

Govt preparing SME policy

The five-year policy to come into effect in July this year

STAR BUSINESS REPORT

The government is preparing SME Policy 2025 to increase the contribution of small and medium enterprises (SMEs) to the economy, SME Foundation Chairperson Md. Mushfiqur Rahman said yesterday.

The new policy is currently under formulation, as the 2019 SME policy is set to expire, he said.

The five year SME Policy is scheduled to come into effect in July this year and end in June 2030, he added.

The draft policy includes 10 strategic objectives for developing SMEs in Bangladesh, Rahman said at a workshop on the opportunities and challenges of SME Policy 2025. The event was organised by the SME Foundation and supported by the Economic Reporters' Forum (ERF) at its office.



Small businesses contribute approximately 28 percent to Bangladesh's gross domestic product.

PHOTO: STAR/FILE

SMEs contribute approximately 28 percent to Bangladesh's gross domestic product (GDP) and account for about 85 percent of employment in the industrial sector, the SME Foundation chairperson said.

The foundation is working to help the sector flourish, he said, citing its activities such as holding SME fairs at the national level and supporting entrepreneurs.

He added that the SME Foundation has identified 177

SME clusters across the country and is implementing various development programmes to address the needs of cluster-based entrepreneurs.

Rahman said the new SME policy will play a vital role in increasing the contribution of SMEs to GDP to 35 percent by 2030.

SME Foundation Managing Director Anwar Hossain Chowdhury noted that the contribution of cottage, micro, and SMEs to GDP in Bangladesh is much lower than in some neighbouring countries.

In Pakistan, SMEs account for 40 percent of the economy.

In Sri Lanka, India, and China, the share of SMEs in GDP stands at 52 percent, 37 percent, and 60 percent, respectively, he added.

ERF President Doulot Akter Mala chaired the event.

Summit urges Petrobangla

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and Kamal Hossain & Associates—which confirmed that the termination was invalid under the terms of the terminal use agreement.

Summit engaged with Petrobangla and the government under the agreement to reconsider the decision. The company added that Petrobangla had previously acknowledged receipt of the bond submitted in the form of a bank guarantee, which Summit said offered the same level of security.

"Under the agreement, if any condition precedent was not met, either party could submit a written notice within the stipulated 30 day period. However, Petrobangla did not do so and, therefore, lacks the right to terminate," the statement said.

Nevertheless, SLNG II expressed its willingness

to replace the performance bond with a bank guarantee issued in its name as a gesture of goodwill.

The company highlighted that it has already spent approximately \$20 million on long lead items, metocean and geophysical studies, and administrative and legal fees for the project.

Petrobangla and the former Awami League government signed the agreement and implementation agreement for the third FSRU on March 30 last year. The FSRU is designed to regasify 600 million cubic feet of LNG per day.

Summit, the largest private sector power generation and energy infrastructure company in Bangladesh, estimated that the project would require \$550 million in foreign direct investment.

Renewable ambitions

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This is because those plants were awarded without any due tender process by the Awami League government under the controversial Quick Enhancement of Electricity and Energy Supply (Special Provision) Act 2010.

The interim government also repealed the "indemnity act" in December.

Additionally, under the interim government, the National Board of Revenue granted a 15-year tax benefit for investments to establish grid tied renewable energy-based power facilities, with a 10-year exemption to encourage the bidders.

The PDB has also floated two tender notices till date for 22 solar plants in different areas of the country with a total capacity of 853MW. The tender submission deadlines for those notices are in early February and March this year respectively.

Shahriar Ahmed

Chowdhury, director at the Centre for Energy Research at United International University, told The Daily Star that the previous government always said it

as fuel cost will reduce in proportion with renewable use," he said.

Imran Karim, former president of BIPPA, who prepared the analysis, said land scarcity is the main reason solar projects are being held back.

"As a densely populated country, land acquisition is the biggest challenge in implementing renewable projects," he said.

He pointed out another major decision by the government that had caused investors to refrain from joining the tender process.

He said the new tender documents read that the government will not sign implementation agreements, under which the government assures repayments if the PDB defaults.

"That means the companies will only sign power purchase agreements with the PDB. You will rarely find lenders or investors who will agree to invest in a company that they know cannot repay them on time," Karim said.

Currently, the PDB owes around Tk 21,000 crore to independent power producers in overdue payments.

Besides, he said, the PDB sells power to customers for prices lower than their purchase cost or production cost, meaning

it is not possible for them to pay bills unless the government underwrites it.

Karim, also the vice-chairman of Confidence Group, which owns several heavy fuel oil-based power plants, said they wanted to support the government's move towards renewables.

"But when we spoke to multilateral banks and development partners, we found out that they may not finance such projects."

Despite repeated attempts over the phone, Muhammad Fouzul Kabir Khan, adviser to the ministry of power, energy and mineral resources, could not be reached for comment.

Energy expert Shahriar Chowdhury said the decision to not ink implementation agreements is contrary to the government's commitment to increasing power generation from renewables.

"Fossil fuel-based power plants have been getting such benefits for a long time. If you want to compete with them, you [the government] should support the renewable investors for a certain time till the situation improves," he said.

"We have made very little progress. Government support is needed until the sector can stand on its own feet," he added.

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