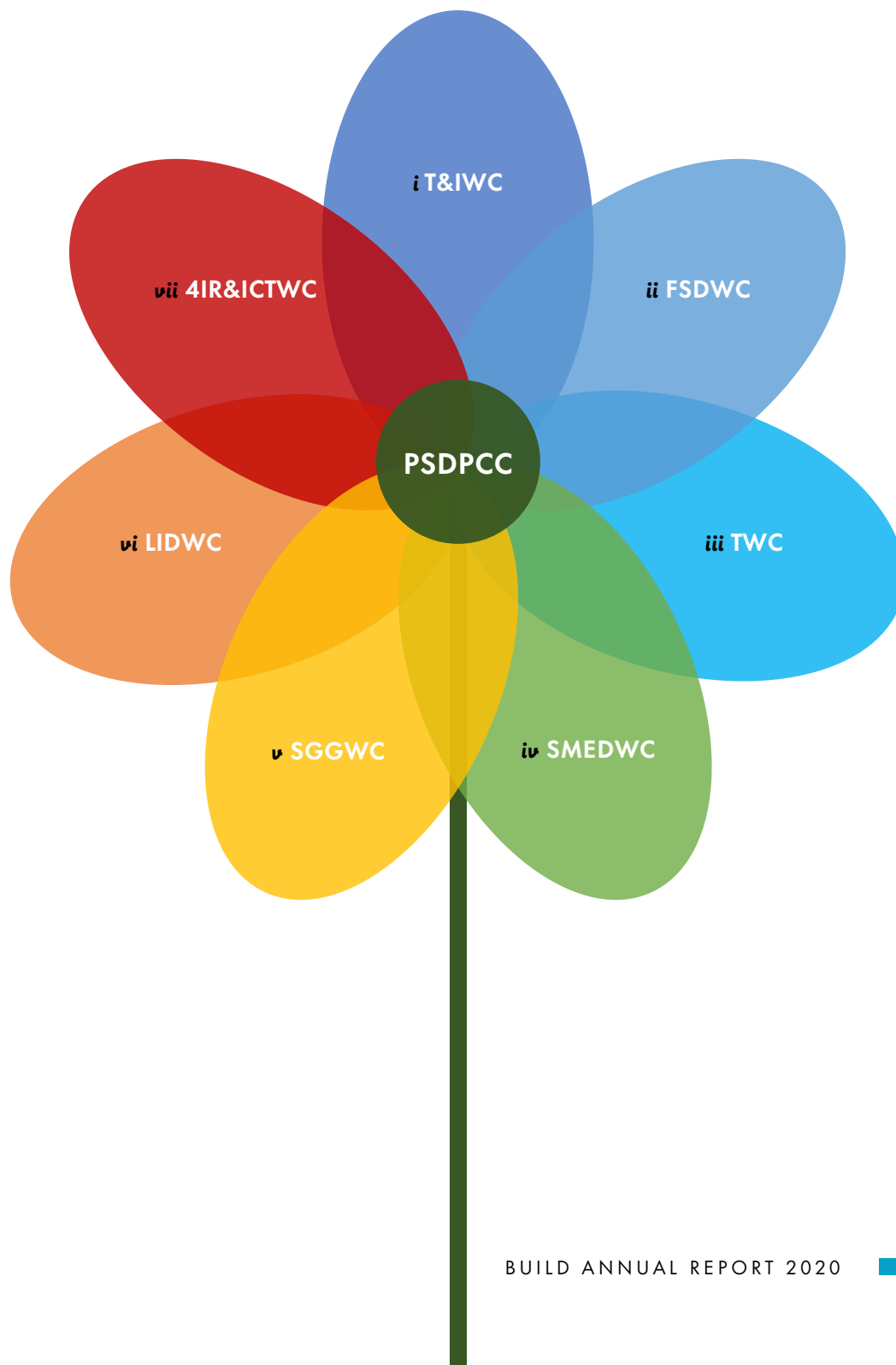
Trustee Board Member



**Ferdaus Ara Begum**

Chief Executive Officer (CEO)

## How BUILD Works





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### **i Trade and Investment Working Committee (T&IWC)**

#### **OBJECTIVE**

To unlock the investment potentials of Bangladesh and address the issues related to trade and investment policies

#### **PUBLIC SECTOR CO-CHAIR**

Secretary, Ministry of Commerce

#### **PRIVATE SECTOR CO-CHAIR**

President, MCCI

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### **ii Financial Sector Development Working Committee (FSDWC)**

#### **OBJECTIVE**

To identify constraints to SME business and eventually create a conducive business environment for SMEs

#### **PUBLIC SECTOR CO-CHAIR**

Deputy Governor 1, Bangladesh Bank

#### **PRIVATE SECTOR CO-CHAIR**

President, DCCI

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### **iii Taxation Working Committee (TWC)**

#### **OBJECTIVE**

To bring in reforms for tax formulation and continuous re-appraisal of tax-policies and tax-laws

#### **PUBLIC SECTOR CO-CHAIR**

Chairman, National Board of Revenue

#### **PRIVATE SECTOR CO-CHAIR**

President, FBCCI

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### **iv SME Development Working Committee (SMEDWC)**

#### **OBJECTIVE**

To identify constraints to SME business development and promote SMEs for alleviating poverty and generating employment

#### **PUBLIC SECTOR CO-CHAIR**

Secretary, Ministry of Industries

#### **PRIVATE SECTOR CO-CHAIR**

President, CCCI

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### **v Sustainability and Green Growth Working Committee (SGGWC)**

#### **OBJECTIVE**

To create awareness among businesses for climate change for green growth and environment-friendly sustainable business

#### **PUBLIC SECTOR CO-CHAIR**

Secretary, Ministry of Environment, Forests and Climate Change

#### **PRIVATE SECTOR CO-CHAIR**

President, BGMEA

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### **vi Logistics Infrastructures Development Working Committee (LIDWC)**

#### **OBJECTIVE**

Facilitate private sector business to increase its competitiveness so that the cost of doing business can be reduced and analyse the policies to reform.

#### **PUBLIC SECTOR CO-CHAIR**

Secretary, Prime Minister Office

#### **PRIVATE SECTOR CO-CHAIR**

Chairperson, BUILD

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### **vii 4th Industrial Revolution and ICT Working Committee (4IR&ICTWC)**

#### **OBJECTIVE**

To harness the benefits of the Fourth Industrial Revolution and ICT for Bangladesh's economy to expedite growth and create new employment opportunities by close cooperation among the public and private sectors on relevant policies and practices.

#### **PUBLIC SECTOR CO-CHAIR**

Managing Director (Secretary),  
Bangladesh Hi-Tech Park Authority

#### **PRIVATE SECTOR CO-CHAIR**

President, BASIS

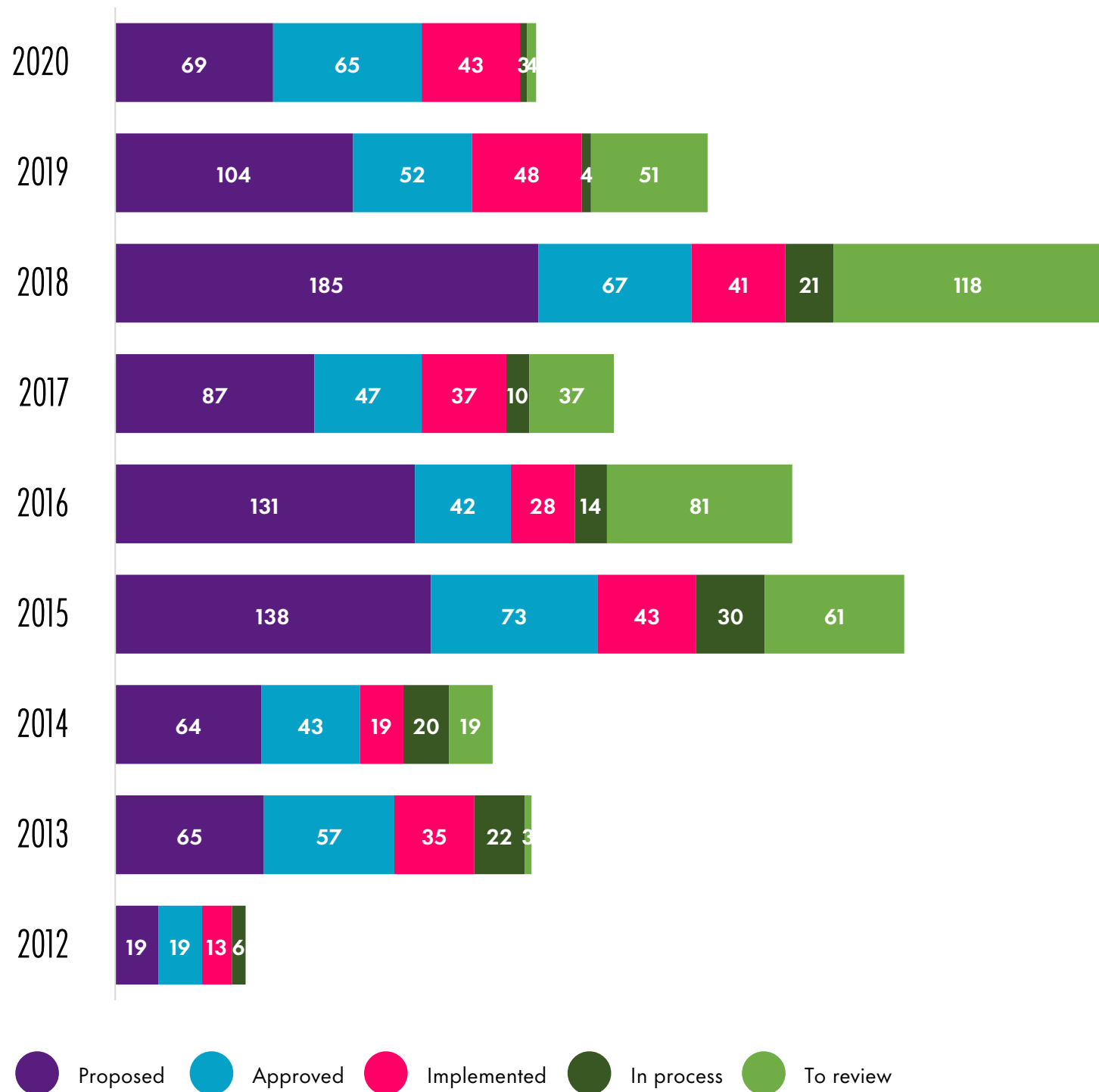
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# Workings of PSDPCC

The Private Sector Development Policy Coordination Committee (PSDPCC) at the Prime Minister's Office, headed by the Principal Secretary to the Prime Minister, coordinates and catalyses government agencies and private sector activities related to Private Sector Development matters. The committee takes an inter-ministerial integrated approach to make decisions on regulatory policies. Getting policy directives from the seven thematic working committees, BUILD has been working as the Secretariat to the PSDPCC since its inception in 2011. The committee's ToR (Terms of References) is to identify PSD constraints, analyse investment climate, and prescribe policy suggestions.

# BUILD's Commitment to Results

The scorecard for BUILD's reform efforts from 2012 to 2020 is shown in the figure below.





# BUILD's Policy Reforms in 2020

Proposed



Approved



Implemented



In process



To review



# Major Policy Reforms

A structured filtration system is maintained to implement recommendations. BUILD puts its utmost effort to identify the cross-cutting and sectoral issues. Issue identification method and collection of baseline information follow a structured process of filtration. Implementation of the filtration mechanism of BUILD ensures that this basic information is available even before the reform is recommended. PSDPCC and seven working committees play a significant role in the entire reform architecture of BUILD. BUILD successfully implemented several reforms through PSDPCC, Working Committees, National Budget consultation, and other platforms. Summary of the reforms are as follows.







## Trading ceiling for bank increased

Bangladesh Bank has issued a circular on 5 September 2019 where a definition of trading was given for micro and small entrepreneurs. The amount of replacement cost except land and building for micro-business is 10 lakh BDT, workforce 15 and those who have annual transactions not more than BDT two crore. Previously, the fixed asset cost except land and building for the micro-industry was less than BDT 10 lakh, and the required workforce was a maximum of 5 persons. In the case of small industry, the allowed limit is BDT 10 lakh to 2 crores for which human resources is 16-50 and those whose annual turnover / annual transaction is not more than BDT 2 crore to 20 crores. In the earlier circular, for small industries, the allowed limit for the fixed asset was BDT 5 lacs to BDT 1 crore, and the required workforce was 6-10 persons. This issue was also discussed in the 6th SMEDWC meeting held on 24 July 2019 at MCCI.

## Chamber/associations/trade bodies/CMSME — social guarantors

In the 7th Financial Sector Development WC meeting, BUILD proposed that related chambers/associations/trade bodies/CMSME trading organisations be recognised to provide a social guarantee. This has been included in the SMESPD circular-2 of Bangladesh Bank issued on 5 September 2019.

## Direct financing in EUR in Green Transformation Fund

The issue regarding direct financing in EUR in export financing was highlighted in the study titled “Financing Schemes and Available Credit Facilities for Export Competitiveness of Bangladesh” presented in the 7th FSDWC meeting of BUILD chaired by Deputy Governor, Bangladesh Bank held on 7 August 2019. The discussion reviewed the feasibility of expanding import payment through euro against their usance L/C in export financing. The stakeholders also requested the central bank to explore how to use the settlement with different currencies such as EUR, CNY etc. BUILD recommended that direct financing in EUR can be explored in export financing. Through FEPD Circular No. 20: on 15/04/2020, Bangladesh Bank has added 200 million euros to the existing USD 200 million Green Transformation Fund to refinance environmentally-friendly projects. From the new fund, all export-manufacturing industries will be able to avail loans in euros through authorised dealer banks at less than 2% interest to import environment-friendly and energy-efficient capital machinery and

accessories, including buyer's credit. Authorised Dealer banks can borrow money from this fund at a 1% interest rate to further finance the exporters-manufacturers. With this loan in euros, industries can import industrial raw materials to use in all manufacturing enterprises, including export-oriented ones and deemed exporters. GTF is the concessionary loan for importing capital machinery and accessories for all export-oriented sectors in the country. Through this reform, direct financing in EUR has been initiated in the export financing. If the user experience is positive, the other export financing in foreign currencies such as CNY can also be explored.

## Inclusion of new products/initiatives in the list of environment-friendly green products/initiatives of Bangladesh Bank

BUILD recommended including new products/initiatives in various sectors in the environment-friendly Green Products/Initiatives of the Bangladesh Bank for green financing. This issue was highlighted in the study titled "Financing Schemes and Available Credit Facilities for Export Competitiveness of Bangladesh" presented in the 7th FSDWC meeting of BUILD chaired by Deputy Governor, Bangladesh Bank held on 7 August 2019. Bangladesh Bank established the Refinancing Scheme for Green Products/Initiatives with its own fund in 2009. The fund provided refinancing for investment in fifty-one products under eight categories. After conducting the study mentioned above, BUILD recommended including new green products in several categories related to recycling, sludge incineration, waste management, and circular economy implementation to emphasise green financing. In a recent meeting with the Sustainable Finance Department on 28 November 2019, BUILD requested the Central Bank to include Rooftop Solar in the green products/initiatives list.

Through publishing the new Master Circular (SFD Circular No. 2 dated 30 April 2020) on Refinancing Scheme for Environment Friendly Product/Initiative/Project, Bangladesh Bank has extended the number of environment-friendly products/initiatives/projects to fifty-five products under nine categories from the previous fifty-one products under eight categories. The newly included products are Medical Waste Management Unit/Plant and E-Waste Management Unit/Plant under Solid Waste Management, Net Metering Rooftop Solar System, Solar Pico Grid and Solar Nano Grid under Renewable Energy.







## **Wet blue leather export is allowed by the government**

BUILD recommended exporting wet blue leather through a study on “Raw Hide Price Fixation for Upcoming Eid-ul-Adha 2020”. BUILD also placed this recommendation to the Ministry of Commerce in the meeting on Cash Subsidy on 7 June 2020 at the Ministry of Commerce. The government has decided to allow traders to export rawhide and wet blue hide as part of efforts to keep supply and demand stable after cattle slaughtering during Eid-ul-Adha. The decision was announced on 29 July 2020 through Mass Notice no-39 of the Office of Chief Controller of Imports and Exports in order to develop the leather sector. In the last season of animal sacrificing, piles of thousands of rawhides were left to rot in the streets after the merchants declined to buy the rawhides from seasonal traders or offered low prices following a dispute with the tanners over dues. It appears that relaxation of the export rules is required to keep the market stable. This approach is expected to avert an impending collapse of the leather industry and to free the tannery owners from a hostage-like situation.

## **Increase of fund limit of refinancing scheme for environment-friendly green products/initiatives/projects**

BUILD requested the Sustainable Finance Department of Bangladesh Bank to extend the limit of the Refinancing Scheme for Environment-friendly green Products/Initiatives/Projects from BDT 200 crore to BDT 400 crore. This reform recommendation was sent to SFD, Bangladesh Bank, through a letter dated 3 December 2019. In order to broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., Bangladesh Bank established a revolving refinance scheme amounting to Taka 2 billion (200 crores) from its own fund for solar energy, Biogas and Effluent Treatment Plant (ETP) in 2009.

The product line previously was enhanced to 51 under 08 categories. Formulation of the new primary circular (SFD Circular No. 2 dated 30 April 2020) indicates the product line extension to 55 products under nine categories. Since inception, the total amount of BDT 4,488.99 million has been disbursed as refinance facility from the fund till 31 December 2019. This particular fund performed better than Green Transformation Fund so far in terms of green financing. The extension of the fund limit to BDT 400 crore will encourage more industries to avail green financing in various aspects in the near future.

## Income tax exemption limit extended

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

## Reduction of advance tax

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

## Credit Guarantee Scheme is allowed for CMSMEs

Bangladesh Bank has introduced a Credit Guarantee Scheme (CGS) to ease financing support for the cottage, micro, and small (CMS) enterprises through a SMESPD Circular no. 3 issued on 27 July 2020. Initially, this scheme facilities will be applicable for Stimulus Packages of BDT 20000 crore as a form of collateral-free working capital loan for supporting the CMSME sector. BUILD raised this issue of introducing a credit guarantee scheme for the CMSMEs in several platforms and also in a virtual dialogue titled “Access to Stimulus Package for COVID-19 Affected CMSMEs in Bangladesh” held on 20 May 2020. The CGS will help expedite the implementation of the government-announced BDT 20000 crore working capital loans for the CMSME. CGS will be used in replacement of collateral issues that CMS has been facing for quite a long time. This initiative will ensure more competitiveness of the CMS enterprises in terms of access to finance, and as a result, these COVID-19 affected enterprises will become more vibrant.

## Working capital limit for CMSMEs under the stimulus package increased

At the 8th Meeting of the Financial Sector Development Working Committee (FSDWC) of BUILD held on 18 August 2020, via Zoom Web Platform co-chaired by Ahmed Jamal, Deputy Governor, Bangladesh Bank and Shams Mahmud, President, Dhaka Chamber of Commerce and Industry

(DCCI), BUILD proposed for subsidised loans for CMSMEs to cover at least 50% of the working capital instead of the present level of 30% for affected CMSMEs. On 31 August 2020, Bangladesh Bank issued a SMESPD circular letter no. 07, where the increased ceiling of working capital loan up to 50% from existing 30% has been approved for manufacturing and service industries. Furthermore, on 28 September 2020, Bangladesh Bank issued SMESPD circular letter no. 10, where Bangladesh Bank allowed 50% subsidy on approved working capital loan for individual commercial banks, which was earlier on actual disbursed working capital loan for CMSME.

## Individual ETP allowed for private sector

Central Effluent Treatment Plant (CETP) of Tannery Industrial Estate of Saver, Dhaka (TIED) was not in function entirely. BUILD took up the case to analyse why the CETP is not fully functionalised in TIED while also understanding the private sector's needs. BUILD prepared a concept note on "Approval of Effluent Treatment Plant (ETP) in Parallel with CETP in TIED", where it suggested that Permission for Individual ETP is a crucial concern for the private sector. From a private sector viewpoint, two large tanneries – Apex and Bay Tanneries – have applied for individual ETP provided that they bear all costs of CETP. BUILD placed this recommendation on the 12th Private Sector Development Policy Coordination Committee (PSDPCC) on 10 February 2020 at PMO.

Following multiple follow-up and advocacy of all concerned and BUILD, the Ministry of Industries issued an Order on 23 July 2020 to allow Apex Tannery and Bay Tannery to set up individual ETP in Saver Tannery Industrial City followed by some rules and regulations mentioned in the order. A Central Effluent Treatment Plant was supposed to be set up in order to manage the waste of all factories in the tannery industrial city, but the plant has not finished in eight years. Due to the lack of proper waste treatment and drainage, the environment around river Shapeware and adjacent areas is seriously being polluted. Tannery waste management is essential not just for environmental reasons, but also for commercial ones. If the tannery business does not follow appropriate waste treatment methods, it will not be recognised internationally. Major companies do not purchase the leather products produced by such an enterprise. Tannery companies must be certified by the internationally recognised Leather Working Group (LWG) for export.

## Preparatory 14th PSDPCC meeting held

A meeting with DG, PMO and Director-1, Anisur Rahman, was held on 29 October 2020 at the DG office to discuss the 14th PSDPCC meeting. Zubaida Nasreen, at the outset, wanted to know about BUILD and PSDPCC. CEO, BUILD, gave a brief to the DG about BUILD and PSDPCC and the outcome of the last 13 PSDPCC meetings. The discussion was held on the agenda of the 14th PSDPCC meeting. There was a detailed discussion on the PSDPCC process and how it can be made more workable for



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

## **Limit for the trading sector in stimulus packages has been increased**

Bangladesh Bank issued BDT 20,000 crore stimulus package for CMSME concentrated on the manufacturing and service sector (70%). Only 20% of the loan was allocated for the trading sector. When the SP was introduced for the CMSME sector, it was noticed that there is a considerable number of entrepreneurs who are engaged in the trading sector. For this reason, a substantial portion of them remains outside the benefit from the stimulus package. In the 8th Financial Sector Development Working Committee meeting held on 8 August 2020, it is also placed a recommendation that as the majority of cottage industries deal in wholesale and retail businesses, so this distribution of SP can be reviewed. In collaboration with SheTrades of ITC, BUILD has organised a dialogue titled "Access of MSMEs and Women Entrepreneurs to Stimulus Package" on 22 September 2020; a recommendation was placed where several representatives of CMSME and also the representative of Bangladesh Bank were present. According to SMESPD circular letter no. 12 of 28 October 2020, allocation of SP for CMSME Trading sector has been extended up to 30% from 20%.

Furthermore, BUILD will continue to monitor this problem across many platforms. Recently, to increase the proportion of trading up to 35% as the disbursement for trading is high, Bangladesh Bank issued SMESPD Circular Letter no. 16 on 26 November 2020, where they instructed all banks and FIs to allow the limit up to 35% for the Trading Sector. This will help our present CMSME channel as those cannot apply for a loan under SP due to the bar of trading in previous.

## **Time extension for the disbursement of BDT 20,000 crore stimulus package scheme for working capital for CMSMEs affected by COVID-19**

The private sector has been exposed to severe crises because of the inauspicious hit by the COVID-19 pandemic. Especially cottage, micro and small enterprises are in the worst situation as they suffer from a drop in sales, loss of income, unstable value chain and unprecedented shutdown. Bangladesh



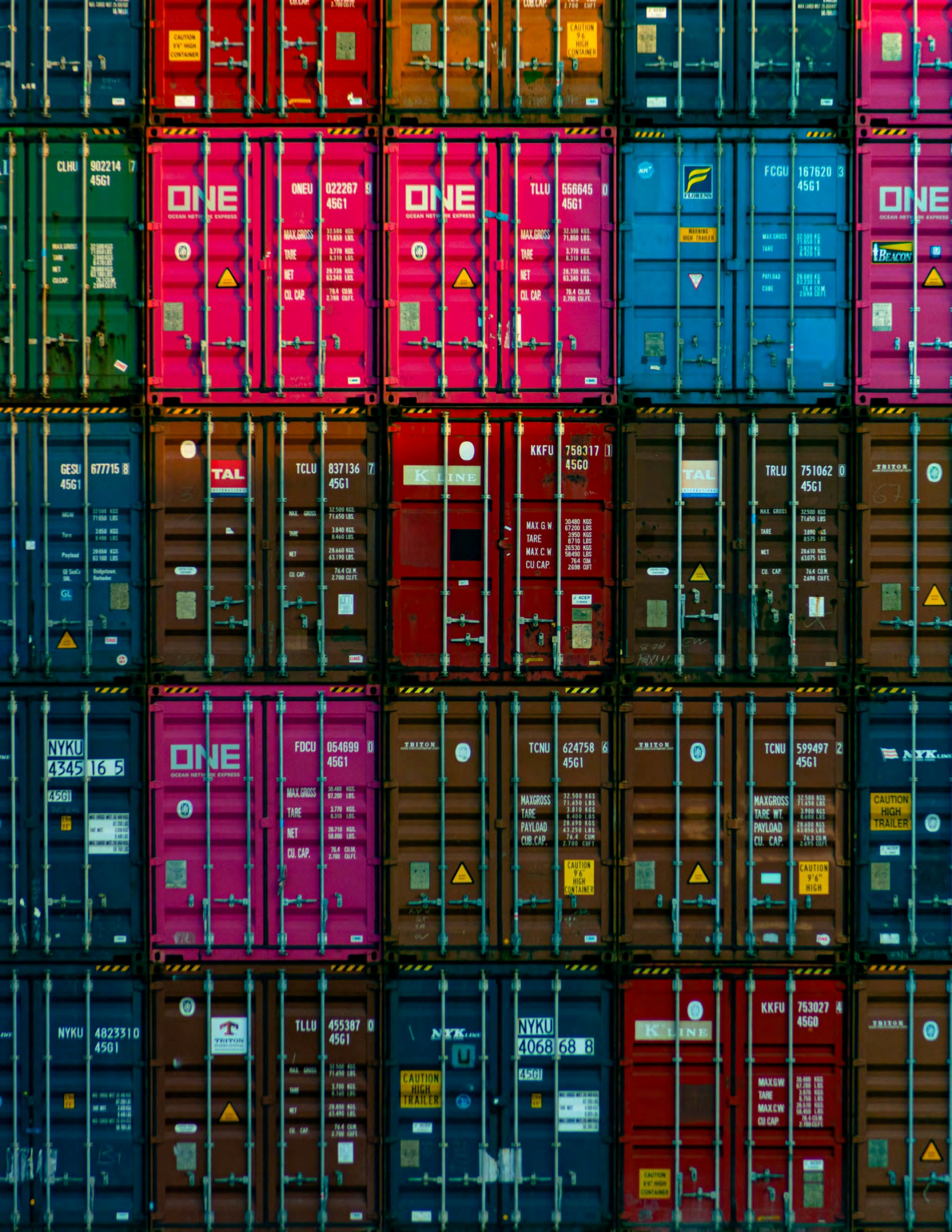
declared stimulus packages of BDT 20,000 crore with a 5% interest subsidy had been allocated for the benefit of Cottage, Micro, Small and Medium Enterprises (CMSMEs). The total reported disbursement of this stimulus package is BDT 5,882 crore till 6 October 2020. The total allocation of this stimulus package is 29.41% so far, which is not remarkably high. So, BUILD raised this concern to Bangladesh Bank and sent a letter to Bangladesh Bank to extend the time for the disbursement. Therefore, to realise the need, Bangladesh Bank issued a SMESPD Circular Letter no. 16 on 26 November 2020, where they also extended the time for the disbursement of stimulus packages for CMSMEs worth BDT 20,000 crore up to 31 December 2020. As the disbursement is not enough and from different platforms and dialogue, BUILD learned that many CMSMEs cannot get a loan from SP. And from one report of Bangladesh Bank, it has been seen that, till 30 November 2020, the disbursement amount is only 49.71% which incurred BDT 8,215.44 crore. So, BUILD also pursued Bangladesh Bank to extend the time further for more implementation in December 2020.

## ⇒ BUILD hails steps of Bangladesh Bank towards relaxing foreign exchange regulations for trade transactions

BUILD — a platform for public-private dialogue between government on the one hand and trade and industry on the other, praised Bangladesh Bank's steps towards easing foreign exchange regulations on trade transactions for the exporters of the country. Bangladesh Bank via FE Circular No. 49 on 18 November 2020 said that all exporters, irrespective of the sectors, will be allowed a maximum of 210 days to bring their export proceeds into the country due to the inauspicious impact in the wake of COVID-19. The extension will remain effective until March next year. In the earlier circular (FE Circular No. 30) published on 23 July 2020, only ready-made garments and textile exporters were allowed to use the facility.

