

**Editorial:****Inflation Control and Monetary Policy Tools**

Inflation is a crucial economic challenge that tends to affect governments, businesses and consumers. A quick rise in inflation corrodes away the purchasing power of an economy with increasing uncertainty and interrupting economic stability. Persistently high inflation is the biggest macroeconomic challenge that the country has been grappling with for the last two years. Inflation peaked at 11.7%, last year and in January 2025 it came slightly below double digits at 9.94%. Bangladesh Bank in its MPSHII25 aimed to bring down inflation to 7-8% by the end of FY25, however the MPS has not explained the strategies by which they intend to bring down the inflation. Globally inflation has eased and is showing a downward trend while IMF projected global inflation at 4.3% by end of 2025.

Among the steps taken to tame the inflation, Bangladesh Bank stopped printing money to finance the budget, increased the policy rate several times, adopted a market-based interest rate, extended the duration of T-Bills to 90 and 180 days and other steps related to the exchange rates, reduced duties on essentials and formed district level task forces.

There are a lot of reasons for the failures of the monetary policy instruments. The interest rate was capped at 9% for more

than three years from April 2020 to June 2023 and later another form of interest rate known as SMART was adopted but scrapped in May 2024. Moreover, the exchange rate has seen drastic depreciation i.e. by 46% in a span of two years. Along with it, the govt took BDT 98,000 crore high-powered money in FY 2023-24. Such a depreciation of the exchange rate increased the import costs. The Economic Survey 2024 conducted by BBS revealed that, 42% of the economy is informal. The percentage of consumer credit disbursed is low in Bangladesh compared to other countries. It is below 7% in Bangladesh. In India, it is about 33% and in Sri Lanka, it is 20%. Another reason is that the policy rate hike has not yielded any fruit because a lot of black money has not come to the banking channel.

Additionally, the CPI basket includes goods that are subjected to very rare purchases like electronic appliances and automobiles which the common people do not purchase on a regular basis and such items do not have any impact on marginal people. Thus the CPI calculation basket needs to be revised and inflation should be counted on essential items' prices. The recent hikes in VAT & SD during the middle of the fiscal year are expected to fuel inflation further as the impact of the hikes of these taxes will fall equally upon the people irrespective of income.

The index of industrial production (IIP) has declined for both the SMEs and manufacturing sectors. They are dealing with the double blow of increased interest rates and currency devaluation. The lending rate for SMEs has crossed 15% and the spread rate for SMEs is above 6%. Due to increased interest rates, the

private sector credit growth dropped to 7.3% in December 2024 and the banks are focusing on treasury bills and bonds which are a secure investment for the banks.

Inflation has negative consequences for both production and consumption hence more effective measures are essential to bring inflation under control. For this, concerted effort is needed by all stakeholders.

The central bank should tap other monetary policy instruments like reserve ratios and open market operations rather than relying solely on policy rates. Increased policy rate impact the interest rates which ultimately boost the production costs. The central bank along with NBR can work to formalize the economy where trade licenses and tax identification numbers can be used. The stages of production should be transparent. Until the inflation rate is normalized, and the interest rate is reduced, the SMEs can be provided with better refinancing schemes.

Bangladesh Bank should conduct regular studies on how much of the inflation is coming from the demand and how much of it is cost-push and then form policies accordingly by placing the necessary recommendations to the relevant stakeholders for supply shocks. The exchange rate should be market-based.

Additionally, a central coordination committee should be formed to analyze the price dynamics where each organization will play its role. This committee should work under the head of the government's office. All these organizations should analyze the data every month and place it in the head office. As long as inflation remains high, the social safety net should be expanded to cushion the poor from the impact of inflation. Modern farming should be encouraged, and high-quality storage facilities should be introduced for food grains. The farmers can be brought digital umbrella. Moreover, there is no alternative to increase financial inclusion.

BUILD presented a Policy Paper on the existing inflation and MPS at its 12th FSDWC Meeting held on 24th February 2025.



The failure of the policy rate tool in taming inflation have been identified in this study. This study also highlights the impacts the SMEs are facing due to increased interest rates stemming from the policy rate hikes. This study also considers successful case studies of some countries that tamed inflation.

Monetary policy tools like reserve requirements and open market mechanisms to increase liquidity and start to reduce the policy rate gradually from the next fiscal year, formalizing the economy and gradual switch to a market-based exchange rate mechanism etc. recommended by BUILD. For effective normalization of the inflation rate, this study stresses strong and comprehensive collaboration between the Bangladesh Bank and other relevant government agencies where academia can contribute their thoughts. It stressed the regular holding of the Monetary-Fiscal Coordination Council Meeting and give regular updates of the meeting.

**Ferdaus Ara Begum**  
CEO, BUILD

## New Chairperson of BUILD



The 36th Trustee Board Meeting of BUILD on January 23, 2025, appointed Mr. Abul Kasem Khan, Trustee Board Member, BUILD to serve as the Chairperson Business Initiative Leading Development (BUILD) for the tenure of 2025.

Abul Kasem Khan took the responsibility of the Chairmanship as per decision of Trustee Board following concerned Articles of the Deed of Trust of BUILD. Khan is a Trustee Board Member nominated from Dhaka Chamber of Commerce and Industry (DCCI), is the Vice Chairman of A.K. Khan & Company Ltd. and the Managing Director of A.K. Khan Telecom Limited.

