

## 2<sup>nd</sup> Stakeholders' Consultation Meeting

**Strategy-2: Improve SMEs Competitiveness, Business Support Service and Regulation, and Facilitate Access to Market**

**Venue: Ministry of Industry, Conference Room (2<sup>nd</sup> Floor)**

**Date: Monday, 29<sup>th</sup> February 2016**

**Time: 10.00 am – 1.00 pm**

### **BACKGROUND:**

One of the key SME Strategies is to enhance their (domestic and international) competitiveness, export capabilities and job opportunities in order to transform it into an engine of growth. The SME Strategy thus stresses the need for the promotion of medium and high level technology improvements in production processes, quality, innovation, management and skills. The objective is to go beyond simple manufacturing towards upgrading and maximizing value added in the whole value chain both domestically and internationally. Moving towards linkages, eventually with global value chains is a target for domestic enterprises; however, a period of substantial investment in skills, quality, new product development and technology is needed first. The National SME Development Strategy 2015 will also focus on sector and cluster development and identify "priority sectors" and "priority clusters". This strategy will be complemented with a comprehensive set of sector development strategies (SDS). Another important issue for SME development is the marketing network. Marketing network plays a catalytic role for sustainability of a firm. Many SMEs are facing problems of marketing due to poor quality of products, poor packaging, inadequate marketing skills and stiff competition. Inadequate support services have been prohibiting SMEs to become competitive in local and international markets. The strategy thus points out some areas that could be addressed to make SMEs more competitive and a good player in the international value chain.

The goals in the strategy are set to make an enabling environment for SMEs with focus on three key aspects:

- Competitiveness
- Innovations, and
- Productivity enhancement

In line with the above objectives, time-bound activities with roles and responsibilities of implementing agencies are outlined below.

## Goal-1: Improve competitiveness of SMEs to gain access in both local and foreign markets

Actions	Key areas of intervention	Time frame	Implementing Agency
Improve Product quality	<ul style="list-style-type: none"> <li>Organize training programs for SMEs on various product quality control techniques and standards of testing procedures set by BSTI and other countries</li> <li>Technology adoption to improve product quality</li> <li>Help attain standard certificates like ISO 9000 by SMEs (CMMI for ICT SMEs)</li> <li>Reduce time to get certificate from BSTI and open up a separate unit at BSTI for the SMEs</li> </ul>	ST/MT	SMEF, MoI
Improve Price competitiveness	<ul style="list-style-type: none"> <li>Train SMEs on improving <b>productivity</b> of firms through increasing efficiency of operations</li> <li>Train SMEs on pricing mechanism and market segmentation</li> <li>Market price information service will be made available through market analysis statistics posting in a <b>dedicated website for SMEs</b></li> </ul>	ST	SMEF
Tax Incentives	<ul style="list-style-type: none"> <li>There is virtually no difference between SMEs and their large-scale counterparts with respect to VAT, supplementary duty and excise taxes. Thus a separate but lower VAT, SDs and Excise duty would be introduced for SMEs</li> <li>Turnover tax for SMEs will be revisited</li> <li>Tax holiday for SMEs in clusters may be introduced</li> <li>Training on tax issues will be provided to SMEs</li> </ul>	ST/MT	NBR, MOI
Branding	<ul style="list-style-type: none"> <li>Training on branding of products will be provided</li> </ul>	ST	SMEF

## Goal-2: Improve access to potential and niche markets for SMEs

Actions	Key areas of intervention	Time frame	Implementing Agency
Trade fair	<ul style="list-style-type: none"> <li>Facilitate SMEs participation in local and international markets through trade fairs and missions every year</li> <li>A national trade fair for SME products will be organized every year in Dhaka</li> <li>Dhaka International Trade Fair (DITF) will have a separate corner for SME products</li> </ul>	ST	MoI, SMEF, MOFA, EPB
Trade center	<ul style="list-style-type: none"> <li>Establish SMEs exhibition centers in each division and district. BISCIC facilities may be used for the purpose.</li> </ul>	MT/LT	MoI, SMEF, BISCIC
Training on trade issues	<ul style="list-style-type: none"> <li>Facilitate training on trade issues, such as multilateral trading systems and regional trading arrangements, customs and tax rules, LC opening, financial transaction etc.</li> </ul>	ST	MOT, MOI, SMEF, BB
Consultancy and information	<ul style="list-style-type: none"> <li>SMEF will provide consultancy and information services to find new markets for SME products</li> </ul>	ST/MT	SMEF

services on new market analysis	<ul style="list-style-type: none"> <li>Monthly market analysis will be posted in the dedicated <b>SME website</b></li> </ul>		
IPR	<ul style="list-style-type: none"> <li>Sensitize SMEs on Intellectual Property Rights through training</li> </ul>	ST/MT	SMEF
Fiscal incentives for export oriented SMEs	<ul style="list-style-type: none"> <li></li> </ul>		

