

Smart Bangladesh Situation Analysis

Key Indicators and Priorities for Achieving Those

ICT Industry | Digital Commerce | Freelancing | Entrepreneurship | Startups

Dr. Ananya Raihan

Smart Bangladesh Situation Analysis

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Abbreviations

a2i	Aspire to Innovate
BACCO	Bangladesh Association of Contact Center and Outsourcing
BASIS	The Bangladesh Association of Software and Information Services
B2B	Business-to-business
B2C	Business-to-consumer
BBS	Bangladesh Bureau of Statistics
CMSMEs	Cottage, Micro, Small and Medium Enterprise
DoICT	Department of Information and Communication Technology
eCAB	e-Commerce Association of Bangladesh
ERP	Enterprise Resource Planning
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information Communication Technology
iDEA	Innovation Design and Entrepreneurship Academy
IMF	International Monetary Fund
IoT	Internet of Things
ITes	Information Technology Enabled Services
ITU	International Telecommunication Union
LDC	Least Developed Countries
MoU	Memorandum of Understanding
NGO	Non-Governmental Organization
NID	National Identity
NISE	National Intelligence for Skills, Education, Employment and Entrepreneurship
PPP	Public–Private Partnership
RMG	Readymade Garment
SBL	Startup Bangladesh limited
SME	Small and Medium-sized Enterprises
STEM	Science, Technology, Engineering and Mathematics
TIN	Tax Identification Number
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value Added Tax
VC	Venture Capital

Section 1

Background and Executive Summary in Infographics

1. Background

1.1 Background of ICT Industry, Startup, Digital Commerce, and Entrepreneurship

1.1.1 ICT Industry

The ICT industry in Bangladesh includes the IT (software), ISP, call center, telecommunications, and hardware sectors. The ICT sector appears to be the next most promising sector and has the potential to outperform the apparel sector in the medium to long term period due to their comparative advantages in terms of market demand, easy diffusion of technology, and plentiful supply of cheap labor force¹. It encompasses a broad spectrum of information, communication, and telecommunication technologies, and is poised to be instrumental in the transformation of the private sector, thereby substantially contributing to the realization of Smart Bangladesh's vision for a Smart government. Although the original plan for Digital Bangladesh was up to 2021 where its aim revolved around leveraging technology to promote socio-economic development and increasing the use of ICT, Vision 2041 presently includes additional extensions for the program, with extensive plans on Smart Bangladesh which includes its four pillars: Smart Economy, Smart Government, Smart Citizen, and Smart Society. This involves aligning governmental objectives with private sector goals, particularly in system building and commissioning. The government serves as a major client for the private sector further driving the digitization of Bangladesh. Additionally, the private sector plays a crucial role in fostering smart citizenship, emphasizing the importance of skills development, digital literacy, and cybersecurity measures to ensure protection in the digital world. To attain Smart Bangladesh's objectives for the ICT sector, a set of priorities has been identified, alongside key indicators and their projected trajectories for three distinct timeframes: 2024-2026, 2027-2031, and 2032-2041. These align with Bangladesh's milestone targets, including LDC graduation by 2026, the upper-middle country plan by 2031, and the realization of a Smart Bangladesh and a developed, cashless society by 2041.

Bangladesh has made the most of the growing ICT usage, reaching a noteworthy milestone in 2022 with USD 1.9 billion in ICT exports in contrast to the ICT industry's exports in 2014 which was USD 132.5 million, according to a report by LightCastle Partners published in 2016². This shows that in the last decade, the ICT industry has expanded significantly, and it is a huge driver of development. Currently, Bangladesh boasts a thriving ecosystem of over 4,500 registered software and IT-enabled service companies. Among these companies, approximately 2,300 are affiliated with the Bangladesh Association of Software and Information Services (BASIS). Notably, more than 350 local firms have ventured into exporting IT products to approximately 80 countries, including prominent markets such as the United States and the European Union, as reported by BASIS³.

According to the Bangladesh Telecommunication Regulatory Commission (BTRC)⁴, as of December 2021, the total number of internet subscribers stands at 123.82 million in

¹ Hossain, M., Shinkai, N., Yunus, M. and Bakht, Z. (2012). "Integration of ICT Industries and Its Impact on Trade and Market Access: The Case of Bangladesh and India" in Rahman, Brunner, and Khatri (eds), Regional Integration and Economic Development in South Asia, Edward Elgar, 2012.

² Lightcastle Research & Analytics. (2016, February). The ICT sector of Bangladesh.

³ TBS News. (2023). Local IT firms eye \$5b export by 2025.

⁴ Bangladesh - eCommerce - International Trade Administration

Bangladesh, with 10.09 million utilizing broadband connections and the remainder accessing the internet through mobile devices. Bangladesh currently ranks 147th out of 176 countries on the most recent ICT Development Index by the International Telecommunication Union (ITU), reflecting the country's level of ICT development⁵.

The government's "Digital Bangladesh 2021" plan and the astounding growth of mobile phone services have been major factors in the current boom of the ICT service industry, where Bangladesh saw a significant rise in internet penetration, with a focus on rural connectivity.

The National ICT Policy 2009⁶ was created to help achieve the goal of "Digital Bangladesh," which the government aimed to accomplish by 2021. While significant strides have been made in recent years, our progress still falls short in achieving many of the goals set forth by Digital Bangladesh 2021. Prioritization must be aimed at addressing skill gaps in the labor market to foster continued growth and development within the ICT sector, aligning with the overarching vision of Smart Bangladesh 2041.

The general population is gradually integrating more ICT-enabled services because of joint efforts by the public and private sectors. This trend is further supported by the growth in internet, mobile, and fixed phone users as well as rising investments in ICTs. However, it is essential to put in place policies that support the development of human resources and capital to fully realize the potential of this sector. Bangladesh's ICT industry benefits greatly from a large human resource pool. But the main issue is ensuring that this talent pool is sufficiently trained and prepared to fulfil industry standards and receives the knowledge to adapt to the forthcoming technological advancements in the sector. The presence of a strong human capital foundation is critical to the ICT sector's development. To achieve the goal of attaining a "Developed Bangladesh" by 2041, while bypassing the "middle-income country trap" post-2024, it is imperative to initiate policy reforms that serve as a bridge between transitional phases. These reforms are essential for optimizing the operations of Bangladesh's ICT sector.

The execution of strategic plans such as the Perspective Plan of Bangladesh 2021–2041 and the Smart Bangladesh ICT 2041 Masterplan emphasizes the direction of future government initiatives. Bangladesh's ICT industry has high goals: it wants to reach USD 50 billion in value by 2041, with USD 20 billion as a first target by 2031.

1.1.2 Digital Commerce

Digital commerce encompasses all online consumer transactions, including purchases of goods and services through websites, mobile apps, and other digital platforms. It facilitates remote transactions with diverse payment methods and delivery options, while also enabling data analysis for personalized marketing. The growing trade in cross-border digital commerce has generated enormous opportunities for the global economy, providing new growth engines, entailing the development of new business models, driving new consumption trends, and creating new jobs. This unprecedented growth has revolutionized the way businesses and consumers market, sell, and purchase goods, providing wider choices and innovative shipping, payment, and delivery options. It has also opened global economic opportunities to micro,

⁵ U.S. Department of Commerce, International Trade Administration. Bangladesh - E-commerce.

⁶ ICT Division | Government of the People's Republic of Bangladesh <https://policy.gov.bd/policy/ict-division?lang=en>

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small and medium enterprises (MSMEs) in terms of wider access to overseas markets by lowering entry barriers and reduced costs.

At the same time, Digital commerce, in particular Business-to-Consumer (B2C) and Consumer-to-Consumer (C2C) transactions, is presenting several new challenges to governments and businesses alike. This fast-evolving trading environment requires comprehensive and well-considered solutions from all stakeholders, including Customs authorities, to manage growing volumes, to overcome the lack of global standards and guidelines, and to address associated risks [WCO, 2022]⁵.

Bangladesh is one of the fastest growing economies globally and is highly consumer driven due to the country's expanding Middle and Affluent Class (MAC) population, it is expected to rank ninth among consumer markets by 2030⁷. Cross-border trade is the lifeblood of Bangladesh economy. The expansion of the cross-border trade over digital platform is a new avenue to boost Bangladesh's growth, which will be more inclusive as the digital cross-border trade allows inclusion of thousands of small and medium enterprises across the country.

Bangladesh's Digital Commerce industry is expected to increase at a compound annual growth rate of 22-23% from 2022 to 2025. According to the "Bangladesh B2C Digital Commerce Market Report 2022," the size of the Digital Commerce market was approximately Tk56,870 crore in 2021 and is expected to reach over Tk1.5 lakh crore by 2026⁸. Numerous Digital Commerce businesses have emerged in this sector, including Chaldal, ClickBD, Daraz, NEO Bazaar, and others. The demand for home delivery services has also been fueled by extremely crowded roadways and unfavorable driving conditions.

The Bangladeshi government has made significant efforts to promote the expansion of both domestic and international Digital Commerce. The National Digital Commerce Policy of 2018⁹ was introduced by the Ministry of Commerce in Bangladesh. In accordance with the strategy, the Ministry of Commerce developed the Digital Commerce Operation Guidelines in 2021³ to strengthen Digital Commerce companies' accountability, liability, and transparency. The parameters of delivery schedules, consumer rights, product and service bans and regulations, marketplace registration, and record-keeping and payment processing have all been outlined in the rules.

With review of The National Digital Commerce Policy 2018, which includes an overview of digital commerce, Bangladeshi Digital Commerce, the country's Digital Commerce crisis, post-graduation challenges, consumer rights protection, logistical issues, and implementation issues, several issues have been found. The development of cross-border e-commerce is hampered by an ineffective logistics infrastructure and inconsistent customs procedures.

Following the graduation of LDCs, problems will be faced by Bangladesh's digital commerce industry. Despite this, since the pandemic period, this industry has been significantly contributing to the nationwide increase in employment. Bangladesh must prioritize becoming

⁷ HSBC Global Research. (2022). The Flying Dutchman: Asia's shoppers in 2030.

⁸ Business Journey Map (BJM) for Digital Commerce in Bangladesh Published by a2i (Aspire to Innovate) Programme, Bangladesh Government. Retrieved from <https://a2i.gov.bd/wp-content/uploads/2023/06/3-BJM-Digital-Commerce.pdf>

⁹ Bangladesh National Digital Commerce Policy. (2018). Retrieved http://brcp-1.gov.bd/wp-content/uploads/2022/03/National-Digital-Commerce-Policy-2018_10-03-2022.pdf

ready for the post-graduation phase if it hopes to continue being sustainable in this industry. During the COVID-19 pandemic, Bangladesh's Digital Commerce industry experienced notable growth. Bangladesh must improve its payment options, cross-border Digital Commerce trade, logistics and service delivery systems, and other aspects to compete with nations that are making significant strides in the Digital Commerce and digital commerce sectors to meet the export and investment goals outlined in Perspective Plan 2021–2041.

According to BSS (2022)¹⁰, Bangladesh has advanced eight positions in this year's UN E-Government Development Index and climbed 20 spots to rank 75th in the E-Participation Index. The government introduced a one-stop service at digital centers for Cottage, Micro, Small, and Medium Enterprises (CMSME) entrepreneurs, alongside launching the Project Processing, Appraisal, and Management System (PPS) and Research Management System (RMS) software to ensure transparency and accountability in project implementation. Initiatives such as 'ekShop Global' and 'Digital Haat' were launched to promote domestic entrepreneurs globally and facilitate trading during Eid-ul-Azha, respectively. Additionally, measures like Unique Business ID (UBID) Registration and the Central Grievance Redress System were implemented to enhance trust and confidence in the Digital Commerce sector.

Cross-border trade is the lifeblood of Bangladesh economy. The expansion of the cross-border trade over digital platform is a new avenue to boost Bangladesh's growth, which will be more inclusive as the digital cross-border trade allows inclusion of thousands of small and medium enterprises across the country¹¹.

1.1.3 Entrepreneurship (CMSMEs)

According to the UNESCAP report (2021)¹², economic growth is largely dependent on entrepreneurship. Micro, small, and medium-sized firms (MSMEs), which make up an average of 97% of all businesses and 69% of the labor force nationwide, are the backbone of the economy in Asia Pacific. Entrepreneurship is vital for Bangladesh's economy, making a considerable contribution to the GDP and job creation. The Small and Medium Enterprise (SME) sector is a key driver of entrepreneurial activity in the country.

Bangladesh comprises 16% of the world's online labor force, making it the second-largest supplier of online labor globally, behind India, according to the Oxford Internet Institute's (OII) Online Labour Index 2020¹³. Only India has more freelancers per capita (15.8%) than the United States, as the gig economy continues to propel economic opportunities. With digital platforms like Uber, Pathao, Truck Lagbe, and Foodpanda predicted to create 500,000 employment this year, the on-demand industry continues to be a key growth driver. The digital economy is experiencing expansion due to the advent of a rising segment called social commerce, wherein over 50,000 Facebook entrepreneurs operate in Bangladesh¹⁴. Considering 30,000 small and medium-sized businesses and 40,000 individuals are currently employed in the digital commerce industry, there are plenty of job prospects in this area. According to Rapid (2022),

¹⁰ BSS. (2022). a2i strives to build 'SMART Bangladesh. Retrieved from <https://www.bssnews.net/news/102711>

¹¹ DataSense (2023) Bangladesh Cross-border Digital Commerce Policy 2023, prepared for Ministry of Commerce, under the auspices of Digital Commerce Association, Bangladesh.

¹² United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). (2021). Discussion paper: Innovation and good practices on one-stop hubs to support women entrepreneurs.

¹³ Bangladesh Business Summit 2023

¹⁴ Boston Consulting Group (BCG). (2022). The Trillion-Dollar Prize: Local Champions Leading the Way

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over four lakhs of women-owned business owners offer their goods and services via various internet channels, and this industry employs about a million people directly or indirectly¹⁵.

The Ministry of Information and Communication Technology has launched several programs to teach roughly 15,000 people in freelancing skills including SEO, animation, graphics, video editing, etc. annually in response to the remarkable achievements of independent contractors¹⁶. The ICT ministry has undertaken some initiatives to train individuals to work as independent contractors. The training program will cover business, conversational English, and advanced IT skills.

Platforms like Bangladesh Angels are essential in changing and advancing the nation's entrepreneurial scene. It was founded with the intention of enabling Bangladesh's startup entrepreneurs to realize their full potential as the country's first angel investment platform. Led by Aavishkaar and the Dutch Global Good Fund, Bangladesh Angels is a joint venture that functions as a separate, nonprofit organization. It brings together influential people committed to promoting value creation and startup growth from the local entrepreneurial community.

To develop new businesses and improve the abilities of CMSME entrepreneurs, SME Foundation organizes a skills training program. The foundation has initiated a pilot program called "credit wholesaling programme" with its own funding. The foundation focuses on technology-based SME manufacturing sectors and agriculture-related sectors, providing collateral-free loans to SME entrepreneurs at 9% interest rates.¹⁷

The nation's top-performing and most promising CMSMEs are awarded the National SME Entrepreneurship Award. The National SME Entrepreneurship Award has been given to 50 micro, small, medium, and exceptional entrepreneurs since the award's founding in 2022. There are 20 males, 29 women, and one entrepreneur of the third gender.

To support the Dhaka Chamber of Commerce and Industry's entrepreneurship development effort, Bangladesh Bank has launched a funding plan of BDT 1 billion. To support Bangladesh's small and medium-sized business sector, the DCCI has already begun training 2,000 new entrepreneurs as part of the entrepreneurship development project. The refinancing fund will provide the new business owners with loans at a reduced interest rate¹⁸.

The government of Bangladesh has also taken concerted steps to support female entrepreneurs and create an environment that will contribute to their success. Policies and initiatives like the National Women Development Policy (NWDP)¹⁹ and the National Women Entrepreneurs Development Policy (NWEDP)²⁰ are beneficial to women-owned businesses. The Ministry of Commerce's Bangladesh Regional Connectivity Project-1 is leading the initiative called WENP, which unites a broad group of female buyers, suppliers, sellers, and entrepreneurs. The vibrant marketplace of women entrepreneurs in Bangladesh may be easily explored by national and international customers thanks to the vast database that includes

¹⁵ Rapid. (2022). Data localization and digital services exports from Bangladesh: Report one (RAPID Working Paper Series No. 278

¹⁶ Hossain, M. (2020). Paper presented at the ADB Trade Facilitation Forum: Trade Facilitation in the Age of Digital Transformation

¹⁷ SME Foundation <https://smef.gov.bd>

¹⁸ Youth Entrepreneurship Development in Bangladesh | <https://theconfluence.blog/youth-entrepreneurship-development-in-bangladesh/>

¹⁹ https://mowca.portal.gov.bd/sites/default/files/files/mowca.portal.gov.bd/policies/64238d39_0ecd_4a56_b00c_b834cc54f88d/National-Women-Policy-2011English.pdf

²⁰ https://mowca.portal.gov.bd/sites/default/files/files/mowca.portal.gov.bd/publications/7f74480f_7119_4b91_8ed8_96739608bfbf/Brochure.pdf

over 25,000 business profiles and their offerings for products and services. WENP gives female entrepreneurs the tools they need to network, work together, and seize opportunities²¹.

The National Youth Policy of 2017, the ICT Policy, the SME Policy of 2019, the Gender Action Plan of 2018–2021²², and other policies contain steps and plans aimed at enhancing the startup ecosystem. To assist the upcoming generation of entrepreneurs, a thorough startup policy and action plan that is coordinated by all relevant ministries is essential for long-term growth and sustainability. Despite these progresses and initiatives, Bangladesh Government must create action plans to cultivate a populace and workforce equipped with the entrepreneurial mindset and problem-solving abilities crucial for fostering innovation and create easier pathways with less lengthy bureaucratic processes for entrepreneurs who want to build businesses but lag due to many challenges. Access to finance, financial risks, excessive red tape with regulatory and tax hurdles, skills gap, lack of entrepreneurial and enterprise education, a risk-averse mindset, and an absence of a culture that promotes entrepreneurship still affect the rise of entrepreneurship in Bangladesh.

BSS (2022)²³ highlights the government's multi-pronged approach to boosting entrepreneurship in Bangladesh. One key initiative is the "Sathi" network, a collaboration between Bangladesh Bank, the Financial Institutions Division, and commercial banks. Led by digital center women entrepreneurs, this network aims to accelerate financial inclusion and increase women's participation in the financial sector. These concerted efforts signify Bangladesh's commitment to fostering an enabling environment for entrepreneurship, thereby contributing to sustained economic growth and development. Documents from a2i²⁴ also reveal Bangladesh's remarkable achievement in technological advancement this year. This progress is evident in the World Bank's GovTech Maturity Index (GTMI) 2022, where Bangladesh secured a coveted spot in "Category A: Very High Government Maturity." This ranking signifies significant strides towards a more technologically sophisticated governance system.

Bangladesh growth aspiration is connected to employment generation of working age population entering the job market every year. Bangladesh has total 119.375 million people, who are of working age, whereas size of the labour force is 73.05 million, of which employed population is 70.47 million (Labour Force Survey, 2022)²⁵. The gap between working age population and labour force is very high, 46.33 million. The net unemployed population is 2.58 million (3.53%), which sounds reasonable. However, the big concern is for 46.33 million, who are of working age but not part of the labour force or employed. The current of job creation annually (domestic and overseas together) and unemployed for people with disguised employment is very high. There is a requirement of radical shift in economic structure for absorbing 48.9 million people. It has become imperative that only wage employment at home and abroad will not resolve this gap, thus, self-employment has become an utmost priority for the government to promote for addressing employment issues, more importantly achieving the aspiration of becoming a developed nation by 2041.

²¹ Women Entrepreneurs Networking Platform <https://wenp.bangladeshtradeportal.gov.bd/>

²² <https://policy.gov.bd/policy/ict-division?lang=en>

²³ BSS. (2022). a2i strives to build 'SMART' Bangladesh. Retrieved from <https://www.bssnews.net/news/102711>

²⁴ <https://a2i.gov.bd/press-release/bangladesh-becomes-the-govtech-leaders/>

²⁵ https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b343a8b4_956b_45ca_872f_4cf9b2f1a6e0/2023-10-25-07-38-4304abd7a3f3d8799fbc59ff91007b1.pdf

While new enterprises are coming to light on its own for various economic imperative, there is a need to have paradigm shift in the career building plan of youth and women, considering entrepreneurship of various scale and type. The Smart Bangladesh strategy, thus needs to put an ambitious agenda for action with exponential target for entrepreneurship, including startups, especially in the CMSMEs categories.

This situation analysis, strategy and priorities paper focuses specifically entrepreneurship of CMSMEs, with specific emphasis on youth and women and digital space. Promotion of entrepreneurship requires a multi-pronged approach, designing customized program and strategy for catering needs of each type of entrepreneurs, by geography, sector, education, gender.

1.1.4 Startup

With the establishment of over 2,500+ active startups in Bangladesh over the past ten years, the startup ecosystem shown hopeful signs of growth. The emerging startup ecosystem is composed of various sectors, such as e-commerce, logistics and mobility, and financial technology (FinTech). One of the biggest success stories in startup space is SoftBank acquired a 20% stake in bKash in 2021, a prominent Bangladeshi fintech business, with a substantial investment of USD 250 million. This investment underscored the market's attractiveness and propelled bKash to become the country's first unicorn, solidifying its position as a key player in global mobile financial services (MFS). A remarkable new wave of businesses has emerged in the past year, with companies like ShopUp, Chaldal, and Pathao experiencing rapid development and aspiring for unicorn status. With more than 200 new startups appearing annually, the sector creates over 1.5 million jobs²⁶. These startups are vital to the nation's economy because they generate large employment prospects.

According to LightCastle Partners (2023)²⁷, since 2010, Bangladeshi startups have raised over USD 900 million, demonstrating the increased interest and trust in the nation's entrepreneurial potential. Since 2010, 151 distinct startups have closed about 400 deals. Local investors have been more proactive in closing agreements, demonstrating their rising confidence in the local startup ecosystem, even though overseas investors still make up the largest portion of the investment volume. The investment environment is dominated by seed and pre-seed rounds, which emphasizes how many Bangladeshi startups are still in their early stages. Investors wishing to back promising projects and actively participate in their expansion and success now have a chance to do so.

Startup Bangladesh Limited (SBL)²⁸, the flagship venture capital fund of the ICT Division, was initiated under the visionary leadership of Honorable Prime Minister Sheikh Hasina in March 2020. With an allocated capital of BDT 5 billion, this venture aims to accelerate innovation, generate employment opportunities, foster technical skills development, and realize the vision of Digital Bangladesh. The Fund offers investment in the form of equity, convertible debt, and grants to startups at various stages of growth. It also facilitates co-investments, acts as a fund-of-funds and asset manager, and extends other support services to startups and stakeholders. As part of the ICT Division's commitment to achieving the Sustainable Development Goals

²⁶ Boston Consulting Group (BCG). (2022). The Trillion-Dollar Prize: Local Champions Leading the Way. Retrieved from <https://web-assets.bcg.com/6e/15/0081bc4b4871b53ea0f25348bb0d/the-trillion-dollar-prize-local-champions-leading-the-way.pdf>

²⁷ LightCastle Partners Bangladesh Startup Ecosystem Dashboard. (2023). Retrieved from <https://www.lightcastlebd.com/bangladesh-startup-ecosystem-dashboard/>

²⁸ Startup Bangladesh Limited <https://www.startupbangladesh.vc/about/about-who-we-are/>

Background

(SDGs), initiatives are underway to enhance technology infrastructure, promote digital literacy, and foster innovation-driven solutions. Startups are poised to play a pivotal role in addressing market needs, contributing to the nation's SDG targets, and shaping the Smart Bangladesh Vision 2041.

The ICT Division's IDEA (Innovation, Design and Entrepreneurship Academy) project aids in the development of an accelerator and its ecosystem. Through marketing, co-working spaces, finance, mentoring, and legal support for a small group of startup entrepreneurs, it assists teams.²⁹

LightCastle Partners (2023)³⁰ reported that, globally, startup funding faced a slowdown, amounting to USD 439 billion in 2022. This decline, representing a 29% drop year-on-year, can be attributed to ongoing global economic challenges stemming from post-pandemic recovery efforts and geopolitical tensions like the Russia-Ukraine conflict.

Investors from Bangladesh remain confident about the future of the growth of startups. To lessen the effects of slowing down foreign investment, domestic investors and the government must assist Bangladeshi startups in overcoming these obstacles. To weather the impending financial undercurrents, startup owners must rely on judicious investment raising in addition to enhanced company and revenue models. All ecosystem participants must act quickly to increase the ecosystem's resilience.

Expanding the Startup Ecosystem will facilitate Bangladesh in realizing a number of important Vision 2041 goals, including "Industrialization and Trade" (creating jobs and reducing unemployment), "Urban Transition" (using the wealth raised by entrepreneurs to fund their ventures), "Innovation Economy" (startups indirectly offset national R&D expenses), and "Human development" (startups assist younger employees in becoming multiskilled). Currently, Bangladesh ranks 93rd in the global startup ranking and it aims to climb within top 10 position³¹. To do this, the government and private sector must lead the startup hub in Bangladesh that will spur innovation, diversify the local economy, and yield profitable returns.

Two initiatives of Bangladesh Hi-tech Park Authority, viz., Startup-scaleup, popularly known as "Smart Bangladesh Accelerator" is the biggest startup accelerator program in Asia, with a target to groom 1050 startups, with 210 startups led by women founders. For creating a pipeline of startups, it also launched a program in 10 universities titled 'University Innovation Hub Program', an incubation program aiming promoting entrepreneurship as a career option for the graduating students. It also aims to promote a culture of innovation and IP protection. Overall, the startup sector has been able to attract attention of the government and the economic actors, which is a perfect opportunity to leverage from the achievements and strategize for big and sustainable growth under the Smart Bangladesh strategy.

The indicators outlined in this report serve as benchmarks for monitoring the progress of the discussed sectors, to track the advancement of these, from current baseline data to the short, medium, and long-term targets, envisioned by the Government of Bangladesh under the Smart Bangladesh 2041 initiative. Data sources for these key indicators include BBS

²⁹ Innovation Design and Entrepreneurship Academy- IDEA <https://idea.gov.bd/about>

³⁰ LightCastle Partners. <https://www.lightcastlebd.com/insights/2024/01/bangladesh-startup-investments-report-2023-year-in-review/>

³¹ a2i [Aspire to Innovate] Programme. (2023) Smart Bangladesh ICT Master Plan 2041 Draft. Retrieved from <https://a2i.gov.bd/wp-content/uploads/2023/03/Smart-Bangladesh-ICT-Master-Plan-2041-Draft-PDF-1.pdf>

(Bangladesh Bureau of Statistics), IMF (International Monetary Fund), BASIS (Bangladesh Association of Software and Information Services), EDGE (Enhancing Digital Government and Economy), and the author's own estimations. Additionally, the report outlines priorities, provides background information, and offers action plans for addressing these key indicators. Each priority is accompanied by indicators to measure progress. Furthermore, the report includes forecasted growth trajectories for each indicator, aligning with Bangladesh's short-, medium-, and long-term goals.

The paper follows “intent-driven’ goal setting using data-driven policy making process.

Disclaimer: For certain key indicators and targets for priority areas are set, based on baseline data, where available, for other determined heuristically, based on consultation with the stakeholders.

1.2 Integration of Smart Initiatives from the Government of Bangladesh

From the stakeholders’ perspective, various agencies of the government presented their vision and initiatives for contributing to the vision. The initiatives, ideated by various agencies, relevant for ICT Industry, and Digital Commerce, Entrepreneurship and Startup sectors have been consulted in preparation of the situation analysis, setting key indicators [**Error! Reference source not found.**, Figure 0.3, Figure 0.5, Figure 0.7] and priorities for achieving those key indicators [**Error! Reference source not found.**, Figure 0.4, Figure 0.6, Figure 0.8].

Box 1.1 presents the connection between ICT industry, Digital Commerce, Entrepreneurship and Startup, and, the Smart Economy pillar of Smart Bangladesh.

Box 1.1 Smart Economy and ICT Industry

Smart Economy: What Does it Mean for Smart Bangladesh 2041

ICT industry is inspired by the vision of Smart economy, one presented by a2i.³²

One of the four pillars of Smart Bangladesh is ‘Smart Economy. The vision for Smart economy is business-centric, from large to micro, irrespective of geographic location, sector, and gender.

‘Kajira Begum runs a small fabric shop in Moulvibazar and employs four other women. Every day, she **takes risks, makes decisions, fends off threats, monitors her business**. She provides support to her children, her elderly parents, her employees, and her community.

What she also does is **use AI to write copies and post ads**. She uses **voice-assisted software to calculate her inventory and do her accounting**—in her local dialect. She uses the **3D printing facility at her local Smart Centre to print accessories for her fabrics**. Her **website uses an AI supported voice-bot to answer customer questions**, one shared by a million CMSMEs like herself, provided by Smart SME Foundation.

If a smart society is an inclusive society that leaves no one behind, then a smart economy does the same for businesses. Small business owners like Kajira Begum are **no longer deprived of facilities associated with big cities**. She has no reason to leave her village to seek greener pastures. **Everything she requires to operate a business is within reach.**’

³² <https://a2i.gov.bd/what-is-smart-bangladesh-really/>

Background

Four Core tenets of Bangladesh:

1. Alignment (of aspirations and ambitions): Each and every Bangladeshi aspires and ambitions for the country. We must align all of that into a cohesive, national target for Smart Bangladesh.
2. Preparation (across all stakeholders): Each and every stakeholder—the government, private sector, civil society, academia, media, and most importantly, each and every individual—must have appropriate capacity development and be prepared to take our nation to the next level.
3. Coordination (to break silos): There can be no silos across stakeholder groups. Preparation must be seamlessly connected overcoming bottlenecks.
4. Execution (that is measured): We cannot stop at the planning stage. Measured, identifiable execution must happen at the end of every year.

Extension of the Vision in the Global Context:

Bangladesh aspires to shift from price-competitive advantage economy to knowledge-driven competitive advantage-based economy.

1.3 List of Smart Initiatives from the Government of Bangladesh

Table 1 exhibits the list of different initiatives related to the ICT industry, taken by the Government.

