



## EDITORIAL

### Inflationary pressure on marginal people and businesses is considered a growth constraint

According to the Bangladesh Bureau of Statistics (BBS), in February 2022, the economy faced 6.22 per cent inflation on food items, increasing from 5.6 per cent in the last year. However, different studies of think tanks show a dissimilar picture of the alarming rise of the price level compared to the corresponding period of the previous year. Especially the soaring prices of essential food items have gone up beyond the reach of the marginal people. The cost of non-food commodities such as transportation, clothing, healthcare, education, and housing has also risen. Overall inflation in the rural areas rose to 6.94% in February from 5.47% during the same period last year.

The cost-push factor is mainly derived from import dependency on finished, semi-finished products and raw materials for internal and export centric production. The sluggish movement of the logistic industry worldwide, specifically in China, pushed goods transportation costs three times higher than the business, as usual, i.e. pre-pandemic time.

Oil price hikes that have a subsequent impact on Bangladesh's economy put pressure on the exchange rate, rising commodity prices, and elevated inflation. Octane prices reached USD 114.28 /barrel on 1 March, up by 11% from USD 102.73

on 31 January 2022. The impact of inflation could be much higher and intensify further.

The government has taken some immediate action waiving tariffs on essential consumable products, trying to bring discipline to the distribution of critical food items through the issuance of cards. Gradually, the number of cardholders will be increased.

Money supply and broad money (M2) growth is considered a key factor for inflation, but the recent M2 growth, consumer spending, and investment growth do not resemble the correlation with high inflation. Excessive money supply naturally heats up the economy with higher wages and inflation, but Bangladesh's economy is not signalling any wage growth-based inflation.

Average inflation increased modestly to 5.65 per cent in FY20 but declined slightly to 5.56 per cent in FY21, where the money supply recorded a higher growth of 12.60 per cent and 13.60 per cent, respectively. On the other hand, wage growth was static during the mentioned period. So, the money supply is not the factor for the inflation that the economy is facing now. Given the worrying inflationary trend, the Bangladesh Bank has yet to implement any monetary measures, which may be a lifeline.

As a result of the stimulus package, Bangladesh's inflation is markedly different from a wealthy economy. Bangladesh's consumer spending has not been stimulated as a result of the loans provided to enterprises. Another source of anxiety was the Russian-Ukrainian conflict, which was exacerbated by fluctuations in the petro-dollar market, among other factors.

According to the press, several governments have adopted a variety of steps to combat inflation, including the Federal Reserve of the United States, which has used quantitative tightening monetary policy. In contrast, the United Kingdom has agreed to a fiscal policy that includes a tax cut on personal income and

imports that are essential.

To prevent the manipulation of the market by invisible hands over a short period of time, Bangladesh may be required to take strict action to control source to end market regulatory mechanisms that are based on market intelligence. This may include the establishment of a regulatory body to oversee the market.

BUILD has expressed its concerns in regard to the external current account deficit in the first half of fiscal 2021-2022, which had already reached a high of over USD 8 billion due to a steep increase in import payments. Remittance has also shown a slump. In this situation, there is a strong need for market monitoring and intense negotiation over bringing products from the global market at competitive prices while importing. The distribution mechanism and information flow would need to be time-bound to clear the market signal to the small entrepreneurs. On the other hand, tariff adjustment would need to continue.

Prior to Ramadan, it is typical to witness a price hike. As a result of the worldwide surge in commodity prices, this year stands out as an anomaly. The budget for the fiscal year 2022-23, on the other hand, will be unveiled in June this year. When addressing the issue of tariff rationalisation as a result of LDC graduation, there will be a number of modifications in tariff rates.

It is undeniable that both internal and external concerns provide significant challenges for the business, particularly for small entrepreneurs who are just beginning to weather the COVID impact. It would be difficult for SMEs to start the new fiscal year if appropriate and effective monetary measures and policy supports are not made available to the businesses. ■

**Ferdaus Ara Begum**  
CEO, BUILD



## Nihad Kabir joins BUILD as Chairperson for 2022-23

Nihad Kabir, Barrister-at-Law, Senior Advocate, and former President of Metropolitan Chamber of Commerce and Industry, has taken over as the Chairperson of the Trustee Board of Business Initiative Leading Development (BUILD) for the year 2022-23. She succeeds Abul Kasem Khan, former President of Dhaka Chamber of Commerce and Industry (DCCI), who was the Chairperson of BUILD for 2020-21.

Nihad Kabir is a Senior Advocate of the Supreme Court of Bangladesh. She is a Senior Partner of Syed Ishtiaq Ahmad and Associates, one of the country's most prominent law firms. Aside from her role as an independent director on the board of Square Textiles Limited, Kabir also serves as a director of the Infrastructure Development Company Limited (IDCOL). She has previously chaired the Boards of BRAC EPL Stock Brokerage Limited and BRAC EPL Investment Limited and has been a board member of bKash, BRAC Bank and several other listed companies. She is a Senior Fellow and Board member of BIDS, a member of the Board of Governors of the Bangladesh Public Administration Training Centre, and Chairperson of Ain o Salish Kendra, a legal aid institution.

Kabir has been a member of the National Pay and Services Commission and the National Education Policy Committee, Government of Bangladesh. She was also the Chairperson of BUILD for 2017.

