



EDITORIAL

Macro-economic scenario of Bangladesh and Budget 2023-24

Bangladesh's economy has achieved an average of 6.7 per cent GDP growth during the last decade. Bangladesh overcame challenges from the pandemic, but the unexpected Russia-Ukraine conflict has stressed Bangladesh's macroeconomy. Macroeconomic vulnerabilities have increased. Therefore, sound and effective measures must be undertaken to prevent it from becoming a full-blown crisis. An in-depth analysis needs to be done to investigate the budget's impact on Bangladesh's economic output, inflation, interest rates, foreign exchange, and balance of payments.

The national budget of BDT 7.62 crore for the fiscal year 2023-24, with an estimated 7.5% GDP growth, focused primarily on job creation, tackling inflation, and creating Smart Bangladesh. In this context, it is essential to discuss how much the new budget will support growth and macroeconomic stability. Estimated revenue earning of about BDT 5 trillion is to be pooled from taxes (4.5 trillion) and non-tax (0.5 trillion) sources. Bangladesh plans to maintain its expenditure of 17% of the Gross Domestic product (GDP), amounting to BDT 7.62 million. The

estimated deficit of BDT 2.62 trillion would need to be sourced from home (Bangladesh Banking system) and abroad (loan or aid).

Bangladesh's economy is grappling with macroeconomic instability, evident in alarming inflation and pressure on the balance of payments, causing fluctuations in foreign exchange reserves. In the past twelve months, average inflation rose steadily to 9.94% in May 2023, surpassing the FY23 target of 7.50%, which was 6.15% in June 2022. The government aims to limit the average inflation rate to 6% in the upcoming fiscal year to address these challenges.

The government increasingly borrows from domestic sources like commercial banks to cover the budget shortfall, targeting BDT 1.55 trillion, up 15% from the previous estimation. This high borrowing negatively affects credit flow to the private sector, leading to a decline in private investment growth. Credit growth to the private sector moderated to 12.03% in March 2023 from 13.66% in June 2022. This trend, if not addressed prudently, could reduce GDP growth and harm employment opportunities. A balanced approach ensures sufficient credit availability to the private sector while managing the government's borrowing needs.

Borrowing from the central bank has increased significantly, around BDT 50,380 crore in March, leading to

inflation due to increased money supply in the market. The options for borrowing are savings certificates and treasury bonds. The savings certificate policy has been tightened, discouraging investors with caps and taxes. Treasury bills are only available to commercial banks.

The overall balance of payments deficit widened to USD 8.17 billion during this period. The financial account shifted from a surplus of USD 11.9 billion to a deficit of USD 2.2 billion compared to FY22. A decline in foreign exchange reserves caused the BDT exchange rate to depreciate by 12.5%.

Bangladesh's government debt-to-GDP ratio was 20.6% in December 2022. Deficit financing can aid economic growth but requires careful management to avoid inflation and currency depreciation. Engagement with multilateral and donor agencies can help meet Sustainable Development goals. Meaningful tax reforms are needed to increase revenue, with incentives to bring more individuals into the tax net.

Prudent financing of fiscal expenditure is essential to keep the fiscal deficit under control. Some projects may need to be postponed, while ongoing projects should be completed. Crowdfunding is gaining traction as a funding method for public projects, benefiting participatory budgeting and transparency.

An interest cap, lifted in June 2023, caused liquidity shortages in banks, leading to investment in poor projects and corruption. Measures are needed to prevent the illegal movement of funds to offshore accounts.

Despite revenue constraints, the government should prioritise health, education, and social protection spending, ensuring proper monitoring to prevent misappropriation. Budget 2023-24 highlights the need to balance economic growth and macroeconomic stability. ■

Ferdaus Ara Begum
CEO, BUILD



LIDWC meeting

Logistics Infrastructure Development Working Committee (LIDWC), co-chaired by Mohammad Salahuddin, Secretary PMO, and Abul Kasem Khan, Former Chairperson of BUILD, held its fourth meeting on 19 June 2023 at PMO, discussed its comprehensive plan of activities for the next year 2023-24. The committee will support the private sector in reducing logistics costs and initiate research and survey as required. The Committee will work extensively in coordination with the National Logistics Development Coordination Committee (NLDCC) formed in the PMO and its five sub-committees.

In his opening remarks, Secretary PMO said that Bangladesh could not be behind while other South and Southeast Asian countries are taking the lead in extending logistics support and already have their policy and strategies. He said that the committee will continue its activities as a permanent dialogue platform to support the private sector and will assess the private sector's demand and its priorities. It will plan effectively what we would like to achieve in consultation with the private sector. He laid importance on how to reduce the costs of logistics. He said, "If we can plan rightly and work accordingly, costs can be reduced gradually." He added that LIDWC will assist NLDCC and its sub-committees to ensure a holistic logistics sector. Development partners like World Bank and IFC may come forward to provide financial and technical support to implement the work plan of LIDWC, where BUILD can coordinate the issue.