Table 1 Smart Initiatives from the Government of Bangladesh, relevant for ICT Industry

Sl.	Ministry	Name of the Initiative	Implementing Agency	Associate/ Partner Organizations	Sub-Committee	Smart Pillars
1	Department of Information and Communication Technology	Citizen co-Creation for Policy Formulation	Bangladesh Computer Council (BCC)	DoICT	ICT Industry, Digital Commerce, Freelancing, Entrepreneurship, and Startups	Smart Citizen and Smart Government
2	Department of Information and Communication Technology	Data Exchange Smart Platform Development (Bangladesh Stack)	Bangladesh Computer Council (BCC)	Related Ministries and Financial Institutions, DoICT	ICT Industry, Digital Commerce, Freelancing, Entrepreneurship and Start-ups	Smart citizen, Smart economy, Smart government, Smart society
3	Department of Information and Communication Technology	Emerging Technology Center of Excellence	Bangladesh Computer Council (BCC)	Bangladesh Hi-Tech Park Authority (SHIFT), Startup Bangladesh, DoICT	ICT Industry, Digital Commerce, Freelancing, Entrepreneurship and Start-ups	Smart Economy
4	Department of Information and Communication Technology	Migration is essentially a cloud-for-cloud marketplace	Bangladesh Data Center Company Limited (BDCL)	Bangladesh Computer Council, DoICT	ICT Industry, Digital Commerce, Freelancing, Entrepreneurship and Start-ups	Smart Economy, Smart Government
5	Department of Information and Communication Technology	Support to ICT industry in research, development, and manufacturing frontier technologies.	Bangladesh Hi-Tech Park Authority	Bangladesh Computer Council, Directorate of Information and Communication Technology	ICT Industry, Digital Commerce, Freelancing, Entrepreneurship and Start-ups	Smart Economy
6	Department of Information and Communication Technology	Semiconductor and Microprocessor Design	Bangladesh Computer Council (BCC)	DoICT, BHTPA	ICT Industry, Digital Commerce, Freelancing,	Smart Economy

Background

Sl.	Ministry	Name of the Initiative	Implementing Agency	Associate/ Partner Organizations	Sub-Committee	Smart Pillars
					Entrepreneurship, and Startups	
7	Department of Information and Communication Technology	E-learning platforms and standards	Bangladesh Computer Council (BCC)	DoICT	ICT Industry, Digital Commerce, Freelancing, Entrepreneurship, and Startups	Smart Citizen

1.4 Executive Summary in Infographics

1.4.1 Key indicators to Achieve in ICT Industry [in Infographics]

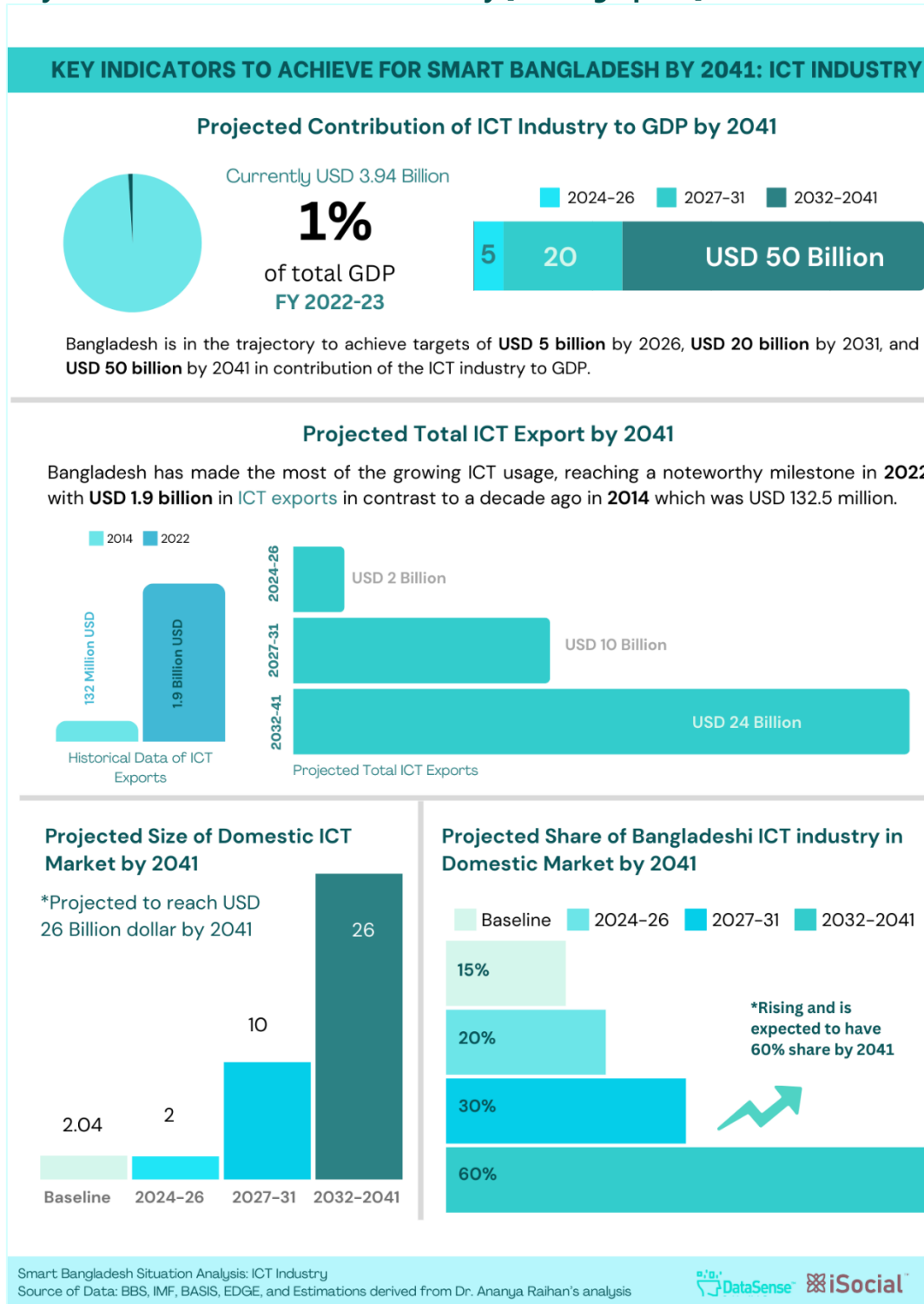


Figure 0.1 Key Indicators to Achieve for Smart Bangladesh by 2041: ICT Industry

Background

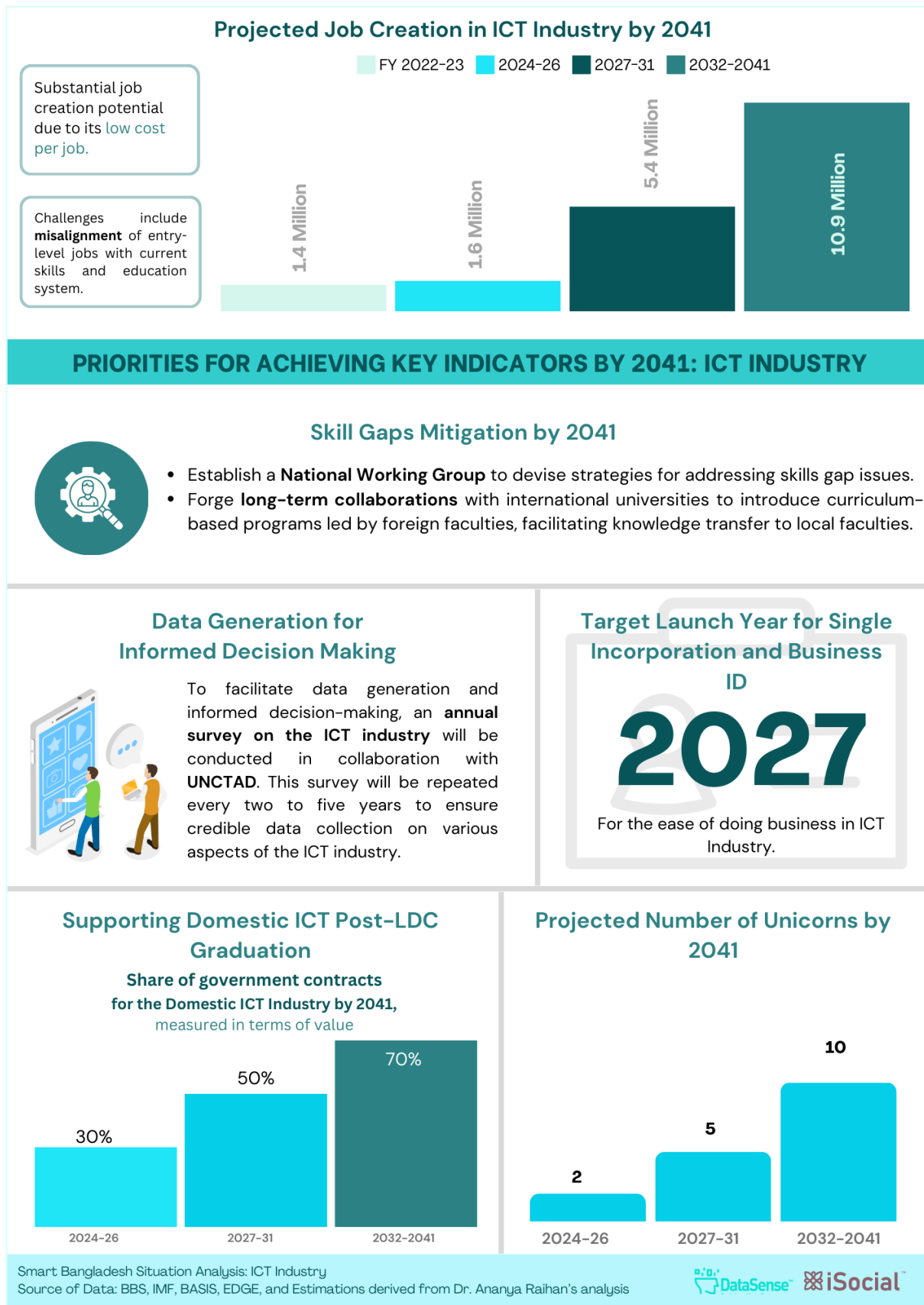


Figure 0.2 Priorities for Achieving Key Indicators by 2041: ICT Industry

Background

1.4.2 Key Indicators to Achieve in Digital Commerce [in Infographics]

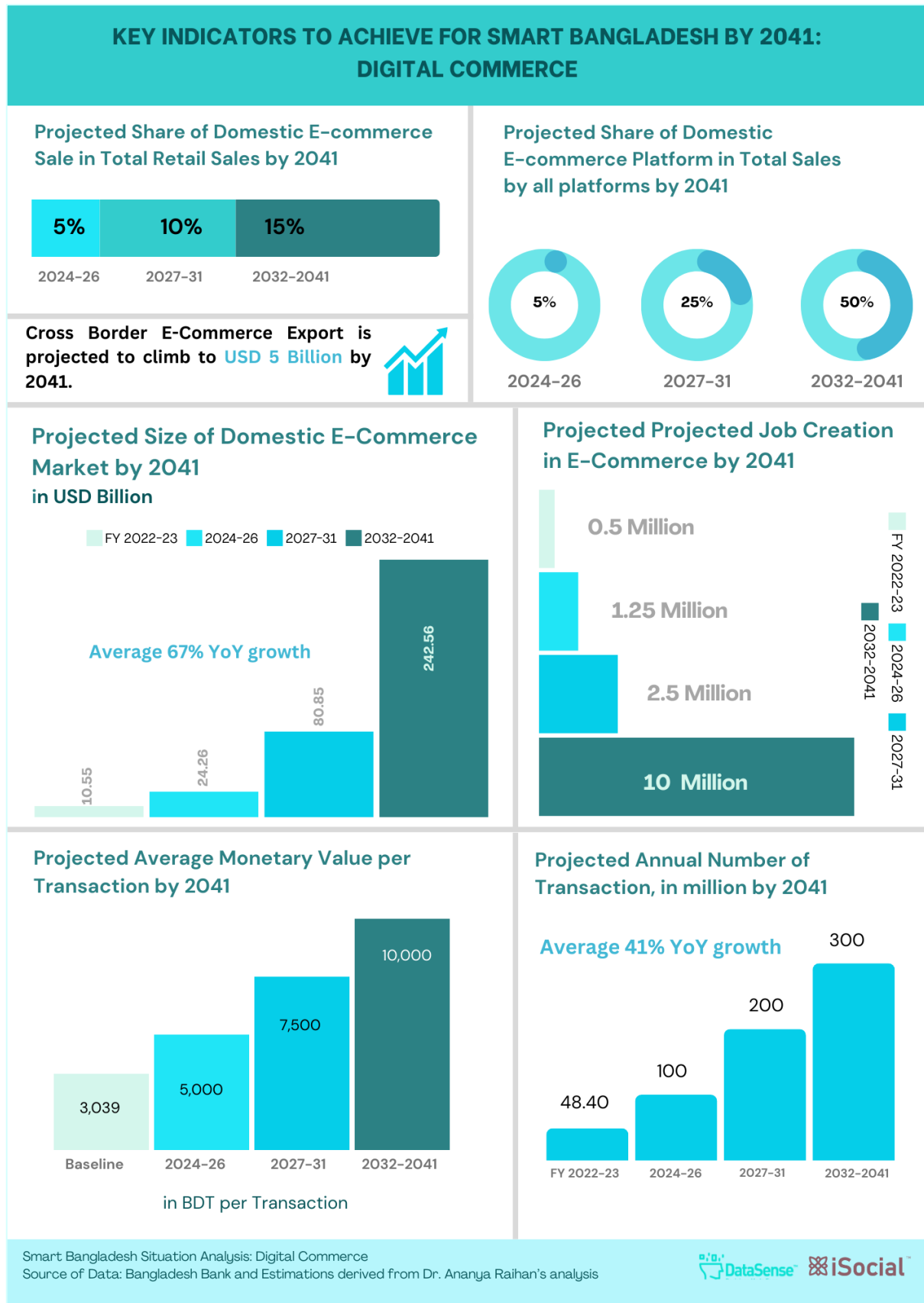
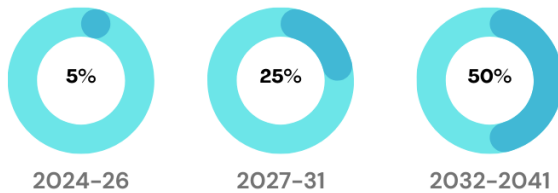


Figure 0.3 Key Indicators to Achieve for Smart Bangladesh by 2041: Digital Commerce

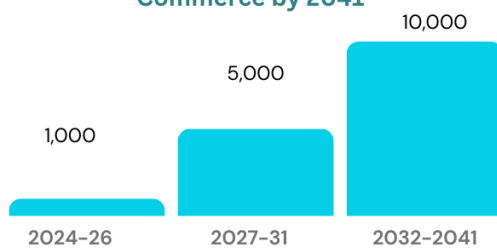
PRIORITIES FOR ACHIEVING KEY INDICATORS BY 2041: DIGITAL COMMERCE

Promoting Bangladeshi E-Commerce Abroad

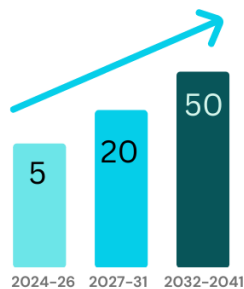
Projected Share of Non-Diaspora Market in Total Export through Digital Commerce by 2041



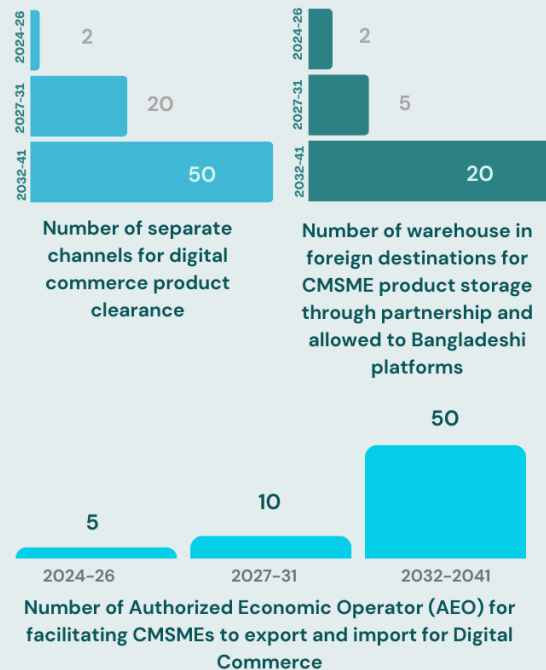
Projected Number of CMSMEs participating in International Trade Fair focusing on Digital Commerce by 2041



Projected Number of bi-lateral and plurilateral partnerships to increase by 2041.



Projected Logistics by 2041



Number of Authorized Economic Operator (AEO) for facilitating CMSMEs to export and import for Digital Commerce

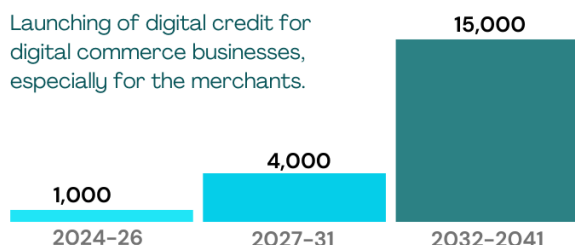


2026

Postal Department Facilities upgraded by 2026 for facilitating digital commerce nationally and globally

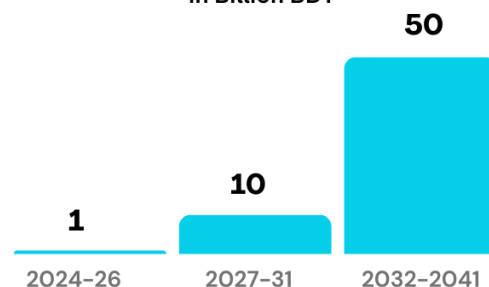
Projected Financing of Digital Commerce by 2041

Projected size of **credit guarantee schemes** offered by various financial insinuations, who will offer seamless digital credit to the merchants by 2041 in Billion BDT



Launching of digital credit for digital commerce businesses, especially for the merchants.

Projected Volume of R&D support to fintech and other allied industry players, by 2041 in Billion BDT



Smart Bangladesh Situation Analysis: Digital Commerce

Source of Data: Bangladesh Bank and Estimations derived from Dr. Ananya Raihan's analysis

DataSense iSocial

Figure 0.4 Priorities for Achieving Key Indicators by 2041: Digital Commerce

1.4.3 Key indicators to Achieve in Entrepreneurship (CMSMEs) [in Infographics]

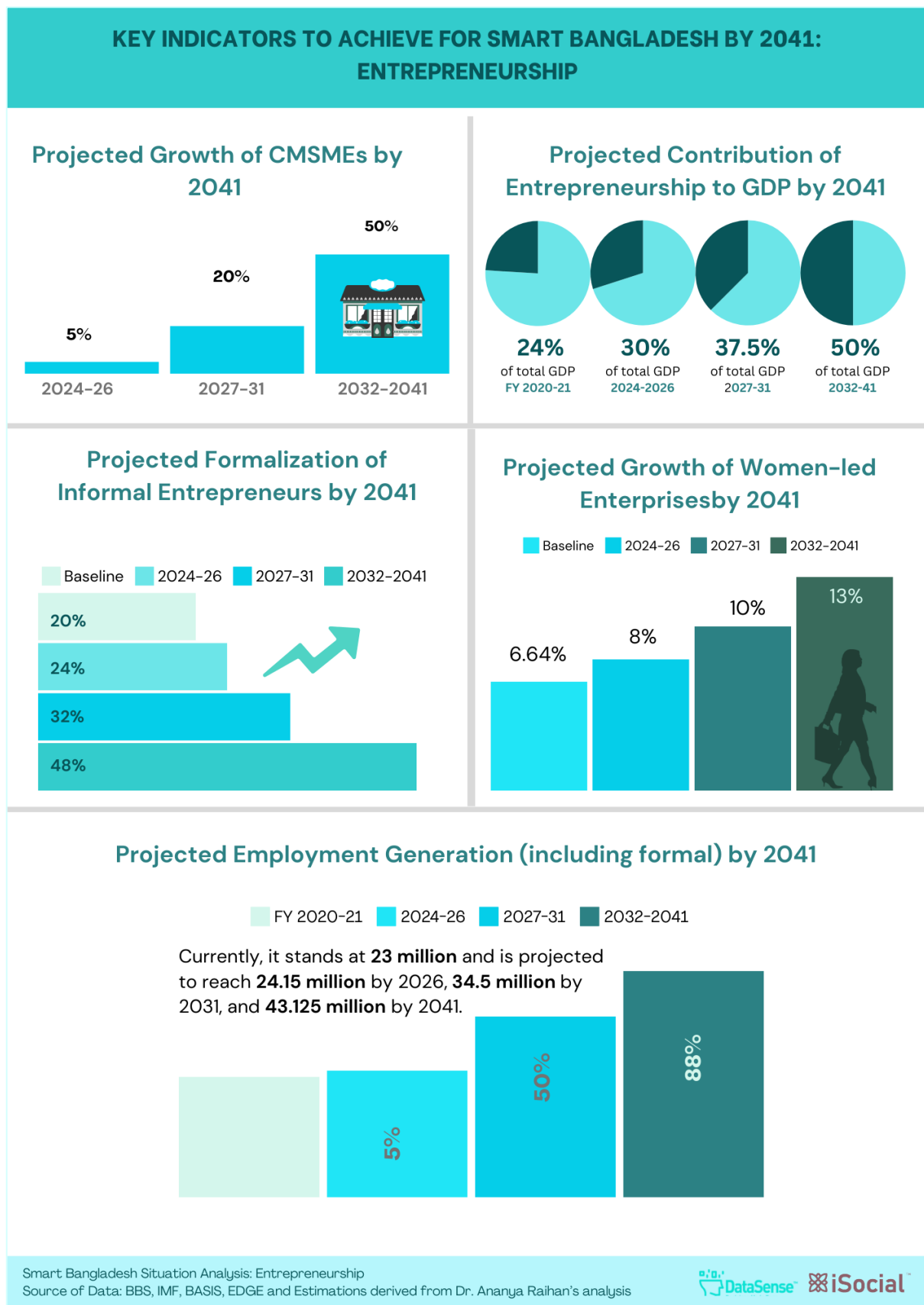


Figure 0.5 Key Indicators to Achieve for Smart Bangladesh by 2041: Entrepreneurship (CMSMEs)

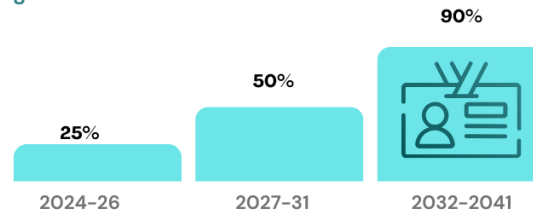
PRIORITIES FOR ACHIEVING KEY INDICATORS BY 2041: CMSMEs



Data Generation for Informed Decision Making

- Implement a **census of CMSMEs** for each segment, collecting gender-segregated data, including informal enterprises.
- Initiate **annual data collection of ICT Industry** for credible data generation, collaborating with **UNCTAD** and taking bi-annual surveys.

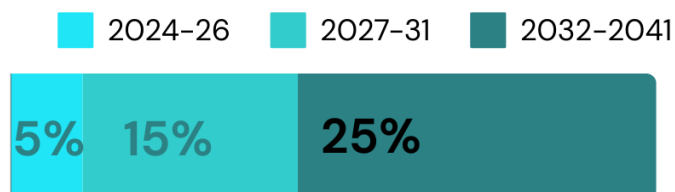
Projected Number of registered CMSMEs across the country, regardless of business size.



Red tape and tax concerns discourage small businesses from registering. A long-term strategy with **transparent and reliable compliance procedures** is crucial to incentivize formalization.

Entrepreneurship Skills by 2041

Skills development services are **inadequate** for **C and M enterprises** and are geographically concentrated.



Projected Number of CMSMEs covered with various entrepreneurship programs by 2041



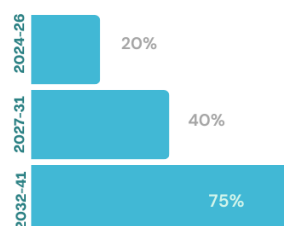
Action Plans

Synchronization of government-led initiatives with merger and revamping the curriculum and services delivery system focusing on entrepreneurship skills development.

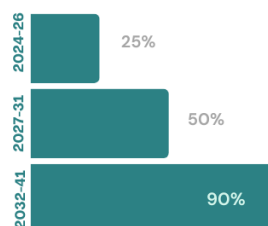
Creating PPP based private sector (including NGOs) led entrepreneurship skills development initiatives for all segments of the entrepreneurship classes.

Projected Innovative Financing Mechanisms by 2041

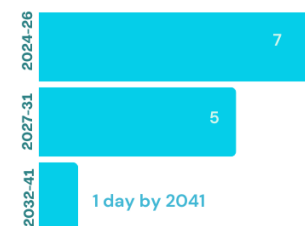
Revamping (not simplification) of lending to CMSMEs in partnership with DFS and fintech companies



Share of C and M categories received loan



Share of S and M categories received loan



Days of loan processing

Smart Bangladesh Situation Analysis: Entrepreneurship
Source of Data: BBS, IMF, BASIS, EDGE and Estimations derived from Dr. Ananya Raihan's analysis

Figure 0.6 Priorities for Achieving Key Indicators by 2041: Entrepreneurship (CMSMEs)

Background

1.4.4 Key Indicators to Achieve in Startup [in Infographics]

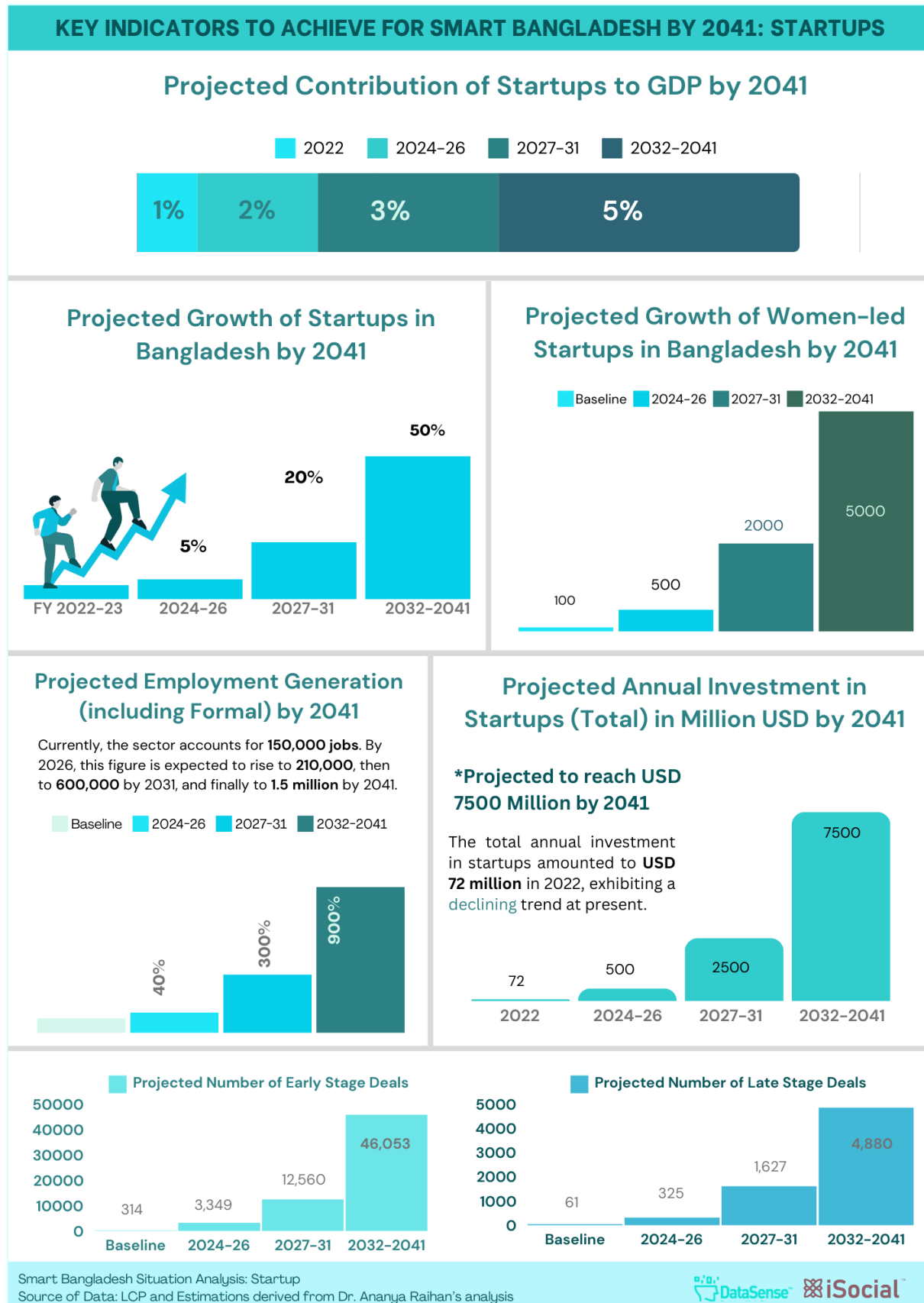
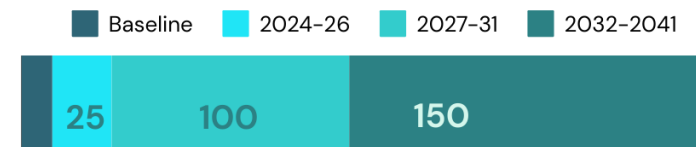


Figure 0.7 Key Indicators to Achieve for Smart Bangladesh by 2041: Startup

Background

PRIORITIES FOR ACHIEVING KEY INDICATORS BY 2041: STARTUPS

Number of Universities having Entrepreneurship education and Incubation program by 2041

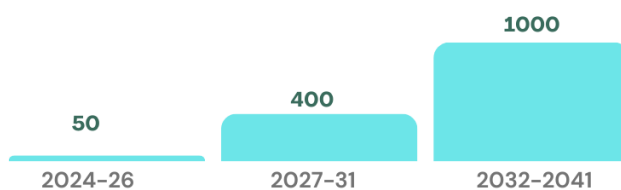


*It is currently 13.

Co-investment with universities for mainstreaming entrepreneurship education and startup incubation program

Investment in R&D by 2041

Amount of investment raised for co-investment program (in millions) to support R&D in startups and tertiary educational institutions.



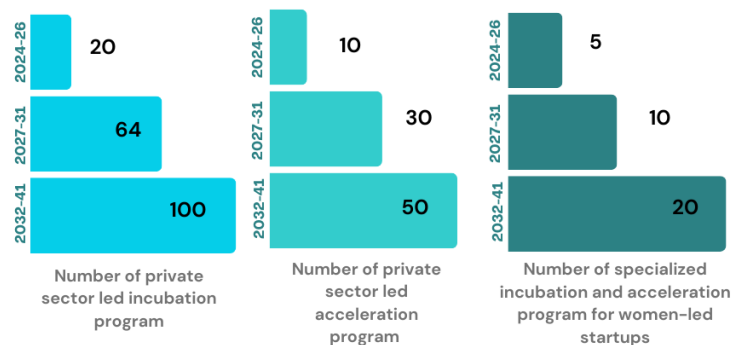
Target Launch Year for Single Incorporation and Business ID

2027

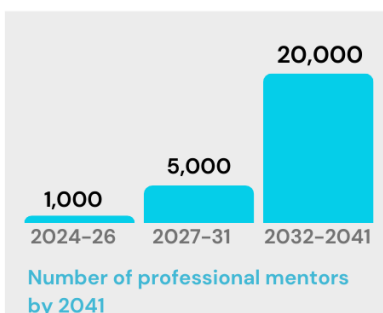
For the ease of doing business in ICT Industry.

Projected Investment in Acceleration Programs by 2041

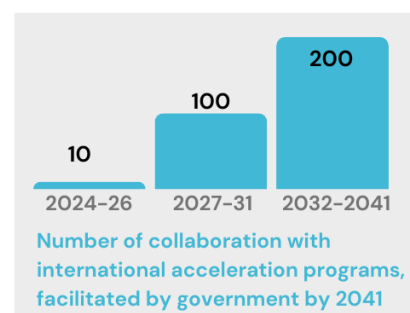
Synchronize incubation programs in tertiary institutions with **private sector-led acceleration initiatives** to support self-motivated startup founders.



Projected Growth of Mentorship Capacity by 2041



Investment in mentorship development programs led by the private sector, collaborating with **international acceleration programs** for comprehensive support.



Smart Bangladesh Situation Analysis: Startup
Source of Data: LCP and Estimations derived from Dr. Ananya Raihan's analysis

DataSense iSocial

Figure 0.8 Priorities for Achieving Key Indicators by 2041: Startup

Section 2

Methodology

2. Methodology

This report attempts to depict the current state of Smart Bangladesh initiatives for the sectors: ICT Industry, Digital Commerce, Entrepreneurship (CMSMEs) and Startup. The methodology deployed a multifaceted approach to gather comprehensive data, encompassing limited primary research (due to limitation of time and budget), secondary research, stakeholder meetings and key informant interviews (KIIs).

2.1 Data Collection

2.1.1 Primary Research

A) Key Informant Interviews (KIIs)

The purpose of conducting KIIs has been to gain a macro perspective of the ICT industry, startups, digital commerce, and entrepreneurship (CMSME) sectors, analyze the current state of and potential systemic impact on these sectors, and policy and programmatic expectations of the private sector actors related to awareness of Smart Bangladesh 2041's targets. The KIIs assessed sector-specific challenges, policy effectiveness, skill gaps, and awareness of Smart Bangladesh initiatives, ultimately informing policy adjustments, identifying skill development needs, and promoting preparedness within these sectors for future socio-economic growth of the country.

To gain insights into Smart Bangladesh 2041's targets and their impact on key sectors, interviews were conducted with subject matter experts in ICT, startups, digital commerce, and entrepreneurship, alongside key stakeholders such as leaders of industry associations, tech companies, investors, academics, and government officials. These interviews focused on understanding awareness of Smart Bangladesh 2041's pillars and goals, their influence on these sectors, and existing challenges, opportunities and recommendations for accelerating progress towards a more digitally advanced Bangladesh. Interviews were conducted with government officials from relevant ministries and discussions and meetings were held with representatives from key industry associations. Table 2.1 below lists the KII meetings that took place.

Governmental Entities	Private Sector Stakeholders
Economic Relations Division	BASIS (Bangladesh Association of Software and Information Services)
Central Digital Commerce Cell, Ministry of Commerce	BACCO (Bangladesh Association of Call Center and Outsourcing)
Ministry of Information and Communication Technology (ICT)	e-Cab (e-Commerce Association of Bangladesh)
Ministry of Industries	NSU Startup Next
a2i (Aspire to Innovate), ICT Division	

Table 2.1 Key Informant Interviews Conducted

2.1.2 Secondary Research

To gain a thorough understanding of the current state of Smart Bangladesh initiatives, a comprehensive desk research and literature review were conducted. These involved delving into a diverse range of resources described in the table below:

Government Documents and Policies	Reports and Publications	Academic Journals and Research Papers
Official policy documents outlining the vision, goals, and strategies of Smart Bangladesh initiatives.	Research reports by national and international organizations (e.g., Bangladesh Bank, Bangladesh Bureau of Statistics, etc.) analyzing the potential and progress of the key indicators.	Articles on specific aspects of Smart Bangladesh, such as e-governance, digital infrastructure development, or the impact on specific sectors like agriculture or healthcare.
Reports on progress made, challenges encountered, and future plans and policies from relevant ministries and government organization (e.g., a2i, The Ministry of Posts, Telecommunications and Information Technology)	Industry reports and white papers of the relevant sectors (e.g., UNESCAP, LightCastle Partners) providing insights into specific applications and challenges.	Studies analyzing the social, economic, and environmental implications of Smart Bangladesh initiatives.
National development plans and strategies, that integrate Smart Bangladesh 2041 goals, and knowledge outputs (reports, blogs, videos) developed to discuss the strategies.	Case studies of successful Smart City initiatives in other countries offering valuable lessons for Bangladesh.	Scholarly articles on the relevant sectors (ICT, Digital Commerce, Entrepreneurship and Startup).

Table 2.2 Secondary Research Conducted

The collected data from all sources was systematically analyzed to identify key themes, trends, and challenges related to achieving Smart Bangladesh goals. This report presents the baseline of the key indicators available from various official sources to provide an overview of the ICT industry, Digital Commerce, Entrepreneurship (CMSMEs) and Startups. For the projections of the key indicators, we have taken the baseline and estimated the forecasts for the short-, mid-term, and long-term period. The projections are made based on the following determinants.