The Trustee Board meeting also welcomed Taskeen Ahmed, President of the Dhaka Chamber of Commerce and Industry (DCCI), Kamran T. Rahman newly re-elected President, MCCI, Muhammad Anwar Pasha, Administrator of the Chittagong Chamber of Commerce and Industry (CCCI), and Acting Secretary General Dr. AKM Asaduzzaman Patwary as the new BUILD Trustee Board members.

## White Paper on Bangladesh Economy - Dissection of a Development Narrative Submitted to Chief Adviser (CA)



Debapriya Bhattacharya, head of the White Paper Committee, and other members of the body submitted the document to the Chief Adviser at his office in Tejgaon, Dhaka on December 1, 2024.

The committee formed on 28 August, was given three months to prepare the report, which aims to provide a clear picture of the economy plagued by years of mismanagement and distorted data.

## Symposium on White Paper & Thereafter Economic Management, Reforms & National Budget



A symposium on the white paper was held on January 18 and CEO BUILD presented a paper on Private Investment and Tax Policy Reforms through Budget 2025-26.

The presentation highlighted the issues elaborating the gaps of investment to the GDP. She explained the core findings from the white paper as to why investment is not attracted. The presentation looked at the policy options needed to be announced for attracting investment and FDI.

The presentation also put the spotlight on the types of actions that can be announced through the upcoming Budget 2025-26 and the relevant reforms required to address LDC graduation challenges.

## Understanding the white paper: Concepts and Methods



Ferdaus Ara Begum, CEO of Business Initiative Leading Development (BUILD) and

Member of the White Paper Committee 2024 attended an exclusive Closed-Door Discussion Session at BRAC University.

During the session she highlighted key issues related to private investment, foreign direct investment (FDI), and policies for small & medium enterprises (SMEs). She also provided insights into tax policy and the challenges and opportunities surrounding LDC graduation, emphasizing the need for strategic policy reforms to ensure sustainable economic growth.

Her expertise and recommendations added significant value to the discussion, fostering meaningful dialogue on shaping Bangladesh's economic future.

Other White Paper Committee members are Dr. Zahid Hussain, Former Lead Economist at the World Bank, Bangladesh, and Dr. Selim Raihan, Professor in the Department of Economics, Dhaka University. The session was moderated by Dr. Imran Matin, Executive Director, BIGD.

## BUILD Hosts 12th Financial Sector Development Working Committee Meeting



Business Initiative Leading Development (BUILD) convened its 12th Financial Sector Development Working Committee (FSDWC) meeting on February 24, 2025, at its Conference Room. The session was chaired by Ms. Nurun Nahar, Deputy Governor -1, Bangladesh Bank (BB), and attended by key stakeholders from the financial and business sectors.

**Progress Update on Key Recommendations:** At the outset, BUILD CEO Ferdaus Ara Begum provided a follow-up at the previous meeting, summarizing the status of 15 submitted recommendations. Among the notable implementations were, the development of online software for the Export Facilitation Prefinancing Fund (EFPF), the issuance of circulars for safeguard measures on EFPF and export proceeds realization (EPR), and alignment of monetary and fiscal policies. While some recommendations remain under review, Bangladesh Bank (BB) has provided explanations for certain policy decisions.

Deputy Governor, BB, Nurun Nahar highlighted that BDT 5,000 crore of the allocated BDT 10,000 crore has already been utilized under EFPF. While lowering the interest rate for EFPF is not feasible under the existing monetary policy framework, she assured that the possibility of extending EFPF to partial exporters is under consideration in collaboration with NBR. Additionally,



Bangladesh Bank has introduced a policy of granting Non-Resident Bangladeshis (NRBs) loans for up to BDT 10 lakh, repayable through banking channels in domestic currency.

**Address Inflation and Credit Growth:** BUILD Research Associate Asif Haider presented a policy paper on "Long-Lasting Inflation and its Impact on the Economy – Remedial Measures." The study revealed a slowdown in private sector credit growth, standing at 7.3% in December 2024 against a projected 9.8%, while public sector credit growth surged to 18.1%, surpassing the 14.2% target.

**Identified key inflation drivers are;** market extortion, administrative inefficiencies, high policy and interest rates, exchange rate fluctuations, weak competition regulation, and increased public expenditure. The study recommended measures such as increasing loanable funds for banks, formalizing economic activities, implementing a market-based exchange rate system, reduce influence of aggregates and strengthening refinancing schemes for CMSMEs.

**Bangladesh Bank's Response and Future Initiatives:** Ms. Nurun Nahar commended the study and expressed confidence in reducing inflation to 7-8% by June 2025. She mentioned that Bangladesh Bank is exploring options to adjust the reserve requirements ratio of banks and collaborating with NBR on formalizing economic transactions. Furthermore, she assured continued efforts to enhance financial inclusion and reduce aggregator dominance in the forex market, with plans to adopt a market-based exchange rate by December 2025.

She also emphasized the importance of regular Fiscal-Monetary Coordination Council meetings with Government and Private sector representatives to ensure balanced macroeconomic policies. Additionally, Bangladesh Bank is set to issue a Master Circular to address challenges faced by CMSMEs.

**Stakeholder Insights and Recommendations:** Several discussants voiced concerns over delayed policy responses to inflation. Nurul Absar, Joint Secretary of CCCI, highlighted the need for government-backed cold storage facilities for agricultural products to curb price volatility. In response, Deputy Secretary of the Ministry of Agriculture, Shaikh Murshidul Islam, confirmed that the ministry is considering such facilities.