In BUILD's 7th Financial Sector Development Working Committee (FSDWC) meeting held on 7 August 2019, a study titled "Financing Schemes and Available Credit Facilities for Export Competitiveness of Bangladesh" was presented. The study focused on creating a level playing field for all the country's exporters to strengthen the competitiveness of the export-oriented private sectors. In the study, BUILD suggested a specific recommendation to ease the trade process and assist the exporters through a stimulus package. Exporters have been facing problems in repatriating their export proceeds on time in the ongoing pandemic. Several foreign buyers reportedly become unable to make their payments against imported items from Bangladesh. The non-RMG exporters, as a result, are facing problems to realise the export proceeds. It is believed that the extension of the tenure of realisation of export proceeds up to March 2021 for all sectors will help the exporters of the country to revive amid the COVID-19 induced crisis.





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CUB. CAP: 63,340 CU. FT.

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# Major Policy Papers

## Stimulus packages for large and CMSMEs — reforms to improve utilisation for COVID-19 recovery

Referring to a recent UNIDO-BUILD survey finding, it is found that CMSMEs are in a worse situation compared to large enterprises. It is appreciated that Bangladesh Bank extends all support and issuance of a number of circulars to ease the process. Based on the reported data, it is seen that the disbursement of the government announced SPs for CMSMEs is slower than that of large industries. It is recommended for a quick and hassle-free loan processing system for the private sector, flexibility in distribution conditionality so that Banks find it easy and increase the repayment period for CMSMEs. BUILD called for a robust database of the COVID-19 affected enterprises and an SME census. BUILD emphasised the need to expand the scope of BDT 3000 crore stimulus to reach the cottage and micro businesses. Agent banking and a cluster-based targeting approach to reach the CMSMEs with financing assistance can be an alternative, especially in rural areas.

In the case of the Credit Guarantee Scheme for its better utilisation, BUILD proposed establishing a separate entity maintaining all transparencies and requested publicising the Credit Guarantee Scheme manual soon. BUILD also emphasises the sustainability of large industries by providing long-term credit as now most export orders are coming under a deferred payment basis. Mr Abul Kasem Khan, Chairperson, BUILD, requested the central bank to form a small committee for the credit guarantee scheme to develop the best practice model for this. It is also highlighted that the need for non-banked CMSMEs to be reached with a financial support system. On the basis of this background, BUILD presented 14 recommendations through this policy paper in the 8th FSDWC meeting.

## **Export diversification need — policy discrimination of bonded warehouse facilities for non-RMG sector**

Bangladesh admires export diversification, but extraordinary development has yet to see reality. BUILD has taken a case on Bonded Warehouse (BWH) Policy in this respect. For COVID-19 lot of changes are needed, but Bangladesh has done well in the adverse economic situation. Import and Export policy has been acknowledged clearly for the export Oriented Industries. Some critical aspects that have been analysed in this study are annual entitlement where RMG is treated specially, others are facing procedural bottlenecks, in case of intra-bond transfer is only enjoyed by RMG, but other sectors are not, UD and coefficient facilities are directly provided by BGMEA where other business associations are entitled to provide these facilities. Annual entitlement can be given for three years for other E/O sectors; in Order nos. 52 and 56 an aspect of “compliant establishments”, it can be clarified by issuing a new entitlement rule to address extremely stringent and at times contrary to trade facilitation. Required necessary amendments may be made in the 100% Export Oriented Industries (Temporary Importation) Rules 1993 by including specific Rule allowing LFMEAB and BPGMEA. In respect of UD for Non-RMG Sector Upon assessment of compliance of the conditions contained in the said Rule 5kha and 5ga of the 1993 Rules by BPGMEA and BGAPMEA, necessary orders are necessary to be issued, and the MOU may be executed to allow BPGMEA and BGAPMEA to give UD, similar to BGMEA and BKMEA.

Regarding Audit for Non-RMG Bonders A Notification similar to the Nathi No. 3(21) Shulko: Roptani o Bond/98 dated 27.04.2000 may be issued by NBR allowing the leather, plastic and other sectors also to submit a general bond every three years, similar to the RMG sector, instead of the current two years. In case of Bonded Warehouse License Renewal General Orders may be issued by National Board of Revenue allowing the facilities of Continuous Bond to leather, plastic and other sectors including Deemed exporters, similar to which is accorded to the RMG sector, provided the establishments complies with the conditions imposed in the General Order dated 10.06.2008. The BWH licensee’s application form should be a unique form where all E/O sectors would be treated equally, and the categories should be aligned with BWH policies. Presently two separate forms of BWH licensing application exists circulated by CBC and customs authority. A similar provision of sub-contracting like RMG can be allowed for all other export-oriented sectors as and when necessary. Sub-contracting for non-Bond entities can be in the sub-contracting policy of the Ministry of Commerce. The National Board of Revenue may issue orders required to allow sub-contracting to bonded and non-bonded establishments. With this background, BUILD presented 14 recommendations through this policy paper in the 8<sup>th</sup> T&IWC meeting.





## WTO SPS agreement, introducing e-phytosanitary certification for agro and agro-processing sector

Exports of agro and agro-processing products require maintaining a level of full compliance and several certifications. Compliance is the most prominent issue for the sector. Due to COVID-19, health safety and sanitary measures are the most burning issue in the present pandemic and will get top priority in the post-pandemic scenario. Because of COVID-19, as of the end of April 2020, more than 20 governments had imposed some form of restrictions on food exports which causes global food prices to increase by 12.9 per cent on average.

Bangladesh maintains some SPS measures on imported food products and exported agro and agro-processing products. Bangladesh maintains SPS measures through some major Regulations, i.e., Plant Quarantine Act-2011, The Destructive Insects and Pests Rules (Plant Quarantine), 1966, The Pure Food Ordinance, 1959, Revised by Food Safety Ordinance 1994, The Pure Food Rules 1967, Export Policy (Periodically) and Import Policy (Periodically). We are far behind the international standard in terms of quality and certification measures. The agro and agro-processing sector contributes 14.23% to the GDP and 2.56% to the total export earnings (FY2019-20), creating employment of 40.6%, including women participation while 0.25 million. Member Countries of the EU send notifications to the Rapid Alert System for Food and Feed (RASFF) of the European Commission if an imported product is found non-compliant.

Bangladesh received 464 Notifications from the EU Commission during 2004-2020 on different food products. There are 10 National Reporting Obligations (NRO) for the contracting countries of the International Plant Protection Convention (IPPC) of WTO. Bangladesh only covers 1 Obligation (Entry points) by uploading Plant Quarantine Act, 2011 and the Destructive Insects and pest Rule 1966 (Plant Quarantine) Amended 1989. DAE should complete the rest of the 9 Obligations of NRO of IPPC to increase export. Presently Department of Agricultural Extension (DAE) issues Phytosanitary Certificate (PC) for exporting agro and agro products. In 2018, the Automation of Plant Quarantine (PQ) service was implemented as the International Plant Protection Convention (IPPC) requirement. The application process of PC is online, but the certificate is provided manually. With this background, BUILD presented eight recommendations through this policy paper in the 8<sup>th</sup> T&IWC meeting.

## Introduction and justification to form the LIDWC to ensure harmonised policy advocacy

Logistics and infrastructural development have been treated as one of the key factors to ensure harmonised and decentralised industrialisation in the modern, competitive, and complex business era. To attain the targets set for macroeconomic indicators as if export diversification, export earnings, employment generation, domestic and foreign investment inflow, sustainable GDP growth, socio-economic development etc., and the countries with visionary focus have put their concentration on logistics and infrastructural development. In that regard, BUILD and Prime Minister's Office have agreed to form a dedicated thematic working committee under the format of PPD Platform to provide policy assistance to reach the Logistics System of Bangladesh to a global height.

Objectives of LIDWC are- (1) Facilitate private sector business to increase its competitiveness so that cost of doing business can be reduced, (2) analyse policies for reforms to facilitate Logistics as a priority sector for attracting more investment and (3) support activities for attracting investment in the logistics sector by facilitating technology access, skill development and more effortless product movement for business growth. The vision of LIDWC is to "provide data-driven, fact and research-based policy advocacy to the government of Bangladesh to achieve 'targeted macroeconomic indicators of Perspective Plan 2021-2041' by taking initiatives to establish "efficient and responsive logistics infrastructure system" as the competitive advantage. LIDWC will act as the secretariat to provide fact-based and data-driven policy research to the government based on the recommendations and suggestions of public and private sector representatives.

## Logistics infrastructure scenario: A brief analysis on the context of Bangladesh and world

Product Diversification has been treated as the means of Export Diversification in many countries. But countries with a visionary focus put their concentration both to the "product diversification and product movement management by developing harmonised multi-modal logistics infrastructure system" to attract foreign investment and to boost export. Logistics is a complex sector that consists of several sub-sectors. Our Honourable Prime Minister Sheikh Hasina MP has proven herself as one of the bravest and visionary Leaders in World History by taking numbers of Mega Projects to reach the logistics and infrastructure sector to a global height. Besides, there is a highly positive correlation between the development of logistics and SDGs to attain. Among the 17 SDGs, SDG nos. 1, 3, 7, 8, 9, 10, 11, 13, 14, 16 and 17 would be achieved by putting harmonised concentration on the "development of trade logistics and infrastructure".



In the “Making Vision 2041 a Reality: Perspective Plan of Bangladesh 2021-2041”, the government has designed five strategies to establish a Multimodal Transportation system to make Logistics Infrastructure. Noted that, Institutional fragmentation of the Logistics Sector in Bangladesh is complex. Nine ministries and twenty sub-agencies have jurisdiction over the logistics sector in Bangladesh. The “Logistics Performance Index and Its Indicators” is a bi-annual publication of World Bank in which 160 countries of the world are scored and ranked to evaluate the Logistics Performance under the six components on which Bangladesh ranked 100th in 2018. Bangladesh ranked 39th among the 50 Emerging Economies (EMs) in Agility Emerging Markets Logistics Index 2019. LIDWC will work to ensure sectoral recognition of the logistics sector, institutional formation, alignment with SDGs, technical and technological skill development and coastal plan for the sustainable development of the logistics sector in Bangladesh.

## COVID-19 budget proposals of BUILD for FY20-21

As requested by NBR, Business Initiative Leading Development (BUILD) has prepared a set of proposals and sent them to NBR. In total, 49 proposals were prepared by BUILD, emphasising health, agriculture, social protection, SME development, etc.

Additionally, because the emerging private sector needs some relief in paying taxes and time extension is required to get some breathing time to pay taxes, especially VAT returns and tax returns. Some highlights are as follows.

### **Health sector budget**

The health sector budget should permanently be increased to at least 2 per cent of GDP from the current allocation of 1.0 per cent of GDP. It will strengthen health-related research, emergency health service, health insurance scheme, health care system.

### **Social protection**

Allocation for social protection needs to be increased from 2.2% to at least 6% of GDP, which is approximately BDT 1.5 trillion from the present level of BDT 67000 crore.

### **Agriculture sector**

- In respect of the agriculture sector, budget allocation for Ministry of Agriculture should be at least 6% of the National Budget for FY 2020-21, the large some amount should be allocated for subsidy for seed, fertiliser, irrigation and utility bill, incentives for export (agricultural product and processed item, loan to farmers and providing financial support to export oriented processed agricultural goods manufacturer. The subsidy for the agro sector needs to be announced worth BDT 15,000 crore, which was BDT 9,000 in FY 2019-20.



- A concessional interest rate: The interest rate for the “Special Incentive Refinancing Scheme for Agricultural Sector” or any other Financial Stimulus Fund by the government for this sector should be set at being 2-3% for a certain period.

### **Fiscal and monetary policy**

Fiscal and Monetary Policy Coordination can be given more importance, in that case, the quarterly response of economic indicators such as ADP spending, employment trend, trade balance, investment trend, forex reserve, exchange rate, inflation, and other monetary policy instruments would need to be monitored.

### **Cottage, micro and small enterprise**

For cottage, micro and small enterprise, BUILD suggested providing Credit Guarantee Scheme, Fiscal stimulus for income tax and VAT registered enterprises to upgrade the tax database through minimum compliance by submitting nil return for at least one year.

### **Income tax**

- Income Tax Exemption Limit Extension can be increased. Return submission deadline should be extended due to the COVID-19 situation — no late charges.
- The corporate tax rate can be reduced
- The income tax payment system should be automated.

### **Value Added Tax (VAT)**

- There should be no late fees or interest for VAT payers who could not file their VAT returns during this period.
- There could be an option, who could not submit VAT returns can request respective VAT commissioners to allow the application to waive the penalty, considering the existing situation.
- VAT Exemption for Small businesses could be a benefit in that situation.
- Tax at source from local raw material suppliers to be reduced
- VAT at the trading stage needs to be set at 2% for the next fiscal year.
- VAT exemption for enterprises with yearly turnover below BDT 50 lakh needs to be applicable for all after the economic shock of COVID-19. In this respect, GO-17 needs to be cancelled for the following year.



## Customs

- NBR issued an SRO on 22nd March 2020 regarding COVID-19 related equipment import; considering these issues as especially important, transportation facilities should be allowed for them during the period.
- Another circular should be issued allowing tax exemption for domestic production and sellers of these items so that they can also operate during the crisis period. BUILD has prepared a list of 105 medical equipment and other essential products, which has tremendous demand at the moment.
- Port congestion to be removed, private depo could operate more products than earlier ones, and the relevant SRO can be revisited.
- Import duty on industrial raw materials would need to be rationalised.

## Initial reaction of BUILD on budget FY 2020-21

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

The budget identifies some policy initiatives which will support business. Still, the government has aimed at collecting revenue of BDT 3.78 tr. for the FY 2020-21, which is 8.5% higher than that of the revised budget. Among these, NBR has to collect BDT 3.30 tr. of revenue for FY 2020-21, which is 11% higher than the previous year. Non-tax revenue is BDT 0.33 tr. that had been BDT 0.35 tr. in last year revised budget. The estimated shortfall according to NBR data is massive. No structured way has been shown yet to achieve this large revenue target in this tragic moment of COVID-19.

Hassles for doing business need to be reduced; in that respect, more automated processes targeted by NBR need full implementation. Almost all the leading newspapers covered BUILD's initial reaction and highlighted some recommendations for further consideration which were suggested by BUILD, such as:

- The government needs to spell out a sharp vision of how private sector credit and investment can be promoted and facilitated in the wake of both the COVID-crisis and the large budget deficit to be financed through the banking channel by the government.

- The government should immediately prepare a COVID-19 Recovery Plan and a well-planned Exit Policy; otherwise, sustenance of economic growth and LDC Graduation target would be challenging to achieve.
- A thoroughly planned Health Sector Management Policy is needed, and funding should be proposed to align these needs.
- The government should mobilise other means such as savings from lower oil prices, suspension of non-priority ADP projects, contain unnecessary expenditure, etc.
- Tax at source should remain as it is in the last year to 0.25%
- A number of non-traditional sectors such as toys, float glass, ships, boats and floating structures, and solar modules are adding to the export basket and need proper attention.
- The government should re-prioritise ADP and delay the execution of non-priority projects.

## Post budget analysis — macro measures identified by BUILD

The investment target achieved in the last fiscal was only 12.7%, against that projected investment in 2020-21 is 25.3%. The export target was 15% while it was negative at 10% in the last year. The import growth was also negative at 10%, and this year's target is estimated at 10%.

In view of this situation, enabling a policy environment for the private sector is sorely needed, but in the Finance Act 2020, most proposals from the private sector were not accepted. Some of the examples are:

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

appealed for rationalised TDS/AIT rates to be, e.g., 5% to be reduced to 3%; 10% can be reduced to 6%

- Tax on gratuity etc.

### **Public investment and public debt**

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

### **Private investment and credit growth**

To set and expect 125% higher Private Sector Investment (BDT 4, 45,761 cr.) in FY 21 than FY 20 by allocating only 1.9% higher credit growth is almost impossible to attain. Besides, a massive amount of government borrowing from the commercial banks in FY21 will reduce the availability of private sector credit.

### **ADP**

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

### **Health service**

Budget allocation to Health Services Division and the Health Education and Family Welfare Division in FY is BDT 29,247 crore which was BDT 25,732 crore in last FY. In addition, BDT 41,027 crore was given to the joint effort of 13 Ministries and Divisions to combat COVID-19. Medical research and transparency of the utilisation of the allocation are essential now.

### **Agriculture sector**

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



## SSNP

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

## Employment generation

Government has allocated BDT 2000 crore as a form of a loan. Under the priority areas of job creation, i.e., industry and trade, enough importance has been given to expanding the role of SMEs. A special financial package needs to be announced for cottage and micro-entrepreneurs as they cannot get bank financing since a considerable number of them are in the informal sector. However, they create about 80% of the total employment.

## Some fiscal measures waiting for consideration

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

- Increasing the tax-free income limit: After five years, the tax exemption slab has been changed. The tax deduction for the highest slab will be much higher; with all these considerations, a tax-free slab of at least BDT 4 lakh can be made. There will be no deficit in the revenue collection of the government.
- Corporate tax rate: Corporate tax rate should be progressive. There can be at least a 2% tax benefit to encourage entrepreneurs who tried hard to retain their existing employment.
- Any amount invested in securities by any person between the first day of July 2020 and the thirtieth day of June 2021 will be taxed at the rate of 10% (New inclusion ITO 1984 16 AAAA and 16AAAAA). The policy of providing opportunities to launder black money should be reconsidered to keep the core philosophy of the budget stable, as it is discouraging honest taxpayers.
- The turnover tax (TT) rate is considered as the final tax of this taxpayer group, as there is no scope for a rebate in this case. The turnover tax (TT) rate can be set at 2%. It has been observed that for those who pay VAT at the rate of 15%, after availing of the concession or rebate, the tax rate is reduced from 1.5% to 2%. But on the other hand, Turnover Tax (TT) payers pay TT at 4%. This is much higher than the general VAT payers.
- According to sub-section 4 of section 83 of the VAT Act, there is a risk of harassment if the general revenue officer is allowed to inspect and audit the premises without the commissioner's permission. So, this law can be changed.

- VAT should be reduced to 2% at the trading stage as it does not allow for VAT credit. This can be done at least during the COVID-19 period.
- Finance Bill 2020, Chapter 3, Paragraph 10, Customs Act 1969 (Section 79) has been amended. Those whose imported goods have arrived after the import invoice have to submit the bill of entry within the newly stipulated time frame. It is difficult for many traders to collect the bill of entry from the bank within five days of the arrival of the product. So, this provision should be amended. This matter is involved with Shipping Agent of Landing Port, Courier Service, L / C Applicant of Bank, Shipping of Destination Port etc.
- An increase in excise duty is not proportionate. For a balance above BDT 10 lakhs, the increase of BDT 500 is 0.05% of the minimum balance. For a balance above BDT 5 Crore, the increase of BDT 15,000 is only 0.03% of the minimum balance. As balance goes up, the effect of the increase goes down—this need to be rationalised.

### Some fiscal measures waiting for consideration

Sector/Area	No. of Placed Proposals	Implemented		Total	Acceptance Ratio
		Fully	Partially		
Agriculture	10	2	3	5	50%
Health Service and health education	2	1	1	2	100%
Social security	2	1	1	2	100%
Annual development program	5	2	2	4	80%
Income tax	19	3	3	6	32%
Value Added Tax	30	4	1	5	17%
Customs	11	1	0	1	9%
<b>Total</b>	<b>79</b>	<b>14</b>	<b>11</b>	<b>25</b>	<b>32%</b>

### Some major implementations

- Increase the tax-free income threshold
- Extended the deadline for submission of Tax Return File
- Corporate Income Tax (CIT) for non-publicly traded companies has been reduced from 35% to 32.5%
- The number of non-priority projects has been reduced

- Clarification of decreasing adjustment regarding VAT and Advance Tax (AT) paid at import stage has been incorporated in VAT and SD Act.2012
- Increased Allocation for the Health Sector
- Increased Allocation for the Agriculture Sector etc.



# Working Committee Meetings

The working committee are one of the main channels of BUILD for advocating the policy issues towards reform implementation. BUILD advocates for and addresses policy concerns via seven thematic working committees. In 2020, a number of working committee meetings had been organised by BUILD in collaboration with different ministries.

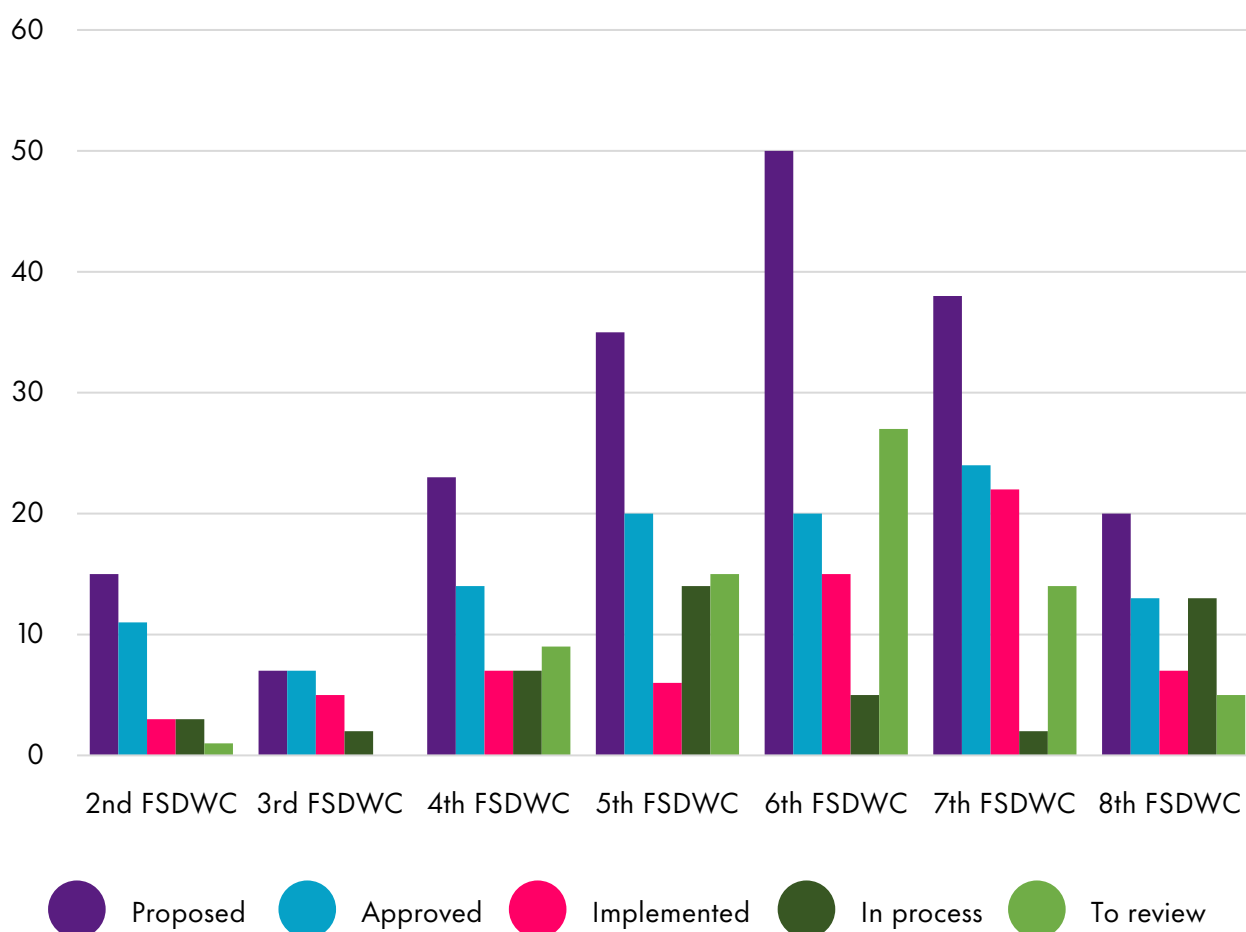


## Financial Sector Development Working Committee (FSDWC)

The 8th Meeting of BUILD's Financial Sector Development Working Committee (FSDWC) was held on 18 August 2020, Tuesday at 11.00 am at Zoom Web Platform. The meeting was co-chaired by Mr Ahmed Jamal, Deputy Governor, Bangladesh Bank and Mr Shams Mahmud, President, Dhaka Chamber of Commerce and Industry. Mr Ahmed Jamal, Deputy Governor, Bangladesh Bank and Mr Shams Mahmud, President, Dhaka Chamber of Commerce and Industry, welcomed the committee members and invited participants and requested the BUILD CEO to commence the meeting as per the agenda. Mr Abul Kasem Khan, Chairperson, BUILD, was also present in the discussion and thanked the Co-Chairs on behalf of BUILD for their presence in the virtual meeting.

In the first part of the meeting, the Appraisal of the minutes of the 7th meeting of the Financial Sector Development Working Committee (FSDWC) held on 7 August 2019 at the DCCI Board Room, and its Implementation Report is presented. It was informed that the minutes of the 7th meeting of the Financial Sector Development Working Committee co-chaired by the Deputy Governor-1, Bangladesh Bank and President, DCCI, were circulated among members and invitee members. There are 40 Reforms put under two policy papers, 14 of which have been implemented, while the others are being reviewed and are in the process.

### FSDWC progress



Policy Paper	Reform				
	Proposed	Approved	Implemented	In Process	To Review
16	188	110	65	46	71

## Overview of reform proposal of FSDWC meeting

Ms Shahriar Rawshon, Research Associate, BUILD, reported about the implemented reforms of the 7th FSDWC meeting. Two policy papers entitled “Financing Schemes and Available Credit Facilities for Export Competitiveness of Bangladesh” and “Access to Collateral Free Loan for Women Entrepreneurs in Bangladesh” were presented in the 7th FSDWC meeting. The implementation status of the last meeting is furnished below:

## Appraisal of the implementation report of 7th FSDWC meeting (implemented reforms)

- Financing Schemes and Available Credit Facilities for Export Competitiveness of Bangladesh (Total eight recommendations were implemented)
- The utilisation of LTFF (Implemented): The utilisation of LTFF has been increased to BDT 15.61 billion from the previous BDT 13.37 billion till June 2020. The project is scheduled to be fully implemented on 31 March 2021. (Annual Report 2018-19)
- GTF Fund and Refinancing Scheme for Environment-Friendly Products Joint utilisation (Partially Implemented): The scope of the Refinancing Scheme for Environment-Friendly Products has been increased to 55 products. (SFD Circular 2 on 30 April 2020). The total utilisation of GTF is 63.31 million USD so far, which was only 22.276 million USD till June 2019. (Green Financing quarterly report BB, Jan-Mar 2020). Both funds can be availed if needed after BB reviews the case (Meeting with SFD, BB on 28 November 2019).
- Identify certification authorities to certify types of machinery as environment-friendly and qualify for GTF: SFD, BB has issued a new Guidance Note for GTF and in that note, for each area under the coverage of GTF, the names of the certain certification authorities have been included. (SFD Circular 4 on 28 July 2020)
- An indicative list of machinery that come under coverage for GTF: BB issued a GTF Guidance Note where the indicative areas of types of machinery have been mentioned for availing GTF. (SFD Circular 4 dated 28 July 2020)
- Review the number of documents required for availing GTF: SFD, BB, informed that the current number of necessary documents had been reduced to 26 from the previous 29 after review. (A meeting between SFD and BUILD on 28 November 2019)
- Extend the EDF limit for the plastic and Light Engineering sector (Partially Implemented): Enhancement of loan limit from Export Development Fund (EDF) from existing USD 3.5 billion to 5 billion (FE Circular 18, 7 April 2020), Need to extend limit also for the proposed sectors.
- Direct financing in Euro and RMB: Direct financing in EURO has been approved for GTF. (FE Circular No. 20 on April 15, 2020)





📷 Screengrab of the FSDWC meeting

- Upfront Stamp Duty for Alternative Funds needs to be revisited: Stamp duty was slashed from 2% to 0.1% on registration of the trust agreement of venture capital. (SRO no. 351-Act/2019/08.00.0000.040.22.004.18 on 5 November 2019).
- Access to Collateral Free Loan for Women Entrepreneurs in Bangladesh (Total 6 recommendations implemented)
- Simplification of documentation for the loan application for CMSME: Making Loan/Investment Application more Borrower Friendly for CMSME Entrepreneur. (SMESPD circular no. 6 on 23 July 2020)
- Chamber/Association Certification can work as a social guarantor: As per the Master Circular, now Chamber/Association Certification can work as a social guarantor. (SMESPD Circular no. 2 on 5 September 2019 in clause 7.2)
- Personal Guarantee definition clarification: As per the Master Circular, the Personal guaranteed definition has been included. (SMESPD Circular no- 2 on 5 September 2019 in clause 7.1)
- Group Security/Social Security definition clarification: Group-based security definition has been added (SMESPD Circular no- 2 on 5 September 2019 in clause 7.3)
- Extension of the amount of Collateral free loans up to BDT 35 lac: The limit of collateral-free loans has been extended for new entrepreneurs (under refinancing) considering business type, product and market demand. [SMESPD Circular no- 2 on 5 September 2019 in clause 11.3 (Gha)]

- New Entrepreneurs Definition: New Entrepreneurs Definition has been added (SMESPD Circular no- 2 on 5 September 2019 in clause 1.5). The criteria of the business of new entrepreneurs were also added. [SMESPD Circular no- 2 on 5 September 2019 in clause 11.3 (ka)]

## Policy papers submitted in 8th FSDWC meeting

### **Stimulus packages for large and CMSMEs — reforms for better utilisation for recovery from COVID-19**

Ms Ferdaus Ara Begum, CEO, BUILD, delivered the keynote presentation titled “Stimulus Packages (SPs) for Large and CMSMEs — Reforms for Better Utilisation for Recovery from COVID-19”. Referring to a recent UNIDO-BUILD survey finding, she said CMSMEs are in worse shape than large enterprises. She appreciated the Bangladesh Bank for extending all supports and issuing a number of circulars to ease the process. Based on the reported data, she highlighted that the disbursement of the government announced SPs for CMSMEs is slower than that of large industries. She recommended a quick and hassle-free loan processing system for the private sector, flexibility in distribution conditionality so that Banks find it easy, and an increase in the loan repayment period for CMSMEs. She called for a robust database of the COVID-19 affected enterprises and an SME census. She emphasised the need to increase the scope of BDT 3000 crore stimulus to reach the cottage and micro businesses. She added that agent banking and cluster-based targeting approach to reach the CMSMEs with financing assistance could be an alternative, especially in rural areas. In the case of the Credit Guarantee Scheme for its better utilisation, she proposed establishing a separate entity maintaining all transparencies and requested publicising the Credit Guarantee Scheme manual soon. She also emphasises the sustainability of large industries by providing long term credit as now most of the export orders are coming under a deferred payment basis.