- Intent expressed by leaders in the government and private sector.

- b. Necessity expressed for structural shift of the economy into a knowledge-based economy.
- c. Intent to enhance the capacity and market share of domestic actors of the economy.
- d. Application of CAGR and add multiplier based on best estimate on potential of change by actors of specific sector.
- e. Consideration of inertia and structural constraints in different segments of economy, which may induce slow change in the initial period.

See Annexure for the baseline data for every key indicator and the forecasts for the mentioned periods.

2.2 Data Quality and Assurance

Establishing a strong foundation for analyzing the current state of ICT, digital commerce, entrepreneurship (CMSMEs), and startups in Bangladesh necessitated the acquisition of reliable baseline data for key indicators. This data was meticulously collected from official boards and agencies within Bangladesh responsible for publishing centralized statistics on demographics, economic trends, and other relevant information. Specifically, we utilized data from credible sources such as Bangladesh Bank, BBS (Bangladesh Bureau of Statistics), EDGE (Enhancing Digital Government and Economy), IMF (International Monetary Fund), BASIS (Bangladesh Association of Software and Information Services and Bangladesh Bank. The report published by various consulting agencies has also been considered.

To ensure data accuracy and comprehensiveness, we further engaged in stakeholder meetings with key industry associations like BASIS (Bangladesh Association of Software and Information Services), BACCO (Bangladesh Association of Contact Center and Outsourcing), and e-Cab (e-Commerce Association of Bangladesh) officials. These discussions provided valuable key insights into the sectors and allowed for cross-checking the collected data against the perspectives of these crucial stakeholders. This cross-verification process enhanced data assurance and ensured that the final analysis was based on the most accurate and representative information available for each key indicator within the chosen sectors.

Limitations

The projections require construction of econometric model with data which allows projections with acceptable degree of statistical significance. However, that scope was limited due to lack of available data in most instances, time and budget. The estimates presented here will require substantiation for further analysis in future.

Section 3

Key Indicators for ICT Industry

3. Key Indicators of ICT Industry for Smart Bangladesh 2041

3.1 Contribution of ICT Industry to GDP

The share of value generated by the ICT industry of Bangladesh in the GDP of the country is one of the key indicators to track and monitor the situation and progress of the sector. As of FY 2022-2023, this contribution stands at BDT 473 billion³³, equivalent to USD 3.94 Billion (1% of total GDP) [Figure 3.1]. While this marks a notable increase from the previous figure of BDT 351,075 million, the sector faces various bottlenecks and challenges that may slow down its growth in the short term until 2026. Structural adjustments will be necessary to overcome these challenges. Considering such short-term barriers and assuming the implementation of necessary measures and mechanisms in the long term, Bangladesh is in the trajectory to achieve targets of USD 5 billion by 2026, USD20 billion by 2031, and USD 51 billion by 2041. While the target of BDT 20 billion by 2031 may seem modest, achieving it would be a significant milestone.

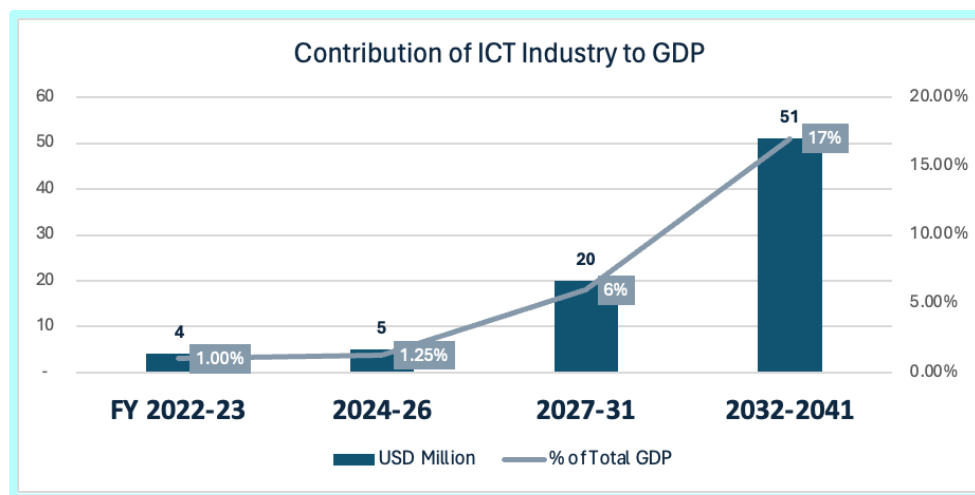


Figure 3.1. Projected Contribution of ICT Industry to GDP

Examining the percentage of the contribution of ICT Industry to GDP, a slight decline from 1.15% in FY 2019-2020 to 1% in FY 2022-23 has been observed³⁴. This decline can be attributed to larger contributions from other sectors to the overall GDP. However, with the growing demand from and investments in the sector, a rise in the percentage share of GDP can be anticipated, reaching 1.25% by FY 2024-25, assuming a conservative growth. In these coming years, focus can be placed on implementing crucial structural changes, to achieve rapid growth in the longer run: 1.25% by 2026, 6% by 2031, and 17% by 2041. This growth trajectory is essential for transitioning Bangladesh's economy from a price-advantage model to an innovation-driven economy, with the ICT sector playing a pivotal role in offering products and services to both domestic and foreign markets.

³³ Bangladesh Bureau of Statistics (BBS) FY 2022-2023, Table 1. Retrieved from https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/057b0f3b_a9e8_4fde_b3a6_6daec3853586/GDP_2022-23_Final.pdf

³⁴ Bangladesh Bureau of Statistics (BBS) FY 2022-2023, Table 2. Retrieved from https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/057b0f3b_a9e8_4fde_b3a6_6daec3853586/GDP_2022-23_Final.pdf

3.2 Size of Domestic ICT Market

Currently, the size of domestic ICT market is BDT 245 billion which is USD 2.04 Billion³⁵ [Figure 3.2]. In the case of the domestic ICT market, it is rising as the market is slowly getting bigger. According to projections, in FY 2024-26 the market is expected to remain at USD 2 Billion, which is nearly the same as of now. The short-term period had a modest and smaller projected market size due to the short-term challenges faced by the sector. By 2031, we expect to see it at USD 10 Billion and by 2041, it is projected to reach USD 26 Billion.

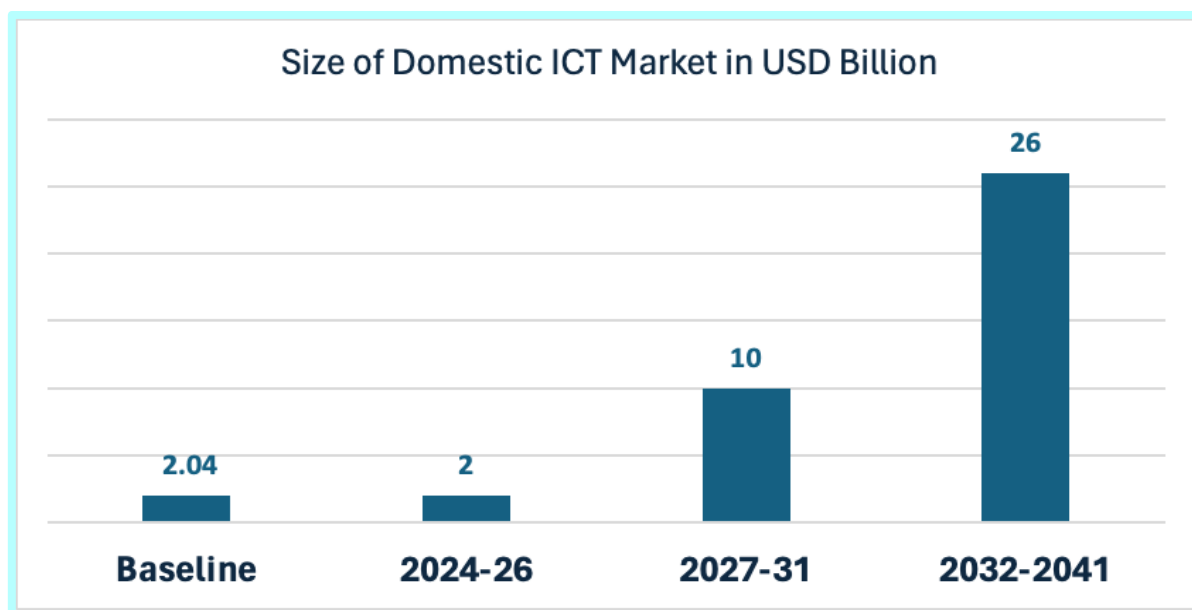


Figure 3.2. Projected Size of Domestic ICT Market

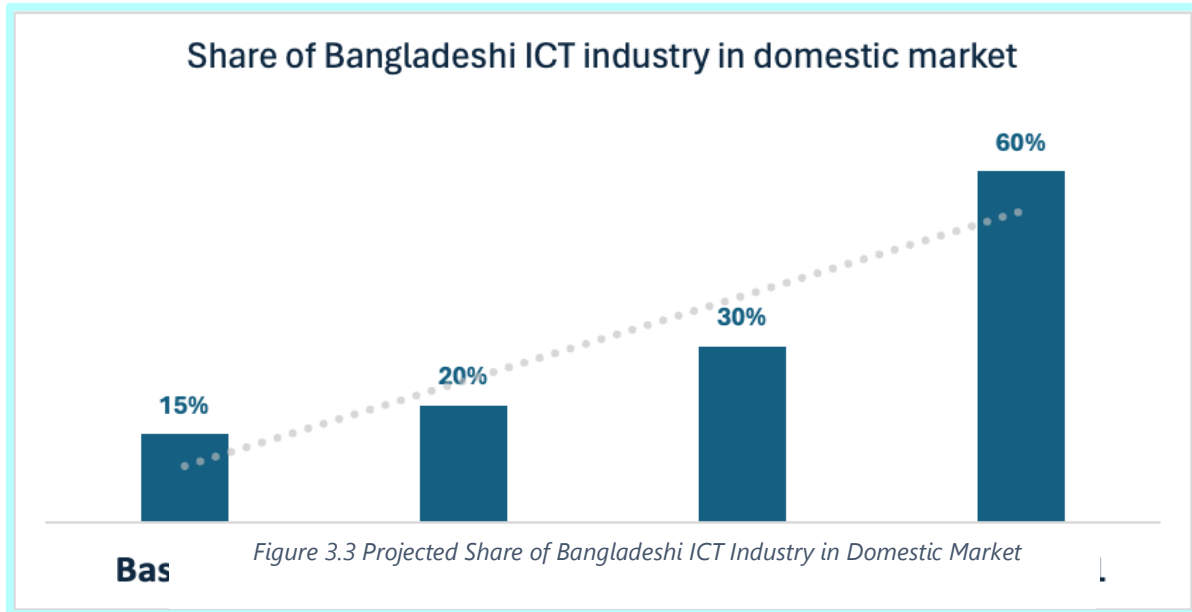
3.3 Share of Bangladeshi ICT Industry in Domestic Market

As of FY 2022-2023, the Bangladeshi ICT industry commands a 15% share of the total ICT market³⁶ [Figure 3.3]. However, challenges persist within the domestic market, attributed to current government policies, limited growth, and a noticeable gap in skilled human resources. Moreover, inconsistencies in tax-related policies further exacerbate the situation. Despite these obstacles, the share of Bangladesh's IT companies has shown a consistent upward trend, particularly in the last two years. Projections indicate a promising trajectory, with expectations of the ICT industry's share rising to 20% by 2026, 30% by 2031, and an ambitious 60% by 2041. By 2041, the total ICT market is forecasted to achieve a valuation of USD 50 billion, with the domestic segment accounting for USD 26 billion. Consequently, long-term forecasts suggest that Bangladeshi IT companies are speculated to dominate the market, potentially becoming major clients of the government. An intriguing observation is the absence of domestic companies within the current top ten IT companies in Bangladesh. Notably, the list predominantly comprises American and European entities, apart from BJIT (Bangladesh Japan IT), a notable joint venture. Similarly, the top 20 companies also lack representation from Bangladeshi firms.

³⁵ Calculate by subtracting the ICT Export (Total) (USD 1.9 Billion) from the Contribution of ICT Industry to GDP (USD 3.94 Billion).

³⁶ Retrieved from <https://www.dhakatribune.com/bangladesh/308608/bangladesh-becoming-it-hub-of-south-asia>

Priorities to Achieve Key Indicators: ICT



3.4 ICT Export

As of FY 2022-2023, the ICT export of Bangladesh stands at USD 1.9 billion³⁷, falling short of the targeted USD 5 billion due to various constraints previously mentioned [Figure 3.]. Despite these challenges, the exports continue to exhibit an upward trend. In the short term, our targets are modest, set at USD 2 billion, reflecting marginal growth from our current export figures. However, by 2031, we anticipate significant growth, with exports expected to reach USD 10 billion following the implementation of strategic policies, major shifts in investments, and focused efforts on addressing priority areas. Looking further ahead to 2041, our target for ICT exports stands at USD 24 billion. The projections are suggested by industry experts from key associations of the country's ICT industry³⁸.

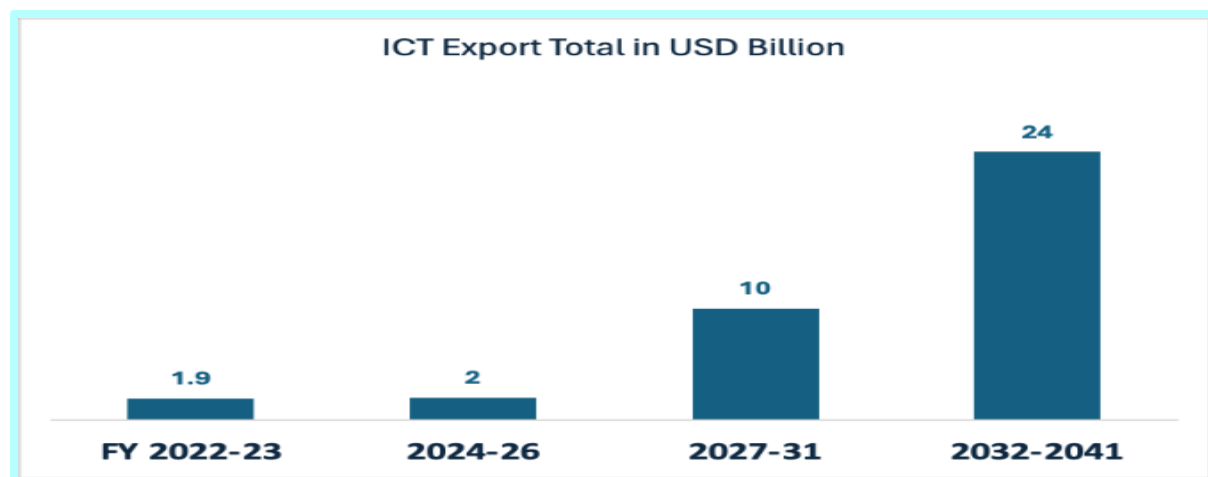


Figure 3.4 Projected Export Volume of ICT Industry by 2041

³⁷ Bangladesh's digital services export outpacing merchandise trade growth. Retrieved from <https://today.thefinancialexpress.com.bd/first-page/bangladeshs-digital-services-export-outpacing-merchandise-trade-growth-1694628420>

³⁸ ICT Export revenue US\$ 20 billion possible by 2031 through 3/3 formula of BASIS President. Retrieved from <https://softexpo.com.bd/news/details/85/ICT-Export-revenue-US-20-billion-possible-by-2031-through-33-formula-of-BASIS-President>

Priorities to Achieve Key Indicators: ICT

The total ICT export encompasses other sub-sectors such as hardware, software, ICT services including freelancing, and telecommunication services.

3.4.1 ICT Export: Hardware

Bangladesh's ICT sector, including hardware exports, is experiencing significant growth and holds considerable potential for further expansion. This positive trend is driven by the government's supportive policies and the increasing global demand for IT services.

Specifically, the Export Policy 2021-2024 offers a 10% cash incentive for exporting hardware, software, and IT-enabled services (ITES)³⁹. This existing policy support is expected to lead to modest growth in the short term, with hardware exports increasing from \$0.1 billion to \$0.2 billion. By 2026, the mid-term projection estimates a rise to \$1 billion, and by 2041, hardware exports are expected to surge to \$5 billion. However, it's important to note that the growth of hardware exports is currently lower compared to software and IT-enabled services within the overall ICT export landscape. The projected growth of the Hardware sector of ICT Exports is shown in Figure 3.4.1.

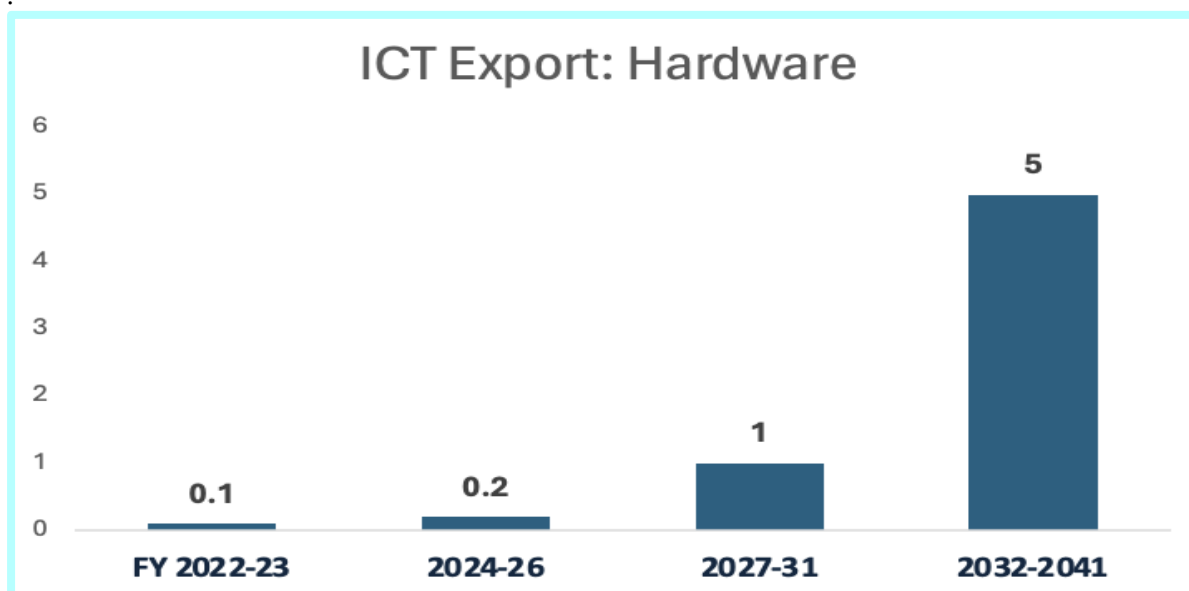


Figure 3.4.1 Projected Export Volume of ICT (Hardware) in USD Billion

3.4.2 ICT Export: Software

The Export Policy 2021-2024 also prioritizes the software industry by offering a 4% export subsidy for individual freelancers who export software and ITES services earned through recognized online marketplaces approved by the ICT division⁴⁰. This existing policy support and 8th Five Year Plan (2020-2025), which encourages for 'Branding Bangladesh as an ICT Destination' for hardware, software, and outsourcing of business processes, including growth in ICT Sector, is expected to lead to no growth in the short term, with software exports staying the same at \$0.8 billion till 2026. This is due the existing skill gaps that need to be mitigated. The mid-term projection estimates a rise to \$4 billion after following implementing various

³⁹ Bangladesh Bank FE Circular No. 29 (2022)

⁴⁰ Ministry of Commerce, ICT Export Sector (2022)

[https://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/page/ea46a636_8607_44a7_b4bc_e1e336c8a663/03-01-2022%20\(31\)%20New.pdf](https://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/page/ea46a636_8607_44a7_b4bc_e1e336c8a663/03-01-2022%20(31)%20New.pdf)

Priorities to Achieve Key Indicators: ICT

strategies by the Government of Bangladesh, and by 2041, software exports are expected to surge to \$5 billion [Figure 3.4.2].

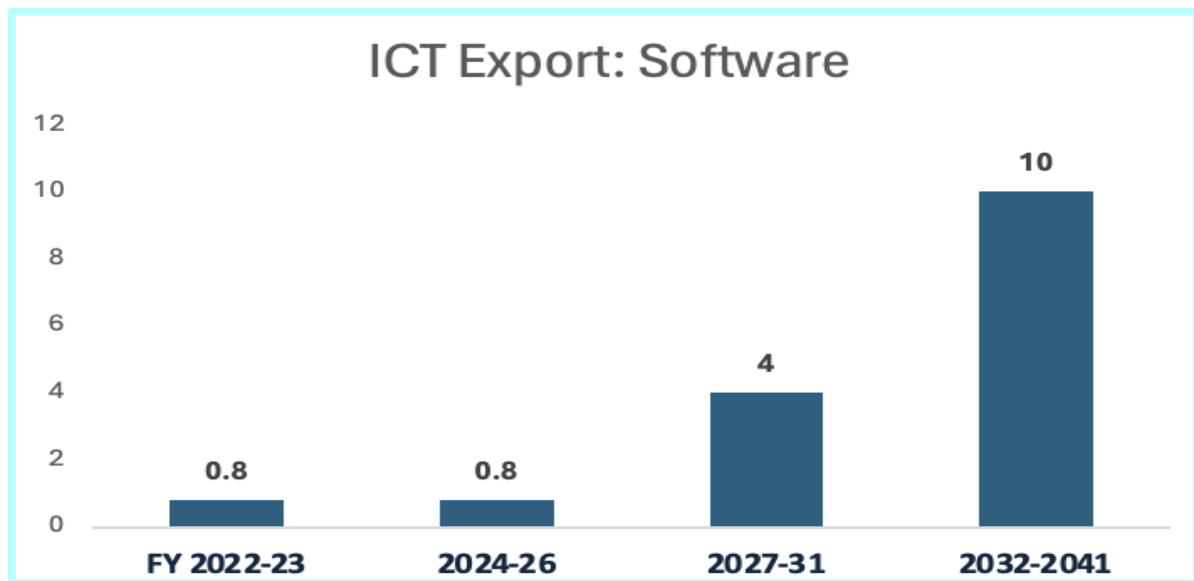


Figure 3.4.2 Projected Export Volume of ICT (Software) in USD Billion

3.4.3 ICT Export: ICT Services including Freelancing

The government's initiative for Digital Bangladesh and the significant development of ICT infrastructure as well as easier access to internet in both rural and urban areas along with several public and private initiatives to promote freelancing have rapidly facilitated the growth of freelancers in the country⁴¹. Bangladesh also offers a thriving community of freelancers primarily supporting U.S. and UK clients. The Oxford Internet Institute ranks Bangladesh as the world's second largest supplier of online freelancer talent. Existing companies leverage this experienced pool for sourcing talent, as well as meeting seasonal demand for requirements such as software development and testing, web development, document editing, and creative and multimedia support⁴². On the U.S.-based freelancing platform Upwork for instance, freelancers from Bangladesh constitute the third largest user segment (i.e. 16.8 per cent of global market share in outsourcing) with more than 650,000 registered individuals according to the Dhaka Tribune⁴³. Freelancers are currently exporting \$0.5 Billion worth of ICT exports which will remain the same in 2026. By 2031, it will reach \$2.5 Billion after implementation of further policies to support the growth of freelancers. It is projected to increase up to \$6 Billion by 2041 [Figure 3.4.3].

⁴¹ <https://www.rapidbd.org/wp-content/uploads/2022/07/Impact-of-Cross-Border-Data-Flow-Restrictions-on-Bangladesh-Economy-Report-Two.pdf>

⁴² Everest Group Research (2017) The Bangladesh IT-ITes Industry is Poised for Growth. Retrieved from <https://itconnect.gov.bd/VirtualHelpDeskAdmin/ItConnect/Publication/Everest%20group%20research.pdf>

⁴³ UNCTAD (2019) https://unctad.org/system/files/official-document/dtlstict2019d6_en.pdf

Priorities to Achieve Key Indicators: ICT

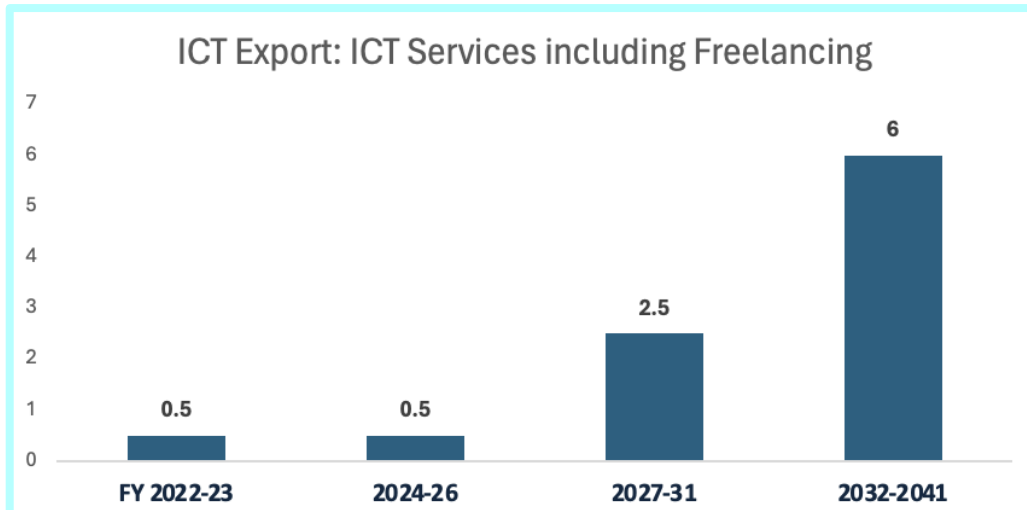


Figure 3.4.3 Projected Export Volume of ICT (ICT Services Including Freelancing) in USD Billion

3.4.4 ICT Export: Telecommunication Services

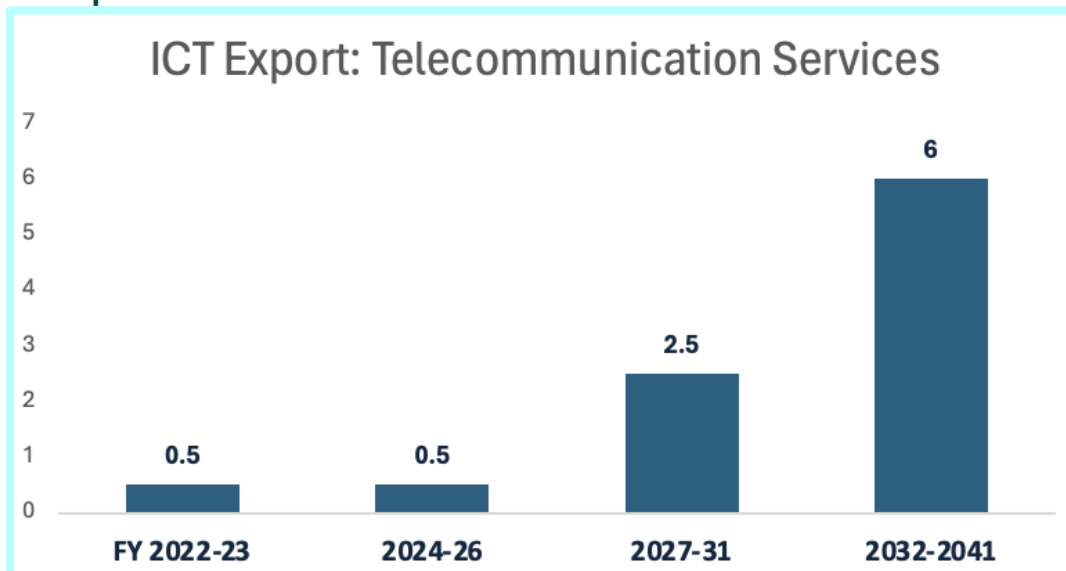


Figure 3.4.4 Projected Export Volume of ICT (Telecommunication Services) in USD Billion

3.5 Job Creation

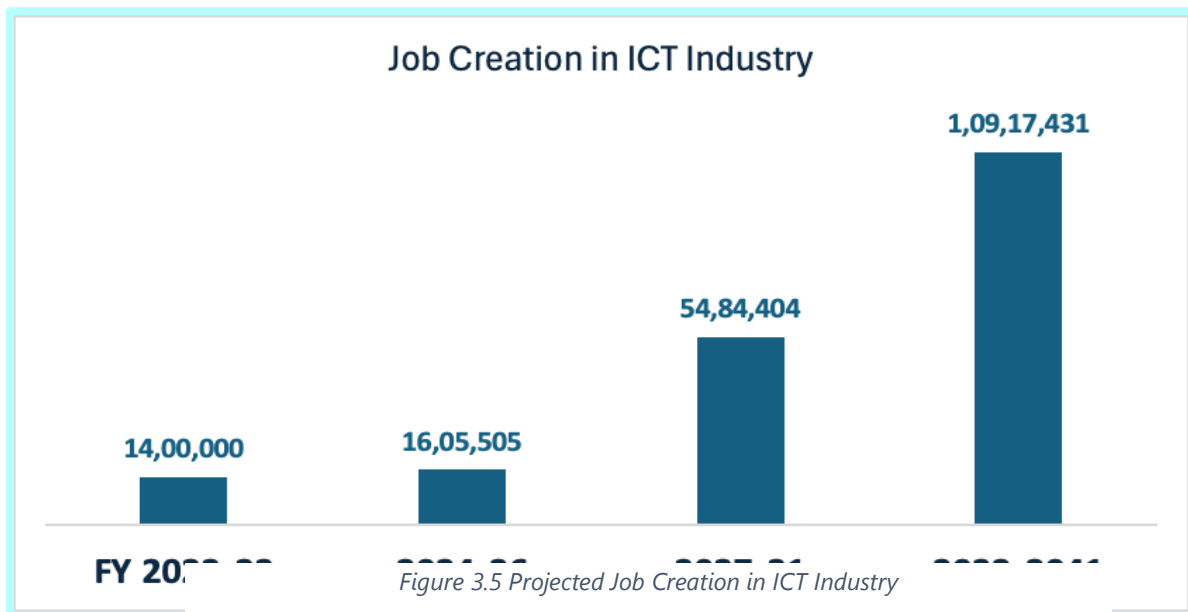
The ICT industry in Bangladesh holds significant potential for job creation compared to other sectors, primarily due to its relatively low cost per job creation. While ample opportunities exist within the sector, challenges persist, particularly concerning the alignment of entry-level jobs with the existing skills and education framework. As of FY 2022-23, the ICT industry has contributed to the creation of 1.4 million jobs⁴⁴ [Figure 3.]. We anticipate a marginal increase to 1.6 million jobs by 2026, contingent upon the implementation of conducive policies and investment. Looking ahead, we project a substantial rise to 5.48 million jobs by 2031 and a further increase to 10.9 million by 2041. So, we estimate that the ICT sector will facilitate the creation of approximately 1 crore jobs by 2041.

⁴⁴ State Minister for Information and Communication Technology (ICT) Zunaid Ahmed Palak, Retrieved from <https://www.thefinancialexpress.com.bd/economy/bangladesh/bangladesh-to-earn-5b-from-ict-sector-by-2025-palak-hopes-1673450977>

Priorities to Achieve Key Indicators: ICT

Anticipating the transformative potential and potential disruptions of the 4th industrial revolution (4IR), Bangladesh has actively initiated programs to harness its opportunities and mitigate potential threats. These initiatives prioritize both industrial growth and workforce upskilling⁴⁵:

- Sheikh Hasina Institute of Frontier Technology: Scheduled to launch by 2026, this specialized institute will be the first in Bangladesh dedicated to cutting-edge technologies like biotechnology, nanotechnology, neurotechnology, cybersecurity, AI, and IoT.



- Sector-Specific Incentives: The Bangladesh Investment Development Authority has implemented targeted incentives across key growth sectors. These include support measures like duty-free material imports and export subsidies.
- NiSE Platform: Developed by the a2i Program, this online platform facilitates job matching and upskilling by connecting youth, skills training providers, and industry representatives. NiSE is a skilling and job matchmaking platform for the youth and migrant workers.⁴⁶ The envisioned Digital Job Platform will encompass 10 key functionalities. These capabilities will be divided into two categories:
 - Minimum Viable Product (MVP) Features: These are essential functionalities that will be prioritized for the initial launch, including features like smart job matching and an employer review system.
 - Good-to-Have Features: These additional functionalities will be considered for future implementation, such as proficiency-based scoring and integration with skill training programs. This phased approach ensures a solid foundation while allowing for future expansion based on user needs and evolving demands.
- Future Skills Study: This comprehensive analysis identifies jobs at risk due to automation and the new skill sets required for the future workforce. Based on these findings, policy recommendations are being formulated to address the evolving needs.

⁴⁵Smart Bangladesh: ICT MASTER PLAN 2041. Retrieved from <https://file-dhaka.portal.gov.bd/uploads/3cd0d9a5-2bbb-4f5e-9796-6a68880d403d//63f706/211/63f7062119efb056903235.pdf>

⁴⁶ <https://nise.gov.bd>

Section 4

**Priorities and Indicators to Achieve Key
Indicators**

ICT Industry

4. ICT Industry: Priorities and Indicators to Achieve Key Indicators

4.1 Data Generation for Informed Decision Making

The foremost priority of Smart Bangladesh is to promote data-driven decision-making across both governmental and private sectors. The identified action initiative is the annual data collection of ICT Industry for credible data generation on various aspects of the ICT Industry. Thus far, no comprehensive census has been conducted on Bangladesh's ICT industry or any related sectors, resulting in a lack of baseline data and historical trends. To address this gap, we propose a census framework aligned with international standards provided by UNCTAD. This initiative aims to conduct a census of the ICT and allied industries every two to five years, starting in 2025, 2030, and 2035, which would be our indicators.