Abul Kasem Khan, former Chairperson, BUILD, will continue as a nominated Trustee Board Member from DCCI, while Syed Mohammad Tanvir, Director, CCCI, is a nominated Trustee Board Member from CCCI for the years 2022-2023.

In addition to the new trustees, the Trustee Board for 2022 includes Md. Saiful Islam, President of Metropolitan Chamber of Commerce and Industry (MCCI); Rizwan Rahman, President of Dhaka Chamber of Commerce and Industry (DCCI); Mahbubul Alam, President of Chittagong Chamber of Commerce and Industry (CCCI); Farooq Ahmed, Secretary General of MCCI; Afsarul Arifeen, Secretary General of DCCI; and Engr. Mohd. Faruque, Secretary of CCCI. Ferdous Ara Begum, CEO of BUILD, is on

the Trustee Board as the Member Secretary.

BUILD is a public-private dialogue platform formed by the Dhaka Chamber of Commerce and Industry, Metropolitan Chamber of Commerce and Industry and Chittagong Chamber of Commerce and Industry. It has provided secretarial support to the Private Sector Development Policy Coordination Committee headed by the Principal Secretary at the Prime Minister's Office (PMO) since 2011.

BUILD features public-private dialogue on seven thematic areas – 4IR&ICT, logistics infrastructure development, tax, SMEs, financial sector development, trade and investment, sustainability and green growth, with working committees having co-chairs from the public and private sectors. It undertakes analysis and advocacy to support the public-private dialogue process. It ensures the development of specific, measurable, implementable and results-based recommendations for the government to improve the country's economic and business development climate. ■



## Draft National Logistics Development Policy presented at Prime Minister's Office

A delegation led by BUILD Chairperson Nihad Kabir attended a meeting on 24 February 2022 at Prime Minister's Office — chaired by Md. Tofazzel Hossain Miah, Senior Secretary, Prime Minister's Office (PMO) — to have a stakeholders' consultation on the preliminary draft of the National Logistics Development Policy (NLDP) 2022.

Ferdous Ara Begum, CEO of BUILD, presented the draft policy while Zubaida Nasreen, DG-1, PMO; Mohammad Fizzur Rahman, Director-1, PMO; Abul Kasem Khan, Former Chairperson, BUILD, and Director, FBCCI; Naquib Khan, President, Bangladesh Supply Chain Management Society (BSCMS); Mohammad Lutfullah, Senior Private Sector Specialist, IFC, made insightful comments in this regard.

CEO BUILD presented the outline and inputs of the draft national logistics

development policy while presenting the keynote in the session.

Senior Secretary of PMO highly appreciated BUILD for coming up with the preliminary draft of NLDP 2022. He requested to include a strategy for improving institutional and workforce development in the policy. He pointed to formulating sub-sectoral development strategies like TCL, off the dock, C&F, courier service, ride-sharing, financial logistics, e-commerce logistics, etc.

Abul Kasem Khan, Former Chairperson, BUILD and Director, FBCCI, suggested including the global distribution centre as the logistics sub-sector, while Mohammad Lutfullah, Senior Private Sector Specialist, IFC, recommended taking care of the logistics cost calculation issue.

Naquib Khan, President, BSCMS, urged to consider every possible aspect of logistics in the policy. Nihad Kabir, Chairperson, BUILD, assured PMO that all the comments from the session would be covered in the draft policy and the legal aspects.

It was decided in the session by considering that there is no alternative to ensure sustainable harmonisation between 4IR and upgraded technology to create a developed logistics management system. Incentives will be announced to attract foreign and domestic investment in the logistics sector. A high-powered National Logistics Development Policy will be proposed under the chairmanship of the finance minister. At the same time, Ministers from Commerce, Industries, and Planning will be the Vice Chairman of the committee. Zubaida Nasreen, DG-1, PMO, and Mohammad Fizzur Rahman, Director-1, PMO, attended the stakeholders' session. ■



## BUILD joined budget meeting with NBR

National Board of Revenue (NBR) organised a Pre-Budget discussion with BUILD, BIDA, BEZA, BEPZA and BHTPA for the FY 2022-23. The meeting was held in NBR Conference Room on 10 February 2022. The Chairman of NBR, Abu Hena Md. Rahmatul Muneem presided while concerned members of NBR, Md.



Masud Sadiq (Customs Policy), Zakia Sultana (VAT Policy) and Md. Shamsuddin Ahmed (Tax Policy) also spoke at the programme. This meeting was one of a series of stakeholder consultations organised by the revenue authority to gather input before drafting the next budget.

Ali Ahsan, Executive Member, BEZA; Shah Mohammad Mahboob, Director-General BIDA; Khorshed Alam, Executive Director, BEPZA; A. N. M. Shafiqul Islam, Joint Secretary and Director (Admin and Finance), BHTPA, and Ferdaus Ara Begum, Chief Executive Officer (CEO) from BUILD attended the meeting as invited spokespersons.

BUILD proposed to reduce Corporate Income Tax (CIT) from 22.5% to 20%, which would align the 10% gap between publicly and non-publicly traded companies — also proposed regarding tax deducted at source, audit system etc. It was also suggested lowering advance tax on profit from 20 per cent to 10 per cent for companies and from 10 per cent to 5 per cent for individuals, proposed incorporating a provision in the tax law for refunds or adjustments to the tax deducted at the source with total payable taxes.