Mr Md. Saiful Islam, President, LFMEAB, focused on implementing institutional formation of the Financial Stimulus Package (FSP) disbursement process as the leather sector has been facing problems in getting loans from the banks due to the several stringent administrative procedures while taking decisions on disbursement of the loan. In reply, Mr Ahmed Jamal, Deputy Governor, Bangladesh Bank, said that BDT 18,500 crore has already been disbursed under BDT 30,000 crore working capital stimulus package for the large industries and service sector. Mr Ali Sabet, Team Leader, PRISM, focused on the formation of the “Small Enterprise Finance Agency” by taking the example of South Africa as best practice. Malaysian example on the engagement of the private sector in the PPP would be another initiative, which may be considered in the future. Ms Husne Ara Shikha, GM, SMESPD, Bangladesh Bank, said that CGS would be opened for all sectors gradually after full implementation of it for the stimulus package of working capital loans of CMSMEs. BUILD and PRISM can share Malaysian examples and give comments on the draft manual of CGS. In the discussion and Q&A

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A quick and hassle-free loan processing system for the private sector is needed, as is flexibility in distribution conditionality to make it easier for banks and an increase in the loan repayment period for CMSMEs. ... There is also a need to broaden the scope of the BDT 3,000 crore stimulus to include cottage and micro enterprises. Agent banking and a cluster-based targeted strategy to reach CMSMEs with financial support may be an option, particularly in rural regions.

Ferdaus Ara Begum  
CEO, BUILD





session, Mr G M Rabbani Talukder, Deputy General Manager (Holding), BSCIC, Mr Nehal Ahmed, Professor, BIBM, Mr Md. Nazeem Hassan Satter, Deputy General Manager, SMEF, Ms Humaira Chowdhury, Co-Founder and Managing Director, Frontier Technology Ltd., Professor Jahangir Alam Chowdhury, Finance Department, University of Dhaka enthusiastically participated.

Mr Abul Kasem Khan, Chairperson, BUILD, requested the central bank form a small committee for the credit guarantee scheme to develop the best practice model for this. He also highlighted the need for non-banked CMSMEs to be reached with a financial support system. He appreciates Mr Ahmed Jamal, Deputy Governor, Bangladesh Bank, for taking initiatives for further implementation.

Mr Ahmed Jamal, Deputy Governor (DG), Bangladesh Bank, informed that already BDT 18,500 crore had been disbursed under the working capital loan stimulus package for the large industries and services sectors. He has also asked the banks to disburse the entire allocation of the stimulus package for small scale entrepreneurs within October 2020.

### **Proposals by BUILD and decision of the FSDWC meeting for stimulus packages for large and CMSMEs — Reforms for better utilisation for recovery from COVID-19**

- Proposals by BUILD – With the improvement of the situation, businesses are opening and desperately in need of funding. A significant amount of time has been lost; now, approval has to be quickened and simplified to avail of Stimulus Packages (SPs). A quick and hassle-free loan processing system should be followed, including less paperwork from receiving an application to disbursement for the affected businesses. Strong monitoring has to be done from Bangladesh Bank in this respect.
- The decision of the FSDWC Meeting – It was informed that a significant amount of loan for the large and service sector had been disbursed, and directives have been given to disburse the full amount of CMSME loan by 25 October 2020. It was suggested to maintain the deadline. Bangladesh Bank is practising strong monitoring for better implementation needs to be continued in the future.
- Proposals by BUILD – The SPs are not granted, at the same time loan amount is not sufficient as per the result of the surveys; BB can review the decisions in that respect.
- The decision of the FSDWC Meeting – The loan amount can be increased; Bangladesh Bank can review the situation.
- Proposals by BUILD – The funds will be disbursed through Banks. CMSME SP circular stated 20% for the trading, 50% for manufacturing and 30% for the service. The majority of cottage industries deal in wholesale and retail businesses. If we take 15% rural businesses and 20% trading industries into account under the CMSME SP, we can see that the majority of the cottage industries will not be covered under the SP. This distribution can be reviewed.

- The decision of the FSDWC Meeting – Bangladesh Bank can examine the distribution of funds for review. Cottage and Micro entrepreneurs are primarily engaged in retail and wholesaling; 20% is allocated for trading, the circular can be revisited for increasing trading share for CMSMEs. 5% for women entrepreneurs also need to be appropriately allocated especially in the rural areas through BSCIC.
- Proposals by BUILD – Banks can increase the loan repayment period and grace period due to COVID-19. Bangladesh Bank can extend the loan repayment period at least three years instead of the current one year, considering the impact of coronavirus on trade and business.
  - The decision of the FSDWC Meeting – Bangladesh Bank has already taken a plan to review the issue of enhancing the loan repayment period; a circular can be issued in that respect.
- Proposals by BUILD – Bangladesh Bank can extend the tenor of providing subsidised interest rates (4.5% for Large and 5% for CMSMEs) in case of extension of the working capital loan under stimulus package for firms. Currently, the subsidised interest rate is applicable for a single firm for only one year. In the context of the COVID-19 situation, firms are required to diversify/spread their businesses according to the changing demand; in that situation, funding support would need to be continued for them.
  - The decision of the FSDWC Meeting – Bangladesh Banks will examine the case on the extension of working capital at a subsidised rate. The definition of New Entrepreneurs would need to be revisited, and business diversification and expansion/spread in the changed situation can also be considered to get continuous funding support.
- Proposals by BUILD – The collateral requirement for a microloan (at least up to BDT two lakh) can be waived for some time. India has allowed a collateral-free loan of up to Rs Three Lacs, and a committee headed by the defence minister has been set up to provide collateral-free loans. Agent Banking can be helpful for rural CMSMEs (15% of SP); a deposit through Agent Banking can be used for the benefit of rural SMEs.
  - The decision of the FSDWC Meeting – Bangladesh Bank will examine the case of collateral-free loans for implementation. Agent banking is helping the rural entrepreneurs; its services can be extended further by retaining the deposits in the rural areas to support CMSME expansion.
- Proposals by BUILD – Bangladesh Bank can issue a Circular through which all the district level leading commercial banks will coordinate the disbursement of FSP with the district coordination committee supported by BSCIC and headed by DC of each district.
  - The decision of the FSDWC Meeting – Bangladesh Bank can issue a circular to support district-level committees headed by the DC and supported by BSCIC so that concerned Bank Branches of the respective Districts can extend supports.

- Proposals by BUILD – More digitalised funding and payment systems would be helpful for CMSMEs. Bangladesh Bank can gradually opt for and encourage Banks and Financial institutions for more technology-oriented digital financing.
  - The decision of the FSDWC Meeting – Bangladesh Bank has been initiating a number of digital payment and fund disbursement systems and will encourage Banks for approaching different agreements with technology providing organisations.
- Proposals by BUILD – Detail information on fund disbursement to the businesses can be published by Bangladesh Bank.
  - The decision of the FSDWC Meeting – Bangladesh now receives a fortnightly report from Banks; they will examine the issue of publishing the updated information of fund disbursement and utilisations of SPs.
- Proposals by BUILD – Database for worst COVID-19 sufferers is needed; also, those who have been closed permanently would require a systematic exit and reflected in the national database. BBS can work in that respect.
  - The decision of the FSDWC Meeting – BBS can be requested to initiate a process for a central Data Base of Business Entrepreneurs; a circular among all Banks and Financial Institutions can be given in that respect to support BBS to have a dynamic database.
- Proposals by BUILD – Since many of the CMSMEs are currently outside the banking system's network and most of them remain informal, a comprehensive list of these enterprises needs to be prepared first through the cooperation of BBS, SME Foundation, BSCIC, BB and business chambers/ associations. A complete SME Census is also required.
  - The decision of the FSDWC Meeting – Bangladesh will examine the case and issue a circular. Centre for Microfinance and Development, Faculty of Business Studies, University of Dhaka can provide quality research support to assess the problems of the demand side of the stimulus package through BUILD. Another workshop can be organised to focus on the demand side in this regard.
- Proposals by BUILD – BB can increase the scope of BDT 3,000 crore SP for Low Income Group affected by Pandemic Crisis disbursed through MFIs. The limit to a single MFI can be extended. The subsidy can be given in this SP for reaching the Cottage and Micro segments.
  - The decision of the FSDWC Meeting – Bangladesh Bank will examine the case of increasing the scope of BDT 3000 crore disbursed by the Banks through MFIs and its modalities for implementation.
- Proposals by BUILD – CM needs supervised credit. Thus, the cost of funds increases, for the fixed interest rates at 9%, especially SME supporting banks facing problems. A particular refinancing

scheme can be arranged for them. A different type of financing model is indeed required for CM. Work Order Financing and Factoring can be helpful for them.

- The decision of the FSDWC Meeting – Bangladesh Bank will examine the case of alternative financing for Cottage and Micro (CM) entrepreneurs. Popularising Factoring can be helpful. Supporting CM at a fixed interest rate of 9% can be discussed with the concerned banks specialising in providing funding for CM and small entrepreneurs. A particular type of refinancing scheme can be announced for them.
- Proposals by BUILD – Since the cottage, micro and small enterprises find it hard to abide by standard banking requirements, innovative approaches such as cluster-based targeting approach can be adopted for them. The model of the Credit Wholesale Program (CWS) of the SME Foundation, which has a proven track record of extending credit assistance to 1,573 beneficiaries, can be followed in this regard. This type of refinancing fund to be managed and monitored by SMEF and BSCIC for Micro and Cottage industries through association can be helpful. Refinancing support through Central Bank or Endowment Fund through MOF can be supportive for CM.
- The decision of the FSDWC Meeting – Bangladesh Bank will examine the case of cluster-based financing and the Credit Wholesaling Program. SMEF, BSCIC, PKSF, Polli Sonchay Bank, Kormo Songsthan Banks are the organisation can be extended support to CMSMEs as an alternative to Banks.
- Proposals by BUILD – As the CMSMEs are more affected than large ones due to the pandemic and in line to help the distressed firms, subsidised loans of the CMSMEs can be extended to cover 50% of the working capital requirement of CMSMEs.
- The decision of the FSDWC Meeting – Bangladesh Bank will go through the proposal and will discuss further for implementation of extended working capital for CMSMEs.
- Proposals by BUILD – A special circular may be issued for online business entrepreneurs to avail of the loan facilities as they do not have any trade license or other required documents to apply for the loan.
- The decision of the FSDWC Meeting – This issue needs special attention as e-business and dependence on virtual marketing has been increased. Without trade licenses, e-commerce entrepreneurs can not avail themselves of finance. Bangladesh Bank needs to search for an alternative in that respect. BB will examine the case.
- Proposals by BUILD – Even though the export sector has started to pick up, demand for high value-added products is still slow; the sustainability of these large industries needs more time, so they need a special type of package; otherwise, it will be a significant threat for employment. Now



large units are getting export orders under deferred payment, so the time and amount of stimulus for paying the salaries of the workers need to be extended.

- The decision of the FSDWC Meeting – Bangladesh Bank will review the fund scenario of the large and service sector for the extension of the time of Stimulus packages.
- Proposals by BUILD – Indirect and Deemed exporters who are large, their interest needs to be addressed.
  - The decision of the FSDWC Meeting – Bangladesh can issue a clear circular for the small and large scale deemed exporters.
- Proposals by BUILD – Several countries have introduced CGS for supporting small businesses after COVID-19. In Bangladesh, for the successful introduction of CGS, establishing a separate dedicated independent entity (with clearly distinguishable management and board) that ensure clear separation between ownership and control and management and daily operations of the scheme is essential. Also, proper legal and regulatory frameworks for promoting public-private ownership, independent supervision, appropriate internal control and risk management, and strong corporate governance are vital to see CGS's whole operation.
  - The decision of the FSDWC Meeting – CGS will be opened for all sectors gradually after full implementation of it for the stimulus package of working capital loans of CMSMEs. BB will examine the proposals of BUILD for establishing a separate independent entity and proper legal and regulatory frameworks. BUILD and PRISM can share Malaysian examples and comment on the draft manual of CGS of Bangladesh Bank.
- Proposals by BUILD – CGS manual would need to be published soon. A separate CGS with easy terms and conditions can be declared for cottage and micro-entrepreneurs.
  - The decision of the FSDWC Meeting – BB may share the CGS Manual for comments to BUILD.

### **Appraisal of the implementation report of 8th FSDWC meeting (implemented reforms)**

- The total amount of SP for large industries and the Service sector has been extended up to BDT 40,000 crore via BRPD Circular 53 on 29 October 2020.
- Allocation of SP for CMSME Trading sector has been extended up to 30% via SMESPD circular 12 on 28 October 2020.
- Bangladesh Bank has published detailed information regarding stimulus package disbursement.
- Loan moratorium facility was given to the CMSMEs from January 2020 to December 2020.
- Subsidised loans of the CMSMEs have been extended to cover the 50% of the working capital requirement of CMSMEs via SMESPD circular 07 dated 30 August 2020.

- Bangladesh Bank extended the fund size of the affected large industries and services sectors via BRPD Circular 53 on 29 October 2020.
- Bangladesh Bank has published the manual of the Credit Guarantee Scheme.

Some of the proposed recommendations were agreed upon and, so far, implemented, but some will need further examination. BUILD sent all the recommendations in the form of a minute to the Bangladesh Bank. To further understand how to execute the suggestions, a short meeting at Bangladesh Bank will be arranged at the convenience of Deputy Governor, BB and DCCI President and Chairperson, BUILD. The meeting can be held before the upcoming PSDPCC meeting.



## **4th Industrial Revolution and ICT Working Committee (4IR&ICTWC)**

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

The first meeting of the newly formed 4th Industrial Revolution and ICT Working Committee (4IR&ICTWC) of BUILD was held on 21 October 2020 at the office premise of BHPTA. Two Co-chairs of the working committee – Hosne Ara Begum, Managing Director (Secretary), BHPTA and Syed Almas Kabir, President, BASIS – took the leading role in the meeting. The program was covered by three agendas respectively, introduction to the committee members: Presentation on the TOR and the Action Plan of the Committee and Discussion and suggestion of the committee on the Action Plan.

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

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



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

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

BHTPA Director Mr A. N. M. Shafiqul Islam informed that countries like Japan are thinking about the 5th Industrial Revolution (5IR). Though we are far behind, BUILD's initiative is timely. The private sector of Bangladesh should think about 4IR with immense importance. He said that the member list should be revised to cover relevant areas related to 4IR. He asked BUILD to include Biotechnology and Atomic Energy representatives in the Member List of Working Committee.

BASIS President and Co-Chair of 4IR&ICTWC Syed Almas Kabir said that many workers from different sectors would lose their job with the technological development and incorporation of 4IR in the private sector. Workers of the readymade garments sector are at significant risk. In this regard, it is essential to up-skilling and re-skilling the workers. He expressed the importance of the 4IR and ICT working committee for specific need-based initiatives and policy recommendations.

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

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

## Recommendations/decisions

- BUILD will revise the member list as per the discussion of the meeting and will include representatives from Biotechnology and Atomic Energy and some representatives from donor organisations, including ADB and World Bank. Some members from the diaspora can also be engaged in making the committee strong.
- Support from the private sector for setting curricula for 4IR Technology Institute can be discussed in the upcoming meeting.
- A sub-committee will be formed for the gap analysis consisting of the members from BHTPA, BASIS, e-CAB and MoI and BHPTA. BUILD will work as a coordinator and will circulate a letter soon with a small TOR for commencing the work.
- BUILD will work for identifying specific areas of activities to run the working committee properly in future.



## Trade and Investment Working Committee (T&IWC)

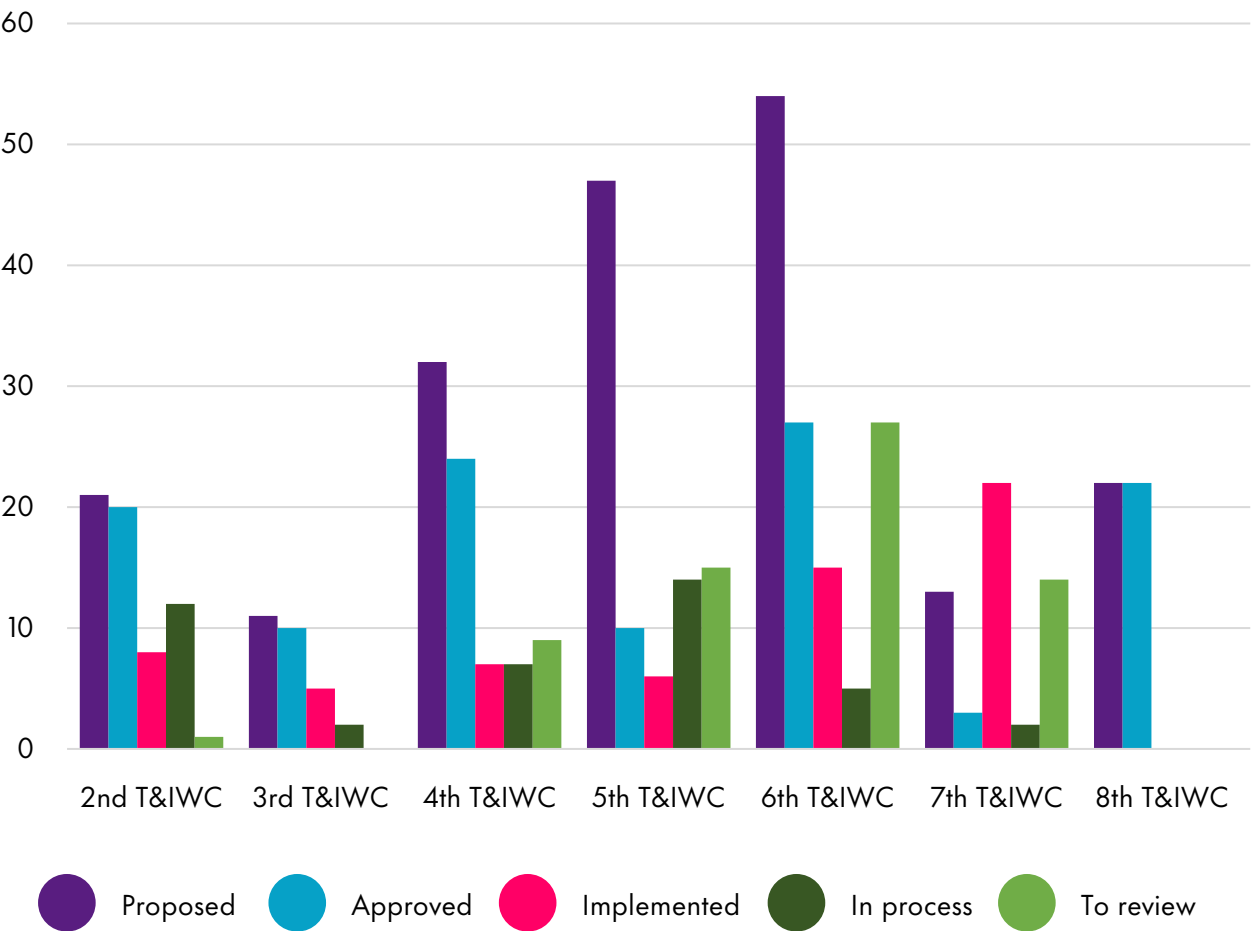
The 8th Meeting of the Trade and Investment Working Committee (T&IWC) of Business Initiative Leading Development (BUILD) was held on 31 December 2020 Thursday at 3:00 pm at the Conference Room, Ministry of Commerce (MoC). The meeting was chaired by Dr Md. Jafar Uddin, Secretary, Ministry of Commerce Government of the People's Republic of Bangladesh and Ms Nihad Kabir, President, Metropolitan Chamber of Commerce and Industry (MCCI).

Mr Md. Hafizur Rahman, Additional Secretary, Export Wing, MOC, conducted the discussion session. Mr Md. Hafizur Rahman, Director General (Additional Secretary), WTO Cell, MOC; Mr Mahbubur Rahman, Director General, Export Promotion Bureau; Mr Md. Zakir Hossain, Additional Commissioner, Customs Bond Commissionerate; Mr Ali Ahmed, Chief Executive Officer, Bangladesh Foreign Trade Institute; Mr Md. Ariful Hoque, Director, BIDA; Mr. Md. Sohel Rana, Second Secretary, NBR; Ms Zinat Ara, Joint Secretary (Export-1 Section), MOC; Mr Md. Abdur Rahim Khan, Joint Secretary, Export-2, MOC; Ms Najneen Perveen, Senior Assistant Secretary (Export-1), MOC; Mr Mohammad Nazmul Hossain, Vice President, LFMEAB, Mr Syed Md. Shoaib Hasan, Vice President, BAPA, Dr Syed Humayun Kabir, Former DG, SARSO, and other government officials and private sector representatives also joined and contributed to the meeting. In the first part of the meeting CEO, BUILD informed that the minutes of the last meeting were circulated, and no comment was received; the minutes were also distributed with the meeting notice and the working paper. She requested confirmation of the 7th Trade and Investment Working Committee meeting minutes.



Ms Ferdaus Ara Begum, CEO, BUILD, then appraised the implementation status of the last meeting decisions. She briefly informed that the Women Entrepreneurs in E-commerce Businesses study was presented and discussed in the 7th T&IWC. BUILD proposed 13 reform recommendations through the policy paper, and all the proposals were approved. Reform status of the 7th T&IWC meeting and some reform proposals from the 6th T&IWC meeting that was in the process of implementation are as follows.

A total of seven proposals have been implemented, nine proposals in process, one proposal is under review, and four reforms see limited implementation action.



Policy Paper	Reform				
	Proposed	Approved	Implemented	In Process	To Review
23	201	91	54	36	85

# Implemented reform proposals

## By Ministry of Commerce

- The Central Digital E-commerce Cell was formed in the Ministry of Commerce, and the Digital E-commerce Advisory Committee was also created. ICT Division, e-CAB, BUILD, and representatives from other relevant organisations are the committee members.
- A meeting of the Digital E-commerce Advisory Committee was held on 10 September 2020
- In the National Digital Commerce (amended) Policy-2020, the government has allowed and approved 100% FDI in the E-commerce sector in Bangladesh
- e-banijjo online platform has officially been launched
- Valuation of intellectual products is decided on the basis of related Acts and maintaining the standard of World Intellectual Property Organisation (WIPO)

## By Department of Environment (DAE)

- DAE has included water usages Regulations for Tannery Industry in the draft amended Environmental Protection Rules.

## By Ministry of Finance

- The price of land has been fixed by the Ministry of Finance separately in TIED. The current price is 499 BDT per square ft., which was 1,768 BDT per sq. ft. previously.

## By Ministry of Industries

- The government has given permission to establishing individual ETP.

## Implementation in process

- Recommendation on the inclusion of Definition of E-Commerce in the National Innovation and Intellectual Property Policy 2018 has been sent by MOC to MOI
- For the security of e-commerce businesses, the inclusion of required provisions in the Digital Security Act (2018) will be prepared and sent to ICT Division
- To strengthen the capacity of Women Entrepreneurs in e-Commerce training is provided through a project of WTO Cell
- MOC is working regarding including e-Commerce business in the Trade License category.



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

- Cross Border e-commerce Rules will be finalised soon
- Regarding popularise EK-shop initiative under a2i program and ESCROW account idea to solve the trust issues in the e-commerce platform, BUILD is maintaining contact with BB
- Leather Sector Export and Strategy Roadmap will be finalised soon.
- Some Meetings have been held in BSCIC to understand better the parameter of using water and chemicals and pre-treatment in the CETP inlet.
- MOI is working regarding utilising solid waste for different biproducts.
- The MOI takes care of the issue of operationalising the Common Chrome Recovery Unit (CCRU).

### Reform proposals further review

- Some changes may be brought in the new Import Policy to revisit imposing VAT at the rate of 15% in Trade License fee.

### Reform proposal (limited action)

- Extensive type of investment to be allowed in the country would need to be included in the Digital Commerce Policy 2018
- Interoperability can be introduced in e-commerce business payment systems. A separate quota limit for e-commerce needs to be set based on experience, business turnover etc.
- Most of the big courier services use Postal Tracking (e-post service delivery) systems, initiatives required to strengthen the postal courier service digitally.
- An independent third-party audit to assess the present situation of CETP.

Mr Md. Hafizur Rahman, Director General (Additional Secretary), WTO Cell, MOC, informed that MOC had sent a letter to LGRD to include e-Commerce business under Trade License. He also informed that under the project “ই-বাণিজ্য করবো, নিজের ব্যবসা গড়বো” initiated by MOC, initially 5000 e-commerce entrepreneurs are targeted to train where 40-50% will be women entrepreneurs. Ms Najneen Perveen, Senior Assistant Secretary (Export-1), MOC informed regarding the proposal of an independent third-party audit to assess the present situation of CETP, as per LFMEAB, in April 2019 LWG certified assessor assessed CETP. So that the assessment report can be popularised, or similar measures can be done in future for audit.

## Policy papers submitted in 8th T&IWC meeting

### Export Diversification Need — Policy Discrimination of Bonded Warehouse Facilities for Non-RMG Sector

Ms Ferdaus Ara Begum, CEO of BUILD, said in the introductory section of the Bond Warehouse Policy for Direct and Deemed Exporters (Except RMG) in Bangladesh that, although export diversification is appreciated by Bangladesh, significant growth has not yet materialised. The policy options and practices are not synchronised to diversify the export basket. BUILD has taken a case on Bonded Warehouse (BWH) Policy in this respect. It has reviewed the BWH policy and practices for four potential export sectors (leather, plastic, agro-processing and electronics) apart from readymade garments (RMG). If these sectors can be given the same policy treatment as RMG, it would add an export of USD 4.2 to 8 billion to the economy. For COVID-19 lot of changes are needed, but Bangladesh has done well in the adverse economic situation. Three years GSP extension in the EU would require agreement on 27 international conventions for entering GSP plus stage after graduation from LDC to MIC. The four sectors mentioned above contribute 20.73% to GDP, whereas RMG contributes around 10%.

Import and Export policy has been acknowledged clearly for the export Oriented Industries. Some important aspects that have been analysed in this study are annual entitlement where RMG is treated specially, others are facing procedural bottlenecks, in case of intra-bond transfer is only enjoyed by RMG, but other sectors are not, UD and coefficient facilities are directly provided by BGMEA where other business associations are entitled to provide these facilities. Among the compared ten policy benefits, only RMG enjoys every policy benefit thoroughly; in the case of coefficient and annual entitlement, LMFEAB can recommend DEDO and CBC in concerned aspects.