Wajid Hasan Shah, Member, Competition Commission Bangladesh stated that, the commission is reviewing existing laws to expand its mandate. Dr. AKM Asaduzzaman Patwary of DCCI pointed out discrepancies in Bangladesh Bank's credit targets, stressing the need for better alignment between monetary and fiscal policies. MCCI Program Officer Aditya Majumder noted their ongoing work with ILO to formalize the economy.

Representatives from various industries also weighed in. Md. Iqtadul Haque from Bangladesh Agro Processing Association (BAPA) supported BUILD's proposal for CMSME refinancing and public-private partnerships in cold storage.

SME Foundation's Sumon Chandra Saha highlighted the impact of rising raw material costs on SMEs and called for more efficient SME fund disbursement. BKMEA's Md. Sajib Hossain criticized the slow uptake of EFPF and emphasized the need to prioritize the Export Development Fund (EDF) over EFPF. Representatives from BBS mentioned plans to update the inflation base year from 2016 to 2022 to better reflect current consumption patterns.

**Government and Institutional Endorsements:** Finance Division's Senior Assistant Secretary Shihab Uddin Ahmed endorsed BUILD's recommendations and assured continued collaboration. Senior Assistant Secretary of the Ministry of Commerce, Magfirul Hasan Abbasi, informed that a price monitoring cell, established a month ago, is actively working to prevent supply chain disruptions.

Khan Mohammad Saifjada, Additional Director of Bangladesh Bank, clarified that, while the central bank does not set broad money targets, it makes projections based on economic conditions. He noted that despite a previous decline in net foreign asset growth due to a negative balance of payments, the current account has stabilized, easing pressure on the economy.

**Looking Ahead:** Economists, academia, and business leaders reiterated concerns over persistent inflation and urged swift policy actions. The meeting concluded with optimism that Bangladesh Bank's ongoing initiatives would yield positive results in stabilizing the economy and fostering sustainable growth.

## Welcoming New Independent Director at the SBL Board by the ICT Secretary.



Start-up Bangladesh Limited (SBL) is pleased to welcome Ferdaus Ara Begum as the newly appointed Independent Director of the Board on 5 February 2025. The Secretary of the ICT Division formally introduced and welcomed her to the Board, marking a significant step in strengthening SBL's leadership.

Ferdaus Ara Begum brings a wealth of experience and expertise that will contribute to SBL's vision of fostering innovation and entrepreneurship in Bangladesh, said ICT Division Secretary while introducing the new independent Director. Her guidance is expected to further propel the growth and impact of the country's startup ecosystem, he added.

## Meeting with Denmark Ambassador to Discuss Sustainability in the Textile and other Export Sector

BUILD held a meeting with the H E Ambassador Christian Brix Moller at his office of Denmark Embassy to Bangladesh on 27 January 2025 to discuss the sustainability of the textile sector and export diversification in Bangladesh. The meeting commenced with a presentation by BUILD's CEO titled as "Support for Textile Sustainability Platforms." Key issues, including sustainability, circular economy, and the challenges of LDC graduation, were deliberated at the meeting.

Klode, Michael, Project Manager, Sustainability in the Textile and Leather Sector in Bangladesh (STILE II) and Anashua Madhubanti from GIZ joined the meeting. Kumkum Sultana, Director (Textile) current charge was also present at the meeting. From Denmark Embassy Syed Matiul Ahsan, Program Adviser and Ole Rosenborg Justesen, Sector Counsellor for labour Rights & Decent Work were present at meeting.

Michael Klode highlighted the growing interest in leather sector diversification, emphasized on the tannery sector's market potential and the need for data-driven approaches to guide the textile industry. He also emphasized on the growing interest of both private and public sectors in diversifying exports, particularly in the leather and tannery industries, noting their significant market potential. The meeting also discussed the need for a data-driven and knowledge-based approach to enhance sustainability within the textile sector.

Syed Matiul Ahsan informed about the B-CAPs and its core pillars which include accelerating climate-smart investments, enhancing green finance, promoting sustainable practices, and gender inclusiveness which is going to be started soon. B-Cap will not only cover the textile products, it will support all export sectors also. Matiul Ahsan also informed that, in July 2024, they have signed the agreement with IFC. However they are working for the modalities for implementation of the project. They also put importance on the ownership of BGMEA and expect that they will also extend support.

Kumkum Sultana from the Export Promotion Bureau (EPB) elaborated on the dominance of textiles as Bangladesh's primary export sector and addressed export policies factoring in the challenges posed by LDC graduation. They highlighted the importance of integrating circular economy principles into policy frameworks.

HE Ambassador Christian Brix Moller suggested for a practical and formalized role for the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) in advancing textile sustainability initiatives. It was mentioned that ongoing discussions with the International Finance Corporation (IFC) regarding the B-Cap project would continue in the next two weeks. Denmark is willing to extend support for the textile and other export sector which will maintain sustainability criterion such as labour rights and decent work.



BUILD's CEO proposed that, the B-Cap project focus on addressing the domination of SMEs in the Ready-Made Garment (RMG) sector. She suggested developing a cost-efficient compliance model tailored to SMEs, ensuring their active participation in the sustainability efforts.

The meeting was concluded with all participants commitment to work under a unified framework, bringing together stakeholders to foster sustainable practices and diversified exports in Bangladesh.

## Stewardship for Sustainable Agriculture



The Business Initiative Leading Development (BUILD) organized a Focus Group Discussion (FGD) on Stewardship for Sustainable Agriculture at its auditorium in the capital. The event focused on integrating stewardship practices into Bangladesh's agricultural policies to ensure long-term sustainability.