BUILD proposed regarding Value Added Tax (VAT) exemption where the turnover limit for VAT exemption (BDT 5 million) needs to be applicable for all sectors. In this respect, GO-17 of VAT is restricting 182 products and services to avail of this facility which needs to be eliminated or deactivated. Member (VAT Policy) of NBR agreed to address this issue.

BUILD CEO also suggested that non-RMG exporters be permitted to import raw materials duty-free under the Bonded Warehouse privilege, to assist diversify the country's export basket. It proposes a central or syndicated BWH, which would allow small and medium-sized businesses who cannot export all of their items to ship using zero-duty imported raw materials. ■



## Discussion on leather sector export roadmap

A validation discussion on the draft Leather Sector Export Roadmap took place on 10 January 2022 in the

conference room of the Export Competitiveness for Jobs (EC4J) Project office. Tapan Kanti Ghosh, Senior Secretary, Ministry of Commerce, chaired the meeting while Md. Hafizur Rahman, Additional Secretary (Export); A. H. M. Shafiquzzaman, Additional Secretary (IIT); A. H. M. Ahsan, Vice Chairman, Export Promotion Bureau; Md. Monsurul Alam, Project Director, EC4J; among others, was present.

Bangladesh needs to shift its product concentration to sectors like light engineering and plastic so that it can move upwards in its industrialisation pathway, Senior Commerce Secretary Tapan Kanti Ghosh said.

As Bangladesh will upgrade from being the 43rd largest economy to 25-26th by 2030, more significant foreign direct investment may be attracted, and the ease of doing business may be gradually improved, he said. With proper factor analysis, the projected target for 2030 can be upgraded, the Secretary said.

After 2026 when Bangladesh will graduate from the least developed country (LDC) category, the government will not extend cash subsidies but provide support in the forms of research, knowledge, logistics and so on, he said. He also informed that the finance ministry had commissioned a study to seek alternatives to subsidies considering the changed situation after the LDC graduation.

Referring to different projections of the light engineering sector, the Secretary said there is a need for alternative projections considering the status of global export, economic situation, supportive policies extended by the government and the target of a perspective plan to be a developed country.

Ghosh spoke while addressing a workshop to finalise the export roadmaps for plastic and light engineering sectors, jointly organised by Business Initiative Leading Development (BUILD) and the Ministry of Commerce, at the Export Competitiveness for Jobs (EC4J) project office in Dhaka. He said the plastic and light engineering sectors would be the drivers of export growth if they were provided with proper policy support. He also wanted to know from the stakeholders about what kind of policy support they need as the government is keen to see higher export growth through relevant policy interventions.

The Secretary also endorsed the projection of BUILD for the plastic sector roadmap to be the 40th largest exporter by 2030.

BUILD shared two presentations on the two sectors' export roadmaps at the validation workshop. Viet Nam was able to increase its light engineering and bicycle export because they secured a significant amount of foreign direct

investment, he said. He suggested BUILD revisit the target considering the global issues and economic development.

At the event, BUILD CEO Ferdaus Ara Begum said plastic toys had got enormous potential to be a significant export product along with automobile components, provided that the sector is supported with policies such as bonded warehouse facilities and reduced lead time.

Additional Commerce Secretary Hafizur Rahman said: "We have a target to reach export of USD 80 billion by the marginal year of export policy 2021-2024." "We have roughly 300 plastic recycling factories across the country producing plastic flakes from scraps and exporting around 40,000 tonnes of flakes annually for making yarns," said Md Monsurul Alam, director of the EC4J project. "We need to stop it and figure out how we can produce yarns from flakes in Bangladesh," Shamim Ahmed, president of Bangladesh Plastic Goods Manufacturers and Exporters Association, also spoke.

Officials from the Ministry of Industries, Ministry of Fisheries and Livestock, Department of Environment, BSCIC, and EC4J project etc., as well as a number of academic representatives were also present. Several stakeholders from relevant organisations took part in the meeting. The meeting primarily validated the export projection target, mission and vision and time-bound action plans for the roadmap. ■



## According to Commerce Secretary, the Companies Act has to be updated to keep up with the times

Commerce Ministry's Senior Secretary Tapan Kanti Ghosh, on 12 February 2022, said that the country's Companies Act needs to be amended and modernised in line with the global perspective for sustainable financial growth, reports BSS.

"The Companies Act has been amended in 1994, which needs to be more up-to-date in the perspective to adopt so many changes in the global economy and

trading system,” he said. The commerce secretary came up with such remarks while addressing as the chief guest in the opening session of the journalists’ workshop titled “Investigative Journalism on Company Reporting”, held at the ERF Auditorium in the capital on Saturday.

In order to develop the skills of economic reporters, the programme was jointly organised by the Management and Resources Development Initiative (MRDI) and the Economic Reporters’ Forum (ERF).

ERF President Sharmeen Rinvy chaired the four-part workshop. Barrister Nihad Kabir, Chairperson of BUILD (Business Initiative Leading Development) and former president of Metropolitan Chamber of Commerce (MCCI); Shahidul Islam, former president of CFA Society Bangladesh; Shafiqul Alam, Bureau Chief of Agence France-Presse (AFP), Hasibur Rahman, executive director of MRDI, among others, spoke in the function. ERF General Secretary S. M. Rashedul Islam moderated the programme.