- Annual entitlement can be given for three years for other E/O sectors; in Order no 52 and 56, an aspect of “compliant establishments” can be clarified by issuing a new entitlement rule to address extremely stringent and at times contrary to trade facilitation.



- Required necessary amendments may be made in the 100% Export Oriented Industries (Temporary Importation) Rules 1993 by including specific Rule allowing LFMEAB and BPGMEA to determine coefficient and, similar to the RMG sector, new Schedules may be inserted in the 1993 Rules on coefficient for leather and Plastic sector.
- In respect of UD for Non-RMG Sector Upon assessment of compliance of the conditions included in the said Rule 5kha and 5ga of the 1993 Rules by BPGMEA and BGAPMEA, necessary orders are necessary to be issued, and the MOU may be executed to allow BPGMEA and BGAPMEA to give UD, similar to BGMEA and BKMEA.
- Regarding Audit for Non-RMG Bonders A Notification similar to the Nathi No. 3(21) Shulko: Roptani o Bond/98 dated 27.04.2000 may be issued by NBR allowing the leather, plastic and other sectors also to submit a general bond every three years, similar to the RMG sector, instead of the current two years.
- In case of Bonded Warehouse License Renewal General Orders may be issued by National Board of Revenue allowing the facilities of Continuous Bond to leather, plastic and other sectors including Deemed exporters, similar to which is accorded to the RMG sector, provided the establishments complies with the conditions imposed in the General Order dated 10.06.2008.
- The BWH licensee's application form should be a unique form where all E/O sectors would be treated equally, and the categories should be aligned with BWH policies. Presently two separate forms of BWH licensing application exists circulated by CBC and customs authority.
- A similar provision of sub-contracting like RMG can be allowed for all other export-oriented sectors as and when necessary. Sub-contracting for non-Bond entities can be in the sub-contracting policy of the Ministry of Commerce. National Board of Revenue may issue orders required to allow sub-contracting to bonded and non-bonded establishments.

The following recommendations were placed for Export Diversification Need — Policy Discrimination of Bonded Warehouse Facilities for Non-RMG Sector in the meeting.

- Proposals by BUILD – Similar provision of sub-contracting like RMG can be allowed for all other export-oriented sectors as and when necessary. Sub-contracting for non-Bond entities can be included in the sub-contracting policy of the Ministry of Commerce issued and came into force on 27 May 2019 by a notice (Nothi No. 26.00.0000.152.78.012.16-11). National Board of Revenue may issue necessary orders to allow sub-contracting to bonded, and non-bonded establishments, provided duly processed agreement is executed between the parties.
- The decision of the T&IWC Meeting – If Sub-Contracting is required, it would be reassessed, and MoC would place sectoral Sub-Contracting rule

- Proposals by BUILD – Necessary orders are issued by the National Board of Revenue so that Sample import of accessories for leather, plastic and other sectors are allowed, and the Associations such as LFMEAB, BGPMEA and others are entrusted with the duty to issue Sample Passbooks to its respective members, similar to BGMEA. The FoC (Free of Charge, Chapter 4, and Section 13 of Import Policy Order 2015-18) value-based sample import provision needs to be addressed by the Customs Act (Declaration and Goods Release-Chapter 13) as a separate subsection.
  - The decision of the T&IWC Meeting – Sample Import issues are addressed in the upcoming Import Policy Order 2021-24
- Proposals by BUILD – Newly drafted “Deminimise Rule” need to be aligned with the export policy order 2018-21.
  - The decision of the T&IWC Meeting – NBR has already drafted the Deminimise Rule; it is waiting to get the final approval of the Ministry of Finance.
- Proposals by BUILD – 80% Export Oriented Industries will be treated as Export Oriented industry, and they will be allowed to get a bank loan and other facilities (5.11.1). For a new exporter, the proportion he exports, allied facilities can be extended accordingly as other E/O Industries; as for a new exporter, it is almost impossible to be 100% export-oriented industry within 3-5 years.
  - The decision of the T&IWC Meeting – NBR and MoC would discuss to resolve the issue for further policy actions in this regard.
- Proposals by BUILD – Now, only BGMEA, BKMEA and LFMEAB can issue coefficients for their members; otherwise, DEDO issue coefficient, all sectoral association with required capacities to issue co-efficient, will reduce the burden of DEDO as well as make the process simplified.
  - The decision of the T&IWC Meeting – NBR and MoC would discuss to resolve the issue for further policy actions in this regard.
- Proposals by BUILD – Amendment of 100% E/O Industries (Temporary Importation) Rules 1993- Issued on 3 August 1993 by an SRO (SRO No.153-AIN/93/1520/Customs) NBR. A specific new section can be included in the Rule allowing LFMEAB and BPGMEA to determine coefficients similar to the RMG sector. The new Schedules may be inserted in the 1993 Rules on co-efficient for leather and Plastic sectors.
  - The decision of the T&IWC Meeting – NBR and MoC would discuss to resolve the issue for further policy actions in this regard.
- Proposals by BUILD – A new Entitlement Policy has to be announced clarifying that bond users can get the yearly entitlement quickly where entitlement issuing responsibility can be vested on







concerned competent associations like LFMEAB, BPGMEA etc. by reviewing the Entitlement Policy of 2008. Entitlement for Newly Designed Fashion Products needs to be simplified.

- The decision of the T&IWC Meeting – NBR and MoC would discuss resolving the issue for further policy actions in this regard. CBC urged further discussion in this regard.
- Proposals by BUILD – A Notification similar to the Nathi No. 3(21) Shulko: Roptani o Bond/98 dated 27.04.2000 may be issued by NBR, allowing the leather, plastic and other competent E/O sectors to submit audit reports like general bond users (RMG) in every three years instead of the current consecutive two years for BWH license renewal. The BWH policies instruct to submit two mandatory audit reports for RMG, while Non-RMG E/O must submit every year's audit report for renewal.
  - The decision of the T&IWC Meeting – NBR and MoC would have a consultation session along with concerned E/O industry representatives for a fresh entitlement for all other sectors apart from RMG
- Proposals by BUILD – Upon assessment of compliance of the conditions included in the said Rule 5kha and 5ga of the 1993 Rules by BPGMEA and BGAPMEA, necessary orders are required to be issued, and the MOU may be signed and implemented to allow them to give UD, similar to BGMEA and BKMEA.
  - The decision of the T&IWC Meeting – As deemed exporters and leather sectors use versatile raw material, it is hard to provide UD; it can be reassessed as CBC representative opined.
- Proposals by BUILD – General Orders may be issued by NBR allowing the facilities of Continuous Bond to leather, plastic and other sectors including Deemed exporters, similar to which is accorded to the RMG sector, provided the establishments complies with the conditions imposed in the General Order dated 10.06.2008.
  - The decision of the T&IWC Meeting – Ms Nihad Kabir, President, MCCI, suggested providing full-fledged BWH facilities to potential O/E sector and deemed exporters which require strict steps from MoC as line Ministry of Private Sector.
- Proposals by BUILD – Automation can provide the coefficient and bond entitlement issuing process where the whole calculation would be done based on track record data on machinery capacity, machinery capacity use, raw material inventory, and future export order and other important components related to the estimation process. Automation and neural network and data sharing between the whole chain (Factory, CBC, Concerned Association, ASYCUDA World, Customs and DEDO) can minimise this issue of undocumented cost.
  - Decision of the T&IWC Meeting – Customs Modernisation unit has been striving under NBR automation and Modernisation Plan; Customs modernisation is an essential component where ASYCUDA is already automated other components are in progress be automated.



- Proposals by BUILD – Two types of Special Bonded Warehouse and General Bonded Warehouse is in place. Besides, there are seven sub-categories of bonded warehouse under the general bonded warehouse, no specific classification of bonded warehouse license for the agro-processing industry. Because of the lack of clarification, it causes complexity to avail Bonded Warehouse License for agro-processing. NBR may issue an individual classification of Bonded Warehouse to issue a license to agro-processing industry.
- The decision of the T&IWC Meeting – CBC would circulate a single BWH license application.
- Proposals by BUILD – E&E is an expanding sector; Home consumption Bonded warehouses can be an option for gaining export competence by the E&E sector. Bonded warehouse for 2/3 years for EPCs as deemed exporter could help to gain the competitive edge through the duty-free import of raw materials.
- The decision of the T&IWC Meeting – Though a few Electronics industries are using home consumption BWH, it may be extended to other competitive industries. On the basis of export competitiveness, this sector can be brought under the mainstream BWH regime gradually.

### **WTO SPS agreement and introducing e-phytosanitary certification for agro and agro-processing sector in Bangladesh**

Ms Ferdaus Ara Begum, CEO, BUILD, explained the present situation and some key issues on the “WTO SPS Agreement and Introducing e-Phytosanitary Certification for Agro and Agro-Processing Sector in Bangladesh”. Exports of agro and agro-processing products require maintaining a set of full compliance and a number of certifications. Compliance is the most prominent issue for the sector. Due to COVID-19, health safety and sanitary measures are the most burning issue in the present pandemic situation and will get top priority in the post-pandemic scenario. The agro and agro-processing sector contributes 14.23% to the GDP and 2.56% to the total export earnings (FY2019-20), creating employment of 40.6%, including women participation while 0.25 million. Presently 63 basic agro-processed items are exported around 140 Countries, and major destinations are the EU, US, Middle East, and Gulf. Mr Mahbubur Rahman, Director General-1, Export Promotion Bureau (EPB), Mr Md. Hafizur Rahman, Additional Secretary, Export Wing, MOC, Ms Sangeeta Bhattacharje, Plant Quarantine Wing, Department of Agricultural Extension, Mr Syed Md. Shoaib Hasan, Vice President, BAPA and Mr. Md. Abdur Rahim Khan, Joint Secretary, Export-2, MOC, participated enthusiastically in the discussion and Q&A session.

The following recommendations were placed for WTO SPS agreement and introducing e-phytosanitary certification for agro and agro-processing sector in Bangladesh.

- Proposals by BUILD – Fully Automated e-Phytosanitary Certificates (e-PC): Presently, Phytosanitary certificates are provided as a hard copy. Steps should be taken for supplying Digital Certificates through Authorised Digital Certificates providing organisations such as Bangladesh Computer Council, Mango Teleservices Ltd, Data edge Ltd. etc. The software also needs the provision of registration in such a way so that it can help to avoid repeated submission of the same documents. There should be provision for immediate rectification of information if it happens unwillingly.
  - The decision of the T&IWC Meeting – The Committee has approved all the recommendations placed by BUILD. DAE is working in this respect, need to invigorate the process. DAE can take suggestions from EPB in this respect.
- Proposals by BUILD – Online Payment of the fees for e-PC would need to be ascertained. DAE can sign MoU with A2i Project or other government initiatives for smooth operation.
  - The decision of the T&IWC Meeting – DAE has signed an agreement with A2i Project regarding Online Payment, and the process needs to expedite to get the benefit.
- Proposals by BUILD – National Plant Quarantine Authority need to be established soon as per Plant Quarantine Act- 2011 (Chapter 2, Clause 3) to expedite the function of automation.
  - The decision of the T&IWC Meeting – DAE can work in this respect.
- Proposals by BUILD – Implementation of Good Agricultural Practices (GAP) and encourage quality contract farming to minimise the number of RASFF Notification.
  - The decision of the T&IWC Meeting – Ministry of Agriculture (MOA) and DAE will work together.
- Proposals by BUILD – Required infrastructures, including Scanners, need to be established in the entry/exit ports by phases and on a priority basis. The number of quality Laboratories needs to be increased, private investment (joint venture/FDI) can be encouraged in this regard, and incentives should be announced through upcoming policies.
  - The decision of the T&IWC Meeting – DAE is working to increase the capacity of infrastructures, including scanners and laboratories. Other relevant organisations like BSTI, MOC can work in this regard.
- Proposals by BUILD – Bangladesh need to attend all international committee meetings such as Codex committee, WTO SPS Committee and in the Committees of OIE and the IPPC to get updates of latest changes in this respect accordingly can take steps.
  - The decision of the T&IWC Meeting – DAE, MOC, MOI and other relevant authorities need to work together.
- Proposals by BUILD – Health Certificate issuing authority need to be established soon.

- The decision of the T&IWC Meeting – MOC is working in this regard.
- Proposals by BUILD – EPB can provide Health certificates for agro, and food processing products until Health Certificate issuing authority is established.
- The decision of the T&IWC Meeting – EPB is working in this regard.

Ms Nihad Kabir, President, MCCI, endorsing the proposals raised in BUILD's two important policy papers, said that the government should come forward to provide equal fiscal, monetary assistance to all the potentials export-oriented sectors like the RMG. She thanked all on behalf of BUILD for attending the meeting and lively discussion.




## **Logistics Infrastructure Development Working Committee (LIDWC)**

The 1st meeting of the Logistics Infrastructure Development Working Committee (LIDWC), co-chaired by Md. Tofazzel Hossain Miah, Secretary, Prime Minister's Office and Abul Kasem Khan, Chairperson of BUILD, was held on 23 December 2020 at PMO. The vision of the Working Committee is "provide data-driven, fact and research-based policy advocacy to the government of Bangladesh to achieve targeted macroeconomic indicators of Perspective Plan 2021-2041" by taking initiatives to establish "efficient and responsive logistics infrastructure system as the competitive advantage."

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

Md. Tofazzel Hossain Miah, Secretary, Prime Minister's Office, said that "as a nation, we are celebrating the 100th Birth Anniversary of Father of the Nation Bangabandhu Sheikh Mujibur Rahman. In this "Mujib Borsho", I do strongly believe that Logistics Infrastructure Development Working Committee will assist the Government of Bangladesh by providing policy research assistance for the betterment of the logistics infrastructure scenario of Bangladesh to make the reality of Vision 2041 that is declared by our Honourable Prime Minister Sheikh Hasina." He also said that there is a considerable gap between the understanding of the public and private sector while the government has taken up massive development programmes; the committee will help reduce the understanding gaps. He informed everyone that by the year 2022-23, many new projects would be commenced that call for a better institutional arrangement. He emphasised an action plan as proposed in the BUILD presentation. He stressed preparing a concept note on "the need for sectoral recognition of logistics in



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

the National Industrial Policy 2021”, which will be presented to the Ministry of Industries to recognise logistics as a priority sector.

Mr Abul Kasem Khan, Chairperson of BUILD, said that this working committee is an excellent example of a public-private dialogue platform. Top priority has to be given to infrastructure and logistics development in the country. Six to seven per cent of GDP will be required for the infrastructure development of the country. This working committee following concrete objectives can contribute a lot regarding the logistics and infrastructure development in the country. Pragmatic collaboration between the public and private sectors is necessary in this regard.

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

## Policy Papers Submitted in 8th T&IWC Meeting

### Introduction and justification to form the LIDWC to ensure harmonised policy advocacy

Logistics and infrastructural development have been treated as one of the key factors to ensure harmonised and decentralised industrialisation in the modern, competitive, and complex business era.



To attain the targets set for macroeconomic indicators as if export diversification, export earnings, employment generation, domestic and foreign investment inflow, sustainable GDP growth, socio-economic development etc., and the countries with visionary focus have put their concentration on logistics and infrastructural development. In that regard, BUILD and Prime Minister's Office have agreed to form a dedicated thematic working committee under the format of PPD Platform to provide policy assistance to reach the Logistics System of Bangladesh to a global height. Objectives of LIDWC are:

- Facilitate private sector business to increase its competitiveness so that cost of doing business can be reduced,
- Analyse policies for reforms to facilitate Logistics as a priority sector for attracting more investment and
- Support activities for attracting investment in the logistics sector by facilitating technology access, skill development and more effortless product movement for business growth.

The vision of LIDWC is "provide data-driven, fact and research-based policy advocacy to the government of Bangladesh to achieve targeted macroeconomic indicators of Perspective Plan 2021-2041" by taking initiatives to establish "efficient and responsive logistics infrastructure system" as the competitive advantage. LIDWC will act as the secretariat to provide fact-based and data-driven policy research to the government based on the recommendations and suggestions of public and private sector representatives.

## **Logistics infrastructure scenario: A brief analysis on the context of Bangladesh and world**

Product Diversification has been treated as the means of Export Diversification in many countries. But countries with a visionary focus put their concentration on the "product diversification and product movement management by developing harmonised multi-modal logistics infrastructure system" to attract foreign investment and boost export. Logistics is a complex sector that consists of a number of sub-sectors. Our Honourable Prime Minister Sheikh Hasina MP has proven herself as one of the bravest and visionary Leaders in World History by taking numbers of Mega Projects to reach the logistics and infrastructure sector to a global height. Besides, there is a highly positive correlation between the development of logistics and SDGs to attain. Among the 17 SDGs, SDG no. 1, 3, 7, 8, 9, 10, 11, 13, 14, 16 and 17 would be achieved by putting harmonised concentration on the "development of trade logistics and infrastructure". In the "Making Vision 2041 a Reality: Perspective Plan of Bangladesh 2021-2041", the government has designed five strategies to establish a Multimodal Transportation system to make Logistics Infrastructure. Noted that, Institutional fragmentation of the



Logistics Sector in Bangladesh is complex. Nine ministries and twenty sub-agencies have jurisdiction over the logistics sector in Bangladesh. The Logistics Performance Index and Its Indicators” is a bi-annual publication of World Bank in which 160 countries of the world are scored and ranked to evaluate the Logistics Performance under the six components on which Bangladesh ranked 100th in 2018. Bangladesh ranked 39th among the 50 Emerging Economies (EMs) in “Agility Emerging Markets Logistics Index-2019. LIDWC will work to ensure sectoral recognition of the logistics sector, institutional formation, alignment with SDGs, technical and technological skill development and coastal plan for the sustainable development of the logistics sector in Bangladesh. The Planned Working Area of LIDWC are identified below:

- Policy advocacy to ensure sectoral recognition of in National Industrial Policy 2021
- Policy advocacy on Tax, VAT and Customs related issues for Logistics Sector
- Policy advocacy to ensure sustainable growth of Temperature-Controlled Logistics System
- Survey on regulatory reforms required for Logistics Sector in Bangladesh.

In the discussion session, Mr Mohammad Lutfullah, Senior Private Sector Specialist, IFC, presented a study on “Logistics for Sustained Growth”. He highlighted the priority given towards logistics in the Perspective Plan Bangladesh 2021-2041. The absence of logistics contains national growth by 19% and causes the higher cost of the product ranging between four to forty-eight per cent. He gave examples of several competitive countries such as Ethiopia, India, Indonesia, Malaysia, etc., developing logistics systems fast under a national strategy. Ensuring cost reduction, attracting investors, having a national framework etc., are the areas the other competing countries give priority to formulate logistics plans.

Bangladesh does not recognise logistics as a separate sector, and it causes several issues such as cost increase and lack of competitiveness in several sectors. Integrating logistics in the 8th five-year plan is a necessary action that can be taken up immediately. The formation of smaller expert task groups under this working committee can be fruitful to achieve a faster result. Ms Nihad Kabir, President, MCCI, said that strategy regarding logistics has to be formulated aligned with national growth. A Rail network is vital for the country. Development in the rail network and warehousing in land and water ports is highly needed. Central warehousing, bonding etc., processes in warehousing needs to be improved in this regard.

Mr Mahbubul Alam, President, CCCI, said that a joint working group is needed for better fruitful outcomes and the short-term, midterm, and long-term outcomes. Water, rail and road connectivity has to be given priority. Water connectivity has to be given topmost priority. Mr ASM Mainuddin Monem, President, Private Economic Zones Association of Bangladesh, said that location is a big issue for utilising the economic zones. Therefore, deciding strategic points of location is needed for connectivity

development. Integration of national plan is required for the development of logistics plan of the country. Fitting multimodal in a cost-effective manner is necessary.

Mr Mohammad Naquib Uddin Khan, President, Bangladesh Supply Chain Management Society, said that this initiative is a pragmatic and timely step. An integrated national strategy is necessary for the logistics development. Lead time is a big issue in terms of export, and minimising lead time is required to ensure the country's competitiveness. Mr Kabir Ahmed, President, Bangladesh Freight Forwarders Association, said that 1,100 members in their association contribute to ninety per cent of the country's international trade. He noted that waterways need to be given topmost priority for logistics development.


Dr M. Masrur Reaz, Chairman, Policy Exchange of Bangladesh, said that the LIDWC is a very timely initiative to develop infrastructure and logistics in the country. Although logistics is a complex issue, public-private collaboration is direly needed to address the problems regarding logistics. A holistic strategic approach is required for long term logistics development in the country. Export-led growth strategy with diversification has to be ensured through ensuring efficiency in logistics. The post LDC graduation will bring international compliance pressure such as an eleven per cent increase in VAT. Providing cost efficiency in logistics will increase the country's competitiveness. He also said that small industries amid the COVID-19 situation must be brought under linkage policy to tap their resurrection. Md. Faizur Rahman Faruqui, Joint Secretary, Ministry of Railways, said that implementing the high-speed train will ensure efficiency in the rail network's time and cost. Dhaka to Sylhet, Dhaka to Rajshahi, Panchagar-Banglabandha etc., connectivity can be prioritised along with Dhaka-Chattogram connectivity.

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



# Major Events



 BUILD Trustee Board members handed over a bouquet to Abu Hena Md Rahmatul Muneem at the beginning of his term as the Chairman of the National Board of Revenue (NBR) during a call on at the NBR office. The meeting discussed BUILD's activities, including PSDPCC.

## **BUILD called on NBR Chairman Abu Hena Md Rahmatul Muneem to introduce its taxation related activities**

The Trustee Board of BUILD congratulated Abu Hena Md Rahmatul Muneem on the beginning of his term as the Chairman of NBR while having talks on various issues focusing on business policy reforms to attract added domestic and foreign investment on 16 January 2019 at NBR. BUILD Trustee Board Member, and President of Dhaka Chamber of Commerce and Industry Shams Mahmud urged the NBR Chairman to resolve private sector development policy issues and carry forward the positive trend of NBR, especially in revenue mobilisation. BUILD CEO Ferdaus Ara Begum briefly presented the activities of BUILD,

highlighting several reforms already implemented under the Taxation Working Committee of BUILD, which the NBR Chairman and FBCCI President co-chair.

CEO, BUILD Ferdaus Ara Begum explained BUILD — a national public-private dialogue platform — supporting the private sector as a collective voice and working closely with the government on private sector issues. She informed that BUILD is working on five thematic issues on which the Taxation working committee is crucial. She also reported that so far, 133 reform recommendations have been proposed through this committee, of which 82 have been implemented, and 51 is in the process of implementation.

Chairman, NBR, appreciated the role of BUILD and expressed his interest to work together; in case of having a Taxation Working Committee meeting, he replied positively and informed that the meeting could be held in March 2020. Chairperson referring some of his experiences of working in different organisations and ministries of the government throughout his life informed that he is taking some time to understand his priorities in NBR and thanked BUILD for their points in the written paper handed over to him in the meeting, which he would look soon, and need will have further

discussion. Metropolitan Chamber of Commerce and Industry, Dhaka Secretary General Farooq Ahmed and DCCI Secretary Md. Joynal Abdin attended the call on.



MOEFCC Secretary Ziaul Hasan presides over the meeting with BUILD.

### **Meeting between the Ministry of Environment, Forests Climate Change and BUILD**

A meeting between the Ministry of Environment, Forests, Climate Change (MOEFCC) and Business Initiative Leading Development (BUILD) took place on 28 January 2020 at the Secretariat in a bid to discuss the agenda of the upcoming Sustainability and Green Growth Working Committee Meeting of BUILD due in March 2020. BUILD CEO Ferdaus Ara Begum provided a brief and said that BUILD, in association with MoEFCC and BGMEA, has launched this platform to exchange views among all intending sectors of the economy about the environment and related policies, suggest research-backed reforms for bridging the implementation gaps and conduct dialogues with the concerned government organisation to support the private sector in having safe investment and sustainable

business by using announced policies of the government. The platform would engage the government, the private sector and other stakeholders for creating awareness among the private sector about climate change, environmental damage, disaster risk reduction for developing compliant and resource-efficient entrepreneurship. She urged the government to adopt policy measures to promote ecological sustainability in the plastic sector that cover areas like pollution reduction, recycling and reuse of plastic, better coordination among regulatory agencies and stakeholders. MOEFCC Secretary Ziaul Hasan expressed concerns about the waste treatment issue and informed that the ministry had already started activities for the COP26 due in December 2020. It was discussed that BUILD would be invited in the ministry's programs on preparing COP26 with an objective to bridge the gaps of information exchange in regard to climate change issues and then build the capacity of the private sector to provide related input so that the government can negotiate with the international community.

The date for an SGGWC meeting was tentatively scheduled in March 2020, for which BUILD would prepare a working paper. It was discussed that in line with the direction for the 13th PSDPCC, the letter would be sent to the Sustainable and Renewable Energy Development Authority (SREDA) to form a working committee to develop renewable energy and rooftop solar power. MOEFCC secretary agreed to appoint a focal point in PSDPCC to represent the ministry. Along with them, MOEF Additional Secretary (Environment) Mahmud Hasan, Additional

Secretary (Development) A. Shamim Al Razi, Deputy Chief of MOEFCC Zakia and Additional Research Director of BUILD Md. Tahmid al Zami, Sr. Communications and Advocacy Associate Moshaddek Alam were present at the meeting.



Member of the Customs Audit, Modernisation and International Trade of National Board of Revenue (NBR) Khondaker Muhammad Aminur Rahman speaks as the chief guest of the program. Private Sector Development Adviser of DFID Bangladesh, Mashfique Ibne Akbar, was present as the special guest.

### **Women traders face more challenges than male traders**

Women traders face more challenges than their male counterparts. To find out the gender discrimination issues in the trade process and specific challenges of women traders, a baseline survey was conducted by Business Initiative Leading Development (BUILD) in association with International Finance Corporation (IFC). BUILD's Chief Executive Officer (CEO) presented the survey report titled "Challenges of Trading across Borders Facing the Women Traders of Bangladesh: Recent Findings and Way Forward" on 19 January 2020 at InterContinental Dhaka. BUILD research said that the Availing trade license and its renewal require women

entrepreneurs to pay more undocumented charges than male entrepreneurs. Maximum women exporters and importers collect the general import-related licenses by themselves or through employees. Men entrepreneurs prefer using intermediaries, where women entrepreneurs choose lawyers or professional services firms to obtain licenses or certificates if they do not do so by themselves or through employees. Women importers need more time to avail RJSC certificate, Industrial IRC, Coefficient Certificate and Bill of Lading, while WOE exporters need more time to obtain LC, cash incentive, GSP certificate, certificate of origin.

To deal with the challenges, policies were recommended in the BUILD research. Some of these recommendations are: Certified and qualified lawyers or professionals to provide services to the Women-Owned Enterprises(WOE) and SMEs, Simplification and time-bound L/C process from the Banks and Financial Institutions, simplification of Cash Incentive Providing Process, Chamber or Association Membership certificates, reduction of additional time and costs for availing Government incentives, Capacity Building, Disaggregated Data of Women Exporters, Abolition of hidden charge, Reduction of lead-time, Acceleration of Seasonal Financing, Reducing the number of guarantor requirement for Woman Entrepreneur, Active Help Desk, Supporting behaviour from the concerned officials, New HS Code to eliminate HS code related problems, simplification of the process of acquiring Bond License and consideration of lack of knowledge of custom officials.





📷 All of the workshop participants are seen with Member of the Customs Audit, Modernisation and International Trade of National Board of Revenue (NBR), Khondaker Muhammad Aminur Rahman.

In her inaugural speech, BUILD CEO Ferdaus Ara Begum Said, half of the total population of Bangladesh are women. Their contribution to the economy is needed to be increased. The formalisation of the women labour force is vital to increase the contribution of women in the economy. Nusrat Nahid Babi said in her introductory note, their unique help desks for the women traders in many governments and non-government organisations would need to provide updated information. BUILD and IFC are willing to work jointly with the government to find out and solve the challenges of women traders. In this regard, discussion can be arranged at the divisional level. Chief Guest Khondaker Muhammad Aminur Rahman pays gratitude to BUILD and IFC for taking this

initiative. He said that implementing National Single Window (NSW) within two or three years will reduce many problems related to time, cost and process related to export and import of the women traders. Thirty-nine departments of government will be connected under NSW, which will expedite the simplification of trade-related issues. Implementation of Pre-Arrival Processing (PAP) will reduce the unnecessary delay in the trade process of women traders. However, he highlighted those small and medium traders being not interested in e-payment is an obstacle for traders to avail more simplified trade-related services.