Speaking at the event as the chief Guest, Chief Adviser's Press Secretary, Shafiqul Alam, highlighted the interim government's commitment, under the leadership of Prof. Dr. Muhammad Yunus, to prioritizing sustainable agriculture as a safeguard against future food crises.

BUILD CEO, Ferdous Ara Begum, who presided over the session, emphasized the need to incorporate stewardship principles into pesticide policies to enhance agricultural sustainability. She reiterated BUILD's dedication to promoting and implementing responsible agricultural practices, stressing the importance of collaboration between the government and private sector stakeholders, thereby, aiming to make consumption and production more sustainable.

"This collective effort will pave the way for a safer and more prosperous Bangladesh, aligning with the United Nations' Sustainable Development Goal (SDG) 12 on responsible consumption and production," she added.

The session was moderated by the journalist SM Rashidul Islam and featured insightful discussions on policy recommendations for sustainable agricultural practices in Bangladesh. Mohammed Shahidul Islam, Director, Corporate Affairs and Sustainability, Syngenta Bangladesh Limited and members from concerned organizations were presented at the meeting. Prof. Abu Noman Faruq Ahmed, a Plant Pathology expert at Sher-e-Bangla Agricultural University presented the keynote presentation.

## Advancing Women Entrepreneurs in Public Procurement: BPPA's Progress on SPP Policy Implementation



The Bangladesh Public Procurement Authority (BPPA) is actively working to enhance the participation of women-owned enterprises (WoEs) in public procurement through the Sustainable Public Procurement (SPP) Policy. Recent interviews with key BPPA officials highlight ongoing initiatives, challenges, and future plans to integrate sustainability and inclusiveness into procurement practices.

Sohel Ur Rahman, Advisor and former CEO of BPPA, emphasized that while the SPP Policy includes provisions to support WoEs, full implementation requires amendments to procurement regulations. BPPA has conducted workshops in Dhaka to raise awareness and remains open to training WoEs. An action plan is in place, with a four-year timeline and targets such as allocating 10% of office paper purchases to WoEs. Although formal gender indicators are yet to be established, tracking mechanisms in the E-GP system have identified over 4% WoE participation, with efforts to gradually increase this figure. BPPA is also exploring collaborations with institutions like BSTI, BSCIC, and SMEF while aligning with UNEP guidelines to address global sustainability standards.

Md. Nasimur Rahman Sharif, Director (Joint Secretary) at BPPA, IMED, Ministry of Planning, confirmed that BPPA is developing an action plan aligning with the SPP Guide released in September 2024. However, gender-specific targets and indicators remain under development. He acknowledged implementation challenges, including stakeholder education and capacity building. While BPPA lacks a formal definition for WoEs beyond the Bangladesh Bank standard and does not yet collect gender-disaggregated data, the efforts are underway to address these gaps.

BPPA is committed to refining procurement policies, integrating sustainability into tender documents, and enhancing monitoring and evaluation frameworks. Moving forward, stakeholder collaboration and policy adjustments will play a critical role in ensuring greater inclusivity for women entrepreneurs in public procurement.

The meeting concluded with all participants expressing their commitment to work.

## BUILD and ILO Discuss Business Start-Up Licenses and Digital Solutions

On January 7, 2025, Business Initiative Leading Development (BUILD) hosted a meeting with International Labour

Organization (ILO) officials at BUILD's conference room to discuss the 6th Edition of the Business Start-Up Licenses: A Regulatory Guidebook.



Elisa Benistant Fremigacci, Partnership Officer, Saif Mohammad Moinul Islam, Senior Programme Officer and Ruman Ishtiaq Rafeen, National Project Officer were present at the meeting.

Ferdous Ara Begum, Chief Executive Officer lead the discussion from BUILD while Nasib Ul Amin, Senior Research Associate and Md. Mahmud Hussain, IT Consultant, BUILD were present.

## Enhance Accessibility Through Digital Innovation:

During the meeting, BUILD's CEO presented the latest edition of the guidebook. The ILO proposed integrating a chatbot feature on BUILD's website to assist entrepreneurs with their queries, making essential business information more accessible. To further expand outreach, BUILD can utilize SMS masking technology to share guidebook information with stakeholders, while the ILO recommended leveraging digital platforms for wider dissemination.

## Support Business Formalization and Licensing Clarity:

ILO officials expressed their interest in supporting the formalization of informal businesses with high growth and export potential, particularly in the light of engineering and energy sectors. They emphasized the need to identify both general and sector-specific business licenses to provide stakeholders with a comprehensive regulatory overview.

BUILD also committed to sharing their presentation on the 6th Edition of the guidebook with the ILO. Additionally, BUILD requested access to ILO's presentation on the Simplification of Company Registration Process, which outlines minimum licensing requirements for starting a manufacturing company in Bangladesh.

## Potential Areas of Collaboration:

ILO agreed to extend potential collaboration opportunities, including formalizing specific high-potential business sectors, developing an online version of the guidebook with enhanced dissemination tools, license simplification, and informative flyers, organizing policy briefings to address regulatory challenges and translating the guidebook into Bangla for broader accessibility.

The meeting emphasized the commitment of both BUILD and ILO to fostering a more streamlined and digitally accessible regulatory environment for entrepreneurs in Bangladesh.



## Bridging the Gaps: Discussion with CMSD to Identify Challenges in Sustainable Public Procurement



Dr. Enamul Habib, Director (Additional Secretary) of the Central Medical Stores Depot (CMSD), shared key insights on the implementation, monitoring, and evaluation of Bangladesh's Sustainable Public Procurement (SPP) Policy. While CMSD is aware of the policy, Dr. Habib noted a lack of familiarity with specific provisions supporting women-owned enterprises (WoEs). He highlighted that CMSD operates under the Public Procurement Act (PPA) and Public Procurement Rules (PPR), which currently do not facilitate gender-disaggregated procurement. To promote inclusivity, he suggested introducing reserved tenders or relaxed experience criteria for WoEs.