Tapan said the government had taken initiatives to amend the company law to make it inclusive of all relevant issues after reviewing various aspects of the economy. He said that in the free market economy, the state’s responsibility is to ensure fair prices of goods and services rise to encourage market competition. “The government is trying to create a competitive environment for business and productions,” the senior Commerce Secretary said.

Barrister Nihad Kabir said, “There are complications in several cases in company law. Many people get into trouble when they go to liquidate a company. That is why many are not going to end the legal process.” In response to a question, Nihad Kabir said there is no option to produce a complete new Companies Act; it should be a consequence of the previous Companies Act as well as the World Trade Organization (WTO) and other international rules and regulations. She said the problems that have arisen with the passage of time need to be rectified in the new amendment of the Companies Act.

AFP Bureau Chief Shafiqul Alam outlined what aspects the reporter needs to look at in preparing an investigative report on the company. He said that financial irregularities and the impact of the company’s activities on society and human life and its impact on the environment could be the subject of investigative reporting.

Hasibur Rahman said the MRDI works to improve journalists’ skills, including investigative journalism. To this end, MRDI assists individual reporters and organisations with financial and logistical support, he said. ■



## BSTI-BUILD dialogue emphasised quality management of rooftop solar equipment

Bangladesh Standard and Testing Institution (BSTI) is working with other government institutions as well as the private sector to upgrade the country’s testing, certification and quality compliance regime in the area of rooftop solar power, said Dr Md Nazrul Anwar, Director General of BSTI and informed 69 new labs is going to be established of which 21 for physical testing targeting 2041. He added that there are 229 products for which compulsory certification is required. The dialogue was organised by Business Initiative Leading Development (BUILD) with support from IFC’s Partnership for Cleaner Textile (PaCT) project. He mentioned that BSTI has already introduced the Bangladesh Standards (BDS) for four key equipment of rooftop solar power and has made it compulsory to get certification from BSTI for the sale or marketing of these products.

Ferdaus Ara Begum, Chief Executive Officer of BUILD, welcomed the audience and thanked BSTI for its reforms. She stressed that to comply with the emerging challenges and upcoming targets for the renewable energy sector, the quality and regulatory issues must be addressed for rooftop solar plants. It would, for example, be important to get the manufacturers, importers and businesses involved in rooftop solar equipment supply registered with a relevant government agency such as the Sustainable and Renewable Energy Development Authority (SREDA).

In a presentation on quality management issues in rooftop solar power, Md Tahmid Zami, Additional Research Director (ARD) of BUILD, mentioned that the existing laboratories that test rooftop solar equipment often lack the technology for testing specific components, especially the ones that have higher capacity.

Rashedul Alam, Assistant Director at SREDA, mentioned that SREDA had been closely working with BSTI to ensure standards for the rooftop solar equipment.

Data Magfur, General Secretary of Bangladesh Solar and Renewable Energy Association (BSREA) and owner of Data

Enterprise Limited, mentioned that the low-quality equipment for rooftop solar is often entering the market, which negatively affects good manufacturers and importers.

Mohin Habib, CEO of Rahimafrooz Renewable Energy Limited (RREL) mentioned that Rahimafrooz is the Bangladeshi manufacturer that produces solar panels. He stressed on reducing the lead time for testing of the equipment. Tapas Barua from Youngone mentioned that net metering is not allowed for factories in BEPZA, which needs attention from the government.

Mobinul Islam, AD and Mohammad Arafat, AD BSTI clarified some of the recent progress achieved in upgrading BSTI’s capacity as well as future way forward.

Representatives from International Finance Corporation (IFC), Omera Solar, Sherpa Power Engineering Ltd, Sungrow, Solar EPC Development Ltd and so on also joined the meeting. ■

## The importance of gender-responsive public procurement policy underscored

The government has taken several initiatives to encourage the participation of women entrepreneurs in public procurement, stressed CPTU Director Md. Aziz Taher Khan. He was speaking in a dialogue on the public procurement act and rules to ensure Gender-Responsive Public Procurement virtually organised by BUILD in collaboration with Central Procurement Technical Unit (CPTU) and ITC Geneva SheTrade Initiatives on 31 January 2022. In his paper, the CPTU Director added that as a result of reforms undertaken by CPTU, the average procurement lead time has decreased from 94 days (2012) to 56 days at present. The introduction of the e-GP system has accrued savings of about USD 600 million, 1,053 million of papers, and decreased carbon dioxide (CO2) emission by about 153,559 tons.

The discussion rotated around creating legal ground in the Public Procurement Act and Rules so that women entrepreneurs can participate and enforce targeted assistance strategies to implement. The dialogue also tried to understand whether a separate Public Procurement Policy Document is required for ensuring the participation of minority groups, including women entrepreneurs.

Another paper was presented by the Public Procurement Research Centre (PPRC) of ITC that reviewed the Public Procurement Act and Regulations (the Rules) and identified some clauses for reform to ensure better participation of

women-owned businesses. To ensure Gender Responsive Public Procurement Rules, a clear definition for women entrepreneurs is required. Documentation requirements could be relaxed, and procedures could be simplified based on a threshold amount.