Private Sector Development Advisor of DFID Bangladesh Mashfique Ibne Akbar said that public-private dialogues are necessary for




specifying reinvigorating measures to be taken for easing the trade-related process for traders. He also noted that the standards and certification for the non-traditional sectors need to be given more focus. In the panel discussion, Additional Secretary of the Ministry of Commerce Sharifa Khan said that there is no scope to differentiate man and woman according to our constitution. One of the reasons might be that they do not have updated information. She also said, RJSC goes full to automation, and entrepreneurs can get its benefit quickly.

Chief Controller of CCI&E Pranesh Ranjan Sutradhar said no manual service under the Online Licensing Module (OLM) system initiated from 1 July 2019. This has resulted in little involvement of intermediaries, reduced time requirements, and decreased numbers and documentation phases. Joint Secretary (Port) of Ministry of Shipping Abdus Sattar Sheikh said that the Ministry of Shipping is willing to cooperate with the women traders regarding any issue on port handling.

Kohinoor Yasmin, CEO, Taranga, said that a friendly approach from the customs officials could encourage women entrepreneurs. NBR Commissioner Hossain Ahmed said BSTI laboratory is not enough to examine the products of the entrepreneurs. In some cases, different laboratories of different institutions provide different results creating difficulties for NBR to take decisions. HS Code is a very technical issue; entrepreneurs need specialised training in better knowledge.



 BUILD Chairperson Abul Kasem Khan and BUILD Trustee Board Member Asif Ibrahim are seen with Member of NBR, Khondaker Muhammad Aminur Rahman.

### **Ease of doing business trading across borders: Recent reform initiatives in Bangladesh**

Speaking as the Special Guest at the workshop titled Ease of Doing Business Trading Across Borders: Recent Reform Initiatives in Bangladesh, organised by the National Board of Revenue (NBR) supported by International Finance Corporation (IFC), BUILD Chairperson Abul Kasem Khan said that we must continue to address the Ease of Doing business with effective strategies as Bangladesh needs to improve its ranking immediately from the present position. He said steps taken are in the right direction to improve the ranking for next year. He informed, Bangladesh today is the fastest growing country in the world and in order for Bangladesh to continue its growth targets, it needs massive investments.

The NBR member (customs audit, modernisation, and international trade), Khondaker Muhammad Aminur Rahman, was

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It is critical that we continue to address the ease of doing business with effective and practical strategies, as Bangladesh must move quickly to improve its ranking from its current position. For the next year, the measures taken are in the correct direction in terms of improving the ranking. Bangladesh is now the world's fastest growing country, and in order to maintain its growth rates, significant investments are required.

Abul Kasem Khan  
Chairperson, BUILD



present as the chief guest in the program. Rahman said following the instructions of the Prime Minister's Office (PMO), all the agencies involved in trade-related activities are working separately to make progress in the EODB's trading across border indicator. BUILD Chair said that, in order to attract foreign investments, the World Bank's Ease of Doing Index ranking is significant for investors. He said, government and the policy planners are serious about facing challenges with the right reforms and actions, but these need to be time-bound and result-oriented. Commissioner of Chattogram Customs House Md. Fakhrul Alam said they received several forged documents submitted by some traders in recent months for clearance purposes.

survey to support a study on "Private Provident Fund Policy Reform Options in Bangladesh" backed by IFC-WBG. It was also mentioned that a survey was already conducted on Private Provident Fund over the country.

To assess PF in the private sector BUILD Team visited the 16 Tax Commissionerate throughout the country who are supervising the Private Provident Funds (PPF) under the existing Income Tax Act 1984. BUILD also studied the LTU taxpayers, Private Commercial Banks, NBFIs and Top DSE-30 companies for the purpose of the survey. It was also mentioned that the estimated PPF is around USD 2 billion.

Mohammad Muslim Chowdhury, CAG, appreciated the strive of BUILD to assess the PPF volume and its further investment potentials studied by BUILD. In the course of the discussion, it was mentioned that; There is no regulatory Framework for private provident funds, and Public PF is maintained under the general provident fund rules, 1979 and the contributory provident fund rules, 1979. In the case of local bodies, it follows the provident funds act, 1925. The private PF is maintained for income tax exemption (rebate). There should be a regulatory framework under a separate authority where India and Pakistan have already established the authority. There is a pension regulator authority in India that taps into the capital market. This authority covers both public, private sectors. The fund manager manages the fund under close supervision. India has started mandatory PF for all under the administration since 2005, including the informal sector. It has set criteria for further investment. All these future employee welfare



From the right, Mohammad Muslim Chowdhury, CAG, and Ferdaus Ara Begum, CEO, BUILD, were seen after the meeting.

### Meeting between Comptroller and Auditor General of Bangladesh and BUILD

Ferdaus Ara Begum, CEO, BUILD, introduced BUILD and its scope of work in the field of policy reform mechanism to the CAG. It has been mentioned that BUILD has taken up a

funds (PF, Gratuity, and GPF) can be maintained under a separate and sovereign entity that would be the custody and fund manager for further investment of PF. It would need to be guided by a clear policy like the universal pension Act.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) said that this sector should focus more on research and development. He said one of the main reasons for falling export is a lack of marketing skills as well as market analysis by the entrepreneurs.



 Ferdaus Ara Begum, CEO, BUILD, chairs the meeting at BUILD.

### **Leather sector task-force subcommittee meeting by BUILD**


CEO, BUILD welcomed all the sub-committee members and shared the draft report prepared by BUILD for their opinion. The Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB) representative said the leather sector's value addition is about 80%, and the raw hide collection is more than 300m sq ft. But the representative from Bangladesh Tanners Association (BTA) said that when the tanneries were in Hazaribagh, it was about 350m sq ft. Still, after shifting tanneries from Hazaribagh to Tannery Industrial Estate Dhaka (TIED), it becomes 220m sq ft to 250m sq ft. The women employment of this sector became increased from 53% to 60%. A representative from the

There is a considerable sourcing gap between the exporters and buyers. Data published by Export Promotion Bureau is not enough. There should be a depth analysis by comparing with other countries export and import volume. Market research needs to be conducted by comparing the individual product line of the leather sector with other countries. BTA officials said that government has established six slaughterhouses in different places, but Dhaka and Chattogram people are unaware of it. Moreover, the transportation and other related costs from and to the slaughterhouse is not well devised. BUILD CEO also said that establishing an individual Effluent Treatment Plant (ETP) in TIED is not possible because of the shortage of land and as per the rule of an industrial estate.

Moreover, as per the court order of 14 December 2017, the applicant company undertook a feasibility study. After that, several meetings and decisions were taken, but it remains still unclear. She also said that the BSCIC authority asked entrepreneurs to change the size of the sedimentation tank several times, which is difficult for a tanner in terms of both time and cost. The representative from Bangladesh Finished Leather, Leather goods and Footwear Exporters' Association (BFLLEA) said that Bangladeshi leather products need more publicity through different advertising tools. He also noted that the size of





 BUILD Trustee Board Chairperson Abul Kasem Khan presents a flower bouquet to Dr Ahmad Kaikaus, Principal Secretary to the honourable Prime Minister, on 4 March at the PMO.

footwear of varying brands is abstruse for the domestic people. There should be a defined measurement of footwear size.

A representative from Bangladesh Small and Cottage Industries Corporation (BSCIC) informed that about 97% of Central Effluent Treatment Plant (CETP) work had been done. Hopefully, other works will be done within the project completion period. He informed that establishing a separate line for chrome, desalting process, and sedimentation tank is omitted. He also said that government takes initiatives to develop a separate industrial park for the leather goods and footwear sector.

### **BUILD Trustee Board shared plan of activities with PMO**

BUILD Trustee Board Members led by Abul Kasem Khan; Chairperson of BUILD called on Dr Ahmad Kaikaus, Principal Secretary to the Prime Minister and discussed BUILD's activities, including Private Sector Development Policy Coordination Committee (PSDPCC) established

at PMO at the meeting on 4 March 2020 at the Prime Minister's Office. Abul Kasem Khan, Chairperson of BUILD, while briefing about overall activities, said that BUILD has so far tabled 785 policy reform recommendations through its 5 Thematic Working Committees to, PSDPCC on which 376 reforms have been approved, 238 have already been implemented while the rest of the 124 are under implementation and 316 are under review. He mentioned that we need policy simplification, unlocking regulatory barriers to attract more investment for increased job creation. He also said that we need to reduce our dependency on banks with an alternate source of funding, particularly our capital market needs to re-energise for long term financing. Endorsing BUILD Chairperson, Dr Ahmad Kaikaus, Principal Secretary to the Prime Minister, said that PSDPCC needs to suggest investment-friendly policies for the economy; he also said policy to address the capital market, which should be an alternative funding source of our economy, could be one



On the 8th of March, Abul Kasem Khan, Chairperson of BUILD, paid a visit to the office and spoke with members of the BUILD team.

of the significant areas for PSDPCC to look into. He also underscored quality research work should be BUILD’s focus. He appreciated the role of PSDPCC and mentioned that it is truly a unique platform to facilitate the private sector growth more effectively, and the PMO will continue to assist and support, he said. Principal Secretary further added that we must have effective policy advocacy to ensure the expected change.

BUILD should find out the potentials of our sectors and develop a specific and target-oriented agenda with short-term plans in the upcoming PSDPCC meeting. Thanking PMO for facilitating private sector development through PSDPCC, Shams Mahmud, President of Dhaka Chamber of Commerce and Industry (DCCI), said that we direly need sound policies to be implemented to harness the benefits of development. Asif Ibrahim, Trustee of BUILD and Chairman of Chattogram Stock Exchange, said that BUILD rotates its functions through different working committees co-chaired mainly through the Secretaries of relevant ministries

from the government and one from the private sector, which is why the platform is accepted and trusted by all corners. Farooq Ahmed, Secretary General of MCCI, said that our research is based on market reality and a practical approach. Having mentioned the agenda of the upcoming PSDPCC Meeting, BUILD CEO Firdaus Ara Begum sought the attention of the Principal Secretary regarding the date of the next PSDPCC Meeting. The meeting was attended by Md. Joynal Abdin, Secretary of DCCI and Md. Ziaul Hoque, Director-1, Prime Minister’s Office.

### Chairperson’s first visit to BUILD

BUILD office was very happy by the presence of its Chairperson on 8 March 2020. BUILD officials welcomed the BUILD chairperson and handover a flower bouquet. The meeting began with a short video presentation. The Chairperson was welcomed with flowers by BUILD employees to celebrate international women’s day. BUILD team members gave their self-introduction and briefed on their respective ongoing works under their working committee.



The discussion picked up several suggested areas where activities can be conducted in the near future. SME Ministry can be proposed to develop the SME sector development. SME Financing system development can be an area to focus on. Increasing investment opportunities need to be conducted by following the model of Vietnam in three areas: institutional development, infrastructure development, and skill development. Computer and 4IR, Logistics (Warehousing), Capital Market Development and Green field project financing under capital market can be the new areas where working committees can be formed according to Chairperson's suggestions. Port privatisation, cash incentive policy simplification, transaction simplification for payment under telegraphic transfer etc. issues also came up in the discussion. A Short Discussion between the Chairperson and the Taxation Working Committee was also held regarding the upcoming Budget proposal.

Leading Development (BUILD). Nurul Majid Mahmud Humayun, MP. Hon'ble Industries Minister, was present at the dialogue as Chief Guest. The major objective of the dialogue was to discuss and learn from the SME entrepreneurs about the challenges faced by them because of the COVID-19 pandemic and taking experts' opinions on how it can be mitigated in consultation with the policy makers. Abul Kasem Khan, Chairperson, BUILD, stated that the post-COVID-19 world would not be the same as before and change in the economy is inevitable. In order to adjust to the newly emerged situation, the Industrial Policy of Bangladesh must address the crisis. Ferdaus Ara Begum, CEO, BUILD, in presenting the keynote titled "COVID-19 Economic crisis and SMEs of Bangladesh", emphasised the need for adequate information through SME database to identify worst sufferers and requested for different policies for micro and cottage sectors as they need specific treatment, a significant number of whom are informal. Dr M Masrur Reaz, Chairman, Policy Exchange, moderated the session. Dr Monzur Hossain, Senior Research Fellow, BIDS, informed that according to a BIDS survey, only 35% of SME's have access to banking channels. In this case, including Micro-Finance Institutions (MFI) can prove effective as 49% of SMEs are dependent on this channel for financing.



### **COVID-19 Economic Crisis and SMEs**

A virtual dialogue on COVID-19 Economic Crisis and SMEs in Bangladesh was organised on 23 June 2020 via Zoom by Resurgent Bangladesh (RB) and Business Initiative

Md Safiqul Islam, MD, SME Foundation, stated that the proper allocation of the stimulus package could be ensured by utilising the Credit Wholesaling Program (CWS) of SMEF. Rashedul Karim Munna, MD, Creation Limited, suggested that an SME database be

formulated to identify informal SMEs. Then, a separate work plan should be designed for those informal sectors. Asif Ibrahim, Chairman, Chittagong Stock Exchange, said that the government set an excellent example of stimulus package disbursement to RMG workers through mobile banking accounts. Similar efforts should be undertaken to disbursing SME credit. Nihad Kabir, President, MCCI, said that small and medium sectors are often lumped under the same category without considering the vast gulf of difference in size between the two sectors. Md Shafiqul Islam, MD, SME Foundation, also spoke. Shams Mahmud, President, DCCI, summarised the discussion points and said that new opportunities have to be explored for solving the crisis faced by the SMEs.

Specialist, World Bank, Abul Kalam Azad, Former SDG Coordinator, Prime Minister's Office, Ferdaus Ara Begum, CEO, BUILD, Fazlul Kader, General Manager, PKSF, Ahsan Mansur, Executive Director, Policy Research Institute. Imran Ahmed, Head of Programs, Shakti Foundation, Syed Mafiz Kamal, Senior Policy Analyst, Centre for Research and Information. BUILD CEO emphasised the role of Micro, Small, and Medium Enterprises (MSMEs) in Bangladesh economy that has been most seriously affected with an exceedingly high job loss figure, while the measures taken to revive the sector is not enough. More specific reforms can be carried for short term recovery. She added that BBS predicted that Bangladesh's poverty level might double to 40.9% from that before the beginning of the COVID-19 while BIDS said about 1.5 crore people have gone down the poverty line as per the latest Labour Force Survey (LFS) by BBS, the unemployment rate in Bangladesh is 4.37% and among these total unemployed 46% are of "Youth University Graduate". CMSME comprises about 99.84% of the entire enterprises and about 86% of the full employment.

In the cottage and micro sector, there is a sizeable proportion in the informal sector (70-80%). We need to create a database of these sectors and identify the most suffered segments to support them to sustain themselves; this would need to be our primary requirement. Taka 20,000 crores have been announced as a stimulus package (SP) for CMSME, but utilisation is still not significant. The reasons are: conditionalities are stringent; banks are taking a long time for scrutiny; no collateral-



### Dialogue on job creation in the era of COVID-19

A Policy Cafe on "Job Creation in the Era of COVID-19" was organised by the Centre for Research and Information (CRI) on 24 June 2020 (Wednesday) at 9:30 pm. Sabbir Hasan Nasir, Executive Director, ACI Logistics, Syed Akhtar Mahmood, Former Lead Private Sector



free loans for cottage and micro sector are available; actual sufferers are not yet identified, etc. As Stimulus Packages (SPs) are not fully implemented in favour of SMEs through Banks, micro-finance organisations, SME Foundation, BSCIC, PKSF, Chambers can work together to extend support to them. An amount of collateral-free funding can be allowed as India has done. Cluster-based financing can also be thought of as individual SMEs that are difficult to be traced. In preparing the database, expanding information through NID can be helpful. Because of the pandemic, income inequality, poverty inequality, and education inequalities have been increased. In order to create new jobs, focus on agriculture sector employment can be given, since agriculture is still contributing more than 40% of total employment.

### **BUILD Chairperson on Channel 71 on addressing SME issues during COVID-19**

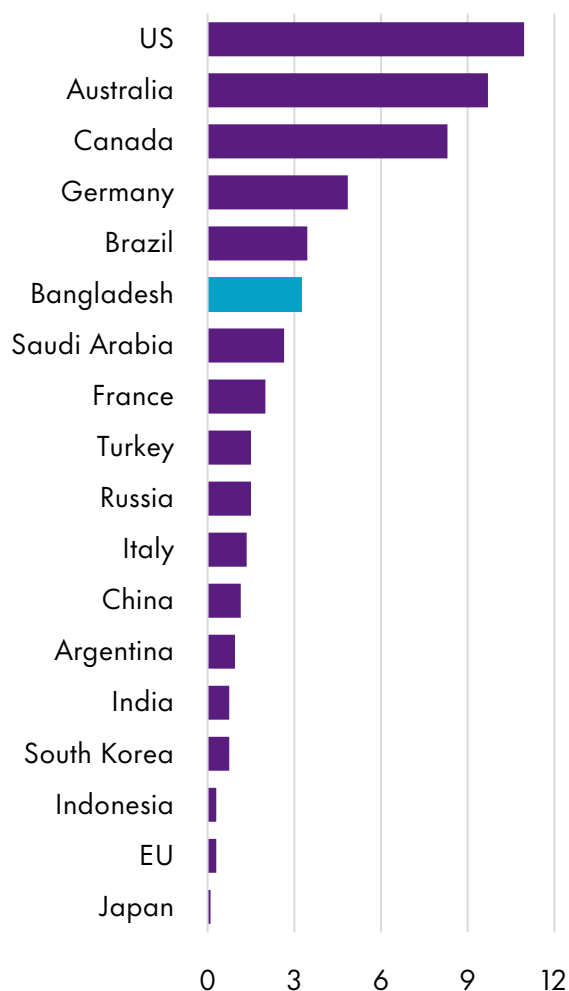
BUILD Chairperson Abul Kasem Khan joined Dr M. Masrur Reaz, Chairman of Policy Exchange, for addressing challenges related to economic impacts among Bangladeshi SMEs due to the COVID-19 pandemic on 71 TV on 24 June 2020. BUILD Chairperson Abul Kasem Khan said that SMEs are the worst victims of the COVID-19 outbreak in the private sector. He apprehended that unemployment may rise and economic dynamism might be stymied unless SMEs' current situation improves. He urged the government to produce insights and guidance for small businesses to cope with the operational stress generated by COVID-19. A refinancing scheme can be a valuable tool to improve access to finance for SMEs.



### **Virtual dialogue on access to stimulus package for COVID-19 affected CMSMEs**

Business Initiative Leading Development (BUILD) and the Technical Assistance Component of the Poverty Reduction through Inclusive and Sustainable Markets (PRISM) – a European Union-funded program under the auspices of the Ministry of Industries, jointly organised a virtual dialogue on “Access to Stimulus Package for COVID-19 Affected CMSMEs in Bangladesh” on 20 May 2020. The objectives of the dialogue were to discuss the prevailing situation and the needs of CMSMEs regarding stimulus packages announced by the government, simplification of the process of availing stimulus fund for CMSMEs, especially for the micro and cottage entrepreneurs and what other actions can be suggested, both in short and medium terms, so that funding support to CMSMEs can be improved.

Introducing quick and hassle-free loan processing system by banks under the announced stimulus packages, establishing monitoring cell to screen overall CMSME loan



[Value \(%\) of COVID-19 fiscal stimulus packages as of April 2020, as a share of GDP — Bangladesh has spent a reasonable percentage of GDP behind the stimulus packages.](#)

disbursement procedures, preparing the COVID-19 affected CMSME database, increasing the repayment and grace period of loan for CMSME, implementation of credit guarantee scheme to mitigate the risk of financial institutions were the major findings of the dialogue. Abul Kasem Khan, Chairperson, BUILD, Dr Mohammad Abdus Salam, Director, BSCIC and Project Director, PRISM, Ferdaus Ara Begum, CEO, BUILD, Ali Sabet, Team Leader, PRISM – TA to BSCIC along with a number of CMSMEs, supportive organisation

representatives, such as SME Foundation, UNCDF and Bangladesh Bank and SME Heads of a number scheduled Banks, were among others present in the meeting.

### **Bangladesh forward — Avenues for recovery and growth**

US Chamber of Commerce, US Bangladesh Working Group, organised a virtual dialogue on 17 June 2020 where Nisha Biswal, Senior Vice President-South Asia, US Chamber of Commerce, was present and welcomed the participants. H E Md Ziauddin, Hon'ble Ambassador of Bangladesh to the US and H. E Earl Miller, Hon'ble Ambassador of US to Bangladesh, also spoke on US-Bangladesh Economic Cooperation. Dr Ahmad Kaikaus, Principal Secretary to the Hon'ble Prime Minister, presented a paper on Bangladesh's Economic Recovery Strategy. HE Salman F. Rahman, Hon'ble Private Sector and Investment Advisor to the Hon'ble Prime Minister, also spoke on avenues for growth and investment. Hon'ble State Minister for ICT Division Zunaid Ahmed Palak presented a paper on the occasion. A preparatory meeting was held on 10 June 2020 under the leadership of the Principal Secretary, PMO, where Hon'ble Private Sector and Investment Advisor to the Hon'ble Prime Minister along with the secretaries of concerned ministries and Executive Chairman, BIDA, were present. A number of private sector representatives attended the meeting and put forward their opinion to make the upcoming meeting successful.

Chairperson, BUILD, Abul Kasem Khan and CEO, Ferdaus Ara Begum, were also present

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

present in the meeting. Ferdaus Ara Begum, CEO, BUILD, made the presentation titled “Stimulus Packages (SPs) for Large and CMSMEs — Reforms for Better Utilisation for Recovery from COVID-19”. BUILD CEO focused on the recent UNIDO-BUILD survey findings, showing that CMSMEs are in worse situations than large enterprises. It was observed that a quick and hassle-free loan processing system for the private sector is needed. BUILD also called for a robust database of the COVID-19 affected enterprises and an SME census underscoring the need for increasing the scope of BDT 3000 crore stimulus for reaching the cottage and micro businesses.

To effectively use the Credit Guarantee Scheme, BUILD proposed establishing a separate entity maintaining all transparencies and publishing them manually soon. Speaking as the co-chair, Ahmed Jamal, Deputy Governor of Bangladesh Bank, said that BDT 18,500 crore has been disbursed under the large industries and service sectors’ working capital loan stimulus package. The central bank governor has asked banks to disburse the entire amount under the stimulus package of CMSMEs within October 2020. He ascertained that all the recommendations coming out from BUILD and discussion would be taken into account. Bangladesh Bank will take the initiative to implement the implementable recommendations from their end wherever possible. He requested BUILD to send all the suggestions and the decision of the meeting. Shams Mahmud, President of DCCI, who is the co-chair of the FSDWC of BUILD, thanked Bangladesh Bank for the various support already extended to all the sectors, especially



### Policy responses urged to best utilise stimulus package — BUILD

BUILD’s 8th Financial Sector Development Working Committee (FSDWC) Meeting took place today (18 August 2020) via the online platform Zoom. The meeting was co-chaired by Ahmed Jamal, Deputy Governor, Bangladesh Bank and Shams Mahmud, President, Dhaka Chamber of Commerce and Industry. Abul Kasem Khan, Chairperson of BUILD, was also



During the official meeting, the BUILD CEO spoke with Dr Ahmad Kaikaus, Principal Secretary to the Prime Minister.

to CSMEs and to continue to support the private sector with effective policies support and to look into the recommendations coming out of the meeting.

Md. Saiful Islam, President, LFMEAB, focused on implementing institutional formation of the FSP disbursement process as the leather sector has been facing problems in getting loans from the banks due to the several stringent administrative procedures while taking decisions on disbursement of the loan. Abul Kasem Khan, Chairperson of BUILD, requested the Co-chairs to form a small committee for the Credit Guarantee Scheme to produce a best-practice model for this. He also emphasised the non-banked CMSMES on how they can be reached with a financial support system. He also said that a list of recommendations with a possible timeline would be prepared and shared again with both the Committee Co. Chair for more effective action. The FSDWC Meeting was attended by Professor Jahangir

Alam Chowdhury, Finance Department, University of Dhaka, Mahbubul Alam, President of CCCI, Ali Sabet, team Leader, PRISM, Jashim Uddin, President BPGMEA, Husnara Shikha, GM of SMESPD Bangladesh Bank and Waqar Ahmad Choudhury, Director of DCCI, Golam Rabbani, AGM, BSCIC, Nazim Sattar, GM, SMEF and Prof. Dr Swapan Kumar Bala, FCMA, Former Commissioner, BSEC including public and private sector stakeholders.

### **Kick-off meeting of Bangladesh-Japan PPED**

As part of preparing for the upcoming 5th Bangladesh-Japan Public-Private Joint Economic Dialogue (PPED), a kick-off meeting took place at the Prime Minister's Office. Held on 24 August 2020, the meeting mainly reviewed the decisions on which both countries agreed in the 4th PPED to resolve the issues hindering the expansion of trade and investment between the two countries and



emphasised further enhancement of cooperation in investment and trade. As a member of the Working Group on Improvement of Investment Climate for Japanese Investors in Bangladesh, BUILD CEO Ferdaus Ara Begum joined the meeting and put light on policy papers that BUILD had submitted such as increase of paid-up capital, repatriation of payments, availability of English version of laws and timely publication of trade-related statistics. Principal Secretary to the Prime Minister Dr Ahmad Kaikaus presided over the meeting and appreciated the role of BUILD in supporting the investors. The dialogue is part of the Japan-Bangladesh Comprehensive Partnership, which was signed during the meeting between the Prime Ministers of Japan and Bangladesh in 2014. Representatives from the Japan Embassy, JETRO, JICA, IRD, BIDA, BEZA, BEPZA, PPPA, EPB, different ministries and officials of Prime Minister's Office, and President of FBCCI, President of DCCI, representatives of MCCI, JBCCI, joined the meeting.



### **Bangladesh suppliers to tap export potential of China — BUILD Chair**

BUILD Chairperson Abul Kasem Khan urged that Bangladeshi suppliers should tap into the

export potential of China as the Chinese government offered duty-free benefits for 8,256 locally made products. He made these comments while speaking as the Panellist at the 5th dialogue of Resurgent Bangladesh, titled “International Trade in Covid Times: Impact and Way forward for Bangladesh”, organised by the Dhaka Chamber of Commerce and Industry (DCCI) on 22 August 2020. He said the ASEAN market is essential for Bangladesh, adding that Bangladesh has a strong claim for entering the intergovernmental organisation as the country has already sheltered more than one million Rohingya people.

While moderating the meeting, DCCI President Shams Mahmud said many international retailers want to shift their orders and investments away from China, which is a chance for Bangladesh. He said that the authorities should negotiate with the leaders of various export destinations in order to avoid any restrictions on products while the development of the country's port infrastructure, such as container terminals and Bay terminal, needs to be expedited. While the country's bright image is an essential aspect for attaining higher export growth, addressing the public health issues currently prevalent in the country is more crucial, said Syed Nasim Manzur, Managing Director of Apex Footwear and Former Chairperson of BUILD. Salman Fazlur Rahman, Private Sector Industry and Investment Adviser Prime Minister said the reduction of tax would encourage them to invest. The government needed to widen the tax net to ease the burden on the existing taxpayers.

Japanese Ambassador to Bangladesh ITO Naoki said that we have an extensive list of Japanese companies that have already invested in Bangladesh, and many are waiting to invest here. Almost all big US companies have their operations in Bangladesh, and many more were interested in investing here, said JoAnne Wagner, Deputy Chief of Mission of the US Embassy in Bangladesh. Chairman of Policy Exchange Dr M Masrur Reaz presented the keynote paper. The FDI to GDP ratio of Bangladesh is 1.2% which is less than India, Sri Lanka, Vietnam, and Cambodia. Out of total FDI stock, the country received the highest USD 3.8 billion FDI in the gas and petroleum sector, where the USA is the largest investor with USD 3.60 billion, followed by the UK, South Korea, the Netherlands, China, and Japan said he. Executive Chairman of the Bangladesh Economic Zones Authority (BEZA) Paban Chowdhury, Ambassador of Japan to Bangladesh ITO Naoki, were special guests at the program.

the Dhaka Chamber of Commerce and Industry on 19 August 2020, BUILD Chairperson Abul Kasem Khan urged the government to fast-track the special economic zones and invest USD 300 billion for improving its infrastructure. Vietnam received the highest amount of FDI from Japan, said he. “China’s duty-free offer can be a game-changer for Bangladesh in case of attracting FDI,” added he. We have a location advantage, and we are close to ASEAN, and we get duty free market access to China, and the UK manufacturers can invest in Bangladesh to get this facility, he urged. 6% of GDP needs to be invested for infrastructure development which is 2-3%, while we need to be competitive in terms of tax, duty, and tariff structure to attract FDI, he added. DCCI President Shams Mahmud moderated the webinar while Minister of State for Foreign Affairs Md Shahriar Alam was the chief guest. The UK became the second-largest foreign investor in Bangladesh, registering an accumulated FDI stock of USD 2.45 billion as of March 2020, said DCCI President Shams Mahmud. He added that the government might introduce infrastructure bonds to attract investment from the UK for developing large infrastructure projects.