A major challenge in implementing the SPP Policy is the absence of clear directives and implementation guidelines. CMSD has not yet received the official SPP Guide, delaying policy adoption. Additionally, the institution does not collect gender-disaggregated data and lacks an internal monitoring and evaluation (M&E) framework, instead relying on directives from the Bangladesh Public Procurement Authority (BPPA).

Dr. Habib also identified broader challenges in sustainable procurement, including a limited number of eligible bidders and the need for suppliers to meet sustainability compliance standards. To address these issues, he recommended that BPPA provide clear instructions, develop an online platform for data sharing, and initiate training programs for both procuring entities and suppliers. Strengthening capacity and streamlining procurement processes will be essential to ensuring the successful implementation of the SPP Policy in Bangladesh.

## Bangladesh Agriculture Development Corporation (BADC) Official Shares Insights on Sustainable Public Procurement Policy Implementation



On January 5, 2025, Azim Uddin, General Manager (Fertilizer) at Bangladesh Agriculture Development Corporation (BADC), provided insights into the implementation, monitoring, and evaluation

of Bangladesh's Sustainable Public Procurement (SPP) Policy. BUILD is conducting a survey on Participation of Women Entrepreneurs in sustainable public procurement. The policy, announced in December 2023 by the Bangladesh Public Procurement Authority (BPPA), aims to promote environmental, social, and economic sustainability while enhancing the participation of Women-Owned Enterprises (WOEs) and SMEs.

GM (Fertilizer), BADC stated that while BADC is somewhat aware of the SPP Policy, it has yet to receive official government directives to proceed with implementation. He emphasized that BADC's procurement processes, particularly for fertilizers, involve large-scale contracts that cannot be divided into smaller lots, posing challenges for WOE participation. He further expressed concerns about whether women-led enterprises could meet the eligibility criteria for such large tenders.

Regarding the SPP Guide released in September 2024, GM acknowledged limited awareness and emphasized the need for clear government instructions to develop an action plan. He also noted that BADC has not set gender-specific targets or indicators, nor has it seen participation from women-owned businesses in its procurement processes. He pointed out that "Gender disaggregated procurement" policies need to be more prominent and need to be implemented.

Highlighting the inefficiencies of the e-Government Procurement (E-GP) system, he pointed to corruption and political influence in tender allocation, raising concerns about its effectiveness in fostering fair competition. Additionally, he shared that BADC has lacks of gender-disaggregated data collection systems, M&E framework, and baseline assessments to measure the impact of the SPP Policy.

Moving forward, GM (Fertilizer) BADC recommended that BPPA seek feedback from procuring entities and provide structured guidance to facilitate effective SPP Policy implementation.

Asif Haider and Jannatul Romana Hashi, Research Associate, BUILD conducted the interview.

## BUILD and BTF Collaboration on Assessing Private Sector needs in the upcoming Import Policy Order



A meeting between the USDA Bangladesh Trade Facilitation Project Team and BUILD was held on January 19, 2025, at the office of Land O'Lakes Venture37, Banglamotor.

Representatives from Business Initiative Leading Development (BUILD) and USDA Bangladesh Trade Facilitation Project (BTF) met to discuss potential collaboration on reforms to the Import Policy Order (IPO). BTF aims to simplify trade processes, particularly within the agro sector, and recognizes the IPO's need for improved accessibility, policy synchronization, and adherence to international standards. They seek BUILD's expertise to gather reform recommendations from non-agro sectors, including RMG, pharmaceuticals, chemicals, leather, machinery, and others. Through the project BUILD will organize some dialogues to gather inputs from the concerned stakeholders having business in the non-Agro sector.

CEO, BUILD highlighted the urgency of IPO reform, especially considering Bangladesh's upcoming LDC graduation and associated challenges. She pointed out existing issues like Other Duties & Charges (ODC), supplementary duty (SD), and bond facilities, and stressed the need for input from knowledgeable individuals despite the proposed project's tight timeline. Specific sector concerns, such as bond facilities for non-RMG and partial exporters, textile waste import regulations, and the need to amend outdated legislation, were also raised.

The discussion concluded with an agreement for BUILD to share its existing IPO reform assessments. BTF will provide a scope of work, identifying specific non-agro sectors for BUILD to engage. BUILD will then define discussion areas and conduct FGDs/ Dialogues with these sectors, gathering recommendations from associations and chambers alongside their own analysis, to inform the IPO reform process. BTF aims to present these reform solutions to the Commerce Advisor by February 2025.

Md. Khalid Hossen, Deputy Chief of Party & Technical Lead and Nahrin Rahman Swarna, Agricultural Trade Specialist from BTF, USDA discussed on the occasion with Ferdous Ara Begum, CEO, BUILD, and other BUILD officials.

## Reforms in Customs, Income tax, and VAT Management to Address the LDC Graduation Challenges



A seminar titled 'Reforms in Customs, Income tax, and VAT Management to Address the LDC Graduation Challenges' was held at National Economic Council on 27 January 2025. The seminar was jointly organized by the Economic Relations Division (ERD) and National Board of Revenue (NBR) under Support to Sustainable Graduation Project (SSGP).