CEO, BUILD, in her introductory speech, informed that globally WOB accounts for only 1% of the public procurement, while the total procurement globally is about USD 9.5 trillion. Judith Fessehaie, Programme Management Officer, ITC, informed the audience about the contribution of the SheTrades project to improving the participation of women entrepreneurs in business.

In total, 43 participants attended the dialogue, including representatives from concerned government officials such as the Planning Commission, Ministry of Commerce, Bangladesh Bank, SMEF, Ministry of Women and Children Affairs, etc., along with women tenderers, representatives from FBCCI, BASIS, regional women chambers, consultants, academia. The stakeholders shared their views and insights in regard to increasing the participation of WOB in public procurement. ■

## Highlights of Budget Proposals by BUILD

BUILD prepared a set of proposals for incorporation in the Budget 2022-2023 and submitted it to the National Board of Revenue. The number of proposals is 67, of which 14 are on income tax, 16 on VAT and 37 are on customs related proposals. Income tax proposals covered Corporate Income Tax (CIT), Tax Deduction at Source (TDS), allowable tax deduction and income tax audit etc.

Income tax on individuals and enterprises covers 37% of tax revenue on income; on the other hand, 63% is collected from different supplies. Taxes are mostly dependent on indirect taxes. The policy should be formulated in such a manner that the tax can be collected directly from the mentioned six heads of income as mentioned in the Income Tax Law. The Corporate Income Tax (CIT) rate is higher in Bangladesh. However, the collection from this head is BDT 1772 crore in the year 2019-20, of which publicly traded companies contributed only Taka 384 crore. There are nine CIT rates (15, 20, 22.5, 25, 30, 35, 37.5, 40 and 45%); mobile phone carriers and banks are paying the highest band of CIT at 45% and 40% consecutively. In contrast, 12% is for RMG and 10% for green compliant RMG factories.

CIT for publicly traded companies can be reduced from 22.5% to 20% irrespective of industries listed on the Stock Exchange. From an analysis of BUILD, it is seen that the revenue loss would be Taka 77 crore

only because of lowering tax rate at the rate of 2.5% for publicly traded companies. Revenue is supposed to be BDT 3,370 crore at 20% CIT of DSE-30 Index companies (as per their Annual Reports, accumulated profit before tax was BDT 16,850 crore). Presently, at 22.5%, revenue generation from publicly listed companies is only BDT 384 crore. Revenue loss is recoverable from listed companies with an efficient administrative endeavour. Companies are paying income tax at a much higher rate because of non-refundable TDS under section 82C of ITO 1984. Reasonable policies should be designed in such a way that CIT rates are in accordance with the Finance Act and TDS is refundable.

The high rate of CIT and non-refundable Tax Deduction at Source (TDS) discourages potential taxpayers from complying with income tax. In this respect, the CIT policy can be revisited, and the TDS policy needs to be reformed in such a manner that all kinds of TDS are adjustable within a short period of time.

The income tax complying taxpayers are facing audit complexity frequently, which also discourages the potential taxpayer from becoming a compliant taxpayer. In this respect, an audit guideline for taxpayers needs to be circulated. An automated risk-based auditing system should be introduced to select auditable tax files instead of random selection. The audit approval should be disseminated based on the merit of the case to accelerate the speed of audit resolution. As a result of weak administrative procedure and rigid tax policy, and a narrow tax network hampering the revenue mobilisation process. Eventually, it results in a low tax GDP ratio (9.05% in 2020) which needs to be addressed cautiously when the full automation process is expedited.

VAT comprises 36% of total tax revenue, which is an indirect tax in nature levied on goods and services at different stages. NBR introduced a new VAT law in the year 2019, intending to simplify the overall VAT system in Bangladesh with automated or digitised VAT modules. Basically, VAT is paid by consumers and collected by the business sector as custody of NBR. But the business sector is a bit discouraged from complying with the VAT system due to the discretionary behaviour of VAT administration, for example, visits by the VAT officials without prior notice to small business premises.

Small taxpayers suffer the most from the VAT system since they cannot comply with VAT regulations. The VAT and SD Act 2012 exempts businesses with BDT 5 million or less annual revenue from paying VAT. However, the NBR GO-17 has placed practically all kinds of SMEs within the VAT and SD Act 2012. GO-17 must be revoked to provide BDT 5 million VAT exemption for all SMEs. Moreover, the VAT exemption

ceiling for women-owned businesses should match the income tax legislation, which exempts sales up to BDT 7 million.

VAT online modules are not fully digitised and synchronised with a core system (IVAS). To reap the benefit of automation, all the VAT modules need to be digitised. The development of Local VAT accountants by NBR can be an option to help the small VAT payers to be compliant. In the case of customs-related proposals, BUILD addressed BWH policies, sample import policy, light engineering sector, which has export potentials, automation of customs procedures, New Customs Act 2018 and Trade Facilitation Agreement.

Customs tax comprises 33% of total tax revenue. HS code-related issues are long time problems for the businesses which need to be streamlined.