Committee Co-chair Abul Kasem Khan emphasised that logistics needs continuous improvement, improved supply chain management, and cost reductions of different sub-sectors. He gave examples of India and Vietnam reducing costs by collaborating with the public and private sectors. He proposed that to facilitate sub-sectoral supply chain improvement, supply chain analysis should be conducted by LIDWC through cost identification and policy intervention through priority selection. With support from the World Bank Group, LIDWC would be the dedicated and unique PPD platform for the logistics development of Bangladesh to facilitate the NLDCC and relevant public agencies on logistics affairs. He added that BUILD has long working experience and the capability to contribute to the logistics sector and thus

would be able to support NLDCC and its sub-groups.

BUILD Chairperson Nihad Kabir urged that to ensure the coordination and harmonisation of activities of NLDCC and sub-committees systematically, LIDWC would be the key player in providing policy research and technical and secretarial support in the long run. BUILD can play the role of providing secretarial services to the five sub-committees formed by NLDCC. BUILD may send letters to private sector chambers on logistics affairs to have specific pain points and constraints the private sector players face while operating domestic and international trade.

Shahida Sultana, DG Executive Cell of PMO, appreciated BUILD's willingness to provide secretarial support to NLDCC and sub-committees. At the same time, LIDWC may come forward to organise outreach and awareness programmes, private-to-private dialogues, policy initiatives for quick win reform, institutional memorise, etc., with support from the World Bank and IFC. She said that P2P and P2G support services are critical. She emphasised that to reduce policy gaps, there is a strong need to talk to the people concerned to know the best possible remedies.

PMO Secretary suggested that a summary of the critical discussion be shared with NLDCC continuously for smooth working. He also indicated that the next meeting of LIDWC be held in September 2023 to consolidate the plan of action.

In the keynote, BUILD CEO Ferdaus Ara Begum presented the findings of the outcomes of BUILD's NLIDP workshop that was held on 16-17 November 2022, partnering with PMO, Ministry of Industries, and World Bank Group. It was decided in the meeting that BUILD will share the workshop outcomes in the upcoming 3rd NLDCC meeting. She proposed that LIDWC will form a structured and strong network among the stakeholders to have the inputs from private to private and private to government through consultation, trade logistics tool kit and logistics index formulation, identification of demand and priority selection of private sector, coordination among trade logistics and trade facilitation initiatives, facilitate the NLDCC, sub-committees, and PMO through research, technical and secretarial support.

Md Abdus Samad Al Azad, Joint Secretary of the Ministry of Commerce, appreciated the proposals of BUILD to come forward with secretarial support to the sub-committees that will smoothen the initiatives in a synchronised way.

Senior Private Sector Specialist of IFC M. Lutfullah pointed out that LIDWC is the permanent public-private dialogue

platform of PMO and BUILD that may facilitate the NLDCC with a broader aspect. He added that LIDWC would make a deep dive to identify the logistics sub-sectoral constraints and suggest policy reforms to the government.

The session was graced by valuable remarks from the representatives of the Prime Minister's Office, Ministry of Industries, Ministry of Commerce, Ministry of Planning, Ministry of Rail, Road Transport and Highway Division, Bridge Division, Bangladesh Bank, BIDA, BEZA, DCCI, CCCI, BAFFA, BSCMS, etc. ■



Sustainability and Green Growth Working Committee meeting held at MoEFCC

The 4th Sustainability and Green Growth Working Committee (SGGWC) meeting occurred on 21 May 2023 at the MOEFCC Conference Room. Dr Farhina Ahmed, Secretary of the Ministry of Environment, Forest, and Climate Change (MoEFCC), Government of Bangladesh, presided over the meeting.

MOEFCC Secretary emphasised controlling the use of plastics in packaging, consumer goods and textiles, and other sectors and said it could not be held since it has consumer demand. She added that we need biobased and biodegradable packaging solutions as alternatives to conventional plastics to control it. She said that we encourage the private sector to establish their businesses, not impacting the environment and biodiversity at any cost and that environmental responsibilities come ahead of business. Environmental issues should be the built-in cost for industries and businesses; environmental governance is vital. We are addressing global concerns, but first, we need to prioritise our local circumstances, and local incentivisation is more important than global incentivisation. Referring to water scarcity in the coastal area, she cited examples of how people in coastal regions are facing environmental challenges. We cannot jump into de-carbonisation in one go. We need to conduct the rational exercise as we are currently in a transition, and our main agenda is to boost the economy,

and once we are graduated, we can consider it, she said. She further added that we can work to improve the understanding of the private sector around these materials and clarify how we can develop green industries to ensure genuine environmental benefits. She requested a list of good and bad performers so that bad performers may gradually improve by following good performers.

At the beginning of the meeting, BUILD CEO Ferdaus Ara Begum updated the meeting with the progress achieved in the implementation of decisions of the Sustainability and Green Growth Working Committee, and she informed about the formation of two committees on circular economy and recycling and green growth, MOEFCC told that DOE could start working in that respect.