Dr. Mostafa Abid Khan's keynote presentation highlighted Bangladesh's strong performance in LDC graduation criteria, including a significant rise in GNI per capita (\$2,684 in 2024) and improvements in the Human Assets Index. However, in the Economic and Environmental Vulnerability Index, the score has remained well below the required 32, indicating economic stability and reduced vulnerability. The recommendations in the keynote presentation emphasized a progressive tax system, increasing high-income tax contributions, and strengthening e-governance for efficiency. Dr. Abid also shed light on reviewing tax exemptions, phasing out the truncated VAT system, and separating tax policy from implementation.

Abdur Rahman Khan FCMA, Chairman, NBR said that the National Single Window would be fully operational by next March 2025 while the entire tax system be automated very soon. Seven regulatory authorities have been on board and other twelve regulatory authorities will be brought under NSW. Corruption and lack of enforcement are major issues in the country. He said that the private sector needs to realize the value addition's power and importance of a single VAT rate. To minimize port congestion, waiting time, and demurrage, an ordinance is currently under way. Actions have been taken to conduct auctions for the containers being congested for twenty years at the port to increase port efficiency. Authorized Economic Operators (AEO) will be fully implemented within February 2025.

Sk. Bashir Uddin, Hon. Adviser, Ministry of Commerce stressed increasing the efficiency of the local businesses to face the potential challenges of LDC graduation. He said that the country is going to face a middle-income trap with the current regulatory infrastructure. At the same time, he also called for bringing the small and medium enterprises under the VAT net and introducing a uniform tax rate system. He said that tax on turnover (0.6% to 3%) is not logical.

He also said that the tax refund system should be efficient and reasonable. He said that the demonstrative effect in the free-market economy needs to be considered. There is no alternative to a uniform tax system implementation. The country has already got five years' time to graduate and there will be more challenges in future. "The country needs ethical graduation before LDC graduation", he said.

Dr. Salehuddin Ahmed, Hon. Adviser, Finance Division said that every business should be brought under formal economy. A minimum threshold for the cottage and micro and other informal businesses can be there to bring those under taxation coverage. Increasing the efficiency of the National Board of Revenue is essential for business growth. At the same time, he called for increasing competitiveness of local businesses in light of the country's upcoming LDC graduation through maintaining labor and environmental compliances. The private sector must be proactive alongside the government in meeting graduation challenges.

Representatives from the private sector, BUILD and government agencies also spoke on the occasion.

## Workshop on Reform and Action Plan for NBR, Customs, and Related Offices



The workshop on "Reform and Action Plan for NBR, Customs, and Related Offices" was held on January 7, 2025, at the BIDA Office, chaired by Dr. Dewan Muhammad Humayun Kabir.

The keynote presentation by Snehasish Barua emphasized the need for major policy and structural reforms in NBR. A key proposal was on the separation of tax administration and tax policy, aligning with practices in 17 Asian-Pacific countries, and ensuring experienced tax officers (minimum 10 years) handle policy matters without administrative transfers. The policy team would engage stakeholders such as industry experts, tax advisors, and legal professionals for a more comprehensive tax strategy.

A structured and predictable budget planning process was suggested, involving stakeholder meetings, documentation, and finalization within a set timeline. Digitalization and automation were highlighted as essential for improving tax, VAT, and customs efficiency, with full integration of tax modules and ASYCUDA to ensure uniform customs valuation.

E-invoicing for VAT and end-to-end automation of bonded warehouse activities were also proposed. Specialized tax, customs, and VAT cadres were recommended, prioritizing business studies graduates and extensive training in tax laws and international accounting. Research on industries and tax impact was deemed critical, addressing tax contribution discrepancies and leakage of up to 75%. Expanding the formal economy was also discussed, proposing a nationwide transaction database, real-time data collection, and SME integration into institutional frameworks.

A progressive tax system was recommended to ensure fair distribution and minimize evasion, complemented by incentives for early tax filing and penalties for delays. The workshop also proposed abolishing disallowable business expenses under Section 55 of the ITA 2023. VAT reforms included a single rate, reduced advance tax (AT) on industrial raw materials, and eliminating VAT deducted at source with e-invoicing.

A tier-based import duty structure was suggested, with Ready to consume imported goods taxed at 25%, intermediate goods at 5-7%, non-locally produced materials at 1-3%, and mixed duties for specific goods.

Representatives from key government and private sector organizations, including BIDA, BEZA, BEPZA, and industry chambers, participated, and BUILD contributed policy recommendations. The workshop emphasized comprehensive reforms to enhance tax compliance, economic inclusivity, and revenue generation.

## 14th Meeting of Watershed Restoration Workstream Bangladesh Water Multi-Stakeholder Partnership (BWMSP)



14th Meeting of Watershed Restoration Workstream Bangladesh Water Multi-Stakeholder Partnership (BWMSP) was held on 27th January 2025 under the chairmanship of Md. Nizam Uddin, Secretary, Local Government Division at Nagar Bhaban. It is a platform for facilitating watershed restoration workstream of Bangladesh water, supported by 2030 Water Resource Group, World Bank Group.

BUILD as a member of the Committee Platform joined the meeting. The discussion continued by providing project progress and follow up on PPP based GCC Integrated Wastewater Management Project, PPP based Cumilla City Corporation fecal Sludge and Solid Waste Management Project.

A number of representatives from different ministries' divisions participated in the meeting.