Given the significance of trade in the ICT industry, upcoming changes such as LDC graduation and the withdrawal of the WTO Moratorium on Digitally Deliverable Services/products necessitate proactive measures. As Bangladesh transitions away from preferential treatment and faces potential tariff barriers in exporting countries, cash incentives may need to be phased out gradually. To navigate these challenges effectively, we advocate for the implementation of annual surveys on the ICT industry in line with UNCTAD's global standards. As the survey needs to be taken every year, 2 surveys will be conducted by 2026, five by 2031, and ten by 2041.

4.2 Domestic Procurement Policy for Preferential Treatment to Bangladeshi Companies

Government is the largest client for ICT Industry. However, the market is dominated by international players. While it is important to attract large international corporates for ensuring private sector efficiency and delivery of large-scale government services, there is a need for balanced approach so that domestic industry can grow faster. Presently, Bangladeshi companies are engaging in proxy participations, primarily due to limitations posed by procurement regulations that prioritize financial criteria and experience, areas in which Bangladesh often faces challenges. To navigate these constraints, consortium participations have emerged as a viable solution, enabling Bangladeshi companies to participate in procurement activities. Moreover, this approach facilitates knowledge and technology transfer, thereby fostering capacity building within the domestic industry.

The action plan proposed in this case is a Balanced Preferential Treatment to Domestic ICT Industry in line with WTO Guideline of Preferential Treatment applicable for Bangladesh after LDC Graduation. The indicator set here is the share of government contract related to Smart Bangladesh Agenda (in terms of value) to Bangladeshi ICT companies.

Priorities to Achieve Key Indicators: ICT

Currently, there is a lack of available data for this share of Bangladeshi ICT companies. However, there is a collective aspiration to witness a positive trend in the share of contract value occupied by Bangladeshi companies. By 2026, our objective is to achieve a 30% share, followed by 50% by 2031, and eventually reaching 70% by 2041 [Figure 4.4.24.2.1]. While some industry leaders

hold conservative views regarding this upward trajectory, others are more ambitious. Therefore, we suggest a balanced approach, ensuring alignment with the goals of key stakeholders, particularly the Ministry of Commerce.

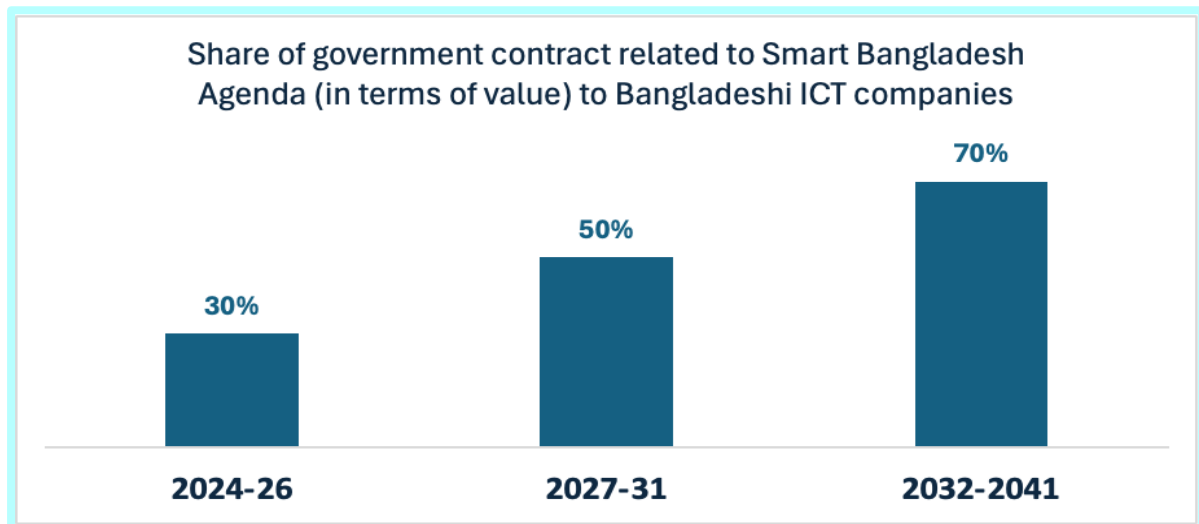


Figure 4.4.24.2.1 Projected Share of Government Contract to Bangladeshi ICT Industry

4.3 Skills Gap Mitigation

Every year, 25,000 Computer Science and Engineering (CSE) graduates enter the job market. However, there is a dearth of quality ICT professionals to meet the growing demands for new skills within the industry. The government is investing in ICT skills development for various segments of the youth population; however, the effectiveness of these initiatives is questionable. Many medium to large-scale companies are addressing this gap by hiring professionals from abroad, while others have launched their own finishing schools to prepare fresh graduates for employment. There is a pressing need for a special support program for the ICT industry, with co-investment aimed at addressing the skills gap. This issue has been raised by every hiring professional in associations we consulted, and we have seen this problem recurring for the last two decades, but we haven't been able to tackle it properly or identify why it is happening. Sporadically, we assume that primary schools' teaching of mathematics and science could be a big factor in why good quality CSE graduates are not emerging, and so only a finishing school certificate cannot be considered an essential remedy.

The action plan that we suggest here is the formation of a National Working Group to develop a strategy for designing an effective solution for skills gap problems, aiming to create ICT professionals for new frontier technology-based industry development. Another suggested

action plan, implemented in other countries such as Vietnam, is long-term collaboration with international institutions (especially universities) to establish new curriculum-based programs, jointly run by foreign faculties with knowledge transfer to local faculties. Such curriculum review and program-based approaches have been undertaken by Japan and China in the past. We need a big-bang approach. The indicators set here are the number of graduates in new frontier technology from the institutions collaborating with international institutions and the number of primary and secondary schools selected for producing graduates with good aptitude in Mathematics, Science, and allied disciplines.

4.4 Investment in R&D in The Whole Value Chain of Industrial Capability

Bangladesh is at 105th position in Global Innovation Index 2023, behind all South Asian countries. Bangladesh's transition from price-advantage-based economy to innovation-based economy would depend on investment in R&D in all sectors, including ICT. Small companies will require support for accessing licensed software for their businesses. The action plan that needs to be prioritised is to incentivize R&D investment by private sector through matching grants and the indicator to measure this would be Matching Allocation in USD for R&D in tertiary educational institutions, currently BDT 185,290 (not matching) million at FY 2022-23, and Matching Allocation in USD for R&D in ICT industry.

IP Protection and IP infringement is going to be a big issue for Bangladesh after LDC graduation. Another action plan would be obtaining national and international patents for Bangladeshi innovation and inventions to shift the economy from price-advantage based to innovation-based. The indicators in this case are Increasing Number of patents related to frontier and ICT in Universities and Increasing Number of patents in frontier and ICT in R&D institutions.

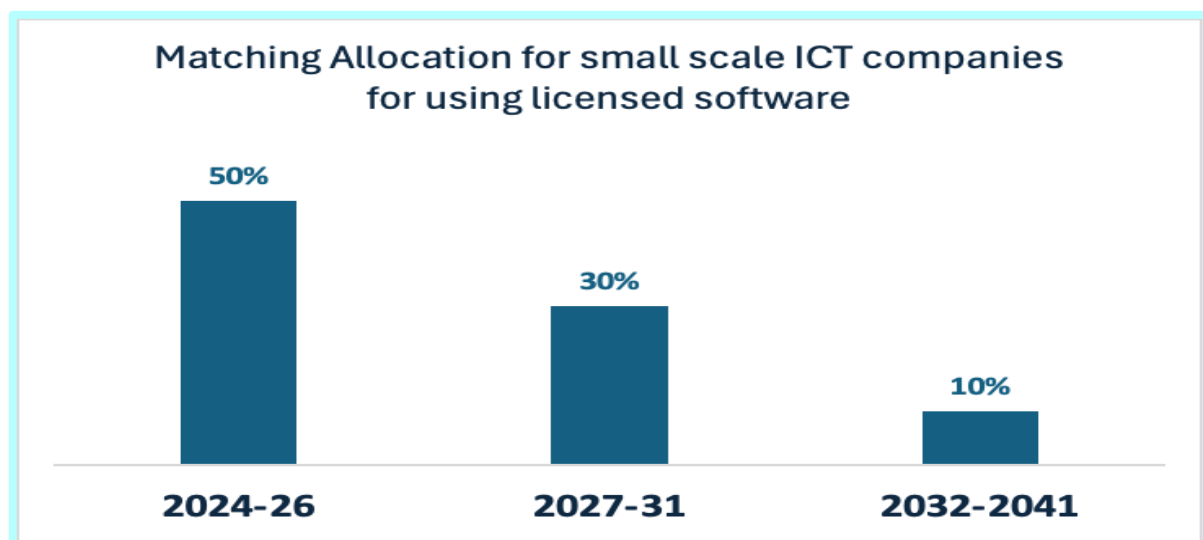


Figure 4.2 Projected Support with Diminishing Matching Allocation for Promoting Small-scale ICT Companies

LDC graduation implies that many small ICT companies will lose their software licenses for operating businesses, necessitating support to access licensed software. Therefore, investment is required. The indicator here is Matching Allocation for small-scale ICT companies to use licensed software, which entails a contribution from both companies and the government, making it not entirely free. It is estimated that the percentage of companies opting for matching allocation for licensed software will be 50% by 2026, 30% by 2031, and is set to decrease to 10% by 2041, as most small-scale ICT businesses are expected to have transitioned by then [Figure 4.].

4.5 Ease of Doing Business for ICT Industry

Businesses are reluctant to incorporate, especially CMSMEs (Cottage, Micro, Small and medium enterprises). The action plan that should be prioritised is for the legislative reform for introduction of single incorporation and business ID for all businesses including ICT industry. One single registration and one single business ID should be there. The indicator set here is year of availability of single incorporation and business ID which we aim to achieve by 2027.

4.6 Taxation

Tax incentive for ICT industry has been diminishing. Tax holidays are going to be expired. Differential tax may be applied for various segments of the industry, size, and gender. The action plan set is for the Continuation of Tax Holiday for all types of ICT companies, with 3 differentiations: frontier technology-based companies, startups, woman led ICT companies.

4.7 Financing

Cash incentives are supposed to be eliminated gradually due to compliance. Innovative financing mechanisms are yet to be available. Review of Cash incentives and development of new incentive schemes for ICT Industry in compliance with WTO rules applicable due to LDC graduation must be prioritised.

4.8 Special Initiatives

The ICT industry did not grow as expected due to sporadic and fragmented policy measures and initiatives. Both in domestic market and international market, we do not have companies like Infosys or TCS. Those Bangladeshi companies have grown, they have a footstep abroad. The action plan set here is to develop a supporting mechanism of creating unicorns in ICT Industry. The indicator set here is the number of unicorns, which are currently at 2 (bKash and Nagad).⁴⁷ [Figure 4.]. In 2026, we anticipate maintaining those two unicorns, with plans to achieve five by 2031 and a target of ten by 2041.

⁴⁷ https://tracxn.com/d/unicorns/unicorns-in-bangladesh/_Gabk9o4-P2xW7AZRrT8haHPSZbacvANS2gUCSiIBXRc

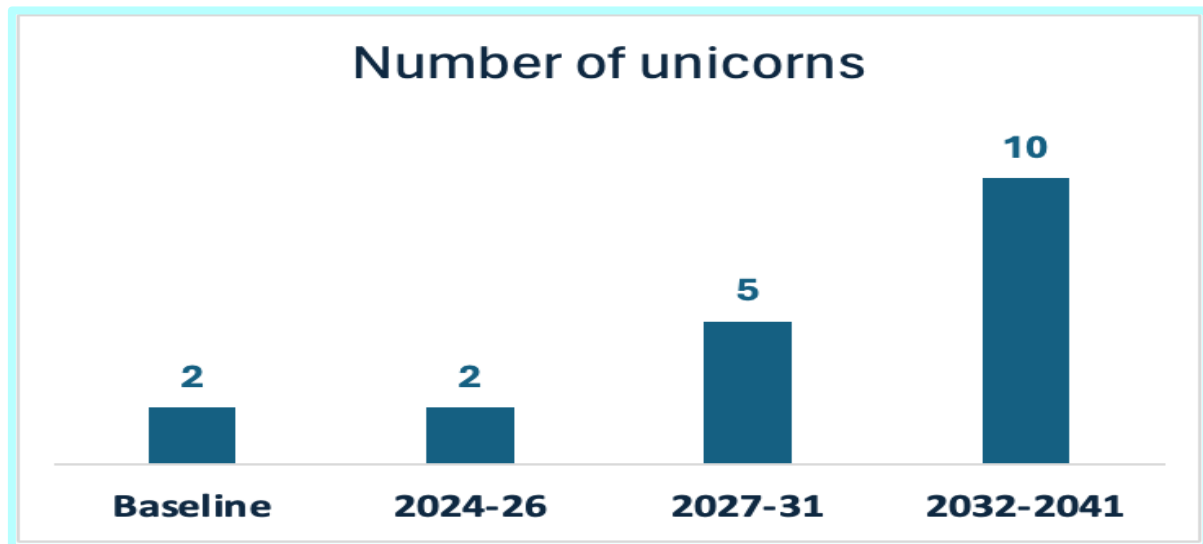


Figure 4.3 Projected Number of Bangladeshi Unicorns in ICT Industry

4.9 Policy Overhauling

The industrial policy and export policy are still manufacturing industry oriented. Without overhauling them with priority to service industry, especially digital products and services, the milestone would not be possible to achieve. Action plan must support overhauling industry policy to foster innovation-based policies. National planning documents has a chapter on ICT as a sector. However, ICT is not mainstreamed in all sectors as it required for Smart Bangladesh Agenda. Action plan must also include supporting the overhauling of export policy. The indicators listed here is Balanced Industrial Policy with appropriate elaboration on ICT Industry available.

Action plan also includes mainstreaming Digital Transformation of all sectors in national planning documents. The indicator to measure this progress area is the 9th Five Year Plan with ICT mainstreamed in all sectors. All these 3 priority areas are aimed to be achieved by 2026.

Section 5

Key Indicators to Achieve for Digital Commerce

5. Key Indicators of Digital Commerce in Bangladesh for Smart Bangladesh 2041

5.1 Contribution of Digital Commerce to GDP

Considering that there is an aspiration of structural change in the composition of economic sectors and focusing on emerging sector, the projections for Digital Commerce indicate a substantial increase in the contribution of the Digital Commerce sector to the GDP, soaring from BDT 1,213 Billion (USD 10.55 Billion)⁴⁸ in FY 2022-23, to an impressive BDT 48.5 Trillion (USD 242.56 Billion) by 2032-2041, showcasing the growing reliance on digital commerce platforms within the economy [Figure 5.1]. The share of contribution is expected to grow from 3% in FY 2023, to 5% by 2026, 7% by 2031 and to 10% by 2041.

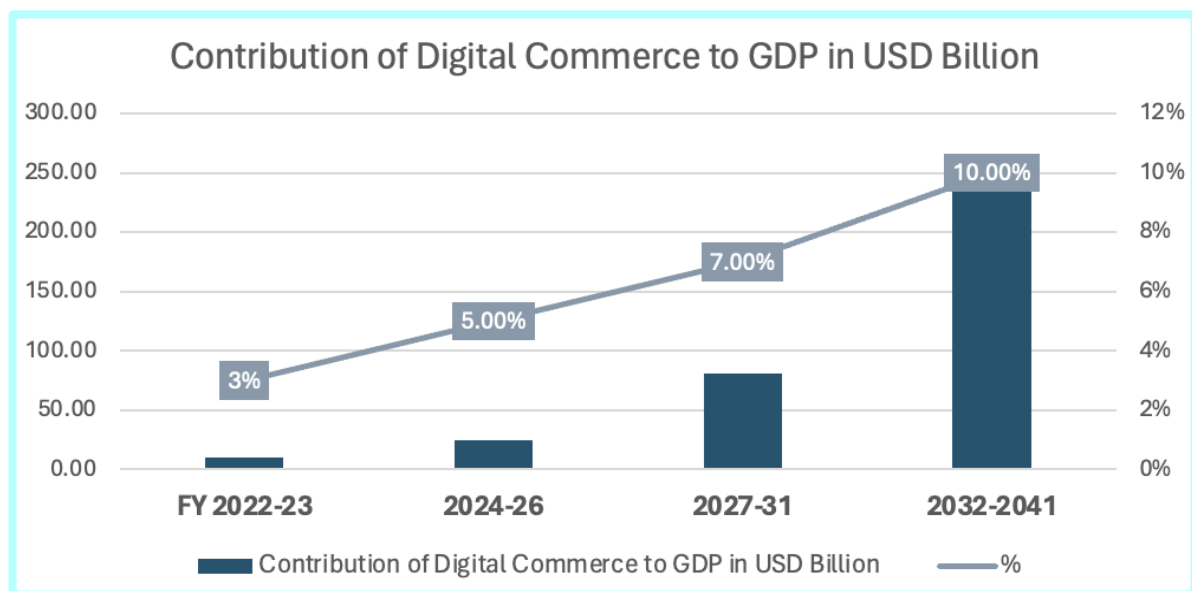


Figure 5.1 Projection of Contribution of Digital Commerce to GDP by 2041

5.2 Share of Domestic Digital Commerce Sales in Total Retail Sales

There is an anticipated rise in the share of domestic digital commerce sales in total retail sales thanks to various initiatives taken by the government fostering private sector to invest more in digital commerce, thus expected to climb to 15% by FY 2041, reflecting changing consumer preferences towards online shopping channels [Figure 5.2.].

⁴⁸ <https://www.statista.com/outlook/dmo/fintech/digital-payments/digital-commerce/bangladesh#transaction-value>

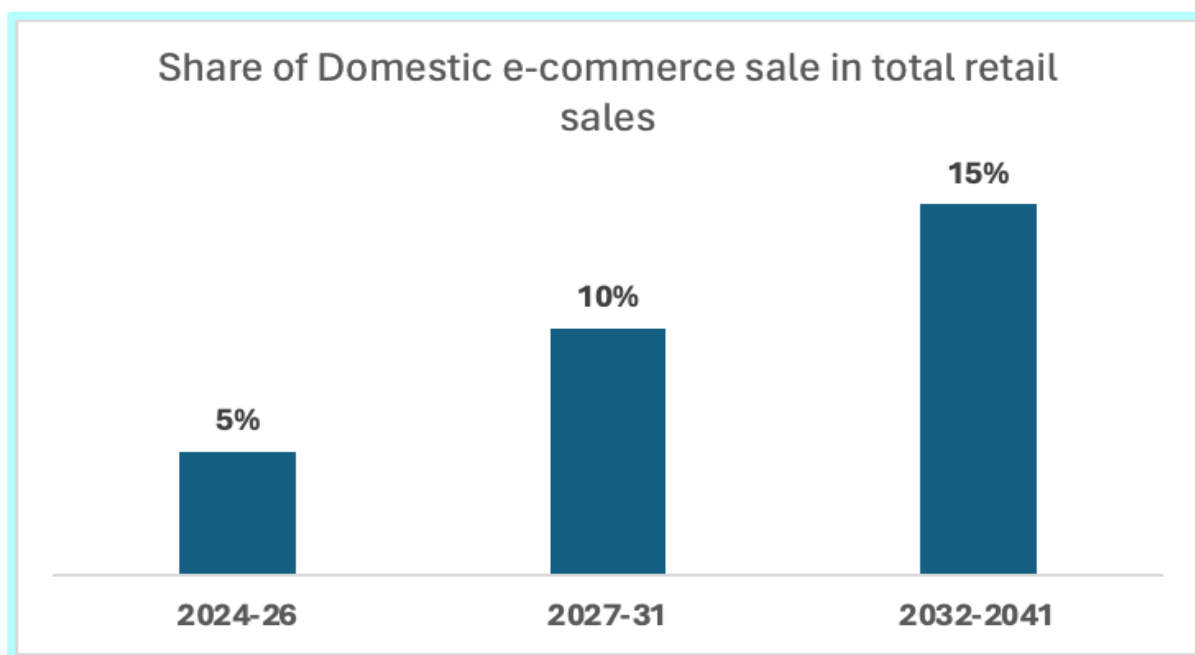


Figure 5.2. Projection for Growth in share of Digital Commerce in Retail Sales

5.3 Share of Domestic Ecommerce Platforms in Total Sales by all Platforms

The current trend that we observe is that the share of this indicator is reducing. The current baseline percentage is unknown. There is a need for establishment of mechanism for generating data on share of turnover of domestic platforms in the total digital commerce turnover, by each type of channels. The initial target is set at 5% by 2026, with ambitious growth thanks of appropriate set of policies and incentives for the economic actors in Digital Commerce sector, 25% by 2031 and 50% by 2041 [Figure 5.3].

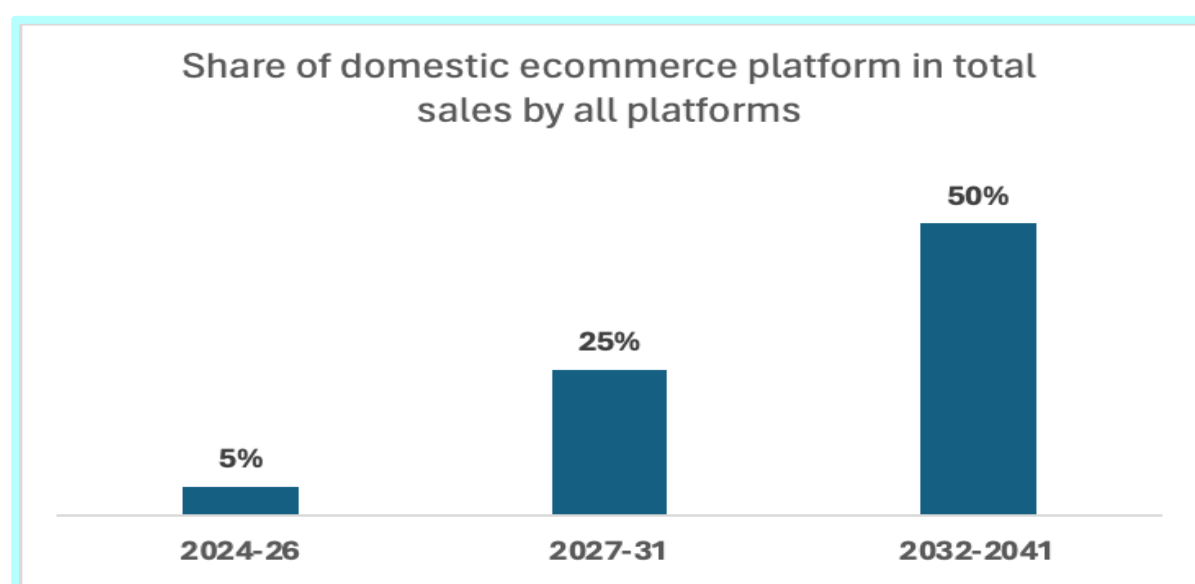


Figure 5.3. Projection on Dominance of Domestic Digital Commerce Platforms Over Global Platforms

5.4 Size of Domestic E-commerce Market

Given the large consumer based in domestic market, it is important that citizens are able to purchase online, thus size of domestic digital commerce market grows. This growth would be more cost-efficient and convenient for consumers. In this context, the size of the domestic Digital Commerce market is poised for robust expansion, with the current baseline annual number of transactions being 48.40 million (FY 2022-23), with an increase to 300 million by 2041, where we project an average year-on-year growth of 41% [Figure 5.4].

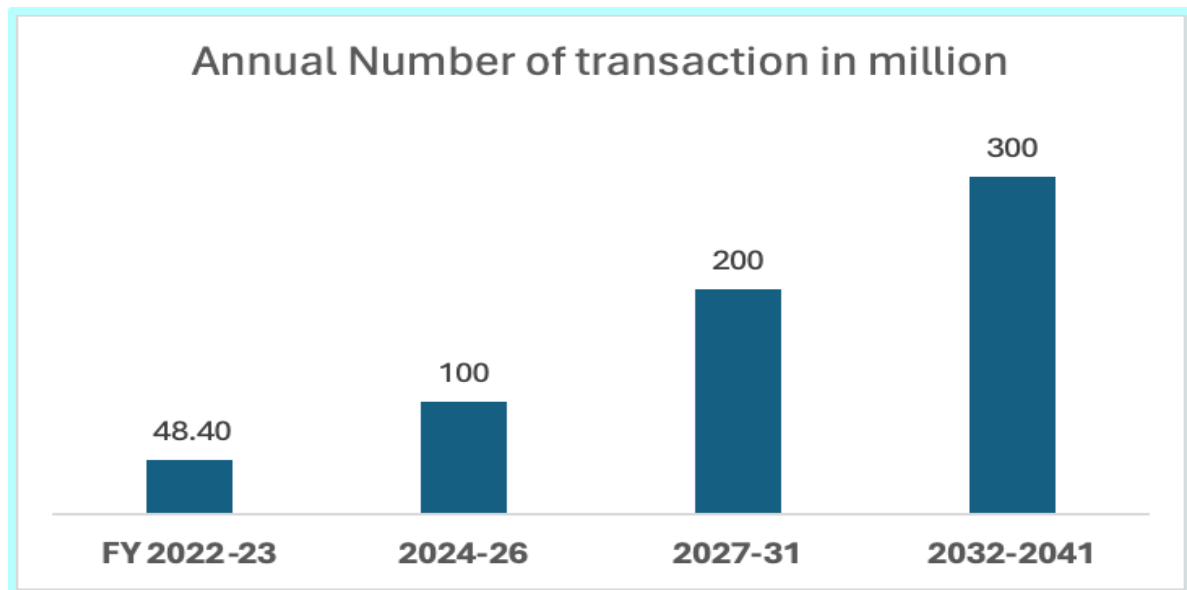


Figure 5.4 Growth Projection of Annual Number of Digital Commerce Transactions

Figure 5.5 shows that in line with the growth of number of digital commerce transaction, the transaction value is expected to surge from BDT 1,213 billion (USD 10.55 Billion) in FY 2022-23 to BDT 48,511 billion (USD 242.56 Billion) by 2041, indicating an average of 67% year-on-year growth with increased market growth and consumer spending habits. Such growth is a function increased average value of single transaction.

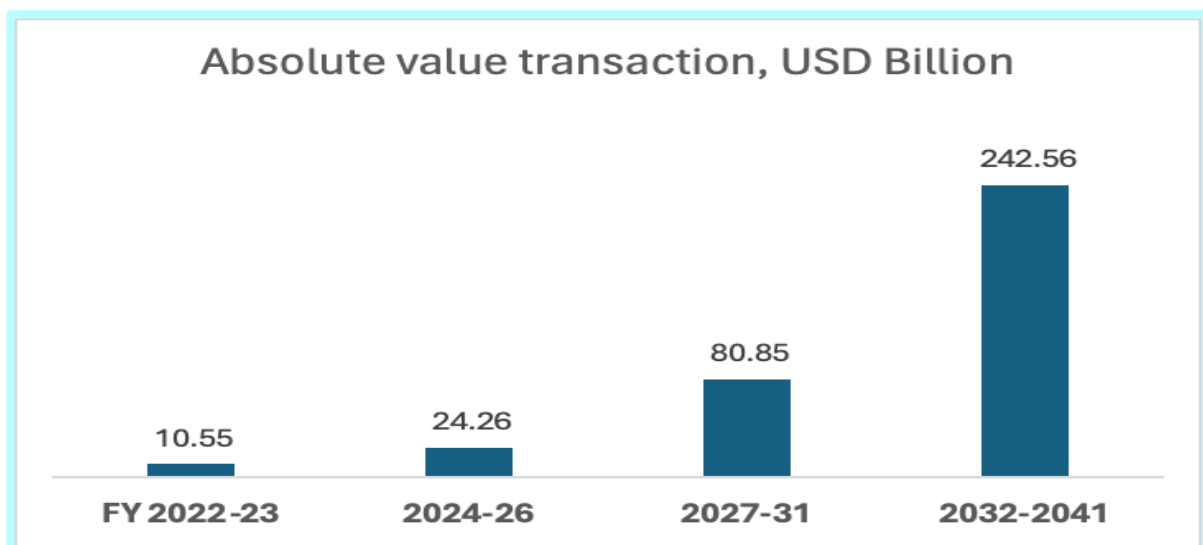


Figure 5.5 Value of Annual Transaction over Digital Commerce Platforms

5.5 Average Monetary Value per Transaction

The average monetary value per transaction is currently BDT 3,039⁴⁹ and is expected to rise to BDT 10,000 per Transaction by 2041, based on trends of purchase of high-value items online [Figure 5.6].

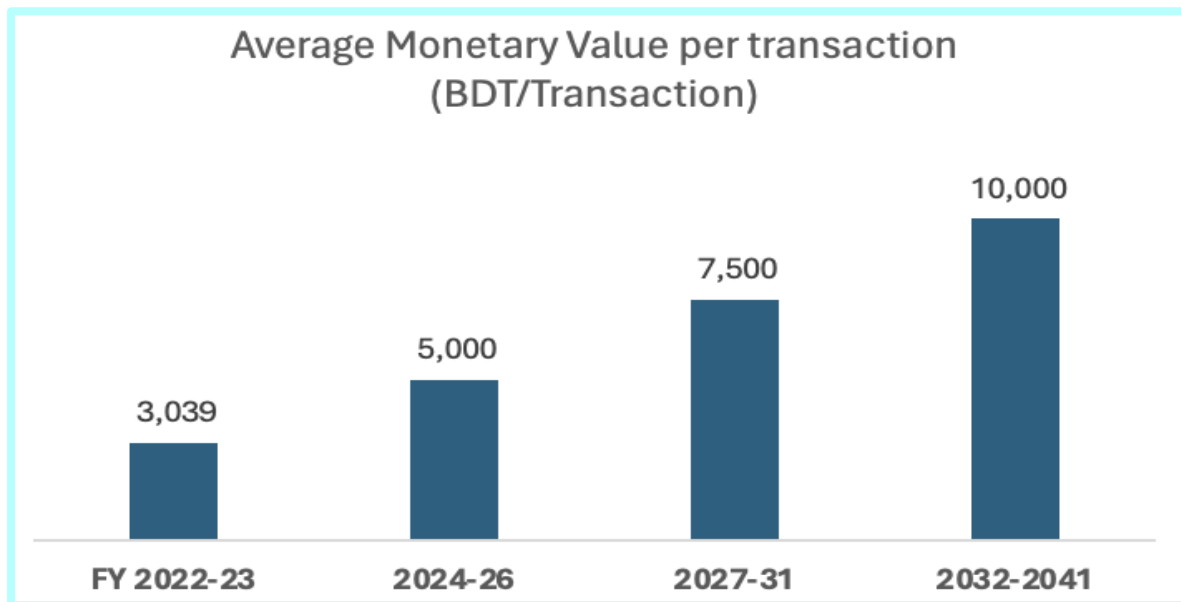


Figure 5.6 Projection of Average Value of transaction for Digital Commerce

5.6 Cross border E-commerce: Export

Cross-border digital commerce, especially export emerged organically by medium scale (e.g., Aarong) and many small scale and F-commerce merchants in last one decade. However, this export market is pretty small and mostly diaspora based. Many priority actions, already on board, taken by multiple agencies, both government and private sector, it is safe to project a relatively robust growth of the export of products and services through digital commerce platforms. Although the baseline data is not available publicly, Bangladesh Bank may publish this data by segregating digital commerce data by place of purchase and payment.

It is intended thanks to policy measures to be taken and improvement in logistics and quality assurance. The cross-border digital commerce export will grow to USD 1 Billion by 2031 and Export values are expected to climb to USD 5 Billion by 2041, highlighting the burgeoning influence of Bangladeshi businesses in the global Digital Commerce landscape. It is to be noted that export of goods and services to be exported through digital platform will largely augment current export portfolio, as largely it will be export generated by CMSMEs, as mentioned in the vision of Smart Economy.

⁴⁹ Source: Bangladesh Bank

Key Indicators: Digital Commerce

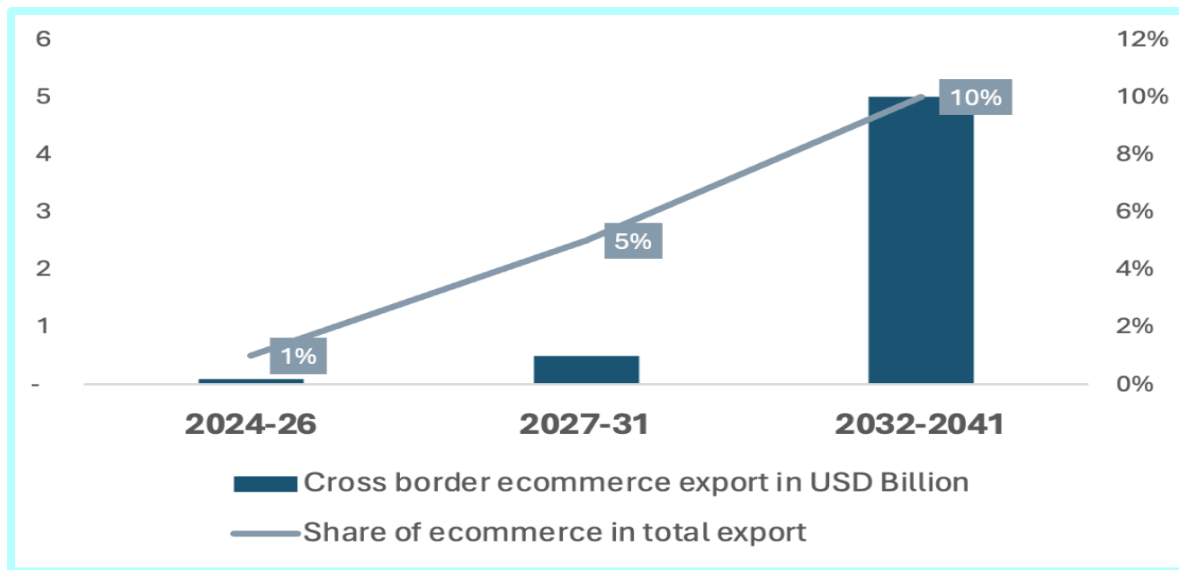


Figure 5.7 Growth Projection of Export through Digital Platform by 2041

Additionally, the share of Digital Commerce in total export is anticipated to grow to 10% by 2032-2041 as shown by Figure 5.7.