Mehedi Hasan, Senior Research Associate, BUILD, delivered a presentation titled "De-carbonisation and Circularity for the Sustainability of the Clothing Sector in Bangladesh." The RMG sector is the most significant industrial contributor to Bangladesh's carbon footprint at 15.4%, followed by textiles at 12.4%. He informed the audience that the total volume of annual leftovers from Bangladesh's garment units is around 400,000 tonnes; if recycled, this can be a business of more than USD 4 billion. The main challenges towards the circular fashion industry are lack of infrastructure, fast fashion model, lack of awareness and education on circularity, heavy investment requirements, low to middle-end products, import restrictions on cut fabric, poor industrial wastewater treatment, etc.

BUILD urged that duty exemption may be considered for developers of solar cells, and solar developers should get a licence for duty exemption from BEREC. The government may encourage green energy production by providing tax incentives through a Corporate Income Tax reduction or accelerated depreciation. BUILD also called for ensuring the inclusion of solar power technology components in the coming import policy order, expanding testing facilities for solar power components, and simplifying the testing process at the import stage.

The BUILD presentation stressed the importance of clear guidelines in Bangladesh's Building Code for efficient rooftop solar generation. It proposed establishing linkage industries for manufacturing solar panels, Car cell panels, and cables. A target-oriented action plan was suggested to promote decarbonisation and the circular fashion industry. Importing cut or used fabric could aid in producing recycled yarn locally. The Environment Secretary pledged to work with stakeholders on Extended Producer Responsibility for the plastic sector.

UNDP Bangladesh confirmed its initiation of a scoping study for a 10-year action

plan on SDG-12 in response to BUILD's recommendation, emphasising the importance of country-specific data. Green initiatives were encouraged as a necessity for sustainability.

Chowdhury Liakat Ali from SFD, Bangladesh Bank, acknowledged the need to include the recycling industry in the policy and supported Green Transformation for the sector. BGMEA Secretary General, Md Faizur Rahman, announced the organisation's plan to reduce emissions by 30% by 2030 and collaborate with international organisations in various development and education initiatives.

Unilever Bangladesh's Director, Shamima Akhter, informed about their voluntary initiation of segregated bins and containers and requested its inclusion in the policy. She also emphasised the need for infrastructure investment for waste-to-energy projects. The meeting was attended by representatives from various organisations and government ministries, including BSTI, BIDA, Ministry of Water Resources, Finance Division, Ministry of Industries, Ministry of Fisheries and Livestock, and DBL Group. ■



BUILD Trustee Board met the World Bank Country Director

World Bank Country Director for Bangladesh and Bhutan Abdoulaye Seck called on BUILD Chairperson Nihad Kabir on 10 May 2023 to discuss policy advocacy and research areas, especially private sector development, infrastructure for logistics integration, increasing business efficiency and export diversification.

BUILD Chairperson delivered a small brief introducing BUILD, highlighting different collaborative activities between World Bank and BUILD. She further briefed on the activities of BUILD for private sector development, mentioning examples of policy reforms facilitated by BUILD.

BUILD Trustee and Former Chairperson Abul Kasem Khan, BUILD CEO Ferdaus Ara Begum and World Bank Transport Specialist Nusrat Nahid Babi joined the call. ■



BUILD Chairperson met ADB Country Director

BUILD Chairperson Nihad Kabir and ADB Bangladesh Country Director Edimon Ginting met on 3 May 2023 to discuss comprehensive and holistic reforms to create a conducive environment for the private sector.

They held substantive discussions on streamlining business licences, post-graduation challenges, logistics and infrastructural development and opportunities for the private sector to expand to new industries and upgrade existing ones. BUILD CEO also joined the discussion. ■

Meeting with BHTPA

A meeting of BUILD was held with Mohammad Rezaul Karim, MD, Bangladesh Hi-Tech Park Authority (BHTPA), to discuss the progress and implementation of 4IR in Bangladesh following some decisions of the 4IR and ICT Committee of BUILD on Thursday, 22 September 2023, at the Conference Room of BHTPA.

BHTPA Managing Director welcomed BUILD and wanted to know the details of 4IR and how BHTPA and BUILD can collaborate in this respect. BUILD CEO Ferdaus Ara Begum made a presentation and informed that as per the decision of the third meeting of 4IR and ICT Working Committee of BUILD, two concept notes on "Digital Marketing Strategies for Creating Public Awareness on Existing Re-Skilling Opportunities Offering by Different Government Agencies and Adoption of Industrial Robots in Different Industrial Sectors of Bangladesh have been prepared. A discourse on the readiness for using industrial robots in Bangladeshi

industries/factories and the obstacles and potential may also be conducted, and we can discuss this further, CEO informed.

MD, BHTPA thanked the CEO, BUILD and the team for the presentation and appreciated the role of BUILD in supporting business in Bangladesh. He said that he would go through the presentation and expressed his interest in the activities of BUILD. MD, BHTPA proposed to co-opt some new committee members, such as BTCL to make the committee more effective. A meeting can be held soon after Eid vacation in the second week of July 2023.