Minister of State Md Shahriar Alam said that the UK would give Bangladesh duty and quota-free access till 2027. British High Commissioner in Dhaka Robert Chatterton Dickson and Bangladesh High Commissioner to UK Saida Muna Tasneem also joined the webinar as special guests. British High Commissioner to Bangladesh Robert Chatterton Dickson said that diversification of products was necessary to increase export



### **Government to fast-track EPZ and invest in infrastructure — BUILD Chair**

Speaking at the webinar on “Implications of COVID-19 on FDI Inflow to Bangladesh: Challenges and Way Forward” organised by

competitiveness. He said pharmaceuticals, IT, education, healthcare, service, and financial sectors had the potential to attract UK investments. “Bangla Bond in the London Stock Exchange creates an opportunity for the business community of both countries to work closely together. We are also keen to strengthen our existing trade relations with Bangladesh”, he added. Prof Selim Raihan, Executive Director of South Asian Network on Economic Modelling (SANEM), presented the keynote paper. Prof Selim Raihan, in his presentation, said that some of the challenges for Bangladesh to attract FDI from the UK were export diversification, inadequate policies and strategies, weak collective action of non-RMG sectors, weak enforcement of intellectual property rights, excessive cost of doing business and slow implementation of infrastructural projects, including SEZs and LDC graduation.

### **BUILD formed platform for 4th Industrial Revolution and ICT**


Massive industrial change is afoot and fuelled by the advancement of digital technologies. The fusion of physical and virtual worlds into a cyber-physical system will negatively impact every manufacturing element. Considering this, BUILD took the initiative in forming the 4th Industrial Revolution and ICT Working Committee with Bangladesh Hi-Tec Park Authority (BHPTA) and Bangladesh Association of Software and Information Services (BASIS). The first meeting of the newly formed 4th Industrial Revolution and ICT Working Committee (4IR&ICTWC) of BUILD was held on 21 October 2020 at the office premise of BHPTA. Two Co-chairs of the working

committee – Hosne Ara Begum, Managing Director (Secretary), BHPTA and Syed Almas Kabir, President, BASIS – took the leading role in the meeting. BUILD’s Chief Executive Officer Ferdaus Ara Begum presented BUILD and the newly formed Working Committee. BHPTA Director (Joint Secretary) A.N.M. Safiqul Islam, Director (Joint Secretary) Fahmida Akhtar and Deputy Director Norottom Paul, representatives from the Ministry of Industries (Mol) and e-Commerce Association of Bangladesh (e-CAB) put their valuable remarks in the meeting. In her presentation, BUILD CEO briefly elaborated the structure and activities of the thematic working committees of BUILD and described the objectives and scope of activities of 4IR&ICTWC. She introduced the TOR and Action Plan of the Committee and requested opinions from the prominent presence in the meeting.

In the introductory speech, BHPTA MD Hosne Ara Begum expressed her expectation to get help from the private sector to formulate a curriculum for the technology institute that is under establishment. She said that BUILD could help BHPTA in this regard through its 4IR&ICT working committee. BASIS President and Co-Chair of 4IR&ICTWC Syed Almas Kabir said that a large number of workers from different sectors would lose their job with the technological development and incorporation of 4IR in the private sector. Workers of the readymade garments sector are at significant risk. In this regard, it is imperative to up-skilling and re-skilling the workers. He expressed the importance of the 4IR and ICT working committee for taking specific need-based initiatives and policy recommendations. BHPTA





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

Director A.N.M. Shafiqul Islam informed that countries like Japan are thinking about the 5th Industrial Revolution (5IR). Though we are far behind them, BUILD's initiative is timely action. The private sector of Bangladesh should think about 4IR with significant importance. BHPTA Director Fahmida Akhtar urged upon for including development partners in the member list of the committee. Mohammad Sahab Uddin, Vice President of e-CAB, said that the first duty of the 4IR and ICT working committee could be conducting a gap analysis. After that, we will be able to identify our position in the global arena. We will then understand how far the USA, China or Indonesia have proceeded than us. Referring to the introductory meeting of 6 October 2020 for the formation of the committee where along with MD, BHPTA Chairperson BUILD was also present, CEO, BUILD informed that Abul Kasem Khan, Chairperson, BUILD gave importance of taking support from a number of reputed people working abroad and their willingness to contribute for the country.

### **BUILD for creating more opportunities for women MSMEs in stimulus package**

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

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





CM



SME



Large

75% 19% 19%

firms expect to face a fall of revenue above 50% from the past financial year

48% 30% 23%

firms at danger of ceasing operations entirely or in part in the next three months

64% 38% 33%

firms believe it will take more than six months to return to normality

[Hurdles of CMSME due to COVID-19](#) — Findings from the firm-level survey on the impact of COVID-19 by a joint UNIDO and BUILD study on 227 firms in June-July 2020

open session, Sharifa Khan said that the government had taken initiatives to support the affected sectors of the economy through various stimulus packages. The implementation of SP is essential to ensure the revitalisation of CMSME. However, a gap exists between the supply and demand sides, hindering the reimbursement flow to the CMSMEs.

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

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

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

Abu Farah Md. Naser, Executive Director, SME and Special Programs Department, Bangladesh Bank, informed that in order to reduce the processing time, Bangladesh Bank

had initiated a pilot program with The City Bank Limited to disburse loans through a mobile banking system. He has informed that besides the BDT 20,000 crore package, there are a number of other packages dedicated to the CMSME. Although Bangladesh Bank has issued several circulars for WEs, these circulars cannot reach potential female borrowers due to lack of access to information. He requested that business chambers and associations could play a significant role to disseminate this information to WEs. Finally, he informed that if any commercial bank refused to provide a stimulus package on the basis of previous loan repayment, Bangladesh Bank has a hotline through which WEs can contact for remedy.

Tanvir Ahmad, Country Coordinator for the International Trade Centre's SheTrades Initiatives, said that cottage industries should be given the same significance as medium-sized businesses. He recommended that the SME helpline be given its own dedicated phone number, similar to what the government has done in other instances.

Ferdaus Ara Begum, CEO of BUILD, summarised the debate by emphasising the significance of disseminating information for WE; she expressed her gratitude to all participants for their passionate participation in the discussion. She proposed that the trade licence fee be reduced in order to attract more women entrepreneurs to get a trade licence. According to her, different financing perspectives should be thoroughly examined in order to develop a customised package for women entrepreneurs.



### **Make stimulus loans collateral-free for small businesses**

BUILD and the Citizen's Platform for SDGs Bangladesh, a platform of non-state actors and their networks and associates, jointly organised the dialogue on the post-pandemic status of CMSMEs and the effectiveness of stimulus packages. It was held on 30 September 2020. The central bank should make lending to the pandemic-hit cottage, micro, small and medium enterprises (CMSMEs) from the stimulus package collateral-free to accelerate disbursement of the fund as many of them are struggling to stay afloat because of a shortage of finances, speakers said at the dialogue. Studies show that the units that availed the money from the fund have benefited," said Dr Debapriya Bhattacharya, convenor of the Citizen's Platform for SDGs, Bangladesh and a distinguished fellow of the Centre for Policy Dialogue. "The CMSMEs are lagging because their voices were not raised strongly with the government's decision-making level." Industries Minister Nurul Majid Mahmud Humayun MP asked banks to ease rules and disburse

collateral-free loans to the CMSMEs as the enterprises play significant roles in the national economy. Abul Kasem Khan, Chairperson, BUILD, gave the keynote presentation. He pointed out that many informal CMSMEs in Bangladesh are not registered under any systems and do not maintain any financial records. These CMSMEs are highly unlikely to benefit from the newly implemented Credit Guarantee System (CGS), which can be a tool to expedite the implementation of the working loans for CMSMEs. As loan disbursement towards CMSMEs is slower, an aggressive implementation strategy needs to be ensured. He recommended bringing the unbanked entrepreneurs into the banking channel, stopping tax and VAT pressure, facilitating alternative financing sources, easing the process of doing business, making CGS provisions more flexible and supportive and creating a database for the informal SMEs, amongst others. Shams Mahmud, President of the Dhaka Chamber of Commerce and Industry, said there is a perception that the money from the stimulus package is free. "People should change such mentality as it is a loan, but at a lower interest rate."

The definition of SMEs needs to be changed to make the initiative time-befitting, the industries minister said. He committed to preparing a database of the CMSMEs. The graph shows activities conducted by BUILD in response to COVID-19. Nasim Manzur said the government should have given subsidies on VAT, tax, utilities and factory and office rents during the difficult period to CMSMEs so that they can survive and continue their operations. Many CMSMEs have had to shut their business

because of high office rents and costs. He said that the government should have announced the stimulus packages in consultation with other stakeholders so that all units get the fund properly. Bhattacharya said, "Alternatives should also have been thought about a lot earlier because many enterprises have been doing business for many years, but they are still unbanked." Momtaz Uddin Ahmed, an honorary professor of economics at the University of Dhaka, said there should be an updated database of the CMSMEs so that every unit can avail financing from the fund. He supported financing CMSMEs through MFIs. Mustafizur Rahman, another distinguished fellow of the CPD, said CMSMEs not only serve the local markets. They also help a lot in value addition for export-oriented sectors. Syed Almas Kabir, President of the Bangladesh Association of Software and Information Services, said none of 1,500 members of the association received loans from the stimulus packages as IT companies cannot provide any collateral.

However, BASIS members secured loans from two private commercial banks under special arrangements, he said. Anwara Ferdousi, president of the Rangpur Women Chamber of Commerce and Industry, said handicrafts and beauty parlours are the worst sufferers as they did not get loans from banks. "Banks are not giving loans to small entrepreneurs because of collaterals." Humaira Chowdhury, co-founder and managing director of Frontier Technologies Ltd, said she is not getting loans from banks, although her company has a strong financial base. Syed Abdul Momen, Head of SME of BRAC Bank, said that out of

his bank's total portfolio of BDT 12,000 crore, BDT 10,000 crore are collateral-free loans for the CMSMEs. He said that some 70% to 80% of the CMSMEs that have received the loan from the stimulus package have returned to their businesses. Asif Ibrahim, Chairman of the Chittagong Stock Exchange, also spoke on occasion. The dialogue was attended by Ferduas Ara Begum, CEO of BUILD, Dr Rasheda K. Choudhury, Executive Director, Campaign for Popular Education (CAMPE), Asif Ibrahim, Advisor, BUILD, and Professor Mustafizur Rahman, Distinguished Fellow, CPD. At the event, Angela Gomes, Eminent Activist, Jessore and Founder and Executive Director, Banchte Shekha, policy experts and a select group of representatives from the CMSME sector, including women entrepreneurs.

Investment Climate Fund II, which is implemented by the International Finance Corporation (IFC), World Bank Group and funded by the Foreign, Commonwealth and Development Office (FCDO). A series of customised guidelines were prepared since March, which was finalised in June, and except for a few recent updates, most of the suggestions are still valid. Ferdaus Ara Begum, CEO, BUILD, delivered the welcome remarks of the workshop. She said that the Customs House Chattogram plays a crucial role in this international trade. The COVID-19 has created a serious impact on trade and business in Bangladesh since March 2020. It is important to ensure proper hygiene and safety in the workplace to prevent any disruption owing to the risks of COVID-19. Automation is an important line of future-oriented progress for facilitating trade, and COVID-19 boosts automation.

Nusrat Nahid, Private Sector Specialist, International Finance Corporation, World Bank Group, provided an overview of the initiative taken up by the IFC and shared Audio-Visuals on Health Safety Guidelines. She mentioned that the World Bank Group had shared global guidance notes for trade policy and trade facilitation since the spread of the pandemic, but this was the first time customised country-specific guidelines have been produced with the joint initiative of BICFII and NBR. The pandemic has left a negative impact on trade that is anticipated to last a few more years. Large-scale order cancellation and deferment have affected RMG and leather goods, emphasising the dire need to export diversification. Restrictions on medical supplies



### **First virtual workshop on workplace health safety for business continuity during COVID-19**

The First Virtual Workshop on Workplace Health Safety for Business Continuity during COVID-19 for Chattogram Custom House was held at 3 pm on 25 October 2020. The event was organised by Business Initiative Leading Development (BUILD) and Bangladesh



have increased 20 times compared to previous years. Export volume has significantly declined in the current year, but as per NBR data, import has remained relatively stable due to effective measures taken up by Customs and Port Authorities. NBR took up some good measures in crisis response. Legal provisions for a single national window for trade, e-certificates of origin, e-payment of customs duties, etc., were introduced, and Risk Management Directorate was set up during this period. Expediting and completing ongoing modernisation programs of NBR would be crucial going forward, especially for economic recovery from COVID.

Dr Mohammad Abul Hasnat gave a presentation on Health Safety Guidelines. The presentation underscored that the first step for COVID-19 is creating a response team vested with appropriate authority to ensure observance safety guidelines and isolate anyone with COVID-19 symptoms. He stressed the importance of maintaining key measures such as wearing personal protective equipment of staff involved in entry management and cleaning, ensuring wearing of masks for all staff and clients. Temperature screening at entry, liquid soap dispenser to wash hands for at least 20 seconds, maintaining a social distance of at least 1m, minimising paper-based interactions and face-to-face meetings, and so on are essential steps. He explained the specific safety measures to be adopted for the various parts of the customs house as well as other government agencies involved in the service delivery.

M. Fakhurul Alam, Commissioner, Custom House, Chattogram, thanked the organisers and said that his organisation had taken the appropriate steps, including introducing a public address system, operating a quick response team to monitor the maintenance of the safety measures in the customs house, and so forth. As import and export had declined in the customs house, roster duty was introduced using 30-35% of officials at a time to obviate the risk of COVID-19 transmission. Mahbubul Alam, President, Chittagong Chamber of Commerce and Industry (CCCI), said that the contribution of Chattogram Customs knows no boundary in the country's economy. Further, he said that the goal of customs is not revenue collection but to facilitate trade in the country's greater interest. For business purposes, stakeholders have to visit the customs house, and automation has made some headway in customs. He thanked the organisers of this workshop and hoped that the knowledge derived from this workshop would facilitate every stakeholder to mitigate the impact of COVID-19, and Chittagong Customs will continue its great contribution to the country's economy. Md. Zafar Alam, Joint Secretary, Member, Chittagong Port Authority, said that it is important to incorporate the Chattogram Port Authority as well since Customs House and Port Authority are complementary. The two organisations had to run on an emergency basis at the beginning of lockdown to ensure the logistics supply chain. The CPA provided stimulus to the port workers, produced and distributed sanitisers, installed hand wash facilities, and held training sessions. COVID-19 PCR testing booth was set up in the port. An isolation unit and separate hospital ward for

patients was set up. These measures boosted the confidence of the personnel.



### Virtual stakeholder consultation on simplifying bonded warehouse facilities for plastic sector

BUILD organised a virtual stakeholder consultation on simplifying bonded warehouse facilities for the Plastic Sector on 27 September 2020 in association with the IFC. The project's objective is Export Diversification by addressing policy discrimination for the non-RMG sector since any discrimination is not allowed as per the Kyoto protocol. The assignment seeks to identify the areas of discrimination and suggest to the government to address those. This workshop aims to prepare a policy note on BWH policies and discrimination of policies for all non-RMG sectors. Participants included representatives from sectoral chambers and businesses, development partners, and so forth. The consultation was started with the welcome remarks from Ferdaus Ara Begum, CEO, BUILD, who also moderated the meeting. A brief presentation on "Simplifying Bonded Warehouse Facilities for Plastic Sector in

Bangladesh" was presented by Md. Tahmid Zami, Additional Research Director, BUILD, discussing the usage of the bonded warehouse facility in the plastic sector and identified the key challenges and barriers. Jashim Uddin, President, Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) and representatives from the plastic industry discussed the problems they face in using the bonded warehouse facility. They mentioned that they have to suffer additional hassle for entitlement and renewal compared to the RMG sector. Proposed recommendations included the following:

- The concerned association, e.g., BPGMEA, BGAPMEA, etc. should be vested with the UD-issuing authority as in the case of the RMG industry in accordance with the SRO 101-ain/2017/11/Custom
- The coefficient determination should keep being done by the associations like BPGMEA and BGAPMEA, and for common items, the standard coefficients should be allowed for all companies. BPGMEA or BGAPMEA should be able to determine their own coefficients for new goods.
- Entitlement should be for two years duration rather than one year. The authority to issue entitlement should be vested to the associations.
- Bonded warehouse license renewal should be for three years instead of two years so that businesses have to spend less time and cost for this process.
- Common or central bonded warehouses can be provided for the plastic sector.



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

- Automation can be introduced, and it can be used in the coefficient and bond entitlement issuing process where the whole calculation would be done based on track record data on machinery capacity, machinery capacity use, raw material inventory, future export order and other critical process related to the estimation process.
- The audit process should be made simpler and faster.

### **High powered committee for logistics infrastructure development formed by PMO and BUILD**

Prime Minister's Office and BUILD have jointly formed the 7th thematic High-Powered committee, namely Logistics Infrastructure Development with an objective to propose a strategy for Logistic Infrastructure Development in the country. Md. Tofazzel Hossain Miah, Secretary, Prime Minister's Office, said that "as a nation, we are celebrating the 100th Birth Anniversary of Father of the Nation Bangabandhu Sheikh Mujibur Rahman. In this

"Mujib Borsho", I do strongly believe that Logistics Infrastructure Development Working Committee will assist the Government of Bangladesh by providing policy research assistance for the betterment of the logistics infrastructure scenario of Bangladesh to make the reality of Vision 2041 that is declared by our Honourable Prime Minister Sheikh Hasina." He also said that there is a huge gap between the understanding of the public and private sector while the government has taken up huge development programmes; the committee will help reduce the understanding gaps. He reported that by the year 2022-23, a number of new projects will be coming, we need a better institutional arrangement for this job. He emphasised an action plan as proposed in the BUILD presentation. He stressed preparing a concept note on "the need for sectoral recognition of logistics in the National Industrial Policy 2021", which will be presented to the Ministry of Industries to recognise logistics as a priority sector.

Abul Kasem Khan, Chairperson of BUILD, said that this working committee is a good example

of a public-private dialogue platform. Top priority has to be given to infrastructure and logistics development in the country. Six to seven per cent of GDP will be required for the infrastructure development of the country. This working committee following concrete objectives can contribute a lot regarding the logistics and infrastructure development in the country. Pragmatic collaboration between the public and private sectors is necessary in this regard. Ferdaus Ara Begum, CEO, BUILD, in her presentation, informed that the Institutional fragmentation of the logistics sector in Bangladesh is complex. Nine ministries and twenty sub-agencies have jurisdiction over the logistics sector in Bangladesh. The formation of LIDWC is a timely initiative to ensure harmonisation of Logistics Infrastructure issues with SDGs, Perspective Plan 2020-2041 etc. She also highlighted the composition of BUILD and its seven working committees. She said that the country's logistics performance needs to be developed as it is highly related to achieving Sustainable Development Goals.

Mohammad Lutfullah, Senior Private Sector Specialist, IFC, presented a "Logistics for Sustained Growth" study. He highlighted the priority given towards logistics in the Perspective Plan Bangladesh 2021-2041. The absence of logistics contains national growth by 19% and causes the higher cost of the product ranging between four to forty-eight per cent. He gave examples of several competitive countries such as Ethiopia, India, Indonesia, Malaysia, etc., developing logistics systems fast under a national strategy. Ensuring cost reduction, attracting investors, having a national framework etc., are the areas the

other competing countries give priority to formulate logistics plans. Bangladesh does not recognise logistics as a separate sector, and it causes several issues such as cost increase and lack of competitiveness in several sectors. IFC-WBG is currently working on several analytical works on logistics of the country, focusing on achieving time-bound results in logistics development. Integrating logistics in the 8th five-year plan is a necessary action that can be taken up immediately. Forming a smaller expert task group under this working committee can be fruitful to achieve a faster result.

Nihad Kabir, President, MCCI, said that strategy regarding logistics has to be formulated aligned with national growth. A rail network is vital for the country. Development in the rail network and warehousing in land and water ports is highly needed. Central warehousing, bonding etc., processes in warehousing needs to be improved in this regard. Mahbubul Alam, President, CCCI, said that a joint working group is needed for better fruitful outcomes and the short-term, midterm, and long-term outcomes. Water, rail and road connectivity has to be given priority. Water connectivity has to be given topmost priority. ASM Mainuddin Monem, President, Private Economic Zones Association of Bangladesh, said that location is a big issue for utilising the economic zones. Therefore, deciding strategic points of location is needed for connectivity development. Integration of national plan is required for the development of logistics plan of the country. Fitting multimodal in a cost-effective manner is needed. Mohammad Naquib Uddin Khan, President, Bangladesh Supply Chain Management Society, said that



this initiative is a pragmatic and timely step. An integrated national strategy is necessary for the logistics development. Lead time is a big issue in terms of export, and minimising lead time is required to ensure the country's competitiveness. Kabir Ahmed, President, Bangladesh Freight Forwarders Association, said that 1100 members in their association contribute to ninety per cent of the country's international trade. He said that waterways need to be given topmost priority for logistics development. Md. Rezaul Karim, Chairman of Shippers' Council of Bangladesh, said waterways need to be prioritised more than rail and road. Traffic jam in roadways increases cost and causes loss in trade. Therefore, waterways need to be given priority. He said that the country had improved its position in Lloyd's list, which is a good sign of logistics improvement.

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

resurrection. Md. Faizur Rahman Faruqi, Joint Secretary, Ministry of Railways, said that implementing the high-speed train would ensure efficiency in terms of time and cost in the rail network. Dhaka to Sylhet, Dhaka to Rajshahi, Panchagar-Banglabandha etc., connectivity can be prioritised along with Dhaka-Chattogram connectivity. Shams Mahmud, President, DCCI, Dr Zaki Uz Zaman, Country Representative, UNIDO, Dr Shobod Deba Nath, Associate Professor and Chairman, Department of International Business, Faculty of Business Studies, University of Dhaka, Prodip Kumar Mahottom, among others attended the meeting.

### **Equal treatment of the non-RMG export industries urged at the T&I Working Committee Meeting of BUILD**

After graduation of Bangladesh, a number of DFQF (duty-free quota-free) facilities will be eroded; the country will need to proceed for bilateral FTA with potential partner countries for which we need to have deeper studies, research and understanding for offsetting revenue loss in order to make the country competitive in export, said Dr Md. Jafar Uddin, Secretary, Ministry of Commerce. While co-chairing the 8th meeting of Trade and Investment (T&I) Working Committee of BUILD on 31 December 2020 at the Ministry of Commerce, Dr Md. Jafar Uddin said that export diversification is one of the priorities of our government, for which our government is working actively. Having welcomed the representatives from different public and private sector entities, the Secretary of the Ministry of Commerce assured implementing the proposed reform of BUILD for export



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

diversification and supportive policies for non-RMG sectors. He also requested BUILD to send all proposals coming out of the Trade and Investment Working Committee meeting, and they will be actively considered, but we need the recommendations with an action matrix so that we can coordinate with different ministries accordingly to see a better implementation of our reforms.

Barrister Nihad Kabir, President, Metropolitan Chamber of Commerce and Industry (MCCI), who is the Co-chair of the Trade and Investment Working Committee from the private sector, said that the government should come forward to provide equal fiscal, monetary assistance to all the potential export-oriented sectors like the RMG. Having appreciated BUILD for presenting data-driven and research-based policy advocacy papers on such two prominent issues, she underscored the need for private dialogue before formulating policies that matter most to private sector development. To resolve the constraints to avail trade licenses for e-commerce business, the Ministry of Commerce may

consult with LGRD to ensure simplified policies, said she. She stressed the need to increase the frequency of organising the Trade and Investment Working Committee meeting. She emphasised the implementation of the recommendations through regular meetings. Ferdaus Ara Begum, CEO, BUILD, presented two key presentations in the meeting, such as “Export Diversification Need – Policy Discrimination of Bonded Warehouse Facilities for Non-RMG Sector” and “WTO SPS Agreement and Introducing e-Phytosanitary Certification for Agro and Agro-Processing Sector in Bangladesh”. She informed that seven were approved out of the proposed 13 reform proposals in the last committee meeting. The major implemented reforms include a digital e-commerce cell in the MOC, 100% FDI in the e-Commerce sector, training of entrepreneurs for e-baniijjo, and individual ETP by the Ministry of Industries. In the presentation, she referred to some policy differences for non-RMG sectors, specifically in availing the benefits of Bonded Ware House (BWH) facilities in respect of new entitlement, UD, coefficient, automatic renewal of BWH,

audit, sub-contracting, sample import etc. and suggested simplification of policies that benefit all sectors such as leather and leather goods, plastic, electrical and electronic goods and agro-processing sector.

It was found in a study of IFC that equal access for the non-RMG sector to only BWH policy could have fetched USD 4.2–8.4 billion additional export. In the second policy paper highlighting the requirement of SPS measures and the concerned agreement of WTO and policy options included in the Export policy of 2018-21 for e-Phytosanitary (e-PC) certification, she recommended a fully automated e-PC, online payment, registration of the applicant in such a way, so that repeated requirement of submitting the same documents are not required, the establishment of a national plant quarantine authority etc. Md. Hafizur Rahman, Additional Secretary, Export Wing, MOC, conducted the discussion session and said that export sectors apart from RMG should get equal treatment in case of export. COVID-19 has made us agree to bring changes in policies related to export, he said. While responding to the proposal of difference of policies in providing Utilisation Declaration (UD) by the RMG sector, other concerned sectoral associations cannot give UD for their members, Md. Zakir Hossain, Additional Commissioner, Customs Bond Commissionerate (CBC), informed that as the requirement of importing raw materials are very diverse, in the case of other sectors, it becomes quite difficult for them to allow providing UD for other sectors. Md. Abdur Rahim Khan, Joint Secretary, Export 2, Ministry of Commerce, informed that the Ministry of Commerce has already taken

initiatives to establish Health Certification Agency in Bangladesh to facilitate the export of agro-processing products. He also informed that Export Promotion Bureau has a guideline in that respect to follow. In reply to the implementation of e-banijjo platform, Md. Hafizur Rahman, Director General (Additional Secretary), WTO Cell, Ministry of Commerce, said that the Ministry of Commerce initially planned to train 5000 e-commerce entrepreneurs through the e-banijjo platform, and they have already trained 2500 entrepreneurs. Presently, MOC has sent a new proposal to the Ministry of Planning to upgrade the numbers to 12000.

### **Meeting on climate displaced people of Mongla**

A Meeting was held on 5 March 2020 at the Board Room of Business Initiative Leading Development (BUILD) on a study on climate displaced people of Mongla, which is commissioned by the Promoting Knowledge for Accountable System (PROKAS) under the British Council and UKaid. BUILD has been engaged as a consultant/ partner of the project. The meeting was held among BUILD CEO Ferdaus Ara Begum, Consultant Absal Shaquib Quoreshi, Additional Research Director of BUILD Md. Tahmid Zami and Research Associate of BUILD Md. Mehedi Hasan. The primary purpose of the meeting was to discuss the proposed activities of the second phase of the “Potential High-Value Business Opportunities in the Southwest Region of Bangladesh for Employment to Accommodate Climate-induced Migrants (CIMs)” project. Discussants of the meeting identified three broad project activities to be

accomplished. These are engaging businesses on a business plan, mobilising finance and assessment of three additional sectors. The discussants also identified the role of BUILD and consultant in the new project. They set up a primary timeline to start the activities of the project. In the second phase of the project, BUILD would validate the already developed business plans, add three further sectoral business plans, and most importantly, based on the evidence/ plans, promote investment in Mongla and its adjoining areas to generate jobs. It was decided in the meeting that the consultant would identify potential investors and engage with them to encourage them to prepare investment proposals. BUILD would engage its personnel to organise the events, maintain communication with businesses, provide them with the correct information, and follow up with their progress.