5.7 Improving Bangladesh B2C Digital Commerce Index

Currently Bangladesh's position in B2C Digital Commerce index is 103⁵⁰. The industry is aiming to improve their ranking on B2C Digital Commerce index to 50 by 2032-2041, as depicted by Figure 5.8. It has significantly improved since 2020 from being 115th to 103rd.

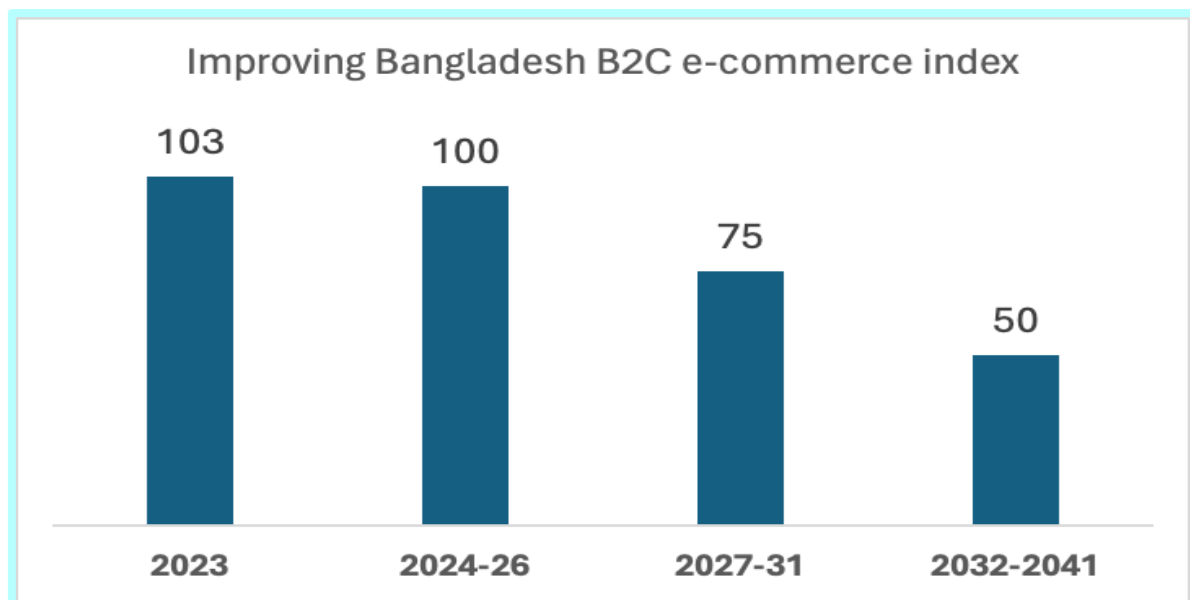


Figure 5.8 Target of Climbing on the B2C Digital Commerce Index

⁵⁰ The UNCTAD B2C E-commerce Index. Retrieved from https://unctad.org/system/files/official-document/tn_unctad_ict4d17_en.pdf

5.8 Job Creation in E-commerce

The job creation in Digital Commerce is one of the major key indicators for Smart Economy, transforming Bangladesh with 'job-based growth', by connecting the power of CMSMEs. There is no baseline data on how many people are engaged in digital commerce, figures like approximately 500,000 available in the media. Based on that figure, the growth target in job creation in Digital Commerce is set. The projection is: 1.25 million jobs by 2026, 2.5 million people by 2031 and 10 million people by 2041 [Figure 5.9].

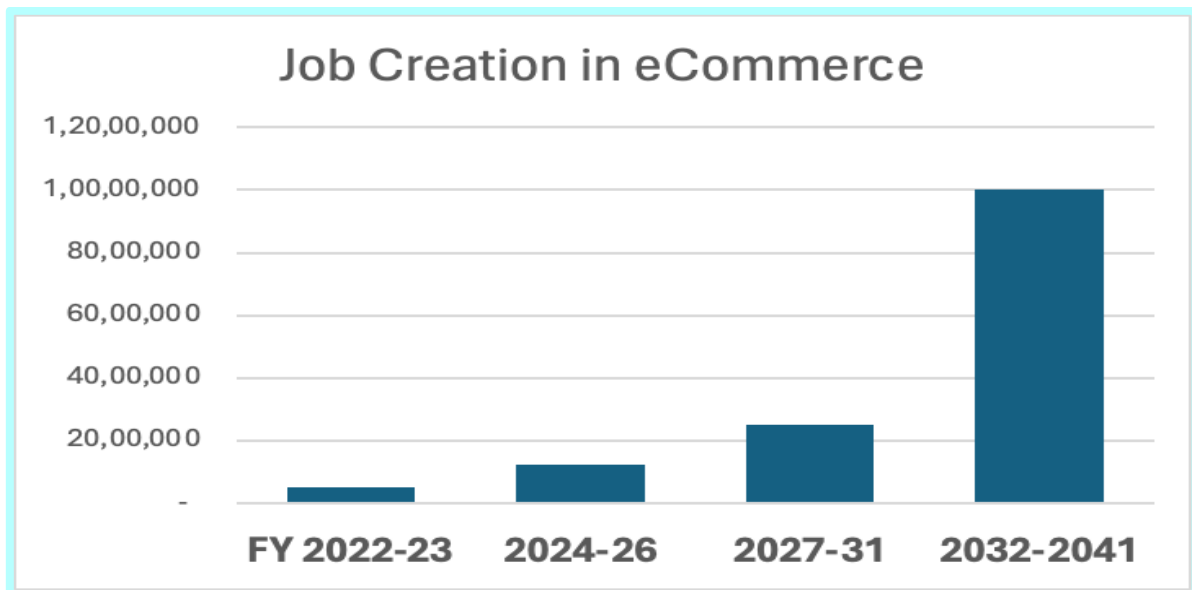


Figure 5.9 Projection of Job Creation in Digital Commerce

Overall, these data-driven insights underscore the promising trajectory of Bangladesh's Digital Commerce landscape, signaling continued growth, innovation, and market expansion in the foreseeable future. However, this is subject to visionary and supportive policy making and building right ecosystem.

Section 6

**Priorities and Indicators to Achieve Key
Indicators**

Digital Commerce

6. Digital Commerce: Priorities and Indicators to Achieve Key Indicators

6.1 Data Generation for Informed Decision Making

For a sector like digital commerce sector, data is a catalyst. Currently, there is a lack of comprehensive data on key aspects such as employment, number of ventures, contribution of Digital Commerce to GDP, export volumes, payments, and market share of domestic Digital Commerce platforms. To address this gap, annual data collection efforts are proposed to establish a solid baseline for analysis. Additionally, initiatives require to generate international trade data with a focus on digitally deliverable services/products and cross-border Digital Commerce transactions, leveraging technical assistance from UNCTAD.

While a comprehensive survey of Digital Commerce has not been previously undertaken, a proposal has been made to conduct a census of the Digital Commerce sector in collaboration with UNCTAD. This census would be repeated on a cyclical basis, potentially every five years. The initial census is envisioned for 2025, followed by iterations in 2030 and 2035, as depicted by Figure 6.1. Additionally, the initiative proposes an Annual Survey on the Digital Commerce sector. The current schedule of two surveys between 2024-2026 would be expanded to five surveys between 2027-2031, culminating in ten surveys conducted from 2032-2041. The timeline indicates a progressive approach towards more frequent publication of data, with quarterly and monthly reports planned for release by January 2025, aiming to provide timely insights for stakeholders. These efforts underscore a commitment to informed strategy, planning and measures for action, greater transparency, and accountability in the digital commerce landscape.

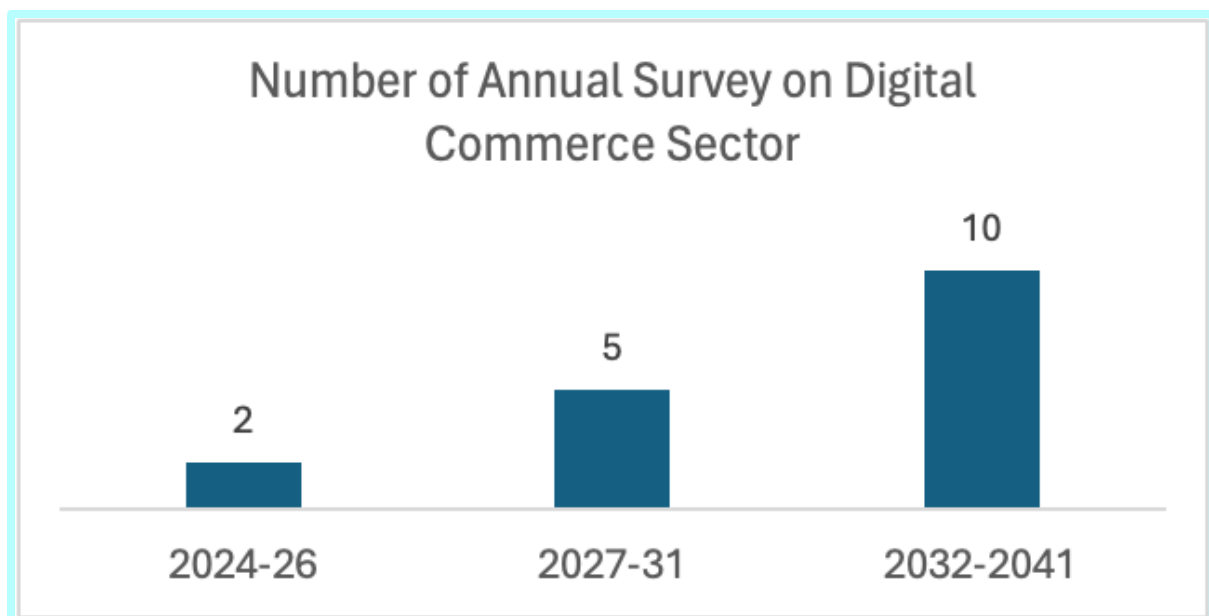


Figure 6.1 Projected Number of Annual Survey on Digital Commerce, the Foundation of Data-driven Strategy

6.2 Limit of B2C and B2B Digital Commerce Transactions

Within the digital commerce ecosystem of Smart Bangladesh, limits are on both value and quantity of products transactions conducted for B2B and B2C. These restrictions negatively impact cost of transportation, especially for cross-border digital commerce. For facilitating profitable digital commerce, the maximum number of products to be sold online is proposed to be 10 for the period 2024-2026, increasing to 25 for 2027-2031, and culminating in a maximum of 50 transactions for 2032-2041, as shown in Figure 6.2

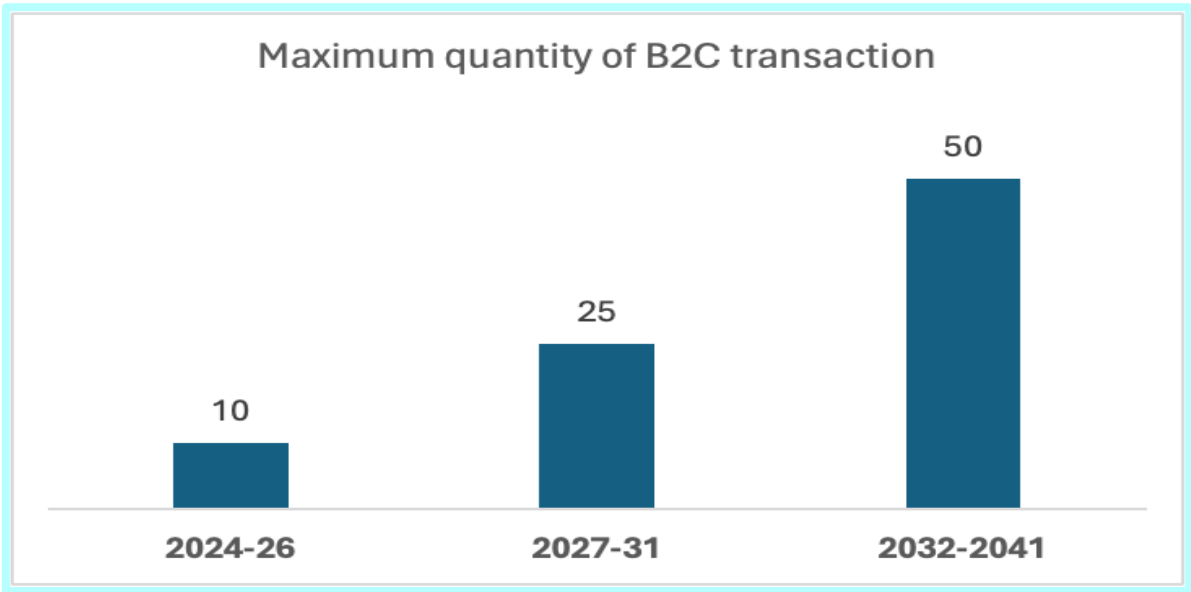


Figure 6.2 B2C Transaction Limit Setting by 2041 for Facilitating Growth of Digital Commerce

The value of B2C transaction needs to be increased for promoting trade of relatively high-value products and service online. It is proposed that the value cap may be USD 1,000 for the period 2024-2026, USD 2,000 for 2027-2031, and USD 5,000 for 2032-2041, as shown in Figure 6.4. The value cap requires period review and change based on the reality on the ground.

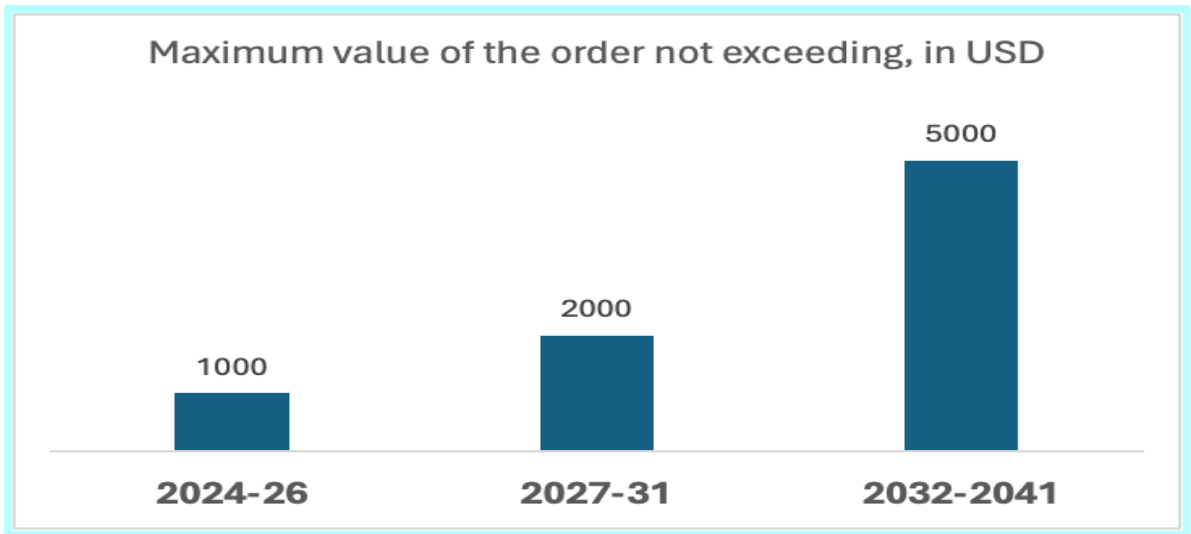


Figure 6.1 Projected Value of Single Transaction through Digital Platform over the period till 2041

Priorities to Achieve Key Indicators: Digital Commerce

The volume of imports and exports for Digital Commerce Transactions at B2B level (especially for drop shipping and bulk shipping) needs to be determined such that the transportation cost can be reduced per unit and products remain competitive in the global market. The priority action is to allow the caps of USD 250,000 for 2024-2026, USD 1,000,000 for 2027-2031, and USD 5,000,000 for 2032-2041, as shown in Figure 6.5. This will allow large companies also to join the digital commerce and increase efficiency for global trade.

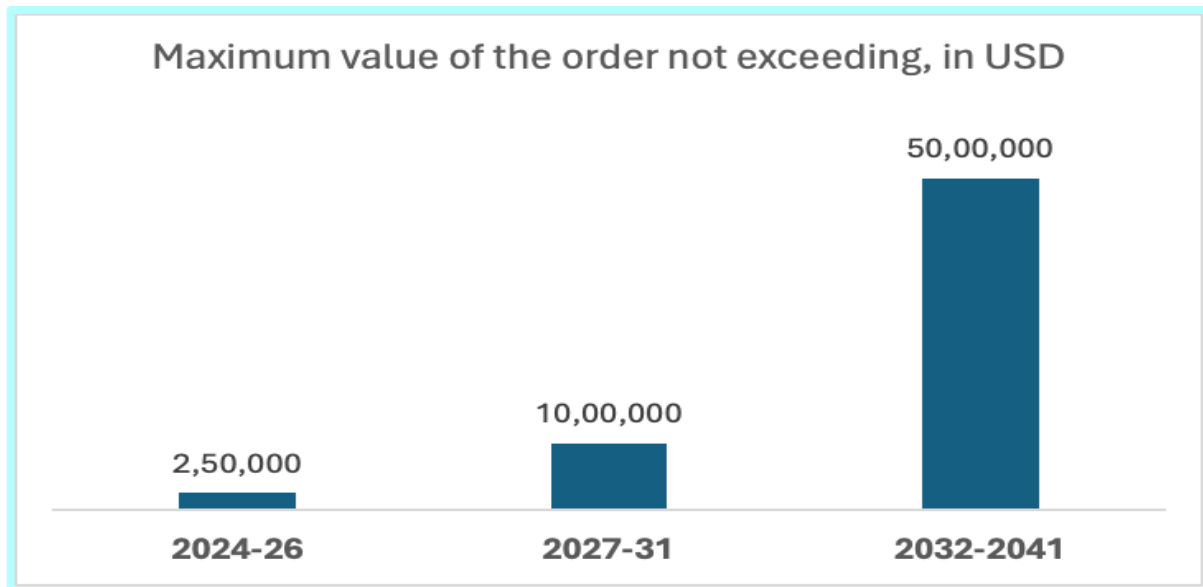


Figure 6.5 Proposed Ceiling of Value of Cross-border B2B Digital Commerce Transaction

6.3 Digital Platform

Several challenges hinder the development of a Bangladeshi Digital Commerce marketplace that relies on cross-border partnerships. First, onboarding foreign partners for logistics, storage, customs clearance, payment collection, and return/refund management poses significant difficulties. Second, identifying legitimate foreign platforms operating within Bangladesh is crucial to ensure the protection of Bangladeshi collaborators, consumers, and workers associated with these platforms.

To address these challenges and enable the operation of such marketplaces, establishing a framework for data interoperability amongst all relevant entities involved in transaction data capture and maintenance is proposed. This initiative, coupled with a thorough feasibility study and a design thinking approach, should be implemented by 2026 to pave the way for a robust Bangladeshi Digital Commerce ecosystem.

6.4 Market Access

To propel Bangladeshi Digital Commerce businesses into the global arena, a multi-pronged action plan is proposed.

Priorities to Achieve Key Indicators: Digital Commerce

Bangladesh's Digital Commerce sector, while benefiting from a strong diaspora market, currently lacks a systematic approach to capitalizing on global market opportunities. The priorities must include, inter alia, collaborative market assessment system, involving the government, leading think tanks, and Digital Commerce associations (eCAB included). This system will conduct regular analyses to identify promising markets for cross-border Digital Commerce, with a specific focus on moving beyond traditional diaspora markets and product categories.

The Ministry of Commerce's Digital Commerce cell, in collaboration with the Bangladesh Foreign Trade Institute and private market research institutions, may spearhead a systematic market assessment project to identify high-potential markets for cross-border Digital Commerce. This initiative should be supported by budgetary allocations within the relevant organizations. Simultaneously, proactive commercial diplomacy should be undertaken by the Export Promotion Bureau and Bangladeshi missions abroad to promote Bangladeshi Digital Commerce businesses in key international markets. All relevant associations, including eCAB, are encouraged to collaborate with the government for these efforts. The primary goal is to achieve a breakthrough beyond traditional diaspora markets and product categories. Furthermore, capacity building programs must be offered to empower micro, small, and medium enterprises (CMSMEs) involved in digital commerce to participate effectively in market promotion activities. Finally, a one-stop information platform will be established to provide exporters with all relevant data for market assessments.

The effectiveness of this initiative should be rigorously monitored through a set of indicators with ambitious targets set for a phased implementation plan between 2024 and 2041. These indicators focus on three key areas:

- a. Firstly, Annual destination-based market assessments conducted, aiming to reach 10 - 2041 from a baseline of 1 during 2024-26, as shown in Figure 6.6.

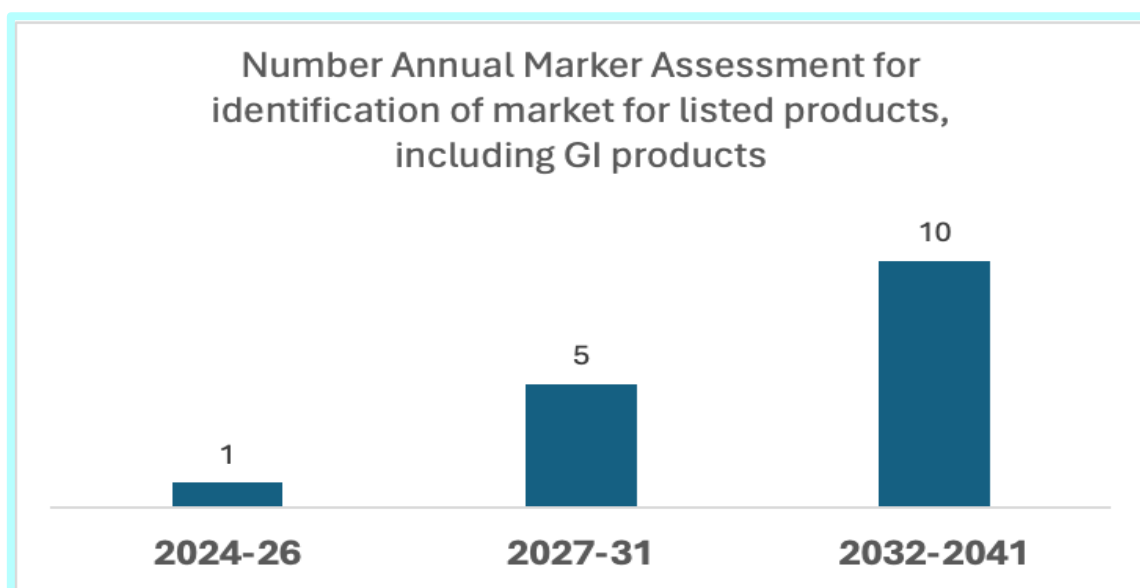


Figure 6.6 Number of Annual market Assessment over the period of 2024 – 2041

- b. Work for achieving exponential growth trajectory for the share of the non-diaspora market in digital commerce exports, with a target of 50% by 2041 compared to a projected 5% during 2024-26, as shown in Figure 6.7.

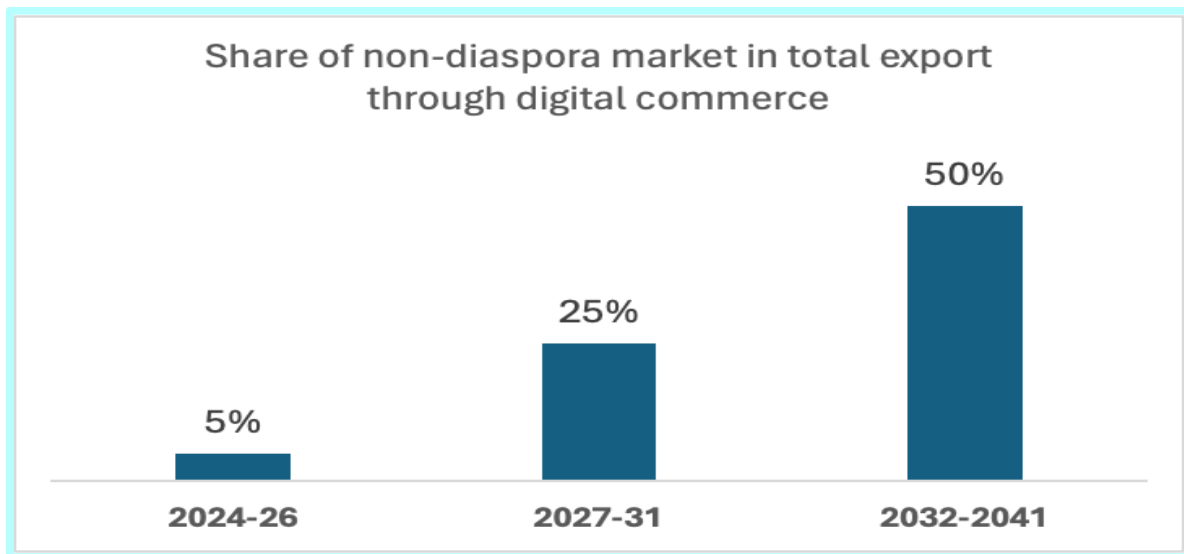


Figure 6.7 Projection of Growth of Non-Diaspora market by 2041

- c. Finally, rise in the number of CMSMEs participating in international digital commerce trade fairs, with an ambitious target of 10,000 by 2041 compared to a projected participation of 1,000 during 2024-26, as shown in Figure 6.8. These progressive targets will ensure we can effectively measure the initiative's success.

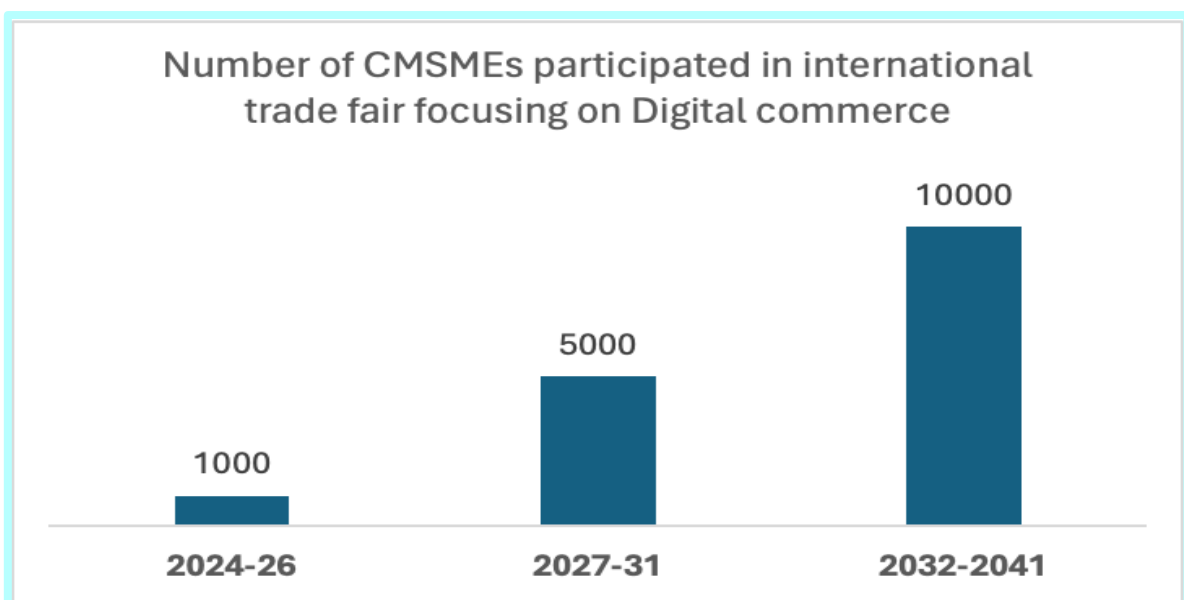


Figure 6.8 Projection of Growth of CMSMEs participation in Global Digital Commerce

6.5 Logistics

The lack of appropriate logistics infrastructure at home and absence of facilities available to Bangladeshi digital platforms in major export destinations is a significant obstacle to

establishing a successful cross-border eCommerce business ecosystem. Using the same channels both for large-scale businesses and small-scale digital commerce consignment for processing exports or imports is not conducive to digital commerce. In the case of exporting products from Bangladesh, the cost of freight forwarding and shipping rates is high for Bangladeshi marketplaces, platforms, and merchants, as Bangladesh is not a logistics hub. Currently, merchants have to send their products to other countries to take advantage of reduced shipping rates.

To address this challenge, a strategic action plan proposes leveraging and modernizing the existing infrastructure of the Bangladesh Postal Department. This initiative aims to establish a nationwide logistics system specifically catering to cottage, micro, small, and medium enterprises (MSMEs) involved in Digital Commerce. The modernization will focus on key areas such as:

- i. Digitizing and integrating product tracking system.
- ii. Launching a separate SoP for cross-border Digital Commerce for channeling products from the MSMEs and artisans across the country.
- iii. Setting a realistic timeline for international delivery of products.
- iv. Building public-private partnership in modernizing the system by Involving private logistics service providers.

The success of this initiative can be ensured as Postal Department Facilities should upgrade to facilitate digital commerce by 2026, ensuring they are well-equipped to facilitate digital commerce both at national and global scales. This comprehensive approach aims to empower Bangladeshi businesses and propel the country's Digital Commerce sector forward.

6.6 Customs

The growing demand for fast clearance and delivery by consumers has highlighted the need for new taxation and revenue collection models, as well as border interventions from Customs and other relevant government agencies. Recent discussions have emphasized the importance of establishing trust-based partnerships between Customs and Digital Commerce stakeholders, particularly Digital Commerce platforms and marketplaces [WCO, 2022]. Given the vital role played by Customs and other border agencies in facilitating the movement of Digital Commerce shipments worldwide, as World Customs Organization (WCO) endorsed strategy is needed to ensure the secure and legitimate movement of global Digital Commerce trade with minimal intervention [WCO, 2022]. Currently, the processing time for clearance of products at ports is lengthy, especially for consumer goods.

To address the challenges associated with cross-border commerce, Bangladesh Customs should institutionalize measures to enhance efficiency and transparency. A dedicated unit should be established within Bangladesh Customs to oversee cross-border movements of products and services, with a focus on ensuring transparency, expediting clearance processes, managing risks, and facilitating revenue collection. This Digital Commerce Unit should commence operations by 2026. Additionally, streamlined Standard Operating Procedures (SoPs) must be developed to simplify customs clearance processes and digitization efforts,

Priorities to Achieve Key Indicators: Digital Commerce

with implementation targeted for completion by 2025. Collaborative efforts between Bangladesh Customs and the Bangladesh Bank should aim to formulate new SoPs to facilitate the smooth sale of Bangladeshi products through platforms like Amazon by 2025.

Furthermore, strategic initiatives are underway to establish separate clearance channels with sorting centers at major border points, including air, land, sea, and river routes. These channels, aimed to increase from 2 in during 2024-26 to 50 by 2041, will expedite clearance procedures and bolster trade volumes both domestically and internationally, as shown in Figure 6.9.

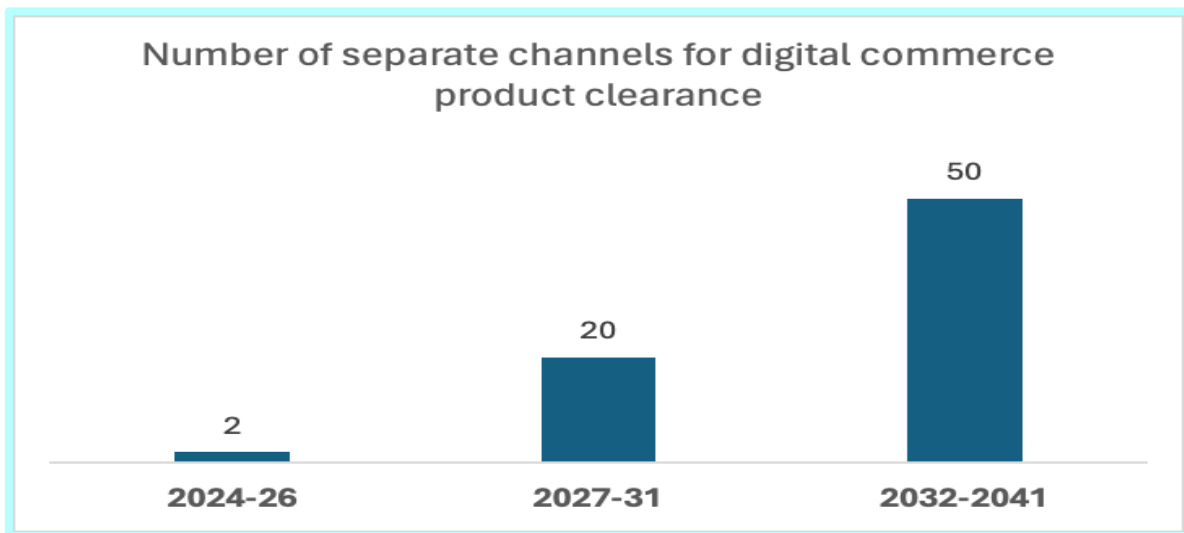


Figure 6.9 Projection of Growth of Separate Channels at Borders for Facilitating Digital Commerce

Recognizing the importance of warehousing facilities in destination countries, plans should be in place to develop such facilities in foreign export destinations through public-private partnerships. Initially, two warehouses should set to be established by 2026, with a progressive increase to 20 by 2041, facilitating storage of CMSME products in collaboration with Bangladeshi platforms [Figure 6.10].