Md Mahfuzull Kabir, Deputy Director (Procurement); Khadija Akther, Deputy Director (Admin and Finance); Gibanur Binta Jahir, Assistant Engineer (E/M), among others, were present. Moshaddek Alam, Additional Director of Communications and Advocacy, BUILD; Shahriar Rawshon, Research Associate, BUILD, were also present and spoke. ■

Policy and Regulatory Framework Sub-Committee meeting of NLDCC at the MoC

The first meeting of the Policy and Regulatory Framework Sub-committee formed under the National Logistics Development and Co-ordination Committee (NLDCC) was held on 30 May 2023, chaired by Tapan Kanti Ghosh, Senior Secretary, Ministry of Commerce. The sub-committee is assigned to prepare the draft of the National Logistics Policy to present at NLDCC. The sub-committee will also prepare an action plan as per its ToR.

CEO BUILD Ferdaus Ara Begum informed that BUILD had already prepared a list of policies related to the logistics sector in Bangladesh, which will help the sub-committee to make a gap assessment. She pointed out identifying policy bottlenecks of the logistics sub-sector that narrows foreign investment inflow in Bangladesh.

Abul Kasem Khan, Co-Chair of the Logistics Infrastructure Development Working Committee (LIDWC) of BUILD, urged to gather the experience and examples of neighbouring countries who are performing well in logistics affairs while formulating the national policy such as India, Korea, China, etc. could be considered in that respect.

It was decided in the meeting that a Technical Working Group would be formed to provide policy and research assistance to the sub-committee to achieve its ToR. The Senior Secretary requested BUILD to share the list of policies relevant to the logistics sector in Bangladesh with the Ministry of Commerce.

PMO DG Sahida Sultana, the Ministry of Commerce, the Ministry of Industries, NBR, the Road Transport and Highway Division, the Bridge Division, BIDA, and the Policy Exchange of Bangladesh attended the session. ■

Investment Attraction Sub-Committee meeting of NLDCC at PMO

Under the chairmanship of Mohammad Salahuddin, Secretary of the Prime Minister's Office, the 1st meeting of the Investment Attraction sub-committee was held on 12 June 2023 at Prime Minister's Office. Md Ariful Hoque, Director of BIDA, presented the action plan of the sub-committee.

CEO BUILD Ferdaus Ara Begum informed that there are several policy gaps and policy constraints in the ICD, off docks, CFS, C&F, freight forwarding, etc., sectors that narrow the investment inflow in Bangladesh. She urged to assess short, medium, and long-term investment needs of the overall logistics sector in consultation with public and private sector stakeholders and setting annual investment targets.

Abul Kasem Khan, Co-Chair of LIDWC, requested to identify existing problems to invest in the logistics sector and recommend solving the issues and simplifying the investment process. He pointed to mitigating the policy gaps between CFS and Customs Policy to smoothen the investment procedure in the private off-dock industry.

Lokman Hossain Miah, Executive Chairman of BIDA, praised the role of BUILD for putting continuous effort into making a better business environment for the public sector. He assured that BIDA would happily collaborate with BUILD to attract investment in the logistics sector.

The Secretary of the Prime Minister's Office informed that BUILD is the pioneer who took the lead with the support of the Prime Minister's Office to meet the logistics development need of the private sector stakeholders. He instructed the concerned team to form a Technical Working Group to facilitate the sub-committee.

Representatives of the Ministry of Finance, Ministry of Foreign Affairs, PMO, NBR, ERD, Bangladesh Bank, PPP Authority BIDA, FBCCI, FICCI, BCIDA, Policy Exchange, etc.,, graced the session with valuable remarks. ■

Meeting with Bangladesh Bank to discuss EFPF Policy and Interest Rate

A meeting between Bangladesh Bank and BUILD was held on 18 May 2023. Nurun



Nahar, Executive Director, Bangladesh Bank, and her colleagues welcomed BUILD. The BUILD CEO Ferdaus Ara Begum elaborated on the activities of BUILD's Financial Sector Development Working Committee (FSDWC). A new scheme Export Facilitation Pre-Finance Fund (EFPF), has been introduced for manufacturers cum exporters at a relatively lower interest, gradually replacing Export Development Fund (EDF). BUILD Team wanted to know the details of the scheme. Nazim Uddin, Additional Director, briefly explained the implementation of EFPF and its utilisation and sectoral disbursement and shared some facts and figures with BUILD.

It was informed that there is no such plan to close EDF; instead, it will be adjusted gradually with the economy and foreign exchange reserve ratio. Regarding the EFPF loan ceiling for the leather sector, it was informed that the amount may be increased to meet their demand in case they prove demand within the industry. In response to a point on increasing the amount of EFPF, BB replied that if, after the distribution of the announced amount, more new demand creates, then Bangladesh Bank can increase the amount depending on the situation. So far, BDT 3723.20 crore has been disbursed, covering ten sectors among 291 parties. The RMG sector is the highest number of EFPF users.