Bangladesh government has been providing some incentives for the manufacturing, especially the export sector, such as bonded warehouses, duty drawbacks, cash subsidies etc. The announced facilities for export are not evenly assured for all export sectors, which is creating a barrier to diversifying the export basket of Bangladesh. RMG enjoys bonded warehouse facility and duty-free import of raw materials, whereas other potential industries such as; Leather & Leather goods, Plastic and other non-traditional export items are not enjoying equal facilities in case of Utilization Declaration Issuance, entitlement and coefficient issuance issues etc. All the fast-track facilities similar to RMG should be made available for the all export sectors. A central bonded warehouse can be a solution for the small exporters who do not have bonded warehouse facilities. Homogenous small industries can avail the BWH facility to gain market competitiveness globally. ■



## BUILD CEO meets Member (Secretary) of the Planning Commission

On the 9th of January 2022, BUILD CEO Ferdaus Ara Begum met with Sharifa Khan, Member (Secretary) of the Planning Commission. The meeting was held at the Planning Division to discuss BUILD's and the Planning Ministry's current activities. ■



## Reforms

### Bonded warehouse policy reforms for leather sector for further export diversification

BUILD conducted research entitled “Simplifying Bonded Warehouse Facilities for Non-RMG Sector in Bangladesh” and suggested some policy recommendations on the basis of specific analysis-based findings. Recently customs wing of NBR announced 19 Statutory Regulatory Orders (SRO) mentioning some policy simplification to simplify BWH policy for the sectors other than readymade garments.

Leather goods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB) would be able to provide the coefficient jointly with DEDO for the 100% export-oriented leather and footwear industries. This order simplified the coefficient providing process for the leather sector for the next five years. Previously this approval needed to be taken every six months by LFMEAB. BUILD also suggested opening this facility for competent export-oriented sectors like the plastic sector, which is under review by NBR.

NBR also announced a simplified policy for Re-issuing or renewing coefficient for the same export item without changing the raw materials was brought under the BWH policy, earlier after the mentioned tenure for a product expired with a specific date for one product. Continuous or extension of BWH facility was opened for leather and tannery sector which would help the mentioned sectors to gain a competitive edge in the international market. Presently Blue

Ocean leather is using the extended bonded warehouse facility. Extension of bond premises was redefined, which made BWH items stored near the BWH area. Currently, five industries in this sector are using this facility. ■

### Sectoral recognition of logistics in the draft National Industrial Policy 2022

With reference to the decision of the first meeting of LIDWC, BUILD submitted a concept note to the Secretary of the Ministry of Industries titled “Urge for Sectoral Recognition of Logistics as a High Priority Sector in the National Industrial Policy”. Besides, BUILD sent supportive documents and had a meeting with the Industries Secretary. In that respect, the Ministry of Industries assured that the recommendation of BUILD on the logistics issue would be addressed in the upcoming national industrial policy.

Recently, the Ministry of Industries posted a draft of the National Industrial Policy 2022 on its website. It is noticed that logistics has been declared as an export diversified manufacturing sector (chapter 20, annex-1) and high priority sector (chapter 20, annex-3) in the draft policy. Moreover, in annex-11 of the policy, MoI has included a list of sub-sectors of the logistics sector which was provided by BUILD to MoI. BUILD sent a letter of thanks to the Secretary of the Ministry of Industries for addressing the BUILD recommendations by considering sectors’ demand. ■

## Scope

### BUILD-IFC Project on Developing National Logistics Development Policy

BUILD and IFC are going to initiate a project during the tenure from May-December 2022, to develop National Logistics Development Policy. BUILD will organise a series of consultation sessions with the participation of the stakeholders of the logistics sector to identify pain points and the way forward for this sector, as well as to have the comments to design sector-specific development strategies.

Moreover, several surveys titled Logistics costs for some important export sectors (e.g., Leather Goods and Horticulture and Leather),

Transport Logistics Database (based on secondary data and data validation), Storage System Database (ICD, Bonded Warehouse, Container Depot etc.), Asset-Based and Non-Asset Based Logistics System, Outsourcing Logistics System in Bangladesh (3PL and 4PL) and Tracking Database will be conducted under this project. Along with that, it is planned to conduct studies on different areas like the impact of 4IR on Logistics Development in Bangladesh and Way Forward, Competitive Logistics Service for Domestic and International Market Access, Product Specific Supply Chain, Multimodal Transport Competitiveness in Bangladesh, Outsourced Logistics Activity/System and Strategy for Digitalization of Logistics System in Bangladesh. An expert team will be formed led by the CEO, BUILD, to operationalise the project. ■

## Articles

Rooftop solar power and regulatory issues • *The Financial Express* ■ [cutt.ly/buildconnect221-01](https://cutt.ly/buildconnect221-01)

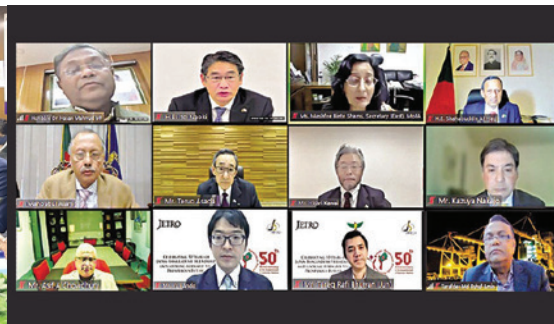
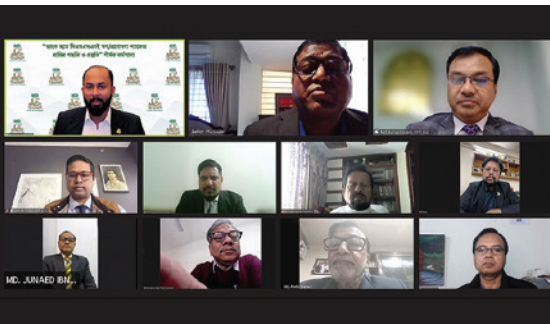
এসএমই মেলা ও ক্ষুদ্র উদ্যোক্তা উন্নয়ন [SME fairs and small entrepreneur development] • *Bonik Barta* ■ [cutt.ly/buildconnect221-02](https://cutt.ly/buildconnect221-02)