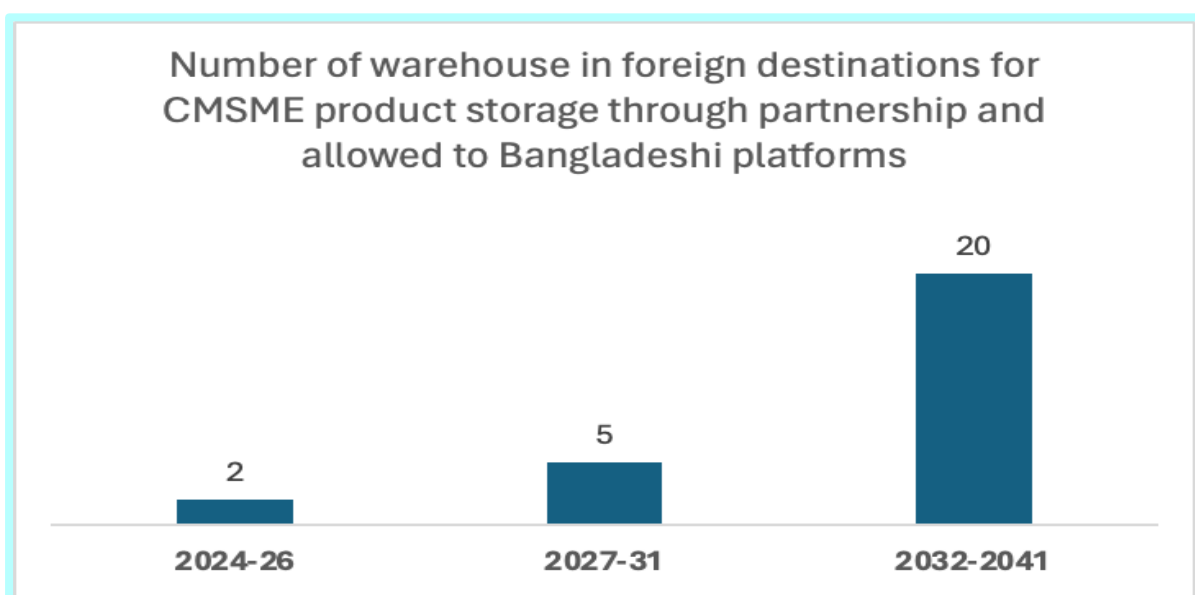


Figure 6.10 Projection of Growth of Dedicated Warehouse facilities in Destination Countries for Digital Commerce

Moreover, Bangladesh Customs should explore the introduction of Authorized Economic Operator (AEO) Programs and Mutual Recognition Arrangements (MRAs) in the realm of cross-border Digital Commerce. These initiatives aim to empower Cottage, Micro, Small, and Medium-sized Enterprises (CMSMEs) and individuals to capitalize on cross-border Digital Commerce opportunities. The number of AEOs facilitating CMSMEs' export and import activities is targeted to increase from 5 in 2026 to 50 by 2041, marking a significant expansion of facilitative measures for digital commerce enterprises [Figure 6.11]

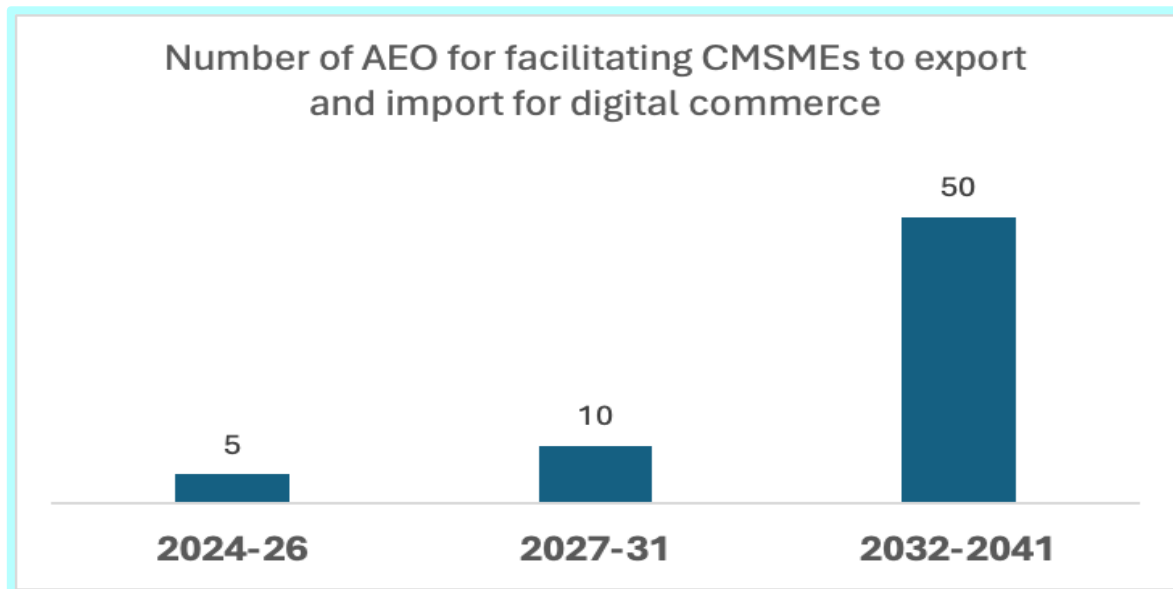


Figure 6.11 Projection of Growth of Establishment of AEOs for facilitating Cross-border Digital Commerce

6.7 Payment (Domestic and Cross-border)

Ensuring smooth international payment processes remains a challenge due to the absence of a robust payment gateway and limited access to authorized international credit cards. The complexity involved in using credit cards for international transactions is coupled with daily payment ceiling restriction. Additionally, the use of escrow mechanisms proves less feasible for exporters due to associated costs and cash flow management concerns, particularly for Cottage, Micro, Small, and Medium-sized Enterprises (MSMEs) pivotal in driving cross-border digital commerce. Although credit cards offer a viable payment instrument, limitations in transaction volume and existing USD 10,000 caps hinder their efficacy for eCommerce merchants sourcing wholesale products abroad.

To mitigate these challenges, Bangladesh Bank must expedite the establishment of Payment system interoperability and extension, building upon the lessons gleaned from the 'Binimoy' initiative by 2026. Moreover, the implementation of comprehensive legal, regulatory, and supervisory frameworks for new digital payment systems—both domestic and cross-border—is imperative within the same timeframe. Additionally, the establishment of cross-border data exchange and message standards for digital commerce by 2026 is crucial for fostering a conducive payment ecosystem favorable to the needs of eCommerce stakeholders.

6.8 Quality Assurance

Ensuring robust quality assurance measures is imperative for the success of digital commerce initiatives in Smart Bangladesh. Presently, the Bangladesh Standards and Testing Institution (BSTI) faces limitations in implementing quality assurance systems tailored for online marketplace. Conversely, online marketplaces encounter challenges in adopting such systems due to cost inefficiencies and technical constraints inherent in their closed-box business models, which deter transparency and invite allegations of product tampering.

To address these obstacles, the government should consider licensing a new cadre of businesses dedicated to quality control, thereby enabling economies of scale and cost-effectiveness for manufacturers and marketplaces. Introducing licensing for private sector inspection of product quality for servicing CMSMEs under international quality assurance bodies with appropriate incentives by 2026 could bolster consumer confidence and streamline quality control processes. Additionally, the implementation of an online rating system—via websites and social media—could incentivize adherence to quality standards. Platforms failing to meet specified ratings may be mandated to adopt escrow systems, ensuring consumer protection through facilitated returns and refunds. This initiative, targeted for realization by 2026, would incentivize manufacturers, merchants, and marketplaces to prioritize product quality and mitigate the need for escrow interventions.

6.9 Consumer Protection

Ensuring consumer rights in the digital landscape of Smart Bangladesh is paramount. Presently, Bangladeshi consumers ordering products online from international marketplaces face a convoluted tax process, resulting in additional charges like Advance Income Tax (AIT) and Value Added Tax (VAT), obscuring the true landed cost of purchased items. Moreover, challenges persist in returning products bought online and shipped from abroad, as the intricate import-export procedures discourage consumers, fostering a reluctance towards Digital Commerce transactions. Additionally, inadequate complaint handling exacerbates consumer dissatisfaction, especially among F-commerce merchants.

To address these challenges, a comprehensive consumer protection guideline for cross-border Digital Commerce is essential, encompassing aspects such as return and refund policies, data privacy, product quality, delivery times, and international payment protocols. This guideline aims for implementation by 2025. Furthermore, the establishment of a central complaint management system, engaging all marketplaces and platforms, along with standardized operating procedures, promises to streamline return and refund processes, sharing costs proportionate to transaction volumes. Targeted for launch by 2025, this system aims to enhance consumer satisfaction levels. Additionally, the introduction of a centralized tracking system for returns and refunds, managed by the Department of Consumer Rights and drawing data from marketplaces and platforms, will result in an increased volume of online purchases. By ensuring robust data privacy and monetization policies by 2026, Smart Bangladesh can fortify consumer trust and safeguard their interests in the digital realm.

6.10 Partnership

Fostering partnerships among national agencies, including the private sector and cross-border collaborators, is pivotal for the advancement of digital commerce. To achieve this, the eCommerce Cell and Bangladesh Customs administrations should forge and reinforce cooperative alliances with Digital Commerce stakeholders. These partnerships aim to cultivate effective communication, coordination, and collaboration, ultimately optimizing compliance and facilitation processes. Additionally, customs administrations must extend their cooperation and partnerships into the cross-border Digital Commerce domain to ensure adherence to regulations and smooth facilitation of transactions.

To bolster cooperation efforts, the establishment of a permanent working committee with dedicated sub-committees, tasked with resolving various issues, is aimed for completion by 2025. Simultaneously, the launch of bilateral and plurilateral partnership development programs is to be planned within the same timeframe. Over time, the number of bilateral and plurilateral partnerships should expand, commencing with 2 partnerships during 2024-26 period, escalating to 20 partnerships by 2031, and ultimately reaching 50 partnerships by 2041, as presented in Figure 6.12.

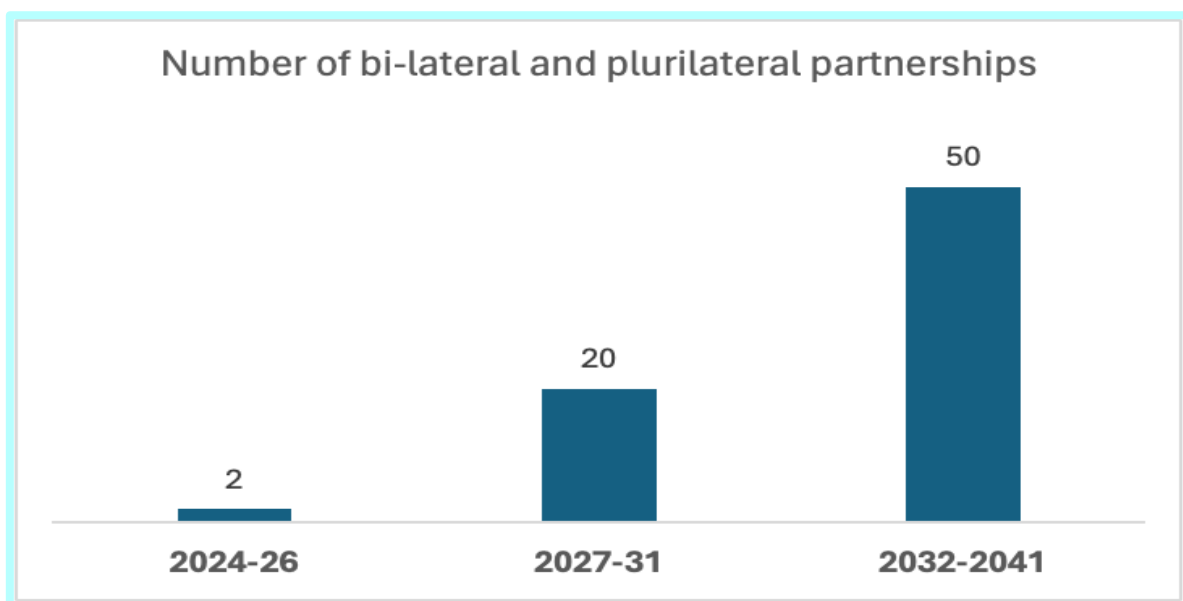


Figure 6.12 Projection of number of partnerships for Promotion of Cross-border Digital Commerce

These strategic initiatives aim to cultivate robust collaborative frameworks essential for the sustained growth and success of digital commerce in the evolving landscape of Smart Bangladesh.

6.11 Ease of Doing Business for Digital Commerce

To fortify the Digital Commerce sector, it is imperative to streamline business processes for enhanced efficiency. Many businesses, particularly single entrepreneurs in the F-commerce sector as well as CMSMEs, are hesitant to formalize their operations due to the daunting

complexity of compliance procedures. To address this challenge, initiatives must be undertaken to simplify the process of conducting business activities. One such initiative involves forging Memoranda of Understanding (MoUs) with strategically selected priority countries, establishing a mutually beneficial, two-way partnership that prioritizes the ease of transactions for both merchants and consumers. By the year 2027, the objective is to solidify MoUs with targeted priority nations, thereby fostering a merchant and consumer-friendly de minimis partnership designed to facilitate seamless commerce and stimulate growth within the ICT industry.

6.12 Taxation

To foster the growth of CMSMEs engaged in domestic or cross-border digital commerce, tax incentives are deemed essential. Such incentives not only address unemployment concerns but also bolster GDP contributions. A nuanced approach to taxation, considering various segments, sizes, and gender dynamics within the digital commerce sector, is proposed. Special import duty support is earmarked for the C and M categories of digital commerce.

In the future, tax and VAT rates for C category F-commerce (Facebook Commerce) businesses are targeted to be reduced to 0%. Similarly, tax and VAT rates for C and S category digital commerce businesses are slated to remain at 0% until 2031, with a marginal increase to 5% in the 2032-2041 period [Figure 6.13].

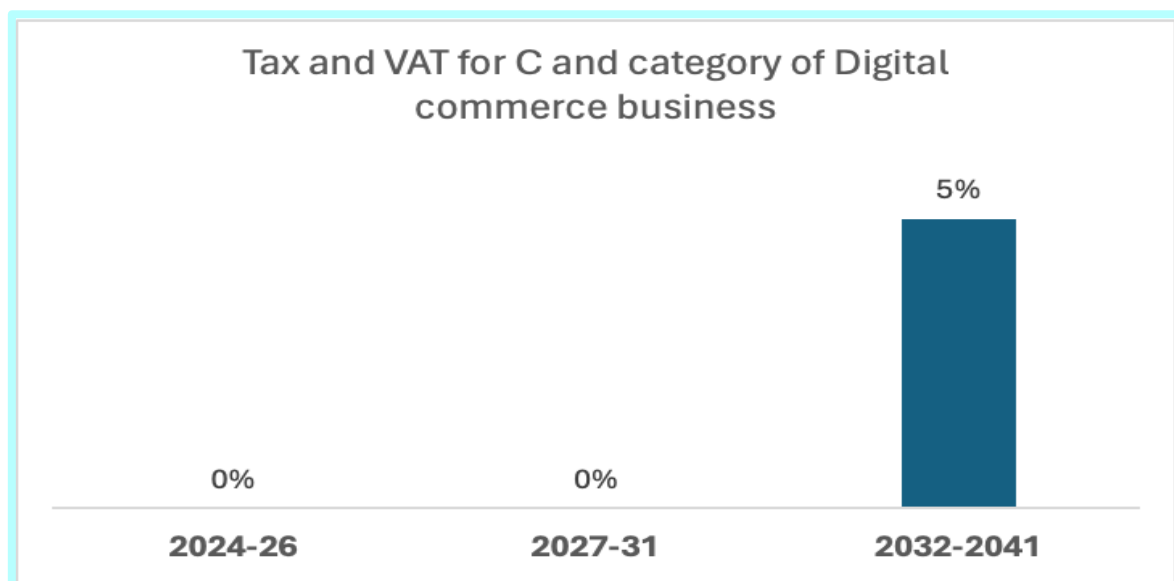


Figure 6.13 Predictable Tax Regime for Digital Commerce Enterprises in C and M Categories for Increased Formalization and Growth

For S category digital commerce businesses, tax and VAT rates are proposed to be set at 2% during the 2024-2026 timeframe, gradually escalating to 5% from 2027 till 2041, as shown in Figure 6.14.

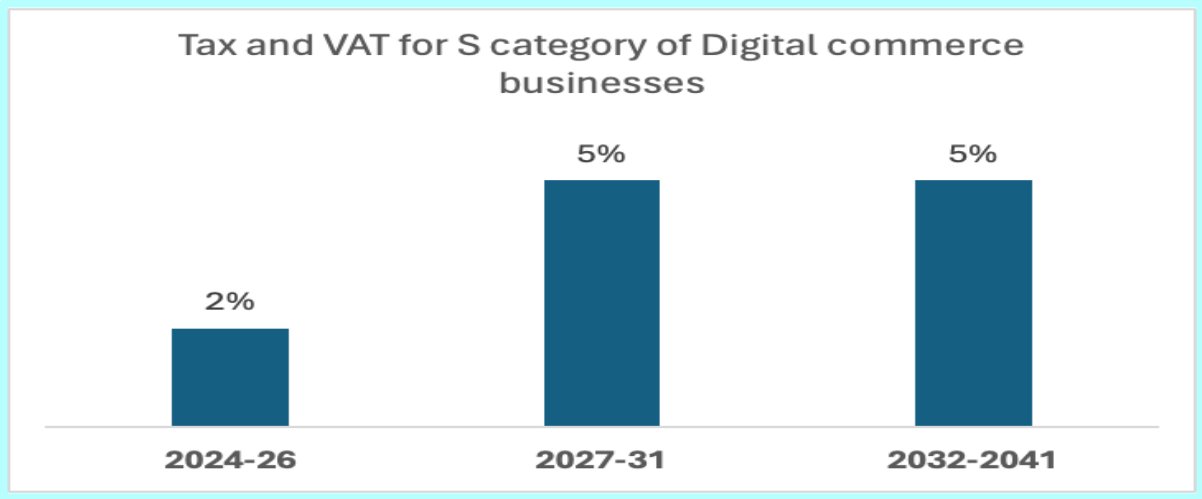


Figure 6.14 Predictable Tax Regime for Digital Commerce Enterprises in S Category for Increased Formalization and Growth

These tax measures aim to incentivize growth and sustainability within the digital commerce ecosystem, facilitating economic development and prosperity.

6.13 Financing

Addressing the challenge of maintaining cash flow and ensuring sufficient working capital for small merchants engaged with various Digital Commerce platforms and logistics firms is crucial for sustained business operations and growth. One potential solution lies in the introduction of digital credit specifically tailored for digital commerce businesses, particularly merchants. To facilitate this initiative, Bangladesh Bank, alongside other fintech development entities, digital banks, and financial institutions, are urged to provide seamless digital credit solutions. Initially, an allocation of BDT 1,000 billion is proposed for the 2024-26 period, with subsequent increases to BDT 4,000 billion during 2027-31, and ultimately reaching BDT 15,000 billion by 2041 [Figure 6.15].

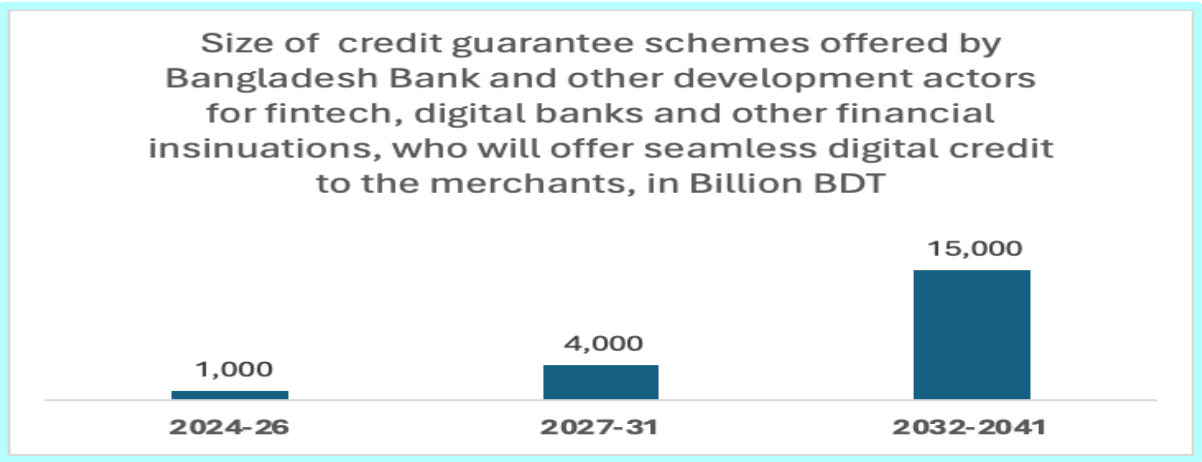


Figure 6.15 Volume of Credit Guarantee Sachems by Bangladesh Bank and Development Partners for CMSME Digital Commerce Access to Finance

Additionally, addressing the cash flow challenge could involve incentivizing entities offering digital credit to digital commerce merchants through incentive programs. Furthermore, investment in R&D for fintech and related industries, with an initial allocation of 1 billion BDT for the 2024-26 period, expanding to 10 billion BDT in the midline period of 2027-31, and ultimately scaling up to 50 billion BDT in the endline period of 2032-41 [Figure 6.16]. These measures are envisioned to significantly alleviate cash flow constraints and foster a conducive environment for digital commerce growth.

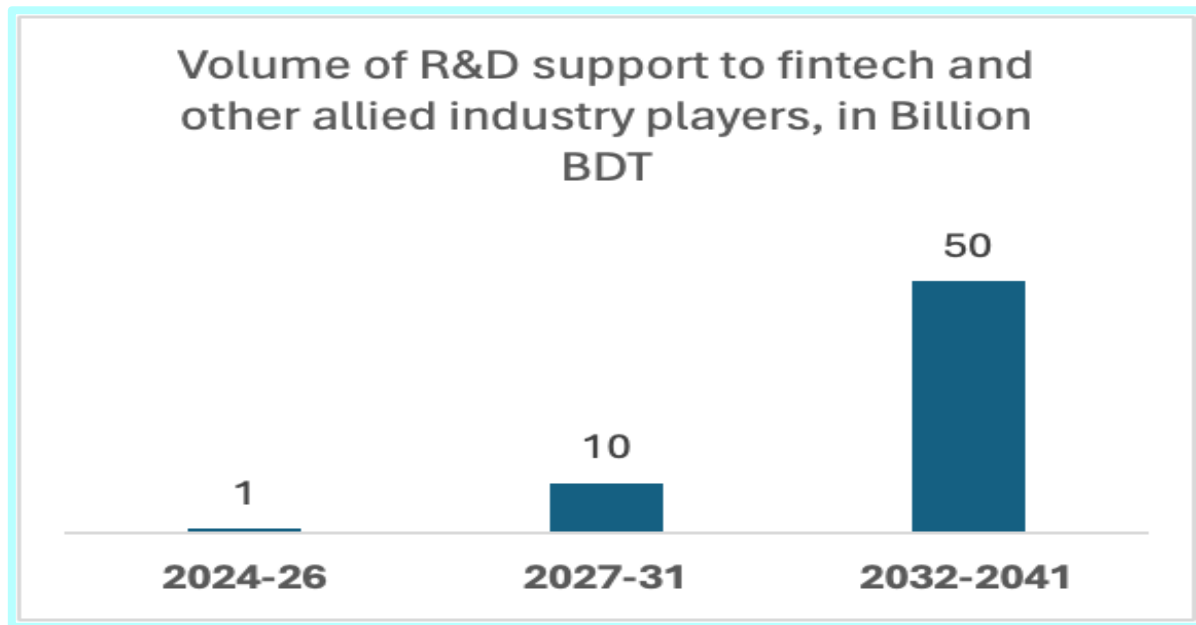


Figure 6.16 Projected Investment in R&D for Fintech for Promoting Digital Commerce Payment System

6.14 Policy Overhauling

The current industrial and export policies in Bangladesh predominantly cater to the manufacturing industry, with limited emphasis on digital commerce. In order to align with the Digital Commerce Act and Cross-Border Digital Commerce Policy, it is imperative to integrate digital commerce into these policies. Additionally, the existing national planning documents lack comprehensive coverage of digital commerce, necessitating the development of a new policy regime tailored to address the complexities of this emerging phenomenon.

By 2026, the initiative aims to rectify this imbalance by revising the industrial policy to include detailed provisions for digital commerce and refining the export policy to incorporate specific guidelines for cross-border digital commerce. Furthermore, efforts will be made to enhance the 9th Five Year Plan by introducing a dedicated section on digital commerce to ensure its integration into broader national development strategies.

Moreover, a new Regulatory Framework for Digital Commerce should be established. The Digital Commerce Act expected to be enforced and reviewed periodically, with reviews scheduled for 2024 (baseline), 2027, and 2030 (midline), and 2035 and 2040 (endline). Similarly, the Cross-Border Digital Commerce Policy should be adopted with priority and undergo regular reviews in 2026, 2028, and 2030, while the Cross-Border Digital Act should be enacted,

enforced, and reviewed in 2026, 2035, and 2040. These measures aim to provide a robust regulatory framework to support the growth and sustainability of digital commerce in Bangladesh.

6.15 Institutional Framework

The realization of the full potential of digital commerce hinges upon the effective coordination and alignment of policies across various stakeholders. Currently, the absence of such coordination hampers the growth of cross-border digital commerce.

To address this challenge, the establishment of an overarching body dedicated to coordinating and promoting digital commerce in both domestic and global markets is imperative. This initiative could commence with the formation of a core technical group comprising key agencies such as Ministry of Commerce, the National Board of Revenue, Bangladesh Customs, Bangladesh Tariff Commission, Bangladesh Bank Foreign Exchange Department, Bangladesh Investment Development Authority, Bangladesh Post Office, and the Ministry of Foreign Affairs. Furthermore, the establishment of a Digital Commerce Development Authority by 2026 should provide the necessary framework and institutional support to streamline policies and facilitate the growth of digital commerce ecosystem in Bangladesh.

Section 7

Key Indicators to Achieve for Entrepreneurship (CMSMEs)

7. Key Indicators of Entrepreneurship in Bangladesh for Smart Bangladesh 2041

7.1 Growth of CMSMEs

The number of CMSMEs in FY 2022-23 stands at 7,806,209⁵¹ (7.86 million). The Smart Bangladesh 2042 strategy must aspire to grow the number of CMSMEs exponentially. Accordingly, the projections indicate an increase to 8,196,519 by 2026, 10,538,382 by 2031, and 15,612,418 by 2041 [Figure 7.1]. By 2026, a growth rate of 5% is expected, which will escalate to 35% by 2031 and reach the number doubled (100%) by 2041.

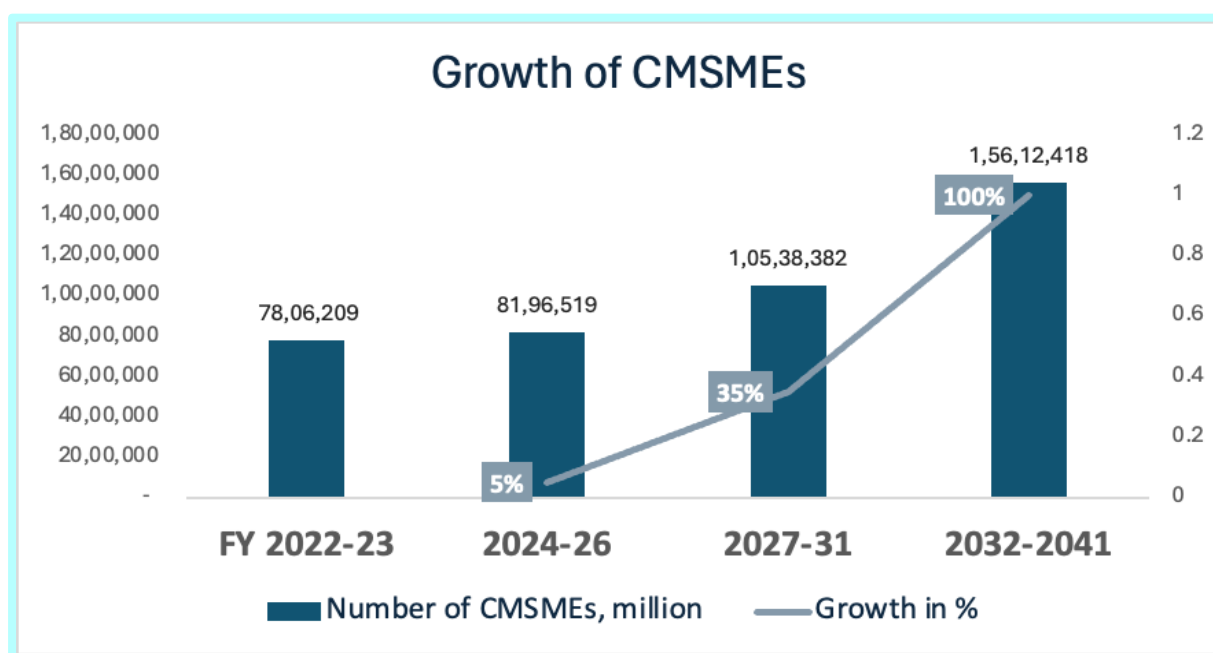


Figure 7.1 Projected Growth of CMSMEs in Bangladesh

7.2 Contribution to GDP

The share of Entrepreneurship in the contribution to GDP was 24%⁵² in FY 2020-21. The projection of such contribution is 30% by 2026, 37.5% by 2031, and 50% by 2041, as presented in Figure 7.2.

⁵¹ Information and Communication Technology (ICT) Adoption of SMEs in Bangladesh: Present Scenario, Challenges and Way Forward. Retrieved from <https://library.fes.de/pdf-files/bueros/bangladesch/20011.pdf>

⁵² Rahman (2020) Retrieved from <https://library.fes.de/pdf-files/bueros/bangladesch/20011.pdf> Page 2.

Key Indicators: Entrepreneurship (CMSMEs)

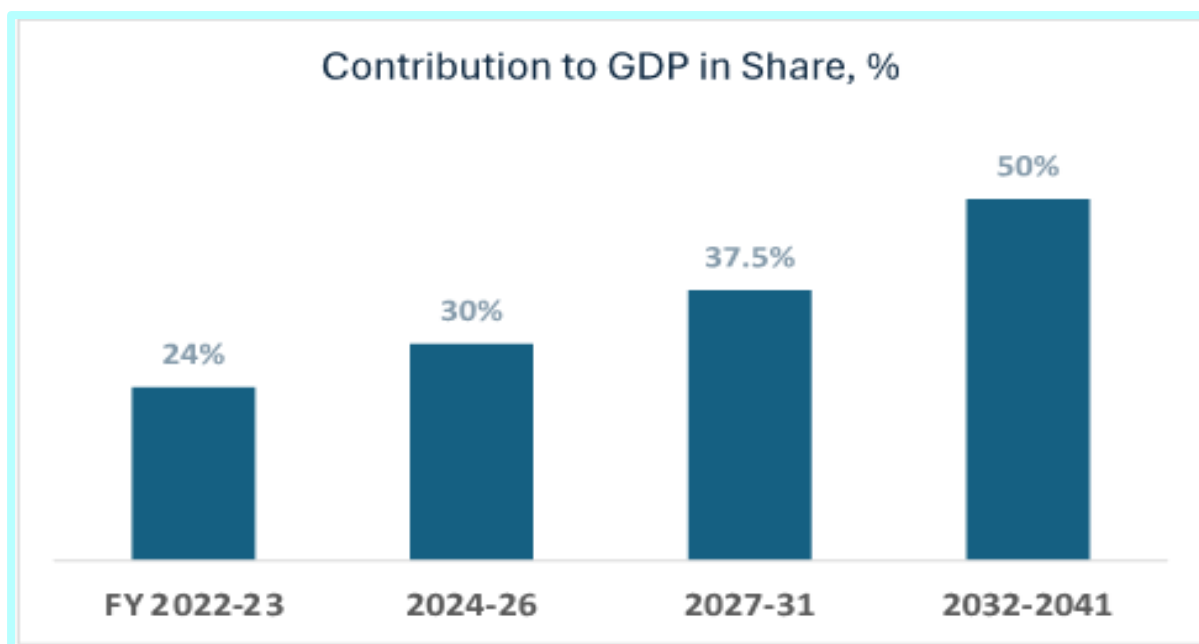


Figure 7.2 Projected Contribution of CMSMEs to GDP of Bangladesh

7.3 Employment Generation (including Informal)

Currently, the overall employment generated in CMSMEs stands at 22,998,649. The projection of job creation through CMSMEs is 24,150,000 by 2026, 34,500,000 by 2031, and 43,125,000 by 2041 [Figure 7.3].