BB officials responded that EFPF would help exporters like EDF loans except to meet the conversion risk. However, this risk will be gradually reduced when the BDT-USD exchange rate will be stable. During the discussion, it was also disclosed that online application for EFPF will be possible; 80% of the work has already been accomplished. Is there any plan to set a fixed conversion rate for taking a loan from EFPF on a 3/6-month basis to address the exchange rate risk? BB responded that, at present, there is no such plan to set a fixed conversion rate to manage the exchange rate risk. However, policies can be made more favourable for the private sector gradually.

Another meeting was held between Dr Md Habibur Rahman, Chief Economist, Bangladesh Bank, and Business Initiative Leading Development (BUILD) on 18 May 2023. to discuss the interest rate corridor and the current economic situation. Dr Rahman said Bangladesh is on the pathway to graduating from LDC status in 2026 and transforming to an

upper-middle income status by 2031 and high-income status by 2041. The monetary transmission mechanism needs to be more active to achieve these goals. However, the financial integration with international economics and the development of financial derivatives has made the money demand function less stable. In this context, a forward-looking strategy and an interest rate targeting monetary policy would be more effective for ensuring macroeconomic stability and promoting financial development. Thus, in the upcoming "Monetary Policy Statement," BB will introduce an interest rate corridor as a monetary policy framework to have an efficient monetary transmission mechanism to support our economic growth trajectory.

The lending rate cap will be withdrawn, and a market-based benchmark interest/reference rate will be introduced from July 2023. The reference rate will be derived from the Six Months Moving Average of T-bills (SMART) with a margin. The margin will be determined by BB occasionally, considering overall economic conditions. BB seeks to reduce the amount of Export Development Fund (EDF) now. At the same time, BB also introduced the Export Facilitation Pre-finance Fund (EFPF) intent of helping our export-oriented industries with their development and continued expansion.

CEO extended sincere thanks to the Chief Economist for the meeting and gave some of the insights to be taken by Bangladesh Bank to ease the money supply in the money market. ■

BUILD-BIDA meeting for collaboration

A meeting was held between senior officials of BIDA and BUILD on 18 June 2023 at the office of the Executive Member of BIDA, Mohsina Yasmin, to discuss some joint activities of BIDA and BUILD as stipulated in the MoU signed between the two organisations.

The BUILD Team was led by Ferdaus Ara Begum, CEO, BUILD. The meeting reviewed the status of the process of updating and publishing the 6th Business Start-up Licences Regulatory Guide and worked out a plan of action related to the joint activities of BIDA and BUILD based on the MoU signed by both organisations signed on 17 April 2023.

The Executive Member of BIDA welcomed the BUILD Delegation and informed them that the Executive Chair of BIDA has, in principle, agreed to support BUILD in publishing the '6th Business Start-Up Licences Regulatory Guidebook. Then she requested the CEO of BUILD to discuss how they could proceed with the updating and printing the book. The CEO of BUILD gave an overview of the matter.

Accordingly, BUILD CEO underscored that



the Business Licensing Book by far is the most comprehensive and easily comprehensible 'one-stop information source' on business licensing and other regulatory requirements in comparison to that of any government agency as it covers licences registrations, approvals, certificates, permits and recommendations related to trading, investment, foreign investment, import, export, security and standard, chemical and explosives and sectoral business and so on. The guide will walk one through the different types of business licences and other regulatory requirements, the various agencies that issue them, the time required to obtain each of the licences and other regulatory documents and the steps/mapping of the application process. This version will include more than 450 licences of 20 to 25 sectors of about 50 plus government organisations.

The CEO of BUILD acknowledged in the meeting that BIDA has been helping BUILD update the licensing book by including many of the existing licences that were not present in the 5th BLG as well as the newly introduced regulatory requirements for starting and operating a business in Bangladesh. The Research Team sincerely thanked BIDA for having the meeting and helping them with the updates. It was also informed in the meeting that USAID Trade Activity is helping BUILD develop the content of BLG, and the book needs to be printed as a hard copy, and it will also have a soft version- an e-book. The book will also be sold online.

The Executive Member, BIDA said that the National Board of Revenue (NBR) and BIDA have agreed to simplify the issuance of electronic taxpayers' identification numbers (e-TIN) to foreign investors by integrating the e-TIN system with BIDA's One-Stop Service (OSS) platform. This will save them from having physical verification or visiting the NBR or its system. This information needs to be highlighted in the book. In addition, foreign and domestic investors now have access to 67 services of 22 organisations from the OSS portal of BIDA. This type of information is needed to be incorporated into the Business Licensing Book so that the entrepreneurs can easily avail of the service. This would also help BIDA keep track of business regulatory issues and endeavour for further simplifications.

She also said that BIDA had provided more than 1 lakh services since 2019 under

the OSS protocol, which is remarkable, whereas the other 22 licensing entities (issuing agencies) provided only 500 services.

She further expressed that BIDA may help identify priority sectors for this guidebook. This guide can be divided into two parts as the number of pages would cross one thousand pages. The online version will be made available as part of digital accessibility.