## Scope

### Assessing Private Sector Requirements for a Modern Import Policy Order focusing on Non-Agricultural Products

Business Initiative Leading Development (BUILD) in collaboration with Bangladesh Trade Facilitation (BTF) Project is working on 'Assessing Private Sector Requirements for a Modern Import Policy Order focusing on Non-agricultural Products' to identify the required simplification in the upcoming Import Policy Order. As Import Policy Order (IPO) is the overarching legislative tool to guide the overall import regime of Bangladesh, it is important that the Order meets international standards and follows trade facilitating principles.

Given that the IPO serves as the primary regulatory framework governing imports, its modernization is essential for reducing trade barriers, simplifying customs processes, and fostering an environment conducive to business growth. This initiative is particularly crucial as Bangladesh transitions out of Least Developed Country



(LDC) status by 2026, which will introduce new trade dynamics, including the withdrawal of preferential treatment in various international markets.

BUILD is organizing a Three-Part FGD/Dialogue Series on Private Sector Perspectives on Import Policy Order to gather recommendations for the formulation of the upcoming Import Policy Order. These discussions will aim to address key challenges and identify opportunities to streamline the import processes for different industries and enhance sectoral competitiveness in the evolving economic landscape of Bangladesh considering post LDC graduation challenges. The FGDs will focus on conducting consultations with the relevant associations of the following non-agricultural sectors: 1) Garments, 2) Pharmaceuticals, 3) Chemical, 4) Leather, and 5) Machineryes. The project will be completed within February 2025.

### Reform:

On the 12th FSDWC Meeting held on 24th February 2025, BUILD in its one of the recommendations related to reserve requirements asked Bangladesh Bank to tap the potential of increasing loanable funds of banks by bringing changes in the reserve requirements. In response to BUILD's proposal, the MPD Circular -01, issued on 04 March 2025, has reduced the daily Cash Reserve Requirement (CRR) requirement from 3.5% to 3% to ensure loanable funds for the banks, while the bi-weekly reserve requirement remains the same at 4%. Such a quick response of Bangladesh Bank highlights its commitment to keeping the financial sector stable in the country.

### Articles of BUILD published at several National Dailies

#### The Business Standard

Trust, right reforms can set the stage for long-term growth

<https://www.tbsnews.net/supplement/trust-right-reforms-can-set-stage-long-term-growth-1053431>

#### Bonik Barta

যুক্তরাজ্যের বাজারে রফতানি বাড়াতে সহায়ক হবে ডিসিটিএস

<https://shorturl.at/Q7H0e>

#### The Business Standard

LDC graduation and beyond: Navigating the investment landscape in Bangladesh

<https://shorturl.at/WKHSi>

#### The Business Standard

Why Bangladesh must reform its tax structure

<https://www.tbsnews.net/thoughts/why-bangladesh-must-reform-its-tax-structure-1058011>

#### The Daily Ittefaq

মূল্যস্ফীতি নিয়ন্ত্রণে আমাদের সাধ ও বাধ্য

<https://shorturl.at/vBJ4L>

#### The Business Standard

Monetary policy alone cannot tame inflation, but can restore stability

<https://www.tbsnews.net/thoughts/monetary-policy-alone-cannot-tame-inflation-can-restore-stability-1060331>

#### The Daily Ittefaq

উৎপাদন খাতে প্রবৃদ্ধি হ্রাস ও আমাদের করণীয়

<https://epaper.ittefaq.com.bd/edition/1860/2nd-edition/page/9#>

### Networking and Strategic meetings with Coc-Cola



Business Initiative Leading Development (BUILD) attended an exclusive Stakeholder Meet & Greet with Burcun Imir, Group Chief Corporate Affairs and Sustainability Officer, Coca-Cola İçecek (CCI) on 24 February 2025 at The Crowne Plaza, Dhaka. Ferdaus Ara Begum, CEO, BUILD, Md. Nooruzzaman, Senior Research Associate and Md. Kamran Hasnain, Senior Research Associate, attended the meeting from BUILD.

Burcun provided a brief introduction of CCI's operation in twelve countries including Bangladesh. She highlighted that CCI produces, distributes and sells brands of The Coca-Cola Company.

BUILD CEO highlighted the present policy related to issues of beverage products, future prospects and put forward emphasis on tax related issues and compliance maintenance as a primary requirement to keep hold of market shares.

A brief discussion was held regarding the current taxation policies impacting on the beverage sector in the country.

Representatives from recycling companies, development organizations, and public relations companies were also present at the meeting.

### Meeting of Citizen Platform



The 24th Partners' Meeting of the Citizen's Platform was held on Wednesday, 5 February 2024, at the Dialogue Room (1st Floor), CPD office, Dhanmondi.

The meeting confirmed minutes of the last meeting, reviewed the activities of 2024 and plans for 2025. The BUILD CEO was present in the meeting to interact with the partners.

Some new areas of fund generation issues were discussed in the meeting in the face of depleting assurance of funding from a member of development partners.

### Focus Group Discussion (FGD)/ Dialogue on Import Policy at BUILD's office

#### Pharmaceutical & Chemical Sectors



BUILD and the USDA Bangladesh Trade Facilitation (BTF) Project held an FGD on February 12th, 2025, to gather private sector input on the upcoming Import Policy Order, focusing on the pharmaceutical & Chemical sectors.

Representatives from key industry associations, including the Bangladesh Association of Pharmaceutical Industries (BAPI) and the Bangladesh Chemical Importers and Merchants Association (BCIMA), actively participated in the dialogue. The discussion delved into the potential ramifications of the new policy on their respective sectors, addressing critical issues such as import regulations, raw material procurement, and overall business operational efficiency.