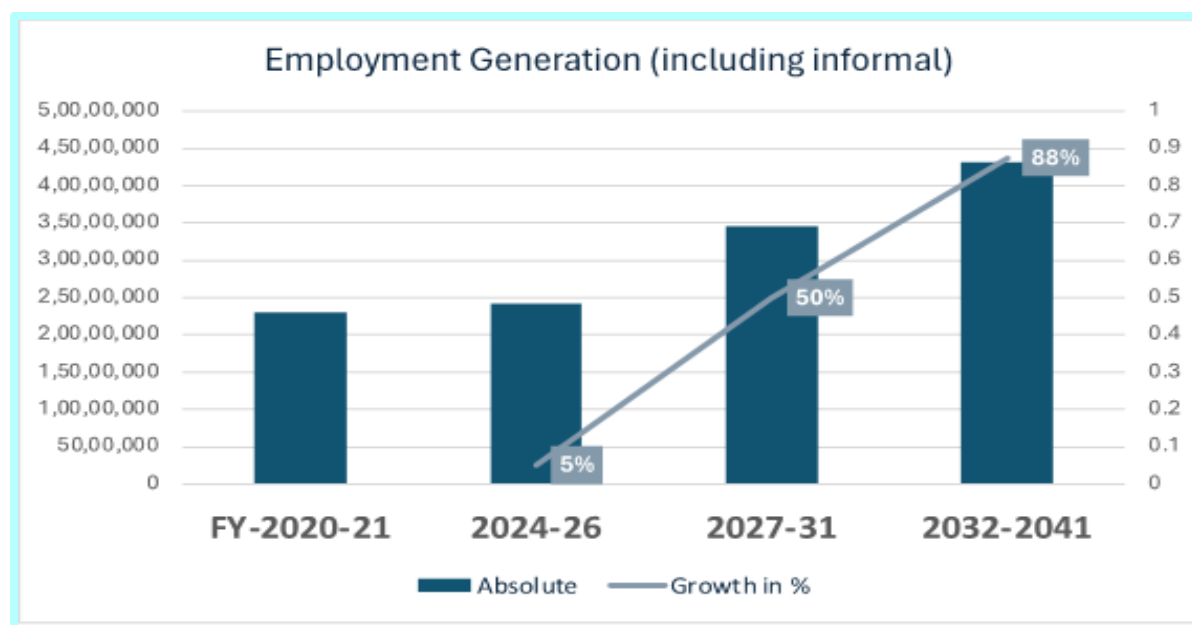


Figure 7.3 Projected Employment Generation (including Informal) of CMSMEs in Bangladesh

7.4 Growth of Women-led Enterprises

Women-led entrepreneurship is a priority for Smart Bangladesh 20241, this there is need for significant growth of women led -enterprises by 2041. From current estimates of around

Key Indicators: Entrepreneurship (CMSMEs)

518,400, and the trend is rising. By 2026, we expect to see 680,400, 1,014,768 by 2031, and 2,073,600 by 2041 [Figure 7.4].

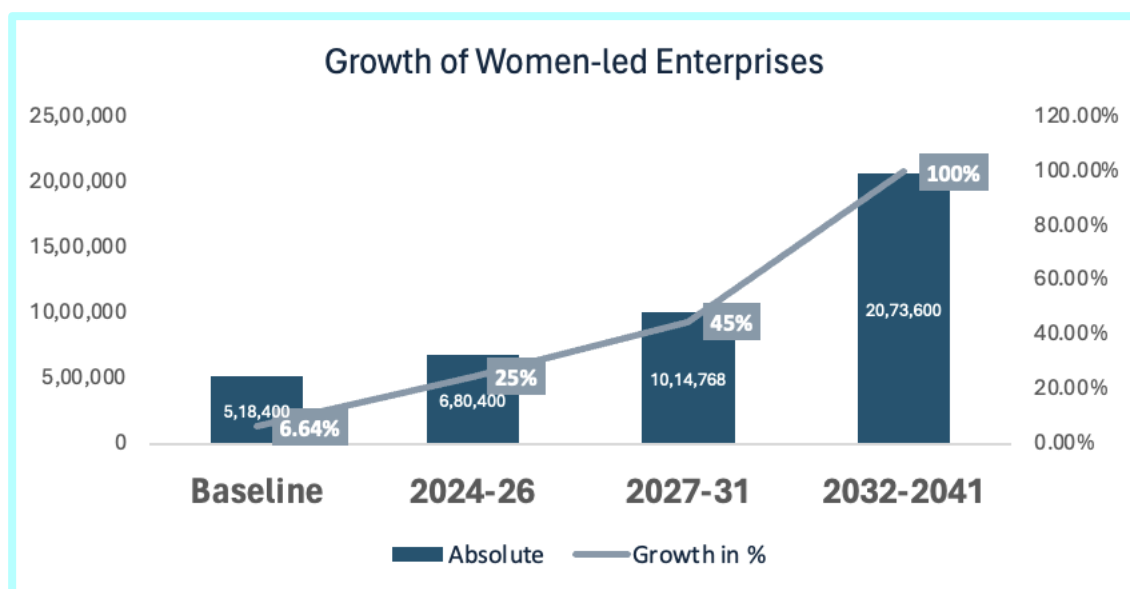


Figure 7.4 Projected Growth of Women-led Enterprises in Bangladesh

Such growth would facilitate to narrow the gap of women participation in economic activities and labor force.

7.5 Share of CMSMEs in Employment (including informal)

The employment generated by CMSMEs is 22,998,649 in FY 2022-23, which is 31.2% of total employment. By 2026, it will be 24,150,000, by 2031, it is projected to be 38,812,500, and by 2041, it would generate 57,500,000. The share in % of CMSMEs in employment (including informal) is currently at 31.21%. It is set to be 33% by 2026, 53% by 2031, and 78% by 2041 [Figure 7.5].

Key Indicators: Entrepreneurship (CMSMEs)

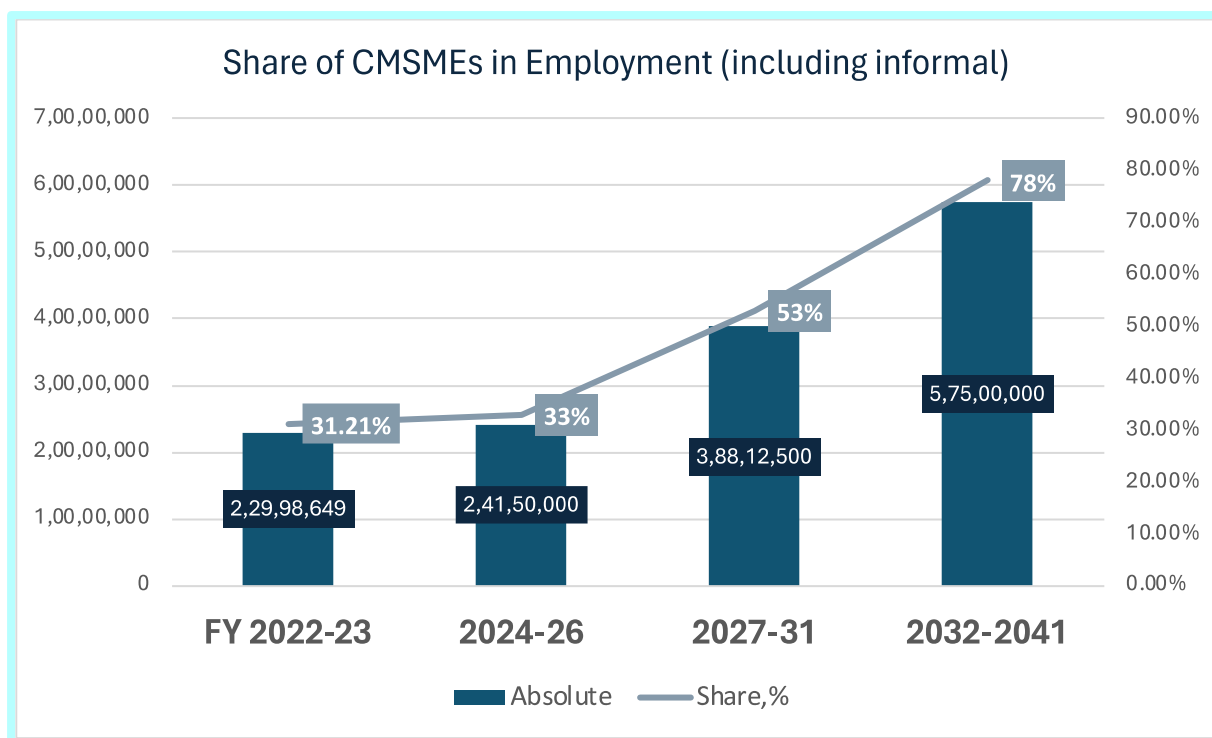


Figure 7.5 Projected Share of CMSMEs in Employment (including Informal) in Bangladesh

7.6 Formalization of Informal Entrepreneurs

One of the major challenges in the CMSME sector is that the entrepreneurs are largely reluctant to be formalized for complex mechanism and for apprehension of unnecessary hassle and tax provisions. Currently, the number of formalized CMSMEs are 1,951,552. It is projected that the incremental number of CMSMEs formalized to be 390,310 entrepreneurs by 2026 [[Figure 7.6]. In 2031, an additional 2,341,863, and by 2041 5,464,346 will be formalized. The share of the formalization of informal entrepreneurs is currently 20%, with such incremental formalization It will be 24% by 2026, 32% by 2031, and 48% by 2041.

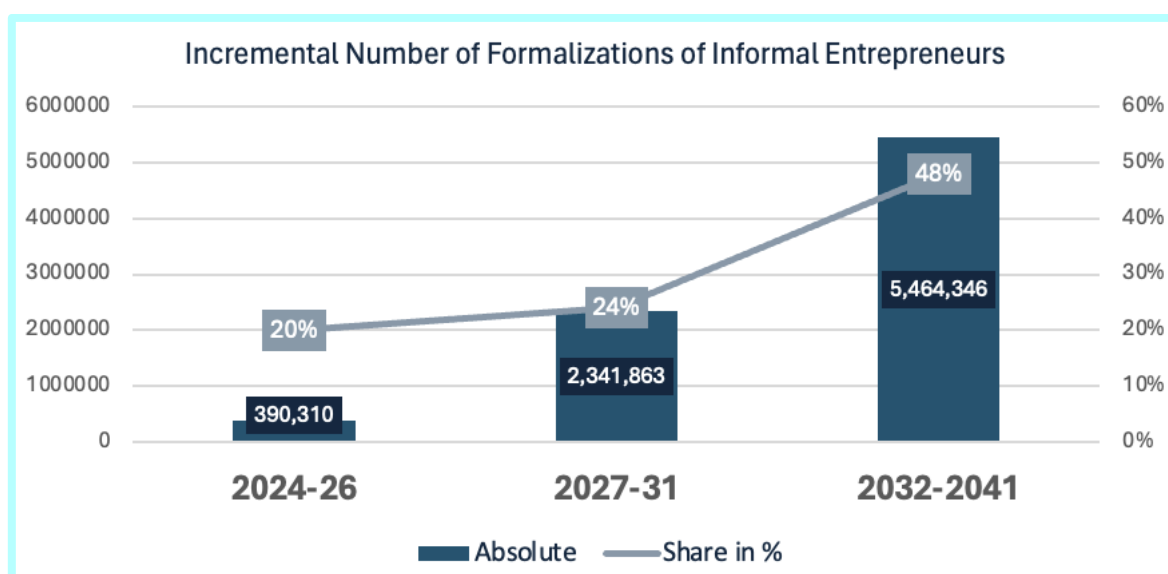


Figure 7.6 Projected Formalization of Informal Entrepreneurs in Bangladesh

Key Indicators: Entrepreneurship (CMSMEs)

The formalization of the informal economy would be one of the major achievements of Bangladesh towards developed nation by 2041, thus comprehensive and coordinated efforts are required for such exponential growth.

Section 8

**Priorities and Indicators to Achieve Key
Indicators
Entrepreneurship**

8. Entrepreneurship: Priorities to achieve Key Indicators

8.1 Data Generation for Informed Decision Making

CMSME data, especially gender-segregated are partially available, which hinders data-driven strategy policy making for intent-driven strategy. The initiative for this would be to start annual data collection of CMSMEs. The action plan is to implement a census of CMSMEs for each segment, collecting gender-segregated data, including informal enterprises. The indicator set here would be a Census of CMSMEs by BBS for creating a solid baseline in collaboration with UNCTAD, which will be repeated every year. The first census is proposed to be held in 2026 with 5 years interval. However, for tracking progress and undertaking course-correction measures, a bi-annual survey is proposed to be conducted starting from 2025.

8.2 Comprehensive Registry of All CMSMEs Across Country with Single ID and Incorporation with Predictability on Taxation with a Purpose of Designing Customized Programs for Each Segment of CMSMEs, especially Women-led CMSMEs

CMSMEs are reluctant to get any kind of registration as they are afraid of inadequate compliance with business laws and practices and fear of taxation on their business. This reluctance also hampers their growth as it makes access to institutional finance difficult.

There is a need for a holistic program to have a paradigm shift in this sector and that requires long term roadmap with clear and predictable compliance mechanism, which is trustworthy for them.

Initial focus should be on formalization of informal economy, e.g., CMSMEs, with easy to adopt system. This can be done through launching an ambitious program of creating registry of CMSMEs, with separate data on women entrepreneurs. A campaign for registry of any kind of CMSMEs with appropriate incentives must be launched. The indicator to measure this priority would be Number of registered CMSMEs across the country, regardless of business size.

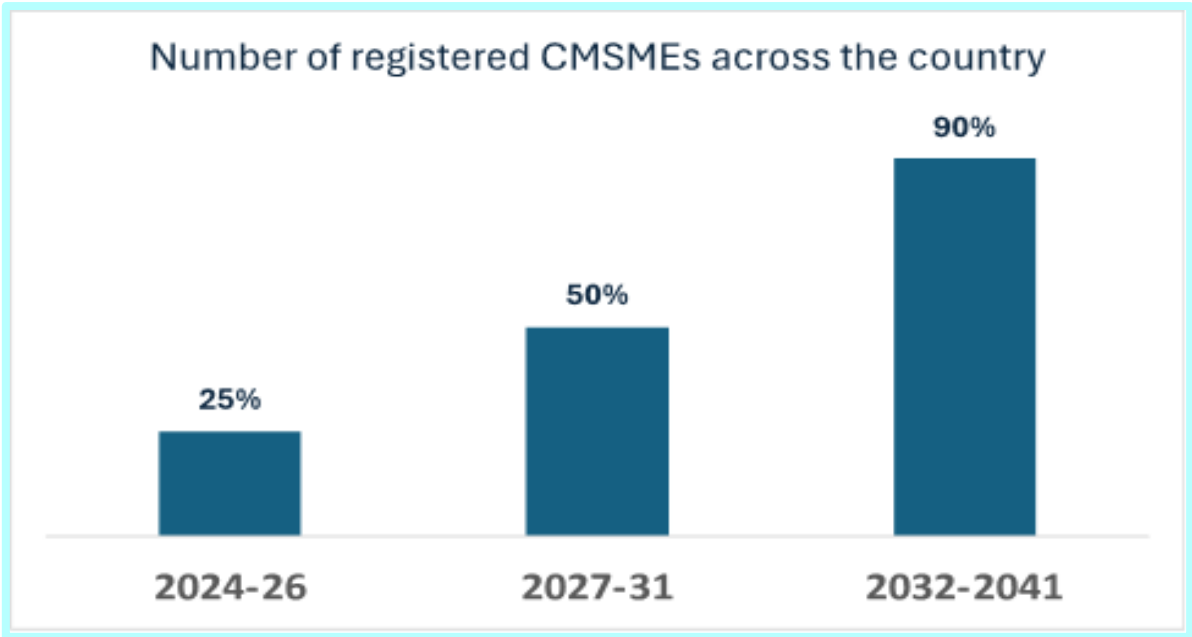


Figure 8.1 Projected Number of Registered CMSMEs across Bangladesh

There is a system of incorporation at City corporation, municipality, and union level. However, this system requires an entrepreneur to visit these offices. While this system should continue, an on-line and door-to-door registry system can be launched to make such registry faster. This registry will be a first step towards formalization of the CMSMEs. As multiple agencies are involved in providing incorporation of a business, based on their nature and ownership structure, there will be a need for coordination among those institutions for data interoperability. The registry should be accessible to key institutions, which are providing various facilities to the CMSEMs. A design study should be launched for building and launching such registry.

The target for making the CMSMEs formal is: 25% by 2026, and 50% by 2031 and 90% by 2041, as shown in Figure 8.1

8.3 Access to Services

Provision of services required by CMSMEs are absent or inadequate. The number of service providers is limited due to lack of viable business cases for private sector providers and limited capacity and investment by the government. To address this, creating a private-sector led network of services providing institutions with provision of online, location-based and doors-step services must be established. The indicators here would be Number of services providing insinuations in each union (which would increase to 0.25 in 2026, 1 in 2031 and by 2041 it will be 3) and Number of services providing institutions, which provide services at the doorsteps up to the village level (which would increase to 0.1 in 2026, 0.5 in 2031 and by 2041 it will be 2) [Figure 8.2].

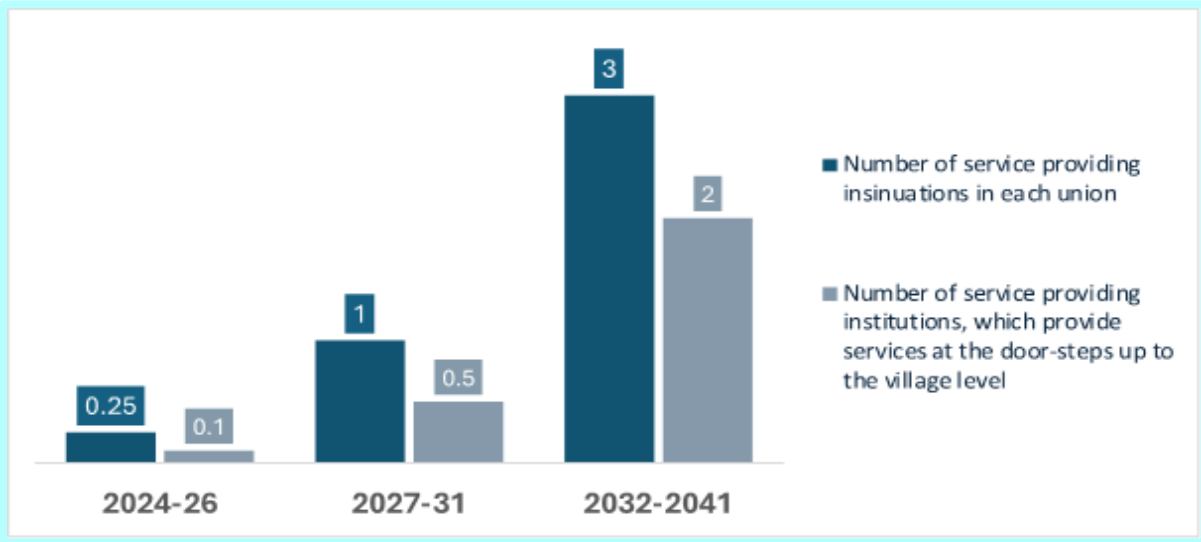


Figure 8.2 Projected Number of Service-providing Insinuations at Union and Village Levels

8.4 Domestic Procurement Policy for Preferential Treatment to CMSMEs

Government is the largest client for private sector. However, the market is dominated by large players. The government procurement system is not equipped to procure from small producers and suppliers. Those with networks can access some government agencies for sales of their products, however, the vast majority are left out. The action plan for this is a Balanced Preferential Treatment to CMSMEs, especially women led enterprises, for facilitating business case of CMSMEs to access both domestic market and international market. The indicator here would be hare of government procurement (in terms of value) related to Smart Bangladesh Agenda (in terms of value) to CMSMEs. Current data on this indicator is not available, projections have been made based on the rising trend. It is estimated value of government procurement from CMSMEs to be 5% by 2026, 10% by 2031, and 20% by 2041 [Figure 8.3].

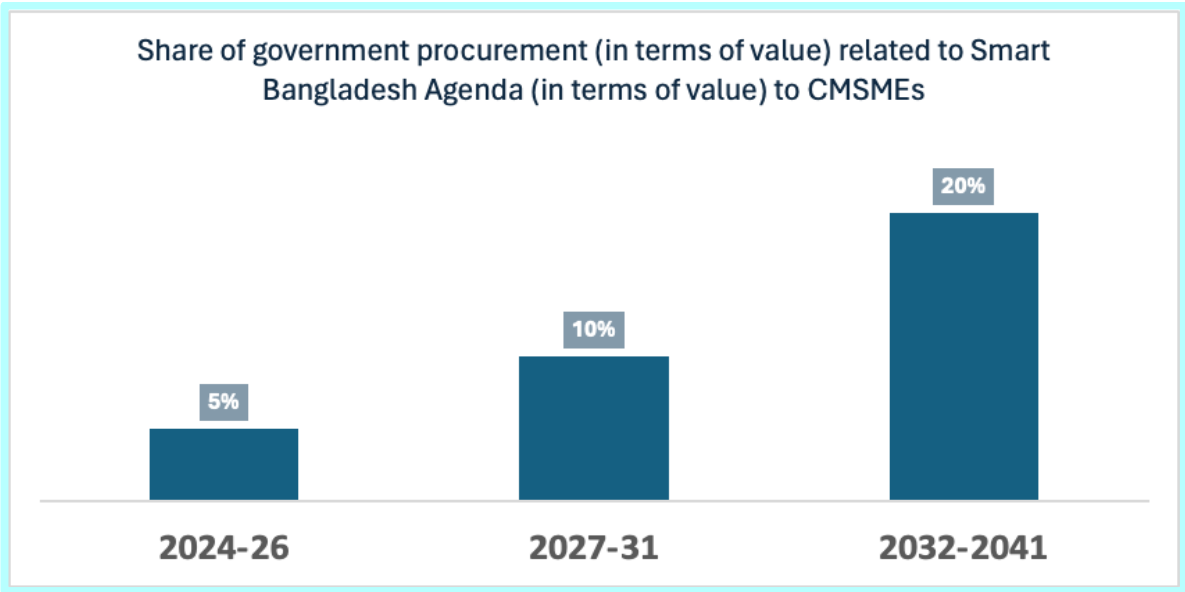


Figure 8.3 Projected Share of Government Procurement (in Value) of CMSMEs in Bangladesh

8.5 Entrepreneurship Skills

Most of the entrepreneurs of CMSME categories are self-motivated without or with limited professional entrepreneurship skills development. Where there is lack of adequate entrepreneurial skills development facilities, it is concentrated in pre-dominantly urban and peri-urban areas. There is also question of relevance and up-to-datedness of the entrepreneurship skills development program. Entrepreneurship requires a combination of training and mentorship, which is missing. Demand for Entrepreneurship skills development is not high for multiple reasons, one of them it is nearly impossible for an entrepreneur to dedicate time at a stretch for such programs. Innovation and investives are absent for private sector for offering entrepreneurship skills development services. There are good development partner-led entrepreneurship skills development programs, however, they are time-bound and geographically with very limited coverage. Skills development services are inadequate for C and M enterprises and are geographically concentrated.

The action plan to tackle these issues are:

- Synchronization of government-led initiatives with merger and revamping of the curriculum and services delivery system focusing on entrepreneurship skills development, addressing workstyle of the enterprises, where blended learning approach is leveraged. For which, the indicator is set to be Number of CMSMEs covered with various entrepreneurship programs. It is estimated to be 5% by 2026, 15% by 2031, and 25% by 2041 [Figure 8.4].
- Creating PPP based private sector (including NGOs) led entrepreneurship skills development initiatives for all segments of the entrepreneurship classes. For which, the indicator is set to be Percentage of PPP-led initiatives among overall entrepreneurial skills development initiatives, which is estimated to be 5% by 2026, 35% by 2031, and 70% by 2041 [Figure 8.4].

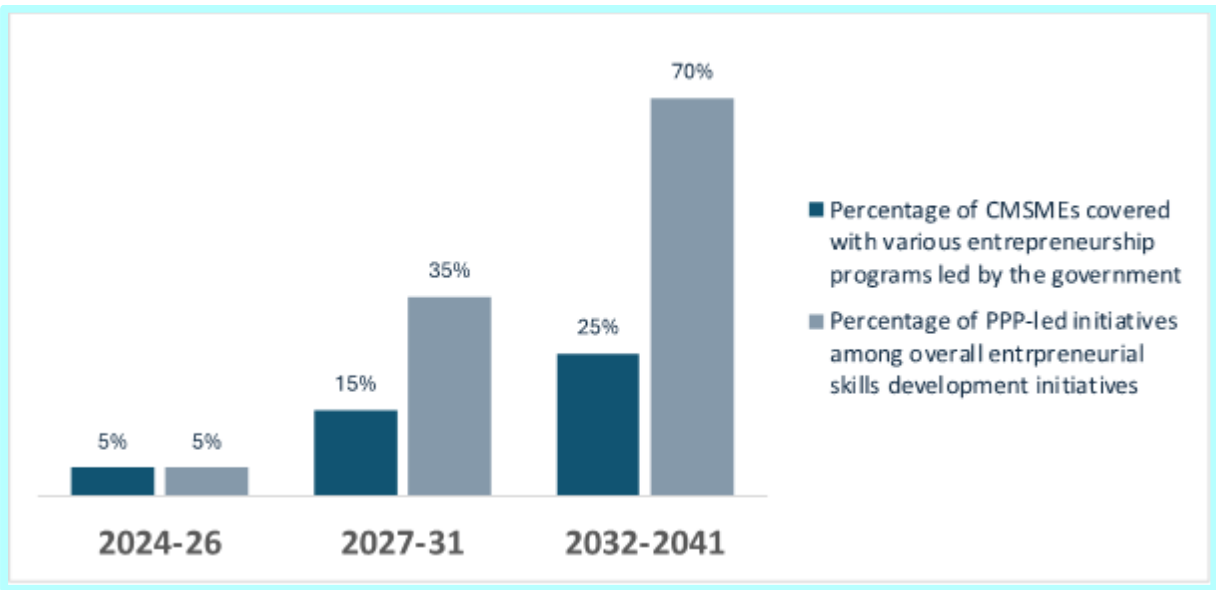


Figure 8.4 Projections of Government-led and PPP-led Initiatives on Entrepreneurship Programs for CMSMEs

- Long term Collaboration with international institutions (development partners and INGOS) for investment in entrepreneurial skills development. For which, the indicator will be the investment brought into for entrepreneurship skills and services development in partnership with private sector from the very beginning. in Billion USD, which is estimated to be USD 1 Billion in 2026, USD 5 Billion in 2031, and USD 20 Billion in 2041 [Figure 8.5].

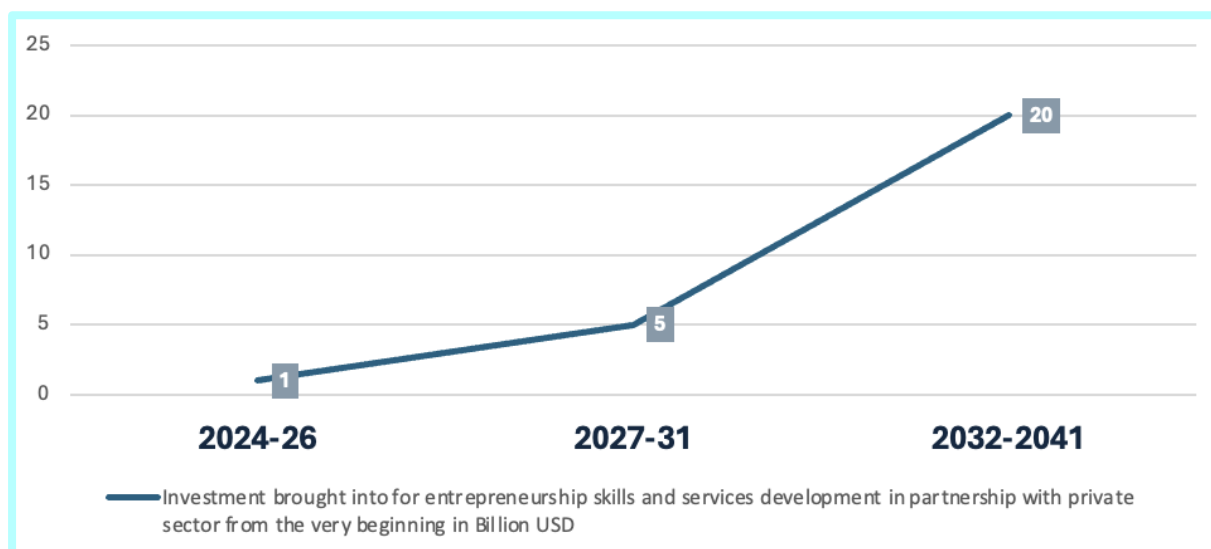


Figure 8.5 Projected Investment for Entrepreneurship Skills and Services Development, in Partnership with Private Sector

8.6 Ease of Doing Business for CMSMEs

As mentioned, businesses are reluctant to incorporate, especially CMSMEs, and maintain corporate and financial compliance. The action plan sets out legislative reform for the introduction of Single Incorporation and business ID for all businesses with the indicator being Year of availability of single incorporation and business ID. It is projected to be set out by 2027. Moreover, the compliance regime should be simplified for businesses of category 'C', 'M' and 'S' categories.

8.7 Taxation

Differential tax regime exists for different segment of CMSMEs, especially women led enterprises. The action plan suggested a differential tax and VAT for selected groups of products produced by CMSMEs. Tax and VAT moratoriums should also be implemented for C, M, and S categories of CMSMEs. The indicators for these moratoriums include Tax and VAT rates for each category of enterprises. For C category enterprises, the tax and VAT rate will remain at 0% until 2041. For M category enterprises, the tax and VAT rate will stay at 0% until 2031 but will increase to 5% in 2041. For S category enterprises, the tax and VAT rate will be 2% in 2026 and will increase to 5% in both 2031 and 2041.

8.8 Financing

Despite significant efforts, banks and financial insinuations are reluctant to provide credit to CMSMEs. The supply side reason is the high cost of lending and lack of mindset. The demand side issue is lack of minimum documentation of businesses, especially of C and M categories for businesses. The action plan to tackle this would be to develop differential credit guarantees schemes for various categories of CMSMEs where the indicators will be 100% CG for C and M categories of enterprises and 75% CGS for S and M categories of enterprises.

Innovative financing mechanisms are yet to be available for CMSMEs. The action plan must prioritize revamping (not simplification) of lending to CMSMEs in partnership with DFS and fintech companies. The indicators to measure progress in this priority are:

- a. The number of days for loan processing, which is projected to be 7 days in 2026, and is set to decrease to 5 days in 2031 and 1 day by 2041 [Figure 8.6].

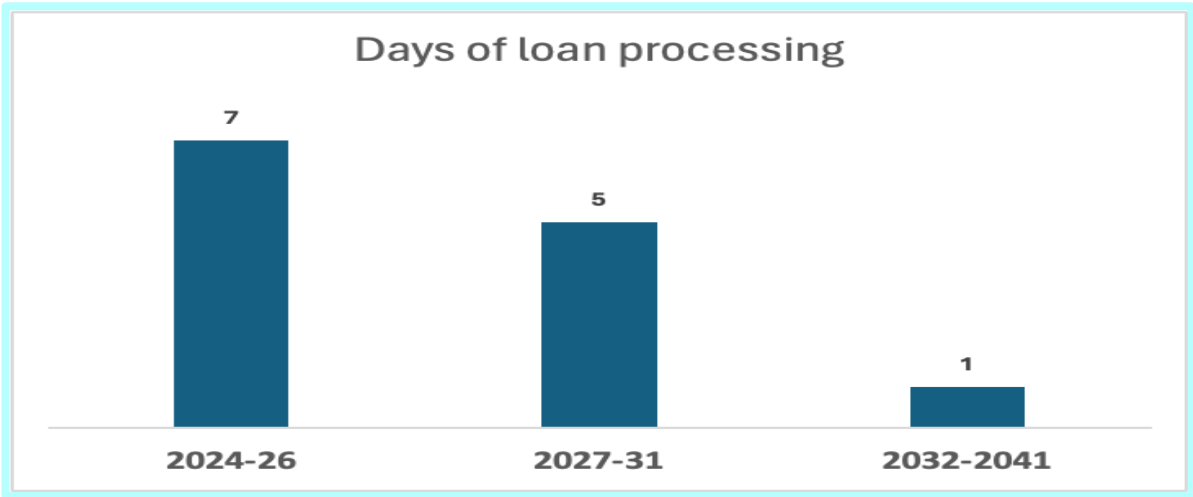


Figure 8.6 Projected Days of Loan Processing for CMSMEs

- b. The share of C and M categories who received loans, which is projected to be 20% of them by 2026, 40% by 2031 and 75% by 2041, as show in Figure 8.7.