The meeting was attended by Md Ariful Hoque, Director (Deputy Secretary), BIDA, and Gazi AKM Fazlul Haque, Director General (Current Charge), BIDA. Md Atik Sarker, Assistant Director, BIDA; Fahmida Jabeen Shoma, Consultant, BUILD; and Moshaddek Alam, Additional Director for Communications and Advocacy, BUILD. ■



Initial reaction by BUILD to the 2023-24 Budget

Hon'ble Finance Minister announced Budget 2023-24 of BDT 7.61 trillion to the Parliament, which is 15.30% higher than last year's Budget. The revenue budget, to the amount of BDT 5.0 trillion, is 15.47% higher, while non-Tax revenue is 11.11% higher than the previous year. The budget deficit has been targeted at 5.5%, 5.02% of GDP in the last year. Foreign sources loans are 22.89% higher, amounting to BDT 1.02 trillion, which was BDT 0.83 trillion in the previous year. One of the concerns is that loans from the Banking system were targeted to increase by 14.78% to BDT 1.32 trillion, which was 1.15 trillion in the revised budget for 2022-23. Both the budget deficit and loans from the banking system have been increased.

GDP has been targeted at 7.5%, the investment target is 33.8%, while inflation has been targeted at 6.5%, which is 9.24% now. In the Budget, there are no such import measures to control inflation.

Highlighted Points

- Return submission is mandatory in 40 services.
- Tax-free income limit has been increased from 3 lakhs to 3 lakh 50 thousand.

- Universal Pension Scheme has been announced with a policy effective from 2024.
- Women and Taxpayers above 65 years have tax-free amounts of BDT 4 lakhs which was BDT 3.50 lakhs last year.
- Carbon tax has been introduced for the first time in Bangladesh to fulfil the commitment at IPCC.
- To reduce the discretionary power of tax officials as much as possible, the proposed Income Tax law incorporated a new accounting method, namely depreciation and amortisation rules provisions for capital gains and transfer pricing policy.
- Domestic industries such as refrigerators, electronics and home appliances, and pharmaceuticals will get support up to 2025.

Challenges

- To meet the 33.8% investment growth target, Bangladesh will require BDT 16 trillion in new investment. However, the recent data from Bangladesh Bank shows a negative trend of capital machinery import in the recent quarter. There is a need for policy announcements to meet this targeted investment.
- The inflationary situation has deteriorated over the current fiscal basically for the Ukraine-Russia war. Bangladesh Bank has initiated a quantitative tightening by increasing the repo rate to adjust excessive money from the economy. Still, it did not work as the price adjustment mechanism of necessary products was not set and declared.
- The stress on the banking sector for excessive borrowing may lead to a liquidity crisis in the second half of the upcoming fiscal year.

Some Points

NBR has taken several initiatives for mandatory return submission for availing 40 services which will increase the number of return submissions. However, there is no guarantee that it will increase income tax collection. There are some new areas through which NBR wants to increase direct Tax, such as: carbon tax, a minimum tax of BDT 2,000 etc.

One of the significant areas in collecting direct tax is Tax Deducted at Source (TDS), which is about 86% of total collected direct taxes, the target of direct taxation in the new budget of BDT 1.53 trillion. A withholding Tax of about 14% is collected by NBR directly through the 32 tax zones. Among 114 heads of TDS collected under sections 50 to 56 and 64 of Income Tax Ordinance 1984, there are 44

non-adjustable items treated as minimum tax as per 82-C of ITO 1984 increases tax budget to the taxpayers. On the other hand, in the case of TDS refundable heads, some taxpayers do not adjust the tax through yearly income tax to avoid complexities and hassles (e.g., Income Tax Audit). The budget should have some directives in that respect.

The minimum tax collected as TDS becomes the cost of services and products which depicts double standard policy implication. With incremental budget size, NBR fixes the direct tax collection target proportionately, aligning with the increase in budget. The budget has not announced any extra effort to collect the direct tax because about 86% of taxes are collected at source. There could be some policy proposals for widening the tax base and reducing the burden on the taxpayers. BUILD proposed a change in the 82C so that TDS cannot be treated as a minimum tax.

To broaden the tax base, measures such as an automated and easy self-assessment system with complete transparency must be implemented so taxpayers do not have to meet with tax authorities. Given that, well-articulated process maps for return submissions, audits, appeals and alternative dispute resolution can be prepared, making the process as simple as possible for innocent taxpayers to accomplish their job by themselves.

The Budget announced a minimum tax of BDT 2,000 for those below taxable income but must avail of services from the government. A rough estimate shows that the new policy will add about BDT 1,200 crore to the government exchequer at the cost of services provided by the government organisation. There is no guarantee that the taxpayers will get better services with no informal cost if she/he can show proof of submission. Finance Act 2023 has increased the income tax threshold from 3 lakhs to 3.5 lakhs, which will not benefit taxpayers.