The primary objective of the FGD was to provide policymakers with invaluable insights from industry stakeholders, thereby facilitating the development of a more effective and conducive import regime. Ferdaus Ara Begum, CEO of BUILD, skillfully moderated the session, while Kanis Fatama and Kamran Hasnain, Senior Research Associates of BUILD, delivered insightful presentations. Nahrin Rahman Swarna, Trade Specialist from the BTF project, also contributed to the productive exchange.

This initiative underscores the commitment of both BUILD and the USDA BTF Project to fostering a collaborative environment where private sector perspectives are integrated into the policymaking process, ensuring that regulations are pragmatic and supportive of industrial growth.

#### Leather & Machinery Sectors



The USDA Bangladesh Trade Facilitation (BTF) Project and Business Initiative Leading Development (BUILD) jointly organized a Focus Group Discussion (FGD) on private sector perspectives regarding the upcoming



Import Policy Order for the leather and machinery sectors. The session was chaired by Ferdaus Ara Begum, CEO of BUILD, and attended by key industry representatives. Participants from LFMEAB, BTA, MCCI, and other business associations engaged in discussions on import regulations, policy reforms, and process streamlining to enhance trade facilitation. The session aimed to identify challenges and recommendations to ensure a more business-friendly Import Policy Order.

Kanis Fatama and Kamram Hasnain, Senior Research Associates of BUILD, presented the keynote, highlighting key policy issues and private sector concerns. Nahrin Rahman Swarna, Trade Specialist from Bangladesh Trade Facilitation (BTF), also participated in the discussion, providing insights on trade facilitation measures.

The session emphasized the importance of policy clarity, simplification of import procedures, and stronger collaboration between the public and private sectors. BUILD and USDA will compile recommendations from the discussion to support evidence-based policymaking for a more efficient and competitive import system.

### Readymade Garment Sector



BUILD, in collaboration with the USDA Bangladesh Trade Facilitation (BTF) Project, organized a Focus Group Discussion (FGD) on Private Sector Perspectives on the upcoming Import Policy Order (IPO) for the Ready-Made Garment (RMG) sector on 19 February 2025.

BUILD, in collaboration with the USDA Bangladesh Trade Facilitation (BTF) Project, organized a Focus Group Discussion (FGD) on Private Sector Perspectives on the upcoming Import Policy Order (IPO) for the Ready-Made Garment (RMG) sector on 19 February 2025.

The session was chaired by Ferdaus Ara Begum, CEO of BUILD, who summarized the key takeaways from the discussion. Kanis Fatama and Kamram Hasnain, Senior Research Associates at BUILD, presented an overview of the concerned provisions of the IPO.

Representatives from BGMEA, BKMEA, BPGMEA, Indenting Association, BSTNPIN, Desh Garment, MCCI, and other business associations and key stakeholders actively participated in discussions on import policy regulations and process simplifications. The dialogue focused on streamlining import procedures, addressing challenges in the IPO, and ensuring a more business-friendly trade environment for the RMG sector.

BUILD and USDA will consolidate the recommendations from the session to help shape an import policy framework that supports a more efficient and competitive trade environment for the garment industry.

### BUILD Initiates Dialogue with KBCCI to Enhance Export Data Framework in Bangladesh



A productive meeting was held between BUILD, a leading private sector think tank, and the Korea-Bangladesh Chamber of Commerce and Industry (KBCCI) at the KBCCI office at Gulshan. The meeting aimed to explore opportunities for collaboration to enhance trade data transparency and strengthen export promotion efforts between Bangladesh and South Korea.

KBCCI president Shahab Uddin Khan welcomed the delegation from BUILD. The BUILD delegation was led by CEO Ferdaus Ara Begum, accompanied by Senior Research

Associate Shahriar Rawshon and Research Associate Ahmed Julker Nine. From KBCCI, Million Park, Secretary General, Salman Karim, Assistant Secretary and Mr. Hadi were present.

The meeting commenced with a presentation by Ferdaus Ara Begum, provided an overview of BUILD's mission, activities, and ongoing initiatives. She highlighted BUILD's current collaboration with GIZ on the project "Enhancing Export Data Transparency for the Export Promotion Bureau (EPB)". As part of this project, BUILD is conducting a comparative analysis of trade promotion agencies in Malaysia, South Korea, and Vietnam to identify best practices that can be adopted by the EPB to improve its efficiency and effectiveness.

CEO emphasized the importance of understanding the operational framework of the Korea Trade-Investment Promotion Agency (KOTRA), South Korea's key trade promotion agency. She expressed BUILD's interest in learning about KOTRA's methodologies for compiling and publishing trade data, its trade facilitation processes, and its strategies for market expansion. She noted that KBCCI's insights and support would be invaluable in facilitating this exchange of knowledge.

Million Park, Secretary General (SG) of KBCCI, acknowledged the potential for growth in bilateral trade between Bangladesh and South Korea.

Echoing Park's message, Shahab Uddin Khan, President of KBCCI, recommended that BUILD formally communicate with KBCCI through an official letter, which KBCCI would then forward to KOTRA to initiate the collaboration process. He reaffirmed KBCCI's commitment to supporting BUILD's efforts and fostering stronger economic ties between the two nations.

CEO, BUILD expressed her sincere gratitude to the KBCCI leadership for their cooperation and support. She conveyed her optimism about the potential for future collaborations, emphasizing that such partnerships would pave the way for meaningful advancements in trade promotion and economic development. KBCCI handed over a set of souvenirs to the delegation while BUILD reciprocated the same by handing over some important publications of BUILD.

## Founding Organisations



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