Gas price hike should be gradual • *The Daily Star* ■ [cutt.ly/buildconnect221-03](https://cutt.ly/buildconnect221-03)

অর্থনৈতিক প্রবৃদ্ধি ও বাস্তবতা – বিজ্ঞ সংলাপ [Economic growth and realities — Biz dialogue] • *News24 TV* ■ [cutt.ly/buildconnect221-04](https://cutt.ly/buildconnect221-04)

The private sector needs to invest in skills, research and innovation • *The Business Standard* ■ [cutt.ly/buildconnect221-05](https://cutt.ly/buildconnect221-05)

Paving the way for female entrepreneurs to win government tenders • *The Business Standard* ■ [cutt.ly/buildconnect221-06](https://cutt.ly/buildconnect221-06)



## DCCI Workshop on getting bank loans from the stimulus package held by DCCI

Definition of CMSMEs, lack of required documents, complicated loan disbursement process, absence of bank account, poor relation between banks and entrepreneurs, collateral issues, lack of consistency and coherence of documents and coordination among the entrepreneurs and financial institutions are some of the bottlenecks that hinder faster disbursement of stimulus to the CMSMEs, speakers said in a workshop entitled "Procedures and Preparedness of Getting a Loan from Stimulus Package from Banks" organised by Dhaka Chamber of Commerce and Industry (DCCI) on 12 February 2022. Md. Jaker Hossain, General Manager (SMESPD), Bangladesh Bank, was in attendance as the Guest of Honour.

President of the DCCI, Rizwan Rahman, said in his welcoming comments that CMSMEs account for 80 percent of overall employment in the industrial sector, with CMSMEs accounting for around 45 percent of value addition in the manufacturing sector. Nonetheless, due to a lack of financial and legislative support, the CMSME business has been unable to fully realise its potential and capabilities up to this point.

Md. Jaker Hossain, General Manager (SMESPD) of Bangladesh Bank, who was the Guest of Honour, said that although the disbursement of a loan under the stimulus programme is arguably satisfactory in urban regions, it is not up to par in the remote areas. He informed that from the first phase of the stimulus of BDT 20,000 crore, BDT 15,500 has already been disbursed, and from the 2nd phase of BDT 20,000 crore, BDT 6,217 crore has been disbursed as of 9 February 2022, which is 31% of the allotment in 2nd phase. ■

## MCCI MCCI demands a rational corporate tax rate

The Metropolitan Chamber of Commerce and Industry urged the government to set a reasonable corporate tax rate in the national budget for the forthcoming fiscal year of 2022-23. At a pre-budget discussion with the National Board of Revenue at the NBR office on 8 February 2022, the MCCI said that the government reduced the corporate tax by 2.5 percentage points in the last two budgets. However, the rate was still higher than that in neighbouring India and Vietnam. It demanded that the NBR bring the rate down to 30 per cent from 35 per cent.

NBR chairman Abu Hena Md Rahmatul Muneem chaired the discussion. MCCI president Md Saiful Islam presented the pre-budget proposals on behalf of the chamber. He stressed a reduction in source tax, advance tax and supplementary duty, claiming that the taxes increased the expenses of businesses so high that the companies could not enjoy the benefit of a 5% reduction in corporate tax.

In the case of publicly listed companies, the corporate tax was not retained at 22.5 per cent, but the rate increased from 40 per cent to 50 per cent, he said. MCCI made several other proposals and suggestions on the existing income tax structure, VAT, and other duties. The trade body demanded a reduction in source tax from the current 3-7 per cent to 1-5 per cent.

To get the 7 per cent source tax from a public company, it should have to be a net profit of over 31.11 per cent. For a private company, the profit should be over 23.33 per cent, which is a challenging task as the prices of the goods on the global market are rising due to the Covid crisis. It placed a total of 44 budget proposals, of which 33 are related to VAT, SD and eight are related to customs. ■

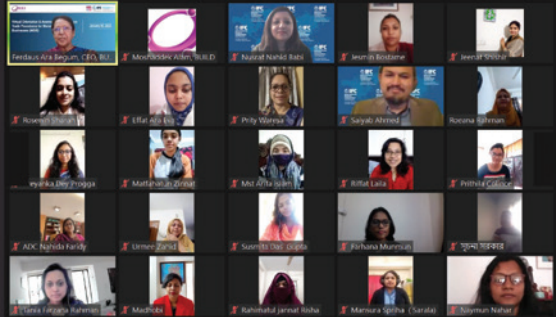
## CCCI FTA can boost Bangladesh-Japan economic ties: CCCI

According to speakers at a webinar on 15 February 2022, facilitating a Free Trade Agreement (FTA) between Bangladesh and Japan may strengthen the bilateral economic relationship between the two countries since the latter sees greater investment potential here. According to them, Bangladesh is preparing a number of large projects to attract more international investors, including those from Japan, which would strengthen the bilateral relationship even more.