#### **Seminar on CMSME sector in Bangladesh: Acclimation, expectation and remedies**

A seminar on Cottage Micro and Small Enterprises (CMSME) MSME Sector in Bangladesh: Acclimation, Expectation and Remedies was organised by Bangladesh Bank at the Banker-SME Women Entrepreneurs Conference and Product Exposition on 7 March 2020 at the BIBM Conference Room. Mr Rashedur Rahman, ICE Centre, Dhaka University, initiated the discussion while resource speakers were Mr Md. Shaqul Islam, MD, SME Foundation, Mr Md. Akhtaruzzaman, GM, BIBM, Ferdous Ara Begum, CEO, BUILD and Lila Rashid, GM, SMESPD, Bangladesh Bank. Ms Ferdous Ara Begum, in her presentation, said that the contribution of the cottage, micro, and Small

enterprises are 99.82%, while their contribution for employment is about 20.32million, but in the industrial policy, there is no separate mention of special treatment for these segments, Ministry of Industries is supposed to look after the issues of large industries and corporations then who will take care of CMSMEs issues. Referring to the examples of other countries, she said the number of women entrepreneurs in Bangladesh is still minimal (7.20%), while a significant number of them are in the informal sector, for economic empowerment of women, formalisation of women business is significant. In that respect, the legal and regulatory environment for women entrepreneurs needs to be simplified. Citing the example of e-commerce, she said that this business is not included in the trade license because they cannot give commercial addresses, thus deprived of getting a trade license and also can not apply for a bank loan. She also suggested including a new chapter for cottage and micro industries in the new SME policy because the policies for this segment are different from that of small and medium.

#### **20th Trustee Board meeting of BUILD held**

The 20th meeting of the Board of Trustees of BUILD was held virtually on 26 July 2020, and it was chaired by Abul Kasem Khan, Chairperson of BUILD. Banking all the Board Members for joining the meeting, BUILD Chairperson expressed deep appreciation to the past Chairpersons for their efforts and dedication to BUILD. He warmly welcomes the new Board Members from MCCI and CCCI to the Board. The Chairperson then shared some highlights and his unfolding vision on



strengthening partnerships and looked ahead to key events and priorities in 2020. The Board expressed deep sorrow and grief at the unfortunate passing away of Latifur Rahman, Chairman, Transcom Group, Vice President ICC Bangladesh and former President, MCCI, Dr Jamilur Reza Choudhury, former advisor to the Caretaker Government and Vice Chancellor of the Asia Pacific University of Dhaka, Niloufer Manzur, renowned educationist and founder Principal of Sunbeams School, Dhaka, Abdul Monem, Chairman of Abdul Monem Limited, famous industrialist. BUILD acknowledges their sincere contribution to the nation, which will always be remembered with great admiration and gratitude. The Board formally approved the meeting minutes of the last Board Meeting and discussed all administrative aspects and ongoing projects with a focus on strengthening partnership with public and private sector stakeholders for the private sector development agenda of the country. The meeting was attended by Shams Mahmud, Trustee and President, DCCI, Nihad Kabir, President, MCCI, Mahbubul Alam, President, CCCI, Asif Ibrahim, Trustee Board Member, Syed Mohammad Tanvir, Trustee Board Member, Farooq Ahmed, Secretary General, MCCI, Md Afsarul Arifeen, Acting Secretary General, DCCI and Engr. Mohd. Farque, Member, Trustee Board and Acting Secretary, CCCI.

# Meetings with Other Organisations



📷 BUILD Chairperson Abul Kasem Khan meets with BIDA Executive Chairman Md. Sirazul Islam at the PMO's BIDA.

## **Tax incentives for R&D underscored by BIDA and BUILD**

BUILD Trustee Board Members led by Abul Kasem Khan, Chairperson of BUILD, called on Md. Sirazul Islam, Executive Chairman of Bangladesh Investment Development Authority (BIDA) on 11 March 2019 at BIDA. While briefing about overall activities of BUILD Chairperson updated about BUILD's secretarial services to the Private Sector Development Policy Coordination Committee (PSDPCC) chaired by the Principal Secretary at PMO to establish a structured mechanism to advocate for private sector issues to work for

simplification of regulatory reforms and thus unlock investment constraints. Since R&D underpins our future prosperity, the government should consider tax incentives for companies on R&D, innovation, training, skills development initiatives so that they invest and develop local resources and products, said AK Khan. We need to create new areas of competitive advantage for Bangladesh to harness its investment attractiveness. He further suggested prioritising Public-Private Partnership (PPP) projects with a high rate of return (ROR) so that the success of these projects could attract more new projects in PPP and boost

foreign direct investment (FDI). Echoing BUILD Chairperson, Md. Sirajul Islam, Executive Chairman, said policy continuity and stability are crucial for investors and the investment climate. He suggested that there is a need for a sectoral database within the country as well as better information on the specific investment needs of different countries that are prospective sources of investment.

Referring to the Business Licensing Guidebook, he suggested publishing an online version besides the print version. Having expressed concerns over the present condition of skills development in the education system, he said that our education should offer programs that blend knowledge and skills, covering technical and vocational education and enabling learners to move directly to employment sectors. BUILD CEO Ferdaus Ara Begum referred to some of the activities of BUILD in addressing ease of doing business and policy reforms in respect of repatriation, which is pursued by BUILD in collaboration with BIDA. She also referred to the business confidence survey conducted by BUILD for gathering perception of enterprises and, in this respect, sought support from BIDA. Md. Joynal Abdin, Secretary of DCCI, Moshaddak Alam, Sr. Communication Associate and Rawshon Shahriar, Research Associate, BUILD, attended the meeting.

### **Meeting with UNIDO regional office representative**

A meeting between Chairperson BUILD Abul Kasem Khan and Rene van Berkel, Representative, Regional Office India, United Nations Industrial Development Organisation

(UNIDO), was held on June 28 through the Zoom platform. The meeting discussed building a partnership for establishing a platform named Build Back Business from Crisis (B3C) for supporting MSMEs to restart, recover and revitalise their business. Rene presented how this platform can help CMSMEs to recover and revive from the pandemic situation. The modular platform comprises a number of core packages, including online tutorials supported by hands-on guidelines and fact sheets. Chairperson BUILD showed his interest and informed that BUILD would maintain contact through the local office of UNIDO so that it can be a part of the platform to support CMSMEs. Dr Zakiuz Zaman, resident Representative, UNIDO and Ferdaus Ara Begum, CEO of BUILD, were present at the meeting.



### **The budget should be SME friendly**

Fiscal measures outlined in the proposed budget for FY 2020-21 are not aligned with the ground realities. The budget has been drafted with unrealistic targets, inadequate allocations in priority sectors such as health. It also overlooks the increasing discrimination in society. The budget may require a revisiting of

its provisions and priorities considering the COVID-19 challenges. The government needs to focus on saving and improving citizens' lives and livelihoods rather than concentrating on GDP-centric growth. The government may create a task force to enhance accountability in budget implementation, especially for COVID-19 related activities. These views were shared at the CPD Budget Dialogue 2020 on 20 June 2020. The event was organised under CPD's flagship program Independent Review of Bangladesh's development (IRBD).

As a panellist, BUILD CEO Ferdaus Ara Begum attended the program and highlighted some areas of the Budget 2020-21. She said while four specific strategies on discouraging luxuries expenditures, creating loan facilities at a subsidised interest rate, expanding the social safety net, protecting informal sectors, and increasing the money supply without inflation are all well-intended but measures to ensure effective implementation of these strategies are not clear. She highlighted some sectoral issues where reform reversals have taken place that could discourage job creation. The affected sectors are plastic, leathers, footwear etc. She also highlighted the allocation of some trade and business supporting ministries which are much less than the requirements. M A Mannan, MP, Hon'ble Minister for Planning, Gob, present as the Chief Guest at the dialogue, said that the government is observing the crisis very carefully and making necessary interventions where necessary. There are indeed some limitations in implementing the government's decisions, but we can work together to overcome the challenges.

Saber Hossain Chowdhury, MP; Honorary President, Inter-Parliamentary Union (IPU); and Chairman, Parliamentary Standing Committee on Ministry of Environment, Forest and Climate Change, spoke as a Guest of Honour at the event. He said that it is not the time to run after GDP growth. China did not declare their GDP growth this year; instead, they are working on improving the employment scenario in their country. We should also look into improving and saving the lives of our citizens. We need to come out from the traditional fiscal framework and should really put focus on improving the quality of public services. Nahim Razzaq, MP, Member, Parliamentary Standing Committee on Ministry of Foreign Affairs, as Guest of Honour, observed that there is a lack of accountability in implementing budgetary allocations, particularly for the COVID-19 related activities.

#### **6th meeting of BGTF held**

The 6th meeting of the Bangladesh Government Tenderers Foundation (BGTF) was held on 17 June 2020 via the Zoom platform. Mr Md Abdus Sattar, Executive Engineer, Local Government Engineering Division (LGED), chaired the meeting as the convener. As an executive committee member, CEO BUILD attended the meeting to put forward the private sector perspective on the Memorandum of Articles of Association and Rules for formalising the organisation. The organisation's main objectives are to establish a cordial relation between Public Entities (PEs) and the tenderers so that the public procurement process in the country can be streamlined further and accountability can be ensured, and public procurement processes



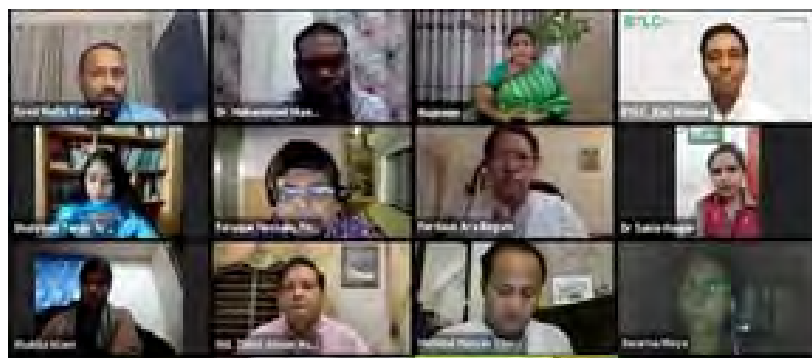
are more disciplined and well-ordered. Central Procurement Technical Unit (CPTU) will be supporting the organisation in all respects. After the entire operation of CPTU, the procurement process has been made online through the e-GP process. BGTF will be a supporting organisation to accommodate joint efforts of both the public and private sectors.

### **Export incentive FY 2020-21 — BUILD's proposals**

BUILD team headed by the CEO Ferdaus Ara Begum joined a meeting via Zoom platform organised by the Ministry of Commerce (MoC), GoB, on 7 June 2020, in regard to reviewing the justification of getting cash incentives for existing and potential sectors/products in the upcoming FY 2020-21. The meeting was chaired by the Additional Secretary (Export), MoC, Obaidul Azam. The Ministry of Commerce is responsible for reviewing and recommending the potential export sectors to be given cash incentives in every fiscal year based on export potentials and proposals submitted by the private sector. The Bangladesh Tariff Commission supports the Ministry of Commerce for analysing the rationale of recommending sectors for cash incentives.

A number of private sector representatives from different traditional and non-traditional sectors were present in the meeting, and their proposals for inclusion as new sectors and increased the amount of cash incentive considering the COVID-19 situation. As a private-sector think tank, BUILD shared views on the proposals discussed in the meeting along with some specific proposals. Because of

the COVID-19 crisis, export of all sectors reduced drastically – especially RMG faced a significant cancellation export order. As demand for medical and personal protective equipment (MPPE) products, particular types of fabrics, test kits have been increasing, and some RMG sectors have already started producing these products, BUILD proposed including these items under cash incentives in FY 2020-21. BUILD also proposed increasing cash incentives for crust leather from the existing 10% to 20% to sustain the export of the Leather sector. Argo and agro-processing sector could be given enough thrust as it has huge demand and exports are on the rise despite the COVID-19 crisis. Some new non-traditional products like fish scales, recycled garment waste, chilled fish, paper and paper products, biax films, sheet glass and opal ware were proposed to be included in the cash incentive circular of FY 2020-21.



### **Dialogue on post COVID-19 youth development**

Centre for Research and Information (CRI) organised a virtual Dialogue on 21 May 2020 on Job creation for youth where “What PPP initiatives can help youth-led MSME (micro, small and medium enterprises) bounce back”

was the topic for discussion by Ferdaus Ara Begum, CEO, BUILD as one of the panellists in the program. Md. Zahid Ahsan Russel, MP, State Minister, Ministry of Youth and Sports, was present as chief guest while Mohibul Hassan Chowdhury MP, Honourable Deputy Minister, Ministry of Education; Golam Md. Hashibul Alam, Executive Chairman, National Skills Development Authority; Dr Nazneen Ahmed, Senior Research Fellow, BIDS; Ejaj Ahmad, President and Founder, BYLC; Dr Muhammad Munir Hussain, Program Analyst, Adolescent and Youth, UNFPA; Shahrima Tanjina Arni, International Affairs Secretary, DUCSU; Dr Sakia Haque, Travel Letters of Bangladesh; Swarna Moye Sarker, BRIDGE Foundation; Shakila Islam, Youth Net for Climate Justice; and Syed Mafiz Kamal, CRI were present. The session was moderated by Dr Nuzhat Choudhury, Associate Professor, Ophthalmology, BSMMU.

Youth-led MSMEs are quite vulnerable to economic crises, and businesses and jobs can be lost as a number of units operated by them remain informal. The Resolution Foundation – an independent British think tank claimed that more than one in three 18 to 24-year-olds is earning less than what they did before the COVID-19 outbreak. According to ILO, workplace disruptions are expected to wipe out labour equivalent to the effort of 1.25 billion workers or 195 million full-time workers, or 6.7 per cent of hours clocked worldwide, in the second quarter of this year. Bangladesh government has announced a stimulus package of about USD 10.9 billion, among which for SME/Start-up of USD 2.35 billion; these are all concessional loan, refinancing

and working capital support. So far, disbursement of loans is not significant because Banks and Financial institutions consider MSMEs risky for financing. The idea for Public-Private Partnership (PPP) initiatives is good, but many contemporary issues and thinking must be involved. PPP programs in Bangladesh is still at a crossroads. PPP initiatives are mainly meant for large-scale investment and initiatives. These are complex, time-consuming, and need detail technical knowledge and management efficiencies. SMEs may find it costly, time-consuming, or otherwise challenging to respond to complex prequalification criteria or bidding documents. PPP uptake within a brief time is not possible unless an innovative approach is adopted. She suggested some specific manufacturing and services sectors that can be outsourced from small SME young entrepreneurs to initiate PPP activities.

### **Micro and cottage enterprises need support on easy terms, says BUILD CEO**

The condition of micro and cottage enterprises was frail, and these businesses need support on easy terms, said Ferdaus Ara Begum, CEO of BUILD. She urged for increasing the repayment period of loans for small entrepreneurs. Citing that India offered Rs 3 lakh in collateral-free loans, she demanded granting BDT 2 lakh as collateral-free loans for small and micro-businesses. This was shared at an online discussion jointly organised by Lank Bangla Finance and The Daily Star on 24 August 2020, supporting the SMEs to cope with the COVID-19 pandemic. Businesses are recovering, but small and medium enterprises (SMEs) are being left behind. Subsequently,

accessible and generous financing for them, particularly the micro, small and women entrepreneurs, has become urgent and imperative.

The SMEs contribute about one-fourth of the country's gross domestic product and employ millions of people. Still, a large number of the micro, cottage and small businesses have remained missing from traditional financing and the government-announced BDT 20,000 crore stimulus package for the sector. Planning Minister MA Mannan was present, among others. Discussants said the pandemic induced a prolonged shutdown, which was a catastrophe for the SMEs, especially micro and small businesses that primarily operate informally. The SMEs suffered BDT 92,000 crore in losses during the shutdown, said Monzur Hossain, a Bangladesh Institute of Development Studies (BIDS) senior research fellow. They are yet to recover even though there are signs of a resumption of economic activities, he said, citing one of his latest studies on the impact of the pandemic on SMEs.

Most micro and small businesses do not have access to bank finance because they operate informally and cannot prepare documents in line with the requirements of formal financial institutions. A particular portion of the stimulus can be delivered through microfinance institutions and taking support from SME Foundation to benefit small businesses, Hossain added. The SMEs are the engine of development, and it is particularly true for a developing country since they provide diversity, employment and value addition, said Selim RF

Hussain, managing director and chief executive officer of BRAC Bank.

### **7th meeting of Bangladesh Government Tenderers Forum**

The 7th meeting of BGTF was held on 4 July 2020 via video conferencing platform Zoom, where opening remarks was given by DG, CPTU Mohammad Soheler Rahman Chowdhury, while the meeting was chaired by Md. Abdus Sattar, Executive Engineer, Local Government and Engineering Department (LGED), and Convener, BGTF Convening Committee. The main agenda of the meeting was to review and confirm the 6th meeting of the convening committee and review and finalise the Bangla Memorandum of Association (MoA) and rules of the BGTF. The main motive of establishing BGTF is to create a positive public procurement culture in the country.

As a member of the convening committee, BUILD CEO put forward her opinion on the MoA and the rules so that private sector engagement in public procurement can be strengthened and ensured. BUILD Shared Recommendations with Industries Ministry for SME Policy 2019. BUILD CEO Ferdaus Ara Begum joined a virtual consultation meeting on SME Policy 2019 and made a presentation titled "SME Policy 2019: Reforms to Address COVID-19 Situation", shedding light on the current scenario of CMSMEs. Ministry of Industries held the consultation meeting on 19th August 2020 with Salahuddin Mahmud, Additional Secretary, MOI, at the Chair. The discussion mostly followed up the recommendations of the SME Policy 2019

workshop organised jointly by BUILD, MOI and PRISM on 11 December 2019 and provided some specific recommendations for approval of MOI. While sharing recommendations for ensuring access of some 7.8 million SMEs in the country to finance, technology and market, BUILD CEO appreciated the role of MoI and the formation of seven committees with a specific Action Plan for full implementation of SME Policy 2019.

Extensive monitoring for better implementation of eleven specific strategies is required, she added. Further, the meeting reviewed the recommendations and discussed what more could be done to make the SME Policy 2019 effective and friendly to SMEs serving the particular interest of Cottage and Micro Enterprises. BUILD will present some filtered recommendations to the upcoming PSDPCC meeting, especially those requiring inter-ministerial collaboration to implement, BUILD CEO added. Ali Sabet, Team Leader, PRISM, said that many committees had been formed to implement the strategic goals. Yet, there should be another committee to monitor the activities of these committees. As there is an SME cell in the MOI, this cell could be strengthened to oversee the activities. Additional Secretary, MOI informed that MOI has already started implementing the strategic goals of SME Policy 2019, and we had two National SME Development Committee meetings where some important implementation decisions have been taken. His ministry disseminated all the recommendations with the concerned stakeholders of the SME Policy implementation committee and asked for the implementation of the decision within a timeframe, he added

further. The SME Policy will be implemented from 2019 to June 2024. There are some 7.8 million micro, small and medium industrial entities in the SME sector, and the sector's contribution to the GDP is 25%.

### **SME database working committee meeting of MoI**

The first meeting of the SME Policy 2019 advocacy, research and database related working committee was held on 14 July 2020 via zoom. The meeting was chaired by Mr Salahuddin Mahmud, Additional Secretary, Ministry of Industries (MoI). The objectives of the meeting were determining the scope of the working committee and collecting recommendations regarding developing an SME database. Representatives from BUILD, BSCIC, SMEF, BBS and BIDS participated in the meeting and gave their valuable insights. Ms Ferdaus Ara Begum, CEO, BUILD, stated that in the Economic review, the actual contribution of SMEs cannot be determined as contributions of large and medium industries are displayed jointly.

On the other hand, contributions of small industries are shown separately. Due to this fact, it is not easy to compare Bangladesh's SME scenario with other countries. On another note, a full committee was formed in the meeting to prepare an SME database and BUILD was included in the committee as a member. BBS will take the lead to complete the data collection where MoI will be playing the supervisory role. BUILD will provide the necessary support to BBS and MOI in the area of background research and consultation.





### **Need for simplifying bonded warehouse facilities for leather goods and footwear sector**

A consultation program on Simplifying Bonded Warehouse Facilities for Leather Goods and Footwear Sector was organised by BUILD in cooperation with IFC–World Bank Group on 21 September 2020 using Zoom Platform under the Project Support to Organise Stakeholder Outreach and Consultation Programs (SOSOCIP). Trade Competitiveness for Export Diversification (TraCED) project under the BICF II has been working with the NBR to simplify and harmonise the customs clearance process, promote a risk-based customs control, modernise the tariff structure and support to extend the Bonded Warehouse (temporary admission) facilities to non-RMG sector.

BUILD is collaborating with IFC to gather inputs from the private sector about the policy related constraints they are facing and how they would like to see to resolve the problem. Leather and Leather Goods and Footwear is a promising sector that has been marching towards achieving the targeted export volume of USD 3 billion by 2024. However, specific policy discriminations bedevil the rapid development of the industry. BUILD CEO

presented a paper that identified the policy discrepancies and advocated addressing these to ensure a fair and enabling environment for the sector. While discussing with the stakeholders, it was found that the leather sector has been facing problems regarding bond-related issues such as coefficient, entitlement, and Utilisation Permit (UP) approval with CBC endorsement, etc.

Presently LFMEAB has been supporting Duty Exemption and Draw Back Office (DEDO) by providing co-efficient, which the DEDO finally approves. Still, they have been given this authority for six months which will be completed in December 2020. Sectoral stakeholders proposed that the responsibility for coefficient approval can be handed over to the concerned leather association permanently like BGMEA. It was suggested that LFMEAB be authorised to permanently provide coefficient and entitlement approval based on shared ASYCUDA data. UP authorisation can be delegated to the competent association with ASYCUDA data synchronisation of each consignment imported under a supervised bonded warehouse facility.

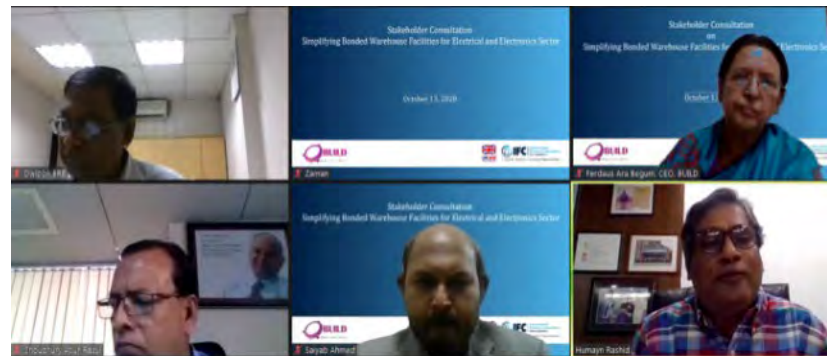
Leather goods and footwear is a fashion-related industry that depends on 80% imported raw materials. The entitlement criteria for the industry needs to be framed squarely as designs frequently change, causing fluctuation of raw material used as well as required amount of import. It is cumbersome to renew bond licenses for the sector, as automatic renewal is not allowed. BWH renewal from CBC requires an audit report of consecutive two years (separately) and a recommendation

from the association. Earlier renewal required 14 documents, but as per the SRO (136 ain/2020/87 Customs) of 3 June 2020, 23 documents are needed for issuing new license and renewal. To reduce the burden, BWH renewal should be for three years rather than annual. The required documents should be reduced to five, as in the case of RMG.

The complicity regarding including new raw material in entitlement becomes unclear (order no. 52/2020 issued on 17/06/2020). An amended Order no. 56/2020 on 16/09/2020 has been published and cleared the definition of compliant industry; still, it has not been supportive to the non-RMG sector. The RMG enjoys an extended bonded warehouse facility if the mother production unit is located within a 60 km radius. A similar extended bonded warehouse should be provided for the Leather and Leather Goods (LLG) sector. A general or central bonded warehouse is absent in Bangladesh, where the homogenous industries can keep the required raw materials. It can be a solution for potential homogenous industries like finished leather, leather good and footwear.

Some other recommendations of the consultations were: HS code specification for chemical products, simplification of the annual audit process, sub-contracting for partial production as allowed for RMG, minimisation of undocumented costs, simplifying the cumbersome process of getting back the money of financial guarantee, full implementation of automation and modernisation of assessment of capacities of machinery, simplification of import entitlement

of raw material policy of 2008, Order of 14/2008 etc.



### **Stakeholder virtual consultation on simplifying bonded warehouse facilities for agro-processing sector**

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

Ferdaus Ara Begum, CEO, BUILD, presented the Keynote paper titled “Simplifying Bonded Warehouse (BWH) Facilities for Agro-Processing Sector”. The presentation focused on an overall scenario of the agro-processing sector in Bangladesh, potentials of the industry,

constraints faced by the agro-processing industries, facilities for export-oriented sectors offered by the government, bonded warehouse facility, a case study on Green Grain Cashew Processing Industry, and the way forward. She added that the sustainable growth of the agro-processing industry of Bangladesh would assist the government in achieving SDGs 2, 5, 8, 9, 12, 14, 15 and 17 by 2030. Stakeholders of the agro-processing sector informed that due to the implementation of the new process to have a BWH license and the declaration certificate of a new BWH station, they have to follow 15 steps, which were only 12 earlier. There is no surety to have the permission of new BWH even within the period of 8/9 months.

Export-oriented industries have been suffering from such complex procedures for the last four to five years. Such time consuming and arduous process directly impedes the export competitiveness initiatives as well as export earnings. They have also faced severe constraints because of yearly audit of bonded warehouse, complexity for issuance of utilisation permit, coefficient etc. They informed that there is no specific classification of bonded warehouse license for the agro-processing industry, no particular guidelines for joint venture initiatives and HS code-related problems. Anis Ud Dowla, the Chairman of ACI Group, highly appreciated the initiative of BUILD and IFC for taking a move to simplify the BWH system in Bangladesh. He said that policy and process simplification for BWH would attract the FDI and Joint Venture in Bangladesh.

BUILD pointed out the recommendations to be added in the Policy Notes to ensure a simplified BWH facility for the agro-processing industry in Bangladesh as A high-powered dedicated single window wing with the composition of the representatives of the Ministry of Finance, Ministry of Commerce, NBR and Ministry of Law, Justice and Parliamentary Affairs can be established to simplify the process, reduce time and cost. A specific category of BWH needs to be set for agro-processing sector. The stagnant operational situation of the export of raw material during the yearly audit needs to be addressed. Strengthening the ability of a concerned association in the agro-processing sector in order to ensure that the association issues coefficients and utilisation permits as required.

To reduce tariff burden, NBR may classify the critical and potential agro-processing raw materials items under specific HS codes, etc. Ferdous Ara Begum, CEO, BUILD, informed the stakeholders that BUILD and IFC will prepare a policy paper based on the recommendations raised by the private sector and that will be presented to PSDPCC to have constructive attention of the Ministry of Commerce and National Board of Revenue. Before that, a workshop will be organised where this policy paper will be presented to the stakeholders to validate.

### **Access of CMSMEs and women entrepreneurs to stimulus package**

In collaboration with the International Trade Centre (ITC), BUILD jointly organised an exclusive validation meeting to share the

findings of their study on Access of CMSMEs and Women Entrepreneurs to Stimulus Package on 30 November 2020 via Zoom platform. The program was organised in continuation of a policy advocacy program for supporting COVID-19 affected women entrepreneurs initiated by BUILD and ITC-SheTrades. Participants from MOI, Bangladesh Bank, SMEF, BASIS, ITC-SheTrades, Banks and Non-bank financial institutions, several women entrepreneurs were present and gave their valuable opinion to enhance the accessibility of the stimulus package to overcome the damaging impact of the pandemic.

Ferdous Ara Begum, CEO, BUILD, delivered the keynote presentation, in which she appreciated Bangladesh Bank's initiative of extending the deadline of the BDT 2,000 crore stimulus package for CMSME till December 31, 2020. She stressed that as the COVID-19 situation is still precarious, Bangladesh Bank could consider extending the deadline further. Bangladesh Bank should officially publish detailed implementation status of different packages with disaggregated data. She stated that e-Commerce businesses face challenges in obtaining trade licenses.

In this case, formal registration with chambers and associations can be treated as an alternative to a trade license. She also stated that as many of the CMSMEs are currently outside the banking network and operating their business informally, a central dynamic database should be created for CMSMEs with advanced software and mobile app support. In order to align with global practice, the MSME term is more suitable than CMSME,

and cottage industry could be integrated with micro-industry considering the similarity of these two categories

Syed Abdul Momen, Head of SME, BRAC Bank Limited, informed that BRAC Bank has already disbursed 1,000 crores of the stimulus package out of the targeted amount of 1,100 crores. He suggested that the threshold for the trading sector could be further increased up to 45% as a substantial number of trading businesses are consolidated in the cottage and micro sectors. In terms of CMSME definition, he agreed with BUILD proposal that the nature of business of cottage, micro and small industry are almost the same, and together these industries need different treatment compared to medium and large industries. These three categories could be brought under the same policy, while medium industries could be tagged with large industries. He hailed Bangladesh Bank for introducing Credit Guarantee Scheme (CGS) amid the COVID-19 crisis. However, he observed that there are few gaps in the CGS, which need to be addressed to ensure its effectiveness.