In the case of indirect tax, the minimum value proposition (SRO 134) was in place for a long which will be phased out gradually to be WTO compliant. Budget 2023-24 has withdrawn 37 products from the existing list on which minimum value/tariff value was imposed. The budget also withdrew Supplementary Duty (SD) from 234 items and withdrew Regulatory Duties on 191 items. We have about 1,960 items on which SD is imposed at the import level. The government would need to announce a policy/road map to gradually withdraw the rest of the 1,700 hundred items within the next two fiscal years so that the private sector can be prepared to absorb the change. There are RD imposed on about 1,200 items; a similar plan/strategy needs to be drawn in consultation with the private sector.

In the case of VAT, in the Finance Bill

(clause 21), a provision is included for issuing a prior notice to the VAT payer before imposing any penalty, which would give an early signal to the VAT payer for preparation and rectification.

In the Budget, there is little mention of the complete automation of the VAT system, which is supposed to be implemented under its VAT automation project started in the year 2014 for ensuring inter-connectivity among 16 modules and the payment modes such as e-Chalan, A Chalan etc. However, the Budget has announced several new initiatives for Smart Bangladesh by introducing automated services such as EFD, Sales Data Controller (SDC) etc. ■

BUILD Chair raises concerns over tax collection practices

The BUILD Chair emphasised that in cases where businesses are unable to meet their tax obligations, tax agents have the authority to seize business assets as a means of recovering the outstanding dues. Furthermore, she called for the reconsideration of a proposed policy that mandates a minimum tax of BDT 2,000 to be collected from every individual possessing a Taxpayer Identification Number (TIN), regardless of their taxable income. Additionally, she put forth the suggestion of addressing and putting an end to the issue of “leakages” in government revenue expenditure.

She was speaking at a discussion on the proposed budget and expectations of businesses, organised by Md Siddiqur Rahman, Former President of BGEMA, on 12 June 2023, at Lakeshore Hotel, Dhaka.

Other participants in attendance also brought attention to various topics concerning businesses.

Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said energy availability is a significant concern for businesses.

Ahsan H Mansur, executive director of the Policy Research Institute (PRI), said excessive borrowing by the government from the banking system would affect the money flow to the private sector. He also questioned how the government would address the high inflationary pressure.

Bangladesh Textile Mills Association's acting president, Mohammad Fazlul Haque, expressed concern as none of their demands were included in the proposed budget. The authorities allowed yarn imports despite unsold stock. He recommended mandating local garment exporters buy yarn locally to save USDs, given the ongoing scarcity. ■



The first TCP meeting held

The first Textile Competitiveness Platform (TCP) meeting occurred on 17 May 2023. With support from the IFC-led Partnership for Cleaner Textile Programme (PaCT), BUILD organised the meeting. Barrister Sameer Sattar, Co-Chair of the TCP and President of Dhaka Chamber of Commerce and Industry, along with Miran Ali, BGMEA Vice President and Co-Chair of the TCP, jointly chaired the meeting. Ahsan H. Mansur, Executive Director of PRI, Ferdaus Ara Begum, CEO, BUILD and other representatives from government ministries and the textile sector were also present.

TCP meeting united leaders, experts, and stakeholders, fostering collaboration for textile industry growth and regional economic development. ■



BUILD CEO speaks at the IDEA Foundation seminar

Ferdaus Ara Begum, CEO of BUILD, attended a seminar entitled "Gender Dimension of Digital Financial Services (DFS) in Bangladesh" that was held on 4 June 2023 at the Bangabandhu Military Museum's conference Hall and was hosted by the IDEA Foundation. During the seminar, participants discussed a proposal to introduce a quota for women to work as MFS agents within the authority of the Bangladesh Bank.

Concerns about audit objections, such as instances in which women were awarded funds despite the accounts being held in the names of men, were also highlighted. The Secretary of the Ministry of Women and Children Affairs, Md Hasanuzzaman Kallol, was present as the Chief Guest at the event. BUILD CEO highlighted MFS difficulties, advocating for women's inclusion and interoperability. ■

Inclusive budget: Dialogue reflecting disadvantaged groups

Centre for Policy Dialogue and Citizen's Platform for SDGs, Bangladesh jointly organises a dialogue titled "How to Reflect the Concerns of the Disadvantaged Groups in the Upcoming National Budget during the IMF Programme Period?" at the Bangabandhu International Conference Centre in Dhaka on 15 May 2023. BUILD CEO Ferdaus Ara Begum, among others, spoke at the event while CPD executive director Fahmida Khatun delivered the welcome address.

Ahsan H. Mansur, Executive Director of PRI, Ferdaus Ara Begum, CEO, BUILD and other representatives from government ministries and the textile sector were also present. ■

Meeting with ITC, Geneva, on WE development

BUILD signed an MOU with ITC in October 2017 and, since then, implemented several activities, especially for women's entrepreneurship development. BUILD, ITC, and SheTrades joined forces to empower women entrepreneurs through various initiatives. These included conducting e-commerce dialogues, facilitating access to stimulus packages for MSMEs and women entrepreneurs, providing procurement training for women-owned businesses and officials, organising discussions and workshops on defining women-led or women-owned businesses in Bangladesh, and creating a profile list of 100 WEs.