### Goal-3: Improve Support Services for SMEs

A dedicated Website for SMEs	<ul style="list-style-type: none"> <li>A dedicated and updated separate website for SMEs will be designed and maintained. The website will provide up-to-date information on SMEs, SME products and services</li> <li>The website will be updated regularly</li> <li>E-commerce facility for SMEs will be adopted in the website</li> <li>An updated SME database will be maintained in the website</li> </ul>	ST	SMEF, MOI
One-stop Service for SMEs	<ul style="list-style-type: none"> <li>A One-stop Support Center (OSC) for SMEs will be established at each Upazila (according to Industrial Policy, 2016). However, initially OSC will be established in each districts using the offices of BISCIC/BISCIC Foundation and then it will be gradually expanded to upazila level.</li> <li>The support center will provide support services including loan processing, market information, product quality certification, web-based solutions, licensing and registration aspects, trade issue, LC opening etc.</li> <li>The OSC will be equipped with necessary human resources, adopting from BISCIC, SMEF, NASCIB, SoBs (State-owned banks) etc.</li> <li>The OSC will be housed in district-level BISCIC office</li> </ul>		MoI, BISCIC, SMEF
Cheaper and Faster Start-up	<ul style="list-style-type: none"> <li>The government will ensure a cheaper and faster start-up through easing the existing rules and regulations for SMEs as well as introducing ICTs</li> <li>Start-ups will have access to online application for licensing, registration etc.</li> <li>Start-ups will be given easy access to finance and technical support through venture capital firms</li> <li>Tailor-made training programs will be designed for the start-ups</li> <li>Incubator will be established</li> </ul>	ST, MT	SMEF, MoC, MoI, BB

## Goal-4: Promote Cluster and Business Network for SMEs

Identify Natural Clusters of SMEs	<ul style="list-style-type: none"> <li>It is important to identify all the naturally grown SME clusters for their further improvement. SMEF has so far identified 177 such clusters. The process will continue during the strategy period.</li> <li>A need assessment and business category of all the identified natural clusters of SMEs will be completed in 1-2 years. The assessment will be done in terms of infrastructure bottlenecks (gas, electricity, land, road, recreation facilities, training or education institution, internet facilities etc.), business support, etc.</li> <li>The assessment will also highlight skill gap in each of the clusters</li> </ul>	ST	SMEF, MOI
Improve infrastructure of clusters	<ul style="list-style-type: none"> <li>A PPP approach can be undertaken to improve infrastructure bottleneck in each of the clusters</li> <li>The government may give priority in providing utility services (gas, electricity etc.) to each of the clusters.</li> <li>Bank branches may be set up in adjacent to clusters (if clusters have 50 or more SMEs) on a priority basis</li> <li>Common Facility Center and Design Center will be established in each of the large clusters</li> </ul>		Mol, BISCIC, SMEF
Initiate a SME Incubator at each cluster	<ul style="list-style-type: none"> <li>It is important to set up an incubator in each of the clusters to nurture new entrant SMEs.</li> <li>A policy for incubator development and management is necessary and therefore will be finalized in a short-term period</li> <li>*****</li> </ul>		Mol, SMEF, BISCIC

## Goal-5: Promote ICT application, E-commerce, Online support, Outsourcing facilities and other technologies to SMEs

Equip SMEs with necessary ICT supports	<ul style="list-style-type: none"> <li>Provide training to SMEs on various ICT applications, business solutions and software</li> <li>Provide training on basic computer skills (Ms Word, Ms Excel, E-mail, Web browsing etc.) for the entrepreneurs</li> <li>Provide training on accounting software, ERP (Enterprise Resource Planning) etc.</li> </ul>	ST	SMEF, BISCIC, BASIS, Bangladesh Computer Council
E-commerce	<ul style="list-style-type: none"> <li>Help SMEs to develop their own website and facilitate e-commerce</li> <li>Provide training on e-commerce activities</li> </ul>		Mol, BISCIC, SMEF, BASIS
Online Financial Transactions	<ul style="list-style-type: none"> <li>Provide training to SMEs on online and mobile-based financial transactions</li> <li>Provide training on foreign exchange rules and regulations</li> </ul>		Mol, SMEF, BISCIC, BB

Outsourcing	<ul style="list-style-type: none"> <li>• Provide training on outsourcing businesses and networks</li> <li>• Provide training on free-lancing activities to individual entrepreneurs</li> </ul>		
Technology transfer	<ul style="list-style-type: none"> <li>• An effective linkage between TVET institutions and SMEs would be established</li> <li>• Will facilitate joint venture to facilitate technology transfer</li> <li>• A network between R&amp;D Institutions and SMEs will be established to facilitate technology adoption and transfer</li> <li>• Product-specific technology requirements will be assessed</li> <li>• Technology-related information and support services will be provided from a <b>one-stop service</b> center located at SMEF</li> </ul>		
SMS based online services to SMEs	<ul style="list-style-type: none"> <li>• A mobile SMS-based service on various queries of SMEs regarding their various rules and regulations, licensing, tax issues, marketing, etc. will be developed. By this service any one can send SMS to a dedicated toll free number <b>xxxx</b> with question and they can get answer from a database which may be hosted on National Data Center, Bangladesh Computer Council (BCC).</li> <li>• This could be a SMS Push Pull Service / SMS Read and Write (both) Service.</li> <li>• A call center to support SMEs will be established at SMEF.</li> </ul>	ST/MT	Mol, A2I, BCC, SMEF, BISCIC