Husne Ara Shikha, General Manager, SME and Special Programs Department, Bangladesh Bank, stated that the disbursed amount of the BDT 20,000 crore stimulus package is BDT 9,060 crore, which is 48% of the total amount. Around 2,961 women entrepreneurs have availed the stimulus package across the country, and the total amount availed by them is only around 2% of the total package, falling below the 5% target set by the central bank. She emphasised



creating awareness to facilitate women  
entrepreneurs on access to





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

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

Joyal Abedin, secretary, DCCI, requested to increase the annual turnover limit from existing BDT 5 crore to address the Financial Reporting Council (FRC) issue because it is difficult for some entrepreneurs to generate an annual turnover of such amounts but narrow profit margin and capacity to dedicate manpower to submit the audit report time to time. He also requested BBS prepare the upcoming industrial

census 2022-23 that could be translated into a database incorporating CMSMEs.

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

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

Tanvir Ahmed, Country Coordinator, SheTrades Initiatives, International Trade Centre (ITC), requested extending the disbursement time of SP by considering the evolving situation of COVID-19. He also demanded an increase of the limit for WEs from 5% to up to 25% under the BDT 20,000

crore stimulus package. He also desired a national helpline or call centre service for CMSMEs in Bangladesh.

Muhammad Abdul Wahed Tomal, General Secretary, e-CAB, emphasised introducing special trade licenses for facilitating e-commerce and f-commerce business as they do not have any physical location for their business. He also requested the concerned authorities to introduce a wallet-based mechanism as the alternative to conventional bank records. He emphasised utilising the escrow account system to facilitate e-commerce business. A number of women entrepreneurs participated in the dialogue, raising their practical problem in getting financing support.

### **BUILD CEO attended the WBG consultation on draft baseline study and action plan for plastic management**

Ferdaus Ara Begum, the CEO of BUILD, attended a consultation on the proposed baseline research and action plan for plastic management. The World Bank Office organised the virtual discussion to present the initial draft baseline research as well as an action plan for sustainable management of plastics, which will be open for contributions until December 22, 2020. Waste Concern delivered the presentation.

At the beginning of her speech, BUILD CEO narrated the present scenario of the plastic industry and existing incentives for this sector. She stressed two significant concerns about plastic, e.g., the use of toxic plastic and unmanaged plastic waste. Ferdaus Ara Begum said that there are two types of gaps in the

plastic waste management chain: collection and recycling. According to her, a solution to the collection gap and treatment gap in the plastic waste management chain is direly needed. Extended producer responsibility (EPR) could be an option to consider in this respect.

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

As a result, the idea for EPR has been in the works for many years but has yet to be implemented. According to her, it is critical to instil motivation and establish an enabling atmosphere in order to facilitate EPR in Bangladesh. To that end, she called for a transparent explanation of why EPR is a reasonable, logical, and ethically equitable system. She also stressed the need for outspoken consumer and public pressure in order to manage plastic trash and decrease the usage of plastic products. In addition, she called for a clear signal of political intent from the highest levels of government, as well as demonstrations of international success stories or achievements in national-level pilot programmes for ERP.



### **Discussion session on women entrepreneurship development, possibility, challenges and solutions**

A Discussion session on Women Entrepreneurship Development, Possibility, and Challenges and Solutions was organised by Bangladesh Bank on 6 March 2020 at the auditorium at Bangladesh Institute of Bank Management (BIBM). Ferdous Ara Begum, CEO, Business Initiative Leading Development (BUILD), moderated the session. The program was organised by the SME and Special Program Department, Bangladesh Bank, at the Banker-SME Women Entrepreneurs Conference and Product Exhibition.

Dr Nazneen Ahmed, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS), presented the keynote. Panel discussants were Rokeya Afzal Rahman, former Adviser to the Caretaker Government; Nazneen Sultana, former Deputy Governor, Bangladesh Bank; Dr Ayesha Banu, Professor, Department of Women and Gender Studies, University of Dhaka and Syed Abdul Momen, Head of SME, SME Banking Division, BRAC Bank. 2020 commemorating the Women's Day

of this year. While moderating the session, CEO BUILD emphasised women's economic empowerment to improve their situation; she said that a significant number of women are in the informal sector and thus deprived of several legal supports.

### **Validation meeting on bonded warehouse policy for non-RMG sector**

A virtual validation meeting on Bonded warehouse policy for Non-RMG Sector took place on 8 November 2020 via Zoom Platform by BUILD in collaboration with IFC-WBG under Support to Organise Stakeholder Outreach and Consultation Programs (SOSOCIP) project to engage the key representatives from the four sectors such as leather goods and footwear industry, agro-processing, plastic, and electrical sector. A report was prepared and presented to get feedback from the stakeholders. Following recommendations were validated in the meeting.

Leather sector:

- Office order 52/2020 needs to be abolished, or the leather sector can be out of the purview as RMG.
- Coefficient providing authority should be vested solely on the concerned organisation (LMFEAB), or it can be waived as UP covers every export order.
- Sample passbook should be available for the Leather sector.
- The audit should be done in the same manner as for RMG.
- Sub-contracting provisions for leather should be like RMG.



Plastic sector:

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

E&E sector:

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

Agro-processing sector:

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

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

BUILD CEO Ferdaus Ara Begum met Mohammed Shoheler Rahman Chowdhury CP3P MCIPS, Director General (Additional Secretary), CPTU, on 15 December 2020 to discuss the women participation in public procurement of Bangladesh. BUILD and International Trade Centre's (ITC) SheTrades

Program, in collaboration with Central Procurement Technical Unit (CPTU), decided to collaborate to design a public procurement roadmap to make public procurement more gender-responsive.

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

CEO, BUILD, informed that Governments spend USD 9 trillion on public procurement every year. This can account for approximately 10-15% of GDP in developed countries and up to 40% GDP in developing countries. Women account for only 1% of public procurement opportunities worldwide. She also said that women entrepreneurs are facing barriers in e-GP for inadequate legislation and policies, tender design, excessive requirements, poor practices by the government, lack of information and limited capability. To recover these barriers, Women-owned businesses can take some measures to increase their chances of competing successfully in public tenders,

such as proactively searching for tender opportunities; Asking for a post-award debriefing, including score elaboration; Requesting help from procuring entities by asking for guidelines and other support material; Reaching out to more experienced tenderers. In this respect, policymakers can play a key role.

DG, CPTU also informed that the councillors of the city corporation all over the country is the member of the National Institute of Local Government (NILG). A sizeable portion of them can participate in the procurement. CEO, BUILD also shared a questionnaire for assessing the present situation of female participation in procurement as well as understanding the existing barriers of WEs in Bangladesh. DG, CPTU also expressed his willingness to jointly work with BUILD and ITC for preparing a public procurement roadmap for women entrepreneurs in Bangladesh. he also nominated a focal point from CPTU to look after this issue especially

# International Events



📷 BUILD Chairperson Abul Kasem Khan speaks at the reception attended by public and private sector stakeholders and Austrian companies working in Bangladesh.

## **BUILD organised 3rd Austrian business mission to Dhaka**

Austrian Business Delegation headed by Mr Matthias Radosztics, Minister Plenipotentiary, Deputy Head of the Austrian Embassy New Delhi and Mr Robert Luck, Commercial Counsellor of the Austrian Embassy, New Delhi visited Bangladesh from February 18-20th, 2020. Top Managers of six outstanding Austrian companies were part of this delegation. Among them is VAMED

Engineering GmbH and Odelga Med Engineering, known worldwide for offering services for every type of healthcare facility, e.g., Hospitals, specialist clinics and rehabilitation centres, thermal spas and health resorts. Further, the company M-U-T, a manufacturing company specialised in waste treatment, including municipal vehicles, the water and wastewater treatment and for the materials handling technology as well as environmental technology, bit media e-

solutions and the worldwide market leader for hearing implants, including the Austrian company Med-El were the part of the delegation. A respectable number of B2B (business-to-business) and B2G (business-to-government) meetings were arranged by BUILD during the visit. The Austrian delegation also had discussions with the Ministry of Finance, Environment, Railway, Health and Bangladesh Bank.

During the Reception Dinner on 18 February 2020, organised by BUILD and Advantage Austria, the Commercial Counsellor of the Austrian embassy in New Delhi, Robert Luck, said that they are continually active in Bangladesh with BUILD that has been very instrumental. The Austrian companies were very enthusiastic about the dynamics of Bangladesh, and we are looking forward to making investments here said he. "We are discussing with the Bangladesh government," Robert said, adding, "Full potential has not yet been explored, and this fund will be available for Bangladesh." Robert said that Bangladesh's economic progress was tremendous, and the country had been maintaining that for the last couple of years. Austria is trying its best for working together to assist the Bangladesh government in building up infrastructures, he added. He said that they were emphasising education and skills development and discussing to find the areas of skills where they could work with Bangladesh. "Skills are a vital issue that is pivotal in every sphere of development and considering that, investment in skills is equally important," he mentioned. "For further infrastructure development and heading

towards higher growth, it is pertinent to invest in skills," he emphatically mentioned.

Thanking the Austrian companies for visiting Dhaka, BUILD Chairperson Abul Kasem Khan said that the Bangladesh economy, standing on an 8 per cent plus GDP growth, was looking forward to becoming more prominent than Vietnam, South Africa and the Netherlands by 2030 and eyeing to be the 23rd by 2050, riding on its prospects of achieving double-digit growth targets. The outstanding projects focusing on energy efficiency, renewable energies and conservation of resources, the Energy Globe Award as the world's most prominent environmental award given annually to ME SOL share and Centre for Coastal Environmental Conservation (CCEC). Luck presented this award in the form of a certificate to both winners at the Reception Dinner.



### Meeting with DFID representative

Rebecca Dadzie Rebecca, Private Sector Development Adviser at DFID Kenya, received BUILD publication from BUILD CEO on 7 March 2020. Mashque Ibne Akbar, Private



Sector Development Adviser at DFID Bangladesh, joined the meeting as well. The DFID Team paid the visit to BUILD to discuss how to Modernise and reform the regulatory framework that governs the private sector in Bangladesh and Improve private sector access to industrial land and infrastructure.

### **Meeting with KOTRA for new research/survey**

Jong Won Kim, Director General, Korea Trade-Investment Promotion Agency (KOTRA) and Commercial Counsellor, South Korean Embassy and Faruque Ahmed, Senior General Manager, Korea Trade-Investment Promotion Agency (KOTRA), Commercial Section, Embassy of the Republic of Korea, met CEO BUILD Ferdaus Ara Begum on 9 March 2020 at BUILD. It was agreed that to identify new businesses or sectors from stakeholders in Bangladesh, a survey could be conducted in cooperation with BUILD. To know or understand the detailed plan, a workshop can be organised by KOTRA along with 20-30 Japanese Companies who will provide the capital machinery to Bangladeshi business entrepreneurs. A B2B discussion can also be arranged.

### **Private sector consultation on UN Bangladesh socio-economic recovery framework for tackling COVID-19 (SERF)**

On 23 July 2020, ILO Bangladesh, as the chair of the UN Private Sector Working Group, jointly with UNDP, convened a consultation discussion on SERF between the group members, employers' organisations, and private sector actors on strategic actions and way forwards to promote socio-economic

recovery, and to protect and to promote employment and sustainable enterprises safely and sustainably. The meeting brought together UN Agencies working together on SERF and esteemed private sector partners working with the UN in different capacities. BUILD Chairperson Abul Kasem Khan attended the program as a panellist and put forward opinions on the issues. Bangladesh Socio-Economic Recovery Framework (SERF) for tackling COVID-19 is a 12-to-18-month framework on priority areas where the whole UN System can support the government, private sector, workers and civil society in managing and recovering from the COVID-19 crisis. The SERF is focused on five key streams of work.

- Protecting existing health services and strengthening health systems;
- Helping people through social protection;
- Protecting jobs, supporting small and medium-sized enterprises and informal sector workers through economic recovery programs;
- Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses; and
- Promoting social cohesion and investing in community-led resilience and response systems.

Pillar 3 of SERF focuses explicitly on addressing private sector COVID-19 challenges to build back better. At this stage, the UN identified a set of critical issues and possible

solutions based on available data, long-lasting experience working with private sector partners, and ongoing collective efforts to respond to the emergency together.



### **BUILD for Austrian FDI in Bangladesh**

Austrian Investors can produce foreign direct investment in Bangladesh to benefit from the business opportunity offered by the country, urged BUILD Chairperson Abul Kasem Khan as a panellist while he was speaking as a panellist at a virtual Dialogue “Impact of COVID-19 in Bangladesh and Sri Lanka.” To attract Austrian investors to Bangladesh and Sri Lanka by boosting their confidence in these countries’ policy measures, economic outlook and favourable investment climate, the Austrian Embassy Commercial Section, New Delhi, in collaboration with BUILD, held the virtual talk on 30 July 2020. Dr Robert Luck, the Austrian Trade Commissioner in New Delhi, provided an economic overview of Bangladesh and Sri Lanka. While making a presentation titled Briefing on Import Ban and Economic Outlook Bangladesh, the Chairperson said that the potential sectors where investment could be

made include readymade garment, leather and footwear, shipbuilding, agro-processing, pharmaceuticals, medical equipment, automotive, electronics and technology-driven innovative businesses, he said.

During the presentation, Abul Kasem Khan, Chairperson, BUILD, informed that the government of Bangladesh did not impose any import ban from Bangladesh. The government announced Financial Stimulus Packages tops BDT 1 trillion to revive the economy as well as to ensure the sustainability of continuing economic growth. Thorsten Bargfrede, Political, Trade and Communications Section of the EU Delegation in Sri Lanka in his presentation on “Briefing on Import Ban and Economic Outlook Sri Lanka” and John Wilson, Director and European Chamber of Commerce Sri Lanka (ECCSL) Legal Advisor on his presentation on “Briefing on Legal, Tax and Compliance Strategies Navigating the Corona Crisis in Sri Lanka” informed that Sri Lanka most of the policy decisions are in the stagnant situation because of the upcoming General Election. The upcoming government will take the initiative for further advancement of the policies. Sri Lanka has imposed an import ban and restriction on several items, he added.

Ferdous Ara Begum, CEO, BUILD, in her presentation on “Briefing on Legal, Tax and Compliance Strategies Navigating the Corona Crisis” said that amid the COVID-19, the Government of Bangladesh has taken “Trade Supportive Measures” by providing Exemption of Duty and Tax on Import Items to boost Domestic Manufacturing Industries as well as Facilitate Foreign Investment in Bangladesh

through issuing more than 20 SROs. A number of mega projects initiatives are in progress to improve the logistics performance in Bangladesh that will make the 100 Economic Zones in Bangladesh the most attractive FDI destinations. In the closing remark, Dr Luck thanked session speakers for providing clear ideas on the economic scenario of both the promising countries, incentives and government initiatives to attract FDI, etc. That will encourage Austrian investors to consider Bangladesh and Sri Lanka as potential and good FDI destinations.

### **IWA on the definition of a woman-owned business and its use**

BUILD CEO Ferdaus Ara Begum attended a stakeholder consultation under the International Organisation for Standardisation (ISO) International Workshop Agreement (IWA) on the “Definition of a Woman-Owned Business and Guidance on its Use”. It took place virtually on 28 August 2020 and was organised by the International Trade Centre (ITC) and Swedish Institute for Standards (SIS). By developing a commonly agreed-upon definition of a woman-owned business, the IWA proposal aims to increase women business owners’ access to public and private procurement opportunities, capacity-building programs, incentives schemes, certification programs, and the collection of internationally comparable data on women’s entrepreneurship. In the long term, developing an IWA on a woman-owned business may spur a broader discussion and additional efforts towards further standardisation work on gender equality and related topics. This informal stakeholder consultation aimed to

give you an overview of the IWA process and kick-start discussions on issues surrounding woman-owned businesses. The session leads up to two IWA workshops from 14-16 October 2020 and 14-16 December 2020, respectively.

### **Unified definition of CMSME urged at BUILD-ITC dialogue**

BUILD, in collaboration with International Trade Centre (ITC) She Trade Initiatives, organised a consultation session titled “Definition of Cottage, Micro, Small and Medium Enterprises (CMSME) in Bangladesh” on 10 December 2020. The meeting mainly focused on categorising industrial segments based on the need, type and size, accordingly alignment of policies so that access to finance and other segment-specific support is possible. Having underscored the need to unify the definition of CMSMEs, Ferdaus Ara Begum, CEO, BUILD in her keynote exhibited that CMSME comprises 99.84% of total establishments, indicating the significance of CMSME in the economy of Bangladesh. She stated the nature of the cottage and micro enterprises are almost the same as most of these industries are involved in retail trading and the manufacturing sector. They are primarily informal and work as extending ancillary support to medium and large enterprises. Given the similar nature of micro and small enterprises (MSEs), their policy support should be the same, while policies for large and medium (LMEs) can be based on their distinct nature. She informed that most of the countries use the term MSME instead of CMSME. She also reported that the amendment of the New Companies Act included One Person Company (OPC).

Therefore, SMEs will automatically be formalised; in that respect tax, treatment for small enterprises will be changed. The Paid-up capital threshold and turnover included in the amendment for OPC need to be aligned with the definition. In the case of the Income Tax Ordinance, there are changes in the new Finance Act. Due to some gaps in the eligibility criteria of the stimulus package, primarily medium industries can benefit from it. At the end of her presentation, she stated that category standardisation is essential, a universal definition of MSMEs for better cross-cutting analysis should be looked into. Michael Frosch, Senior Statistician, ILO, said that ILO does not have an official statistical definition of SMEs.

However, there is a strong focus on small and micro enterprises due to the link between informality and the informal sector. He also informed that 61% of the world's employed population is in informal employment. Olga Solleder, an Expert of ITC, said that the criteria used in Bangladesh to define CMSME are similar to the other countries. But different organisations, for example, WBG, SDG, WTO etc., only defined Micro, Small and Medium industries instead of CMSME, and the term MSME is used in most cases. Harmonising the definition depends on nature and the type of the country; cottage is more than a type, not a size. Prof. Dr Baqui Khalily, University of Dhaka, raised the question that if the cottage and micro industries become merged, the

percentage of micro sectors will be 99% of total enterprises, but the cottage is a mostly informal sector in Bangladesh, so it would be difficult to compare with other countries. He said that the definitional issue is considered chiefly in the case of access to finance for CMSME. Banks are more interested in financing medium enterprises rather than cottage, micro and small enterprises. So, the large and medium enterprises (LME) should be considered in the same category as well as micro and small treated in the same group instead of CMSME.

Md. Salimullah, Senior Assistant Secretary, Ministry of Industries, said that the Ministry of Industries (MOI) is beginning to formulate a new industrial policy, and MOI is keen to incorporate all the rational proposals in the policy. The nature of cottage and micro industries is almost similar, and the similarity between medium and large sectors is visible. Md. Joynal Abdin, Secretary, Dhaka Chamber of Commerce and Industries (DCCI), said that our policymakers should visit the SME clusters before preparing the following National Industrial Policy 2021. Because the actual scenario of CMSME can be understood from the 177 SME clusters, he wants to clarify replacement costs in the upcoming policy. Tanvir Ahmed, Country Coordinator, ITC, Dr Olga Sollender, Economist, Coordinator of the SME Competitiveness Outlook, ITC and Michael Frosch, Senior Statistician, ILO, were present to interact with the participants.



# Financial Report

The following are the independent auditor's report and audited financial statements for the financial year ended on 31 December 2020.

**Independent Auditor's Report  
to the Board of Trustee of Business Initiative Leading Development (BUILD)**

**Opinion**

We have audited the accompanying Financial Statements of Business Initiative Leading Development (BUILD) ("the Trust"), which comprise the balance sheet as at 31 December 2020, income and expenditure statement, statement of changes in fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give true and fair view of the balance sheet as at 31 December 2020, income and expenditure statement, statement of changes in fund and cash flow statement for the year then ended in accordance with accounting policies summarized in Note 2 to the financial statements.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Matters**

The financial statements of the Business Initiative Leading Development (BUILD) for the year ended 31 December 2019 were audited by ATA KHAN & CO, Chartered Accountants who expressed an unmodified opinion on those statements on 03 August 2020.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management of Business Initiative Leading Development (BUILD) is responsible for the preparation and fair presentation of these financial statements so as to give a true and fair view in accordance with accounting policies summarized in Note 2 to the financial statements and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trusts's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





**ACNABIN**  
Chartered Accountants

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Dhaka, Bangladesh

Dated, 15 September 2021

  
**ACNABIN**

**Chartered Accountants**

Signed by: Md. Rokunuzzaman FCA  
Partner

Enrollment No: 0739

**DVC:** 2109230739A0688966





**BUSINESS INITIATIVE LEADING DEVELOPMENT (BUILD)**

STATEMENT OF FINANCIAL POSITION  
As on December 2020

Particulars	Notes	Amount in Taka	
		31.12.2020	31.12.2019
<b>Assets:</b>			
<b>Non-Current Assets:</b>			
Property, Plant & Equipment	03.00	845,267	880,907
<b>Total Non-Current Assets</b>		<b>845,267</b>	<b>880,907</b>
<b>Current Assets:</b>			
Accounts Receivable	04.00	2,308,886	-
Fixed Deposit	06.00	80,826,882	73,000,000
Interest Receivable	07.00	6,938,825	5,040,103
Cash & Cash Equivalent	08.00	563,245	4,233,649
<b>Total Current Assets</b>		<b>90,637,838</b>	<b>82,273,752</b>
<b>Current Liabilities:</b>			
Accounts Payable	9.00	791,481	1,789,655
<b>Total Current Liability</b>		<b>791,481</b>	<b>1,789,655</b>
<b>Net Current Assets</b>		<b>89,846,358</b>	<b>80,484,098</b>
<b>Net Assets</b>		<b>90,691,625</b>	<b>81,365,004</b>
<b>Fund &amp; Liabilities:</b>			
Endowment Fund	10.00	71,580,133	71,057,028
Excess of Income over Expenditure	11.00	19,111,492	10,307,975
<b>Total Fund &amp; Liabilities</b>		<b>90,691,624</b>	<b>81,365,004</b>

  
Chief Executive Officer, BUILD

Dated: Dhaka,  
15 September 2021

  
Chairperson, BUILD

  
**ACNABIN**  
Chartered Accountants

Md. Rokonzaman, FCA  
Partner  
ACNABIN Chartered Accountants  
DVC:2109230739A0688966


# **BUSINESS INITIATIVE LEADING DEVELOPMENT (BUILD)**

## STATEMENT OF INCOME & EXPENDITURE As on December 2020

Particulars	Notes	Amount in Taka	
		31.12.2020	31.12.2019
<b>Income:</b>			
Contribution Income	12.00	13,661,612	16,351,469
Interest Income	13.00	9,003,884	7,295,760
Other income	14.00	20,151	50,850
<b>Total Income</b>		<b>22,685,648</b>	<b>23,698,079</b>
<b>Expenses:</b>			
Salaries & Allowances	15.00	10,299,078	10,349,843
Administrative Expenses	16.00	3,583,054	5,797,700
<b>Total Expenses</b>		<b>13,882,131</b>	<b>16,147,543</b>
<b>Excess of Income over Expenditure (Transferred to statement of Financial Position)</b>		<b>8,803,516</b>	<b>7,550,536</b>

The annexed notes form an integral part of Financial Statements.

  
**Chief Executive Officer, BUILD**

Dated: Dhaka,  
15 September 2021

  
**Chairperson, BUILD**

  
**ACNABIN**  
Chartered Accountants

**Md. Rokonzaman, FCA**  
Partner  
ACNABIN. Chartered Accountants  
DVC:2109230739A0688966



**BUSINESS INITIATIVE LEADING DEVELOPMENT (BUILD)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

Particulars	31.12.2020 (Taka)	31.12.2019 (Taka)
<b>A. Cash flows from operating activities:</b>		
Cash Received from contribution & Research Income	11,275,939	16,351,469
Advance Contribution Received	-	-
Cash Receipt from Savings & FDR A/C interest	14,043,987	7,295,760
Others income	20,151	50,850
Cash payment for operational expenses	(14,652,984)	(12,067,380)
<b>Cash inflow from operating activities</b>	<b>10,687,093</b>	<b>11,630,699</b>
<b>B. Cash flows from investing activities:</b>		
Addition of fixed Assets	(114,895)	(70,580)
Addition Interest Receivable	(6,938,825)	(5,040,103)
Addition of FDR	(7,303,778)	(3,000,000)
Advance, Deposits & Prepayments	-	-
<b>Net cash used by investing activities</b>	<b>(14,357,498)</b>	<b>(8,110,683)</b>
<b>C. Cash flows from financing activities:</b>		
Loan Received	-	-
Endowment Fund Received	-	-
<b>Net cash provided by financing activities:</b>	<b>-</b>	<b>-</b>
<b>Overall cash inflow/ outflow (A+B+C)</b>	<b>(3,670,405)</b>	<b>3,645,767</b>
<b>Cash and cash equivalents at beginning</b>	<b>4,233,649</b>	<b>587,882</b>
<b>Cash and cash equivalents at closing</b>	<b>563,244</b>	<b>4,233,649</b>

The annexed notes form an integral part of these Financial Statements.

  
**Chief Executive Officer, BUILD**

  
**Chairperson, BUILD**

Dated: Dhaka,  
15 September 2021

**Business Initiative Leading Development**  
**Statement of Changes in Fund**  
 For the period of 1st January to 31st December, 2020

Particulars	(Amount in Taka)		
	Endowment Fund	Retained Earning	Total Fund
<b>A. Balance as at 1st January 2020</b>	<b>71,057,028</b>	<b>10,307,975</b>	<b>81,365,004</b>
<b>Addition during the period</b>			
Endowment Fund	523,105		523,105
Excess of Income over Expenditure		8,803,516	8,803,516
<b>B. Total Income</b>	<b>523,105</b>	<b>8,803,516</b>	<b>90,691,624</b>

  
 Chief Executive Officer, BUILD

  
 Chairperson, BUILD

Dated: Dhaka,  
 15 September 2021



x

# Partners and Affiliations

## Partners



## Affiliations



# BUILD Secretariat

## **Ferdaus Ara Begum**

Chief Executive Officer

## **Moshaddek Alam**

Senior Communication and Advocacy  
Associate

## **Pallab Biswas**

Admin Associate

## **Md. Tahmid Zami**

Additional Research Director  
Sustainability and Green Growth Working Committee

## **Kanis Fatama**

Senior Research Associate  
Trade and Investment Working Committee

## **Nasib Ul Amin**

Research Associate  
Taxation Working Committee

## **Md. Nooruzzaman**

Research Associate  
Taxation Working Committee

## **Shahriar Rawshon**

Research Associate  
Financial Sector Development Working Committee

## **Mohammad Nazimuddin**

Research Associate  
Trade and Investment Working Committee  
Logistics and Infrastructure Development Working  
Committee

## **Md. Kamran Hasnain**

Research Associate  
Financial Sector Development Working Committee

## **Chaity Ghosh**

Research Associate  
SME Development Working Committee

## **Md. Mehedi Hasan**

Research Associate  
Sustainability and Green Growth Working Committee  
4IR and ICT Working Committee

## **Belalur Rahman**

Research Associate  
SME Development Working Committee

## **Mohammad Nurunnabi**

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## **Md. Sumon Hossain**

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## **Acknowledgements**

The Annual Report 2020, which covers the period from 1 January to 31 December 2020, has been prepared by the Communications Department of BUILD. This report incorporates a focused snapshot of the organisation's overall performance over the year 2020. Its purpose is to help our partners, stakeholders, and beneficiaries evaluate our progress and pinpoint programmes and initiatives that require improvement or attention.

The Communications Department of BUILD would like to thank all the departments and offices for their significant contributions to this report. Every effort has been made to ensure the accuracy of the data used in this publication. Variations in data in other publications often result from different publication dates, although differences may also come from the source and interpretation of data. BUILD accepts no responsibility for any consequence of their use.

In this publication, "taka" refers to Bangladeshi taka, unless otherwise stated. Throughout this report, the name "Business Initiative Leading Development" refers to "BUILD" and vice versa.

Published in 2021

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