They made the observations at the webinar entitled "Celebration of the Japan-Bangladesh Friendship's Golden Jubilee Aspiration for a Prosperous Future" — organised to celebrate the 50 years of the bilateral relationship between the two countries. The programme was jointly arranged by the Japan-Bangladesh Chamber of Commerce and Industry (JBCCI), the Japan External Trade Organisation (JETRO), and the Chittagong Chamber of Commerce and Industry (CCCI). Information and Broadcasting Minister Hasan Mahmud joined the programme as the chief guest.

Naoki Ito, Japanese Ambassador to Dhaka; Mashfee Binte Shams, Secretary (East) of Ministry of Foreign Affairs; Shahabuddin Ahmed, Bangladeshi Ambassador to Japan; Tervu Asada, Chairman, Japan-Bangladesh Committee for Commercial and Economic Cooperation (JBCCEC); Kazuya Nakajo, Executive Vice President, JETRO; Mahbubul Alam, President, CCCI; Asif A. Chowdhury, President, JBCCI; Yuji Ando, Chief Representative, JETRO, Dhaka; and Tareq Rafi Bhuiyan, Secretary General, JBCCI, spoke on the occasion.

Hasan Mahmud stated that Japan had been a significant development partner for Bangladesh. In addition to praising bilateral trade, the minister said that there are still some undiscovered markets for Bangladesh in Japan, particularly in the apparel and leather products sectors. ■



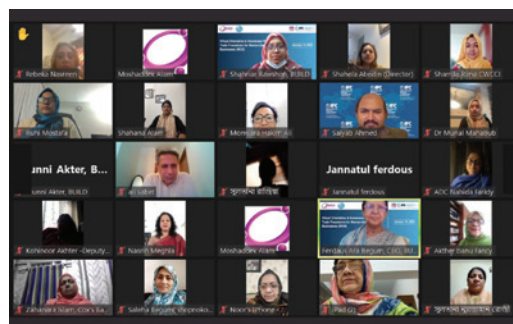
## Her E-Trade and WEO focused WoB workshop

A virtual orientation and awareness workshop for women-owned businesses (WoB) on trade procedures was organised by Business Initiative Leading Development (BUILD) on 5 January 2022, in cooperation with Her E-Trade and Women Entrepreneur Organization (WEO). The programme's prime objective was to enlighten women entrepreneurs about step-by-step general business procedures, trade-related online and manual services of the government, rules and regulations for operating formal businesses in Bangladesh, and the government announced policy benefits, especially for women entrepreneurs, etc. The programme also highlighted export-import business licensing requirements along with detailed procedures. Women entrepreneurs actively interacted with the government representatives, shared their challenges, and requested support through the programme.

Lack of financial support from banks and financial institutions, limited marketing knowledge, COVID-19 impact on businesses, absence of easy registration system for Online page-based business, physical address related complexities for obtaining trade license, lack of proper and cost-effective distribution channels etc.

are some of the issues highlighted in the Awareness workshop. Increasing the renewal frequency of trade licenses, simplifying the locational issue of getting a trade license, increasing transaction frequency in banks for small entrepreneurs, and training for obtaining Digital Business Identification Number (DBID) in collaboration with MOC are some of the proposal's suggestions placed in this workshop.

Women entrepreneurs from Her E-Trade and Women Entrepreneur Organization (WEO), high officials from the Customs Excise and VAT, WTO Cell of Ministry of Commerce, private sector officials of the trade-related agencies, representatives from IFC-WBG, BUILD officials, were participated in the workshop. In total, about 9,873 participants from different backgrounds joined the programme through Zoom and Facebook. ■



## Chattogram Division focused WoB workshop

A virtual orientation and awareness workshop on trade procedures for women entrepreneurs of Chattogram was organised by BUILD on 13 January 2022,

in collaboration with Chittagong Women Chamber of Commerce and Industry (CWCCI). Women Entrepreneurs from Chattogram are engaged in various businesses like apparel, food, agro-processing items, home decorator, jewellery, cosmetics, clothing, fashion house, boutiques, ornaments, beauty parlour, tailoring, shipping, C&F, and tourism, among others. The programme's key objective was to make aware women entrepreneurs of government adopted online services to facilitate businesses, detail step-by-step general business procedures, and the government announced policy benefits, especially for women entrepreneurs, etc. The programme also highlighted export-import trade licensing requirements along with detailed guidelines. Women entrepreneurs actively interacted with the government representatives and shared their challenges, and requested support.

The awareness workshop highlighted issues such as lack of easy access to finance, limited availability of collateral-free loans and stimulus packages, lack of knowledge of business policies and procedures, difficulty obtaining trade licences, among others. Suggestions made at this workshop include training regional government officials to assist entrepreneurs, the need for more outreach programmes on BSCIC, Bangladesh Bank circulars, NBR services, and simplifying the trade licence process.

Present at the workshop were Chattogram women entrepreneurs, CWCCI members, CCI&E officials, BSCIC, CCI&E, private sector representatives, IFC-WBG representatives, and BUILD officials. Around 405 participants from diverse backgrounds joined the programme through Zoom and Facebook. ■

## Partner Organisations



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