During a virtual meeting on 5 June 2023, potential areas for future action were discussed to further the joint initiative. Sustaining business competitiveness for WEs post-graduation emerged as a key focus. BUILD, in collaboration with ITC, aims to engage in dialogues with various stakeholders to support women entrepreneurs' business sustainability. BUILD and ITC can also work for the promotion of the participation of women in public and private procurement. Training of e-commerce applications for women entrepreneurs and women-owned CSMEs is another area for collaboration that will support Women Entrepreneurs to be in business. ■

REFORMS

Budget 2023-24

For the 2023-24 Budget, BUILD has provided NBR with several reform suggestions. Several of them have been put into practice in the following ways.

A provision has been included in the VAT and SD Act 2012 for issuing a specific prior notice to the VAT payers before intervening by imposing a penalty. In the Finance Bill 2023 (Section 21, page 16), the provision "Separate prior notice for hearing before imposing penalty" has been included. The tax authority would need to issue prior notice before taking action. This provision will be helpful for businesses to be prepared so that they can avoid penalties.

The income tax exemption threshold has been increased to BDT 3.5 lakh from 3 lakhs. On the other hand, the income tax-free threshold for women and other privileged groups (third gender, freedom fighter, person with disability) has also been increased in finance bill 2023 (Tafsil 2, Page 70). ■

SCOPES

Simplification of regulatory process for business and investment licences

BUILD is conducting a study for business process simplification and, for this, having one-on-one meetings and interviews with the regulatory bodies to gather information about the licences/certificates/approval they give to the investors/businesses and how they are planning to reduce the regulatory process, documentation needs, required time and thus reducing costs. USAID-supported organisation IDG is extending support to BUILD for data collection. While support from BIDA is also expected to make it more comprehensive and a vehicle to attract investments in different non-traditional sectors.

The aim is to produce a comprehensive manual that consolidates all the necessary information regarding licensing requirements into a single, easily accessible resource. This manual will serve as a centralised source of information for local and foreign investors, offering a thorough understanding of the licensing regulations. BUILD foresees receiving the required assistance and support from pertinent governments, quasi-governmental bodies, autonomous organisations, and all other relevant institutions. This collaborative effort will ensure the manual contains accurate and extensive details. The eagerly anticipated publication is expected to provide

valuable information that will greatly benefit businesses. BUILD intends to include a minimum of 450 licences, new as well as renewal, in the publication. The comprehensive guide will encompass details about the services offered by approximately 60 government organisations. Additionally, a digital version of the publication will be made accessible to businesses for their convenience. ■

ARTICLES

Logistics performance of Bangladesh: A new era • *The Business Post* ■
cutt.ly/buildconnect233-01

We need a clear strategy for a circular economy • *The Business Standard* ■
cutt.ly/buildconnect233-02

How to make public procurement more gender-sensitive • *The Business Standard* ■
cutt.ly/buildconnect233-03

How the FY24 Budget can aid marginalised communities of Bangladesh • *The Business Standard* ■
cutt.ly/buildconnect233-04

এসএমই উদ্যোগের প্রতি ন্যায়সংগত আচরণ • *Bonik Barta* ■
cutt.ly/buildconnect233-05

Budget for SMART Bangladesh and measures for marginalised people • *The Business Post* ■
cutt.ly/buildconnect233-06

How an interest rate corridor will affect macroeconomic reality in Bangladesh • *The Business Standard* ■
cutt.ly/buildconnect233-07

Divergent policy options of budget • *The Business Post* ■
cutt.ly/buildconnect233-08

Pledges, policies, and prospects to protect the planet • *The Business Standard* ■
cutt.ly/buildconnect233-09

চামড়া শিল্পের ভবিষ্যৎ – সমাগত ঈদ এবং করণীয় • *The Daily Kalbela* ■
cutt.ly/buildconnect233-10



Tariff rationalisation study group meeting

On 17 May 2023, the BUILD CEO was present at the 8th consultation meeting of the tariff rationalisation study group, which took place at NBR. Ministry of Finance and FBCCI representatives and other stakeholders were present.

Speaking at the meeting, BUILD CEO said that the existing tariff or minimum value possesses the same policy status strictly followed in customs valuation apart from abiding by Customs Valuation Rule 2000. Phasing out of minimum value and customs valuation process must be well consulted with the export-import related stakeholders and regarding bonded warehouse facility for all export-oriented industries. ■



■ BUILD CEO Ferdaus Ara Begum confident of reaching USD 12.5 billion leather export target by 2030 with raw materials abundance. From seminar on sustainable leather industry development, 19 June 2023, organised by ERF, BTA, and Asia Foundation.



■ Dialogue on private-sector investment in climate action, by C3ER, BRAC, and BUILD, featured insightful presentations and esteemed speakers on 20 June 2023.



■ BUILD CEO discussed global economic challenges and increased government support for social safety nets. At the post-budget discussion, 7 June 2023.



■ BUILD CEO attends IP Rights discussion and dinner honouring Ambassador Kleib with notable dignitaries at The Westin Dhaka on 3 June 2023.

Founding Organisations



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