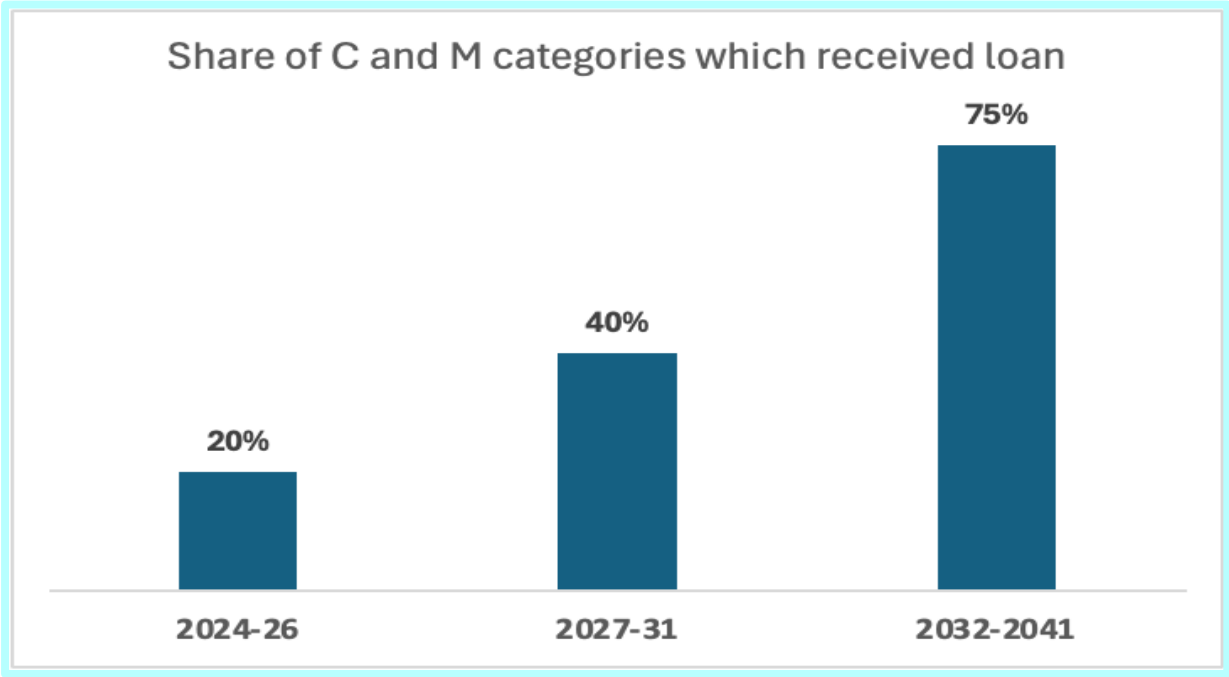


Figure 8.7 Projected Share of C and M Categories Receiving Loan

- c. The Share of S and Med categories who received loans, which is projected to be 25% of them by 2026, 50% by 2031 and 90% by 2041 [Figure 8.8].

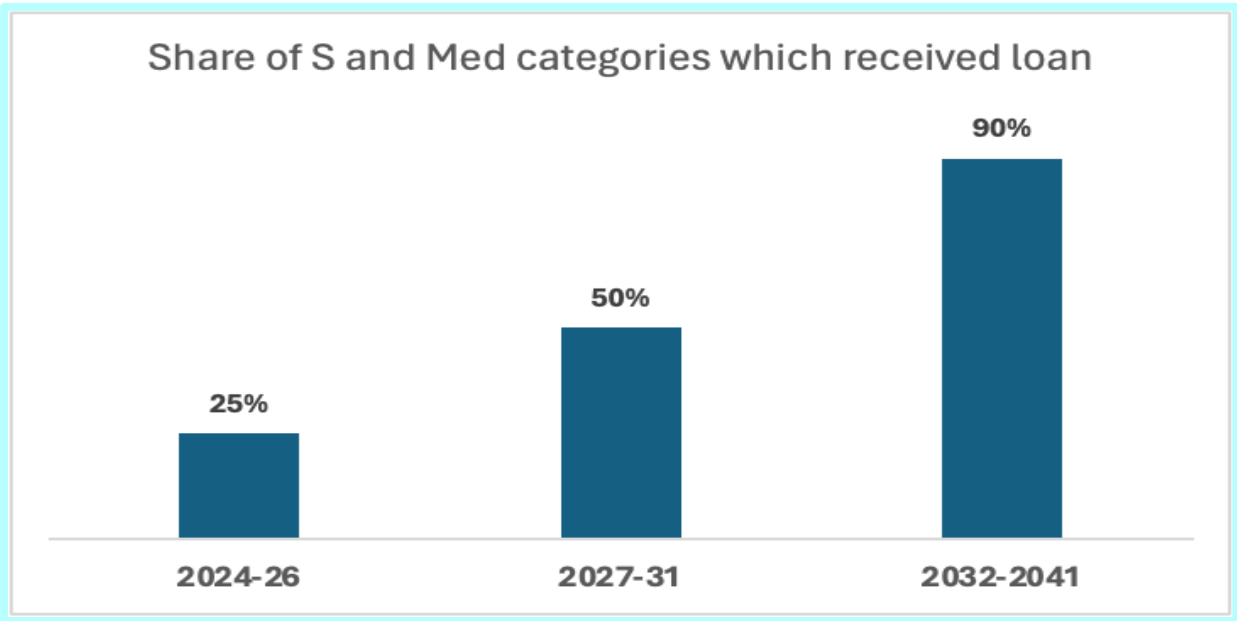


Figure 8.8 Projected Share of S and M Categories Receiving Loan

8.9 Policy Overhauling

The industrial policy and export policy are still medium and large manufacturing industry oriented. Without overhauling them with priority to service industry, especially digital products

and services, the milestone would not be possible to achieve. There is no separate chapter on CMSMEs in national planning documents have a chapter.

The action plans that will be set out are:

- Overhauling Industry Policy, where the indicator is Balanced Industrial Policy with appropriate elaboration on CMSMEs available, which is set to be achieved by 2026.
- Overhauling Export Policy, where the indicator is Balanced Industrial Policy with appropriate elaboration on CMSMEs available, which is set to be achieved by 2026.
- Mainstreaming Digital Transformation of all sectors in national planning documents, where the indicator is 9th Five Year Plan with CMSMEs mainstreamed, which is set to be achieved by 2026.

Section 9

Key Indicators to Achieve for Startups

9. Key Indicators to achieve for Startups for Smart Bangladesh 2041

9.1 Growth of Startups

The number of startups in FY 2022-23 was 2,500⁵³, The projected growth of the number of startups is 3,500 by 2026, 10,000 by 2031, and 25,000 by 2041, as shown in Figure 9.1. Growth rate is expected 5%, the aspiration to grow by 20% by 2031 and reach 50% by 2041.

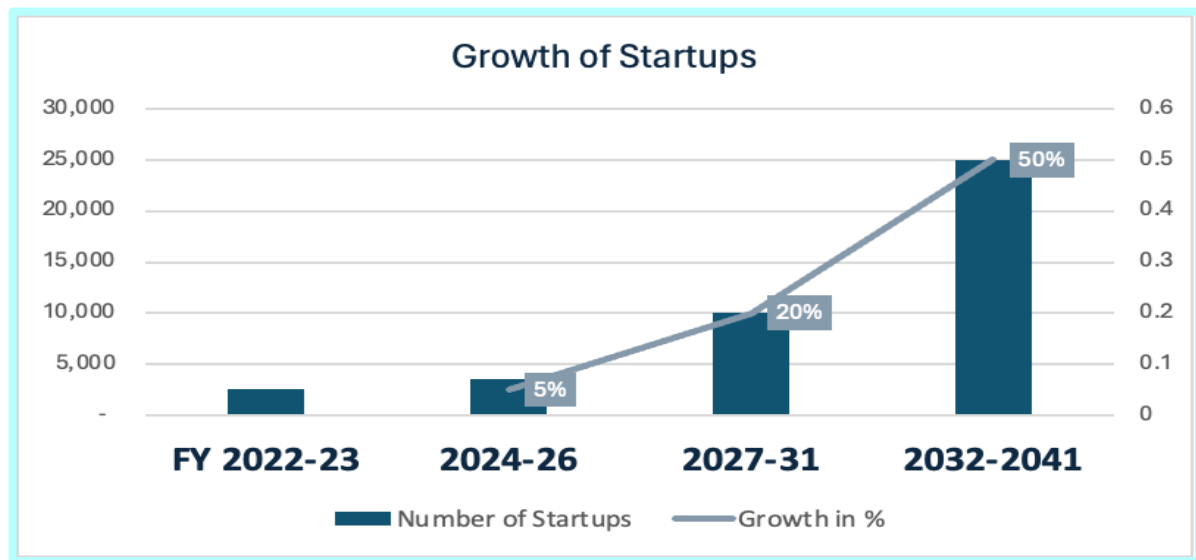


Figure 9.1 Projected Growth of Startups in Bangladesh

9.2 Contribution to GDP, Share %

Starting from a baseline of 1% share of GDP in 2022, the startup sector is expected an upward trajectory [Figure 9.2]. It is projected to reach 2% by 2026, 2.5% by 2031, and 5% by 2041.

⁵³ Bangladesh Startup Investment Report 2023. Retrieved from <https://startupsummit.gov.bd/wp-content/uploads/2023/08/Bangladesh-Startup-Investment-Report-2023-Full-Version.pdf>

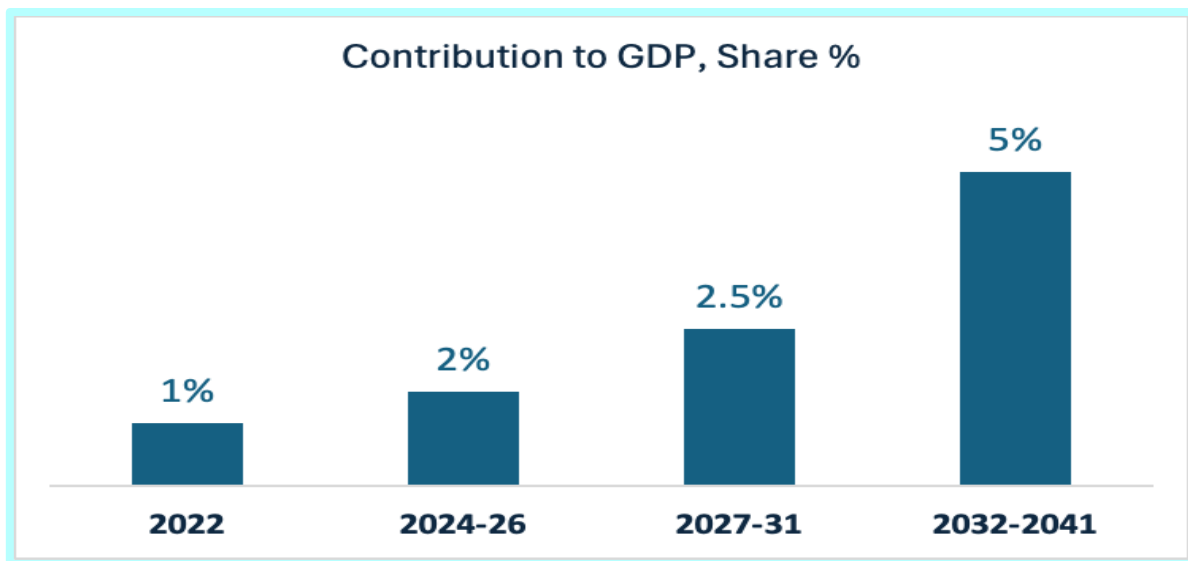


Figure 9.2 Projected Contribution of Startups to GDP of Bangladesh

9.3 Employment Generation (including Informal)

Research by the Progressive Policy Research Company shows startups are major job creators, adding over 3 million positions annually. They also hold significant economic weight, valued at 3 trillion dollars.⁵⁴ Currently, the sector accounts for 150,000 jobs [Figure 9.3]. By 2026, this no. of jobs is expected to rise to 210,000, then to 600,000 by 2031, and finally to 1.5 million by 2041. This growth is part of overall growth of enterprises in CMSMEs and is projected to be 40% by 2026, jumping to 300% by 2031 and by 2041 it will surge to 900%.

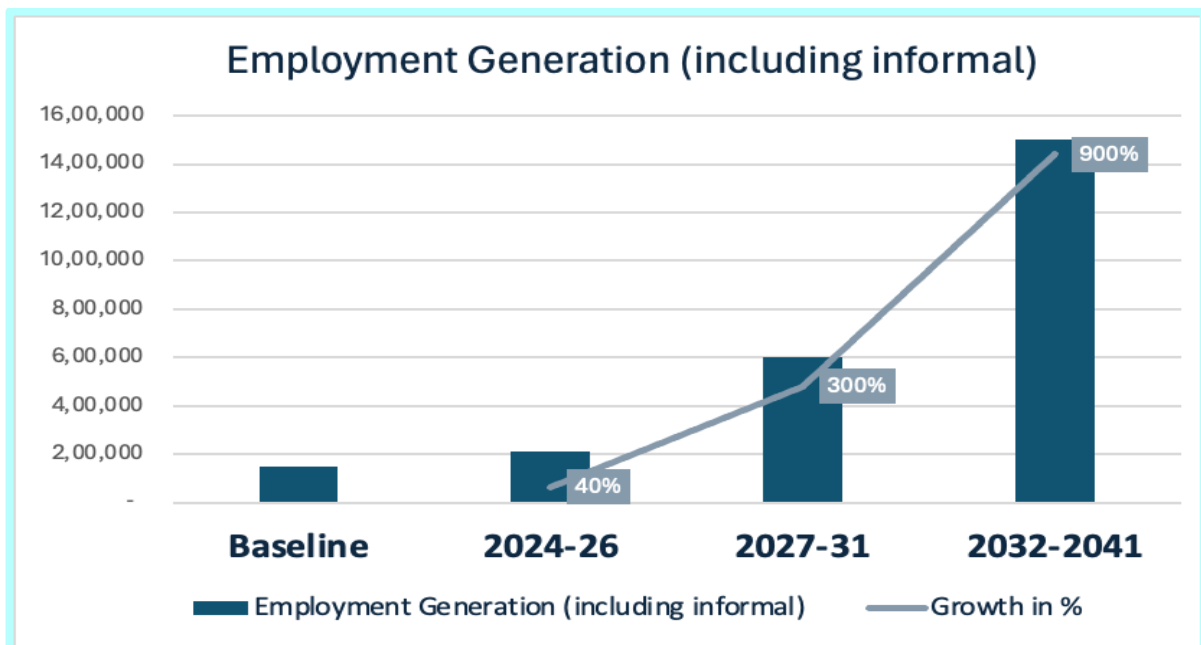


Figure 9.3 Projected Employment Generation (including Informal) of Startup Sector in Bangladesh

⁵⁴ BHPTA. Retrieved from <https://bhptpa.gov.bd/site/page/4abe4e81-2036-4766-935f-fbc36cd7b7d8/->

9.4 Growth of Women-led Startups

Smart Bangladesh 2041 specially emphasizes on participation of women in overall entrepreneurship, including in startups. The number of women-led startups, currently at 100, is on the rise. In Figure 9.4, projections indicate an increase to 500 by 2026, followed by a further rise to 2,000 by 2031, reaching 5,000 by 2041.

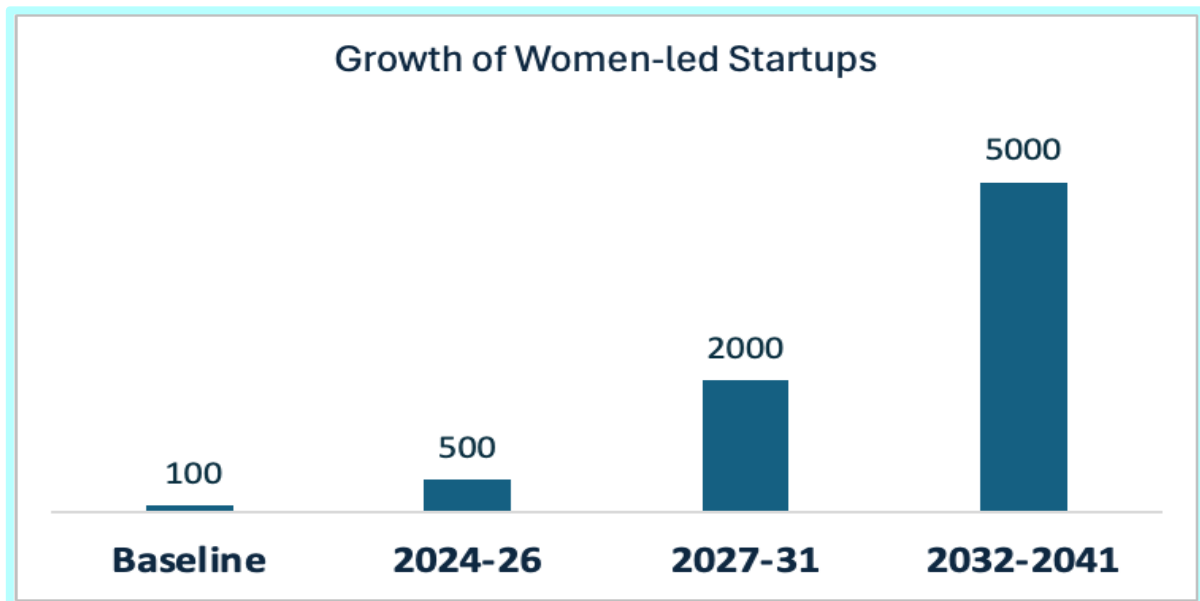


Figure 9.4 Projected Growth of Women-led Startups in Bangladesh

9.5 Annual Investment in Startups (Global and Local Combined)

The total annual investment in startups amounted USD 72 million in 2022⁵⁵, exhibiting a declining trend at present. However, the aspiration is to turn around the trend and attract USD 500 million by 2026, USD 2.5 billion by 2031, and USD 7.5 billion by 2041. Exhibiting a growth (in %) of 594% by 2026, 3372% by 2031, and 10317% by 2041 [Figure 9.5].

⁵⁵ Bangladesh Startup Ecosystem: Funding Landscape. Retrieved from <https://www.lightcastlebd.com/bangladesh-startup-ecosystem-dashboard/>

Key Indicators: Startup

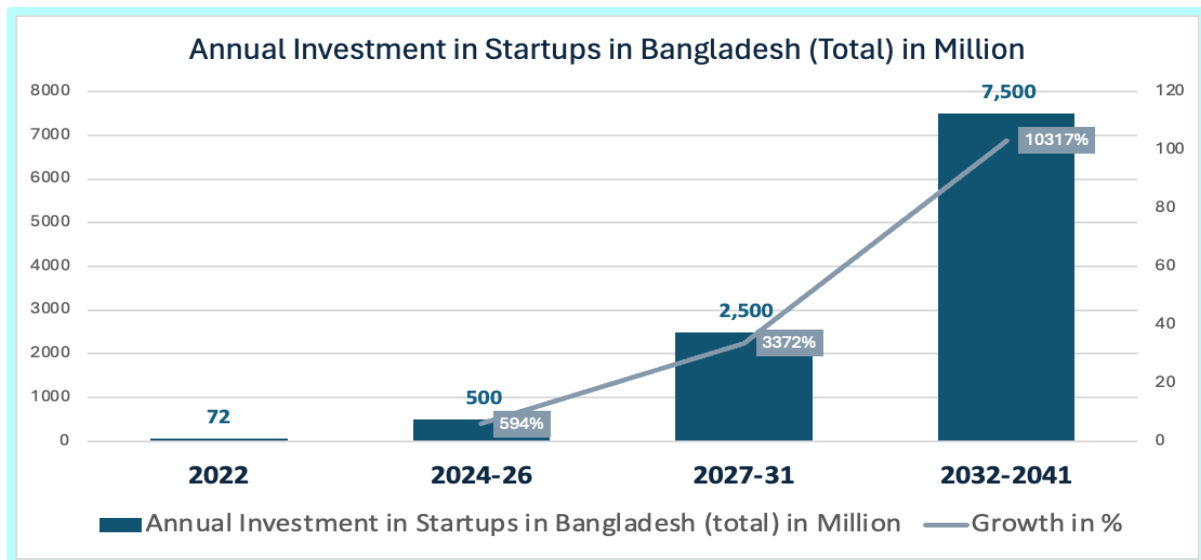


Figure 9.5 Projected Annual Investment in Startups in Bangladesh (Total, in Million)

Annual Investment in startups Global: It is projected that it will increase to USD 400 million by 2026, USD 1.5 billion by 2031, and USD 5.5 billion by 2041. Exhibiting a growth (in %) of 100% by 2026, 1000% by 2031, and 2000% by 2041, as shown in Figure 9.6.

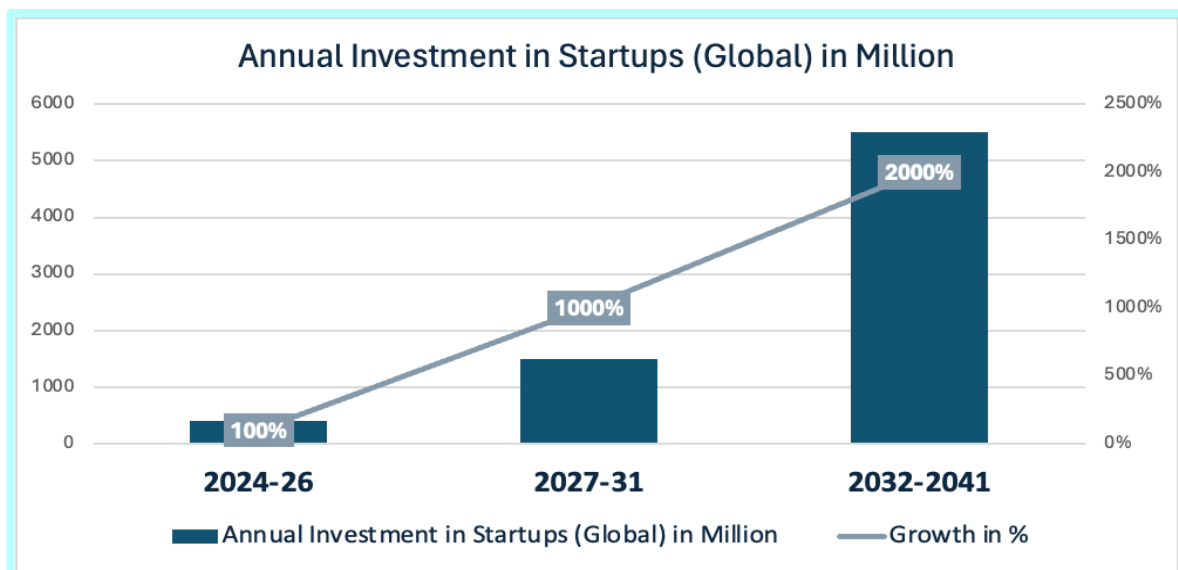


Figure 9.6 Projected Annual Investment in Startups Globally (Total, in Million)

a. Number of Early-stage Deals:

The number of early-stage deals stands at 314⁵⁶ in 2023 and is projected to rise to 3,349 by 2026, 12,560 by 2031, and then 46,053 by 2041 [Figure 9.7]. The share of total deals in percentage is currently at 84%, which is set to increase to 91% by 2026, 89% by 2031, and then 90% by 2041.

⁵⁶ Bangladesh Startup Ecosystem: Funding Landscape. Retrieved from <https://www.lightcastlebd.com/bangladesh-startup-ecosystem-dashboard/>

Key Indicators: Startup

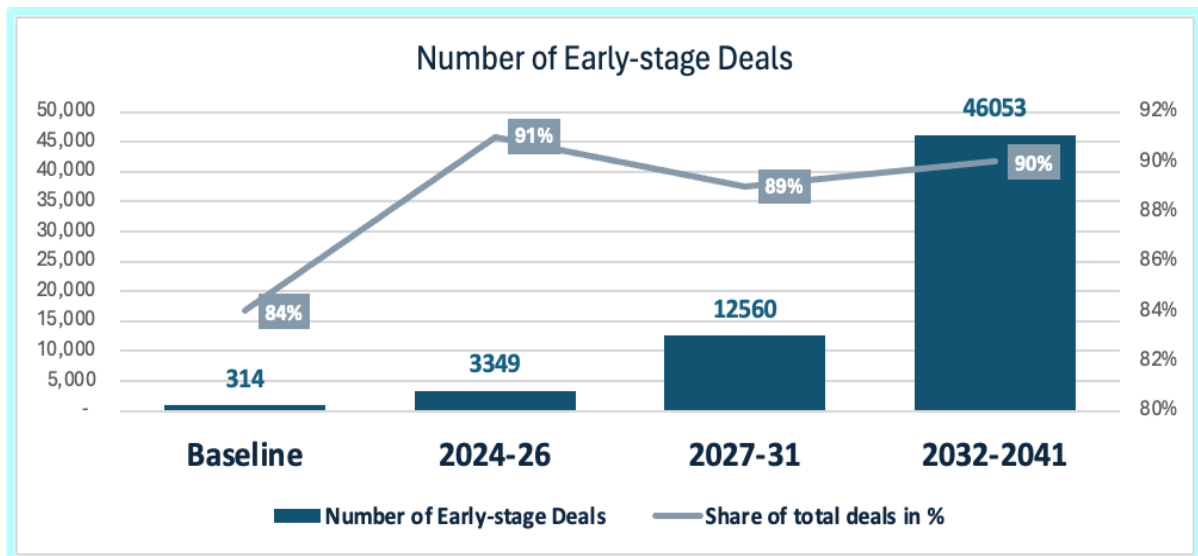


Figure 9.7 Projected Number of Early-stage Deals of Startups in Bangladesh

b. Number of late-stage Deals:

The late-stage deal is currently at 61⁵⁷ (16% of total deal), which shows the nascent stage of startup ecosystem., as presented in Figure 9.8. The aspiration that late-stage deal will get momentum and reach 4,880 by 2041.

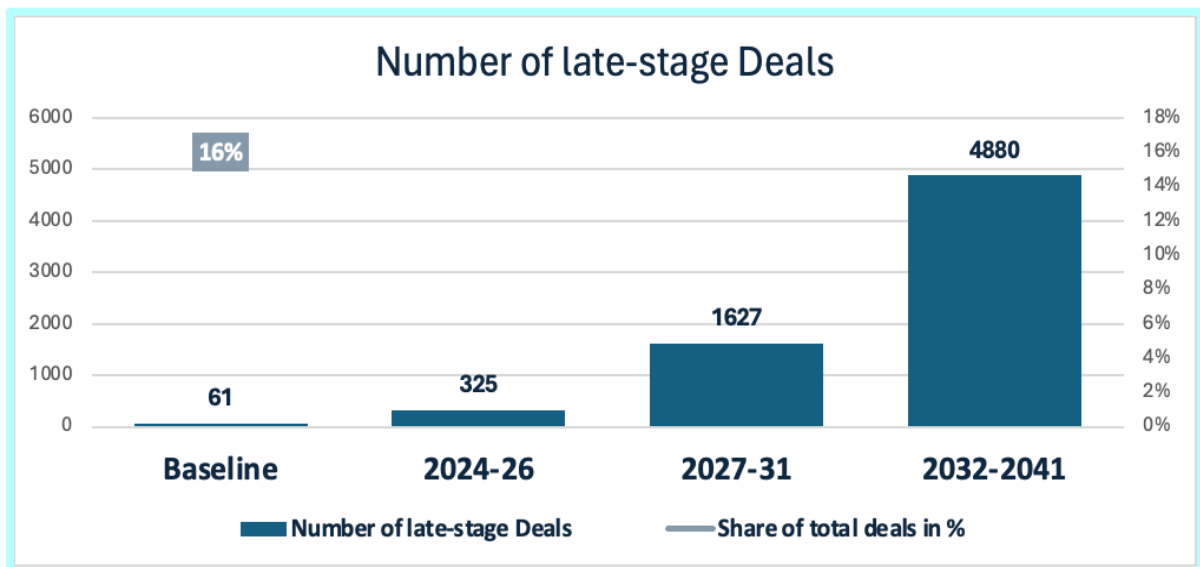


Figure 9.8 Projected Number of Late-stage Deals of Startups in Bangladesh

⁵⁷ Bangladesh Startup Ecosystem: Funding Landscape. Retrieved from <https://www.lightcastlebd.com/bangladesh-startup-ecosystem-dashboard/>

Section 10

**Priorities and Indicators to Achieve Key
Indicators
Startup**

10. Startup: Priorities and Indicators to achieve Key Indicators

10.1 Building Consistent and Sustainable Startup Pipeline

The current startup ecosystem is generally self-propelled, with the emergence of supporting institutions within government and private sector, national and global. However, to address pervasive unemployment and underemployment, as well as for prevention of massive brain drain, there is need to focus on entrepreneurship and start pipeline building in tertiary education system.

The action project emphasizes co-investment with universities for mainstreaming entrepreneurship education and startup incubation programs.

One indicator is number of tertiary educational institutions having entrepreneurship education and incubation program which currently stands at 13 and is expected to grow to 25 by 2026, then to 100 by 2031, and finally to 150 by 2041, as exhibited in Figure 10.1.

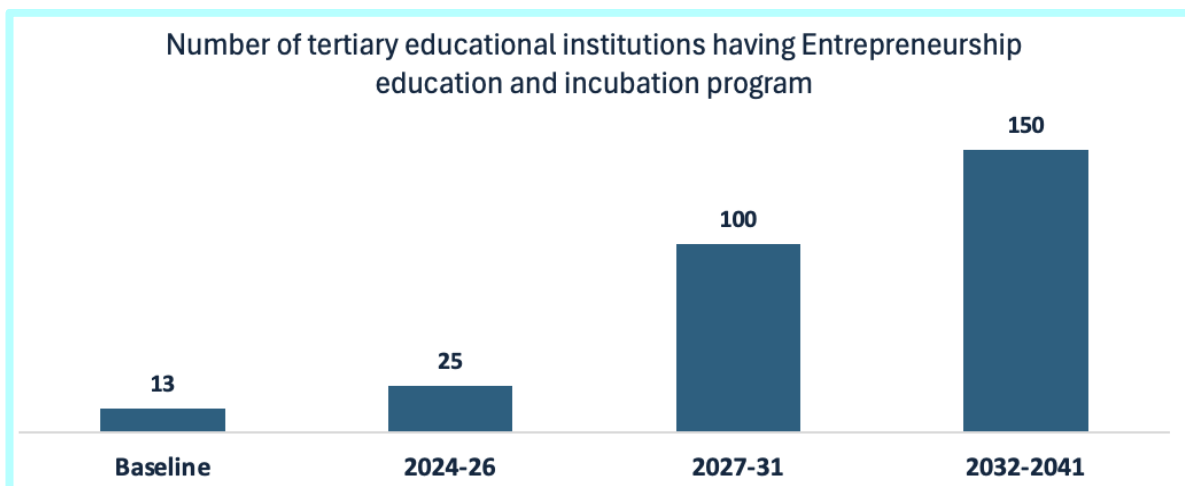


Figure 10.1 Projected Number of Tertiary Educational Institutions having Entrepreneurship Education and Incubation Program

As the comprehensive data-set is absent, there is a need for initiative to generate quality data. The priority action in this regard should be Bi-annual Survey on startup ecosystem. This would be 1 by 2026, 2 by 2031, 5 by 2041 [Figure 10.2].

Priorities to achieve Key Indicators: Startup

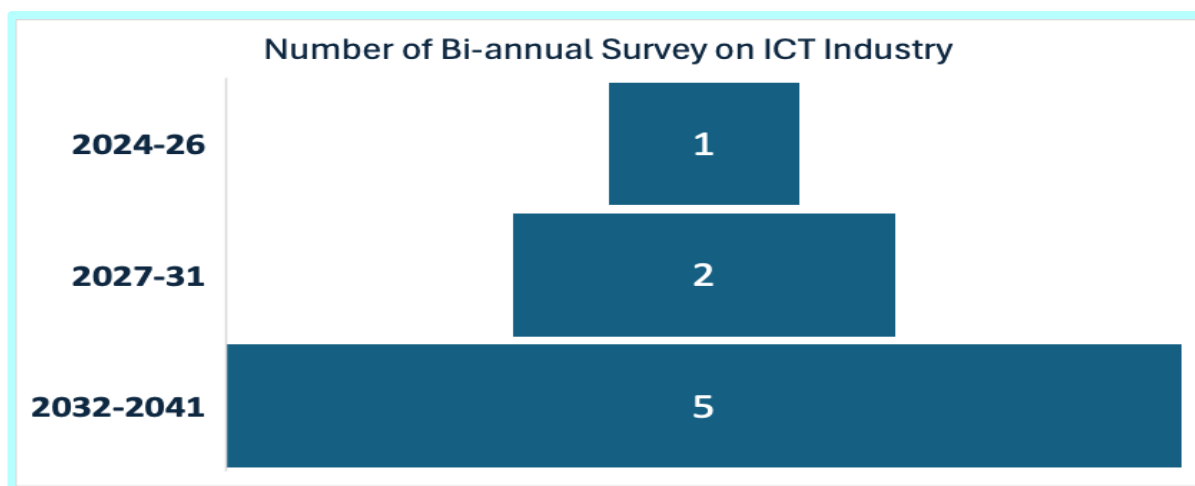


Figure 10.2 Projected Number of Bi-annual Survey on ICT Industry of Bangladesh

10.2 Investment in R&D and Patenting

Bangladesh's transition from price-advantage-based economy to innovation-based economy would depend on investment in R&D in all sectors, including ICT. Bangladesh is at 105th position in Global Innovation Index 2023, behind all South Asian countries. IP Protection and IP infringement is going to be a big issue for Bangladesh after LDC graduation. Small companies will require support for accessing licensed software for their businesses.

The priority action emphasizes a long-term Co-investment in R&D-based startups and tertiary educational institutions in the form of grants. Investment from the government, private sector, development partners, MFIs and other financial institutions will be required in this regard. The target volume of investment in R&D, in millions projected to be USD 50 million by 2026, USD 400 million by 2031, and USD 1 billion by 2041 [Figure 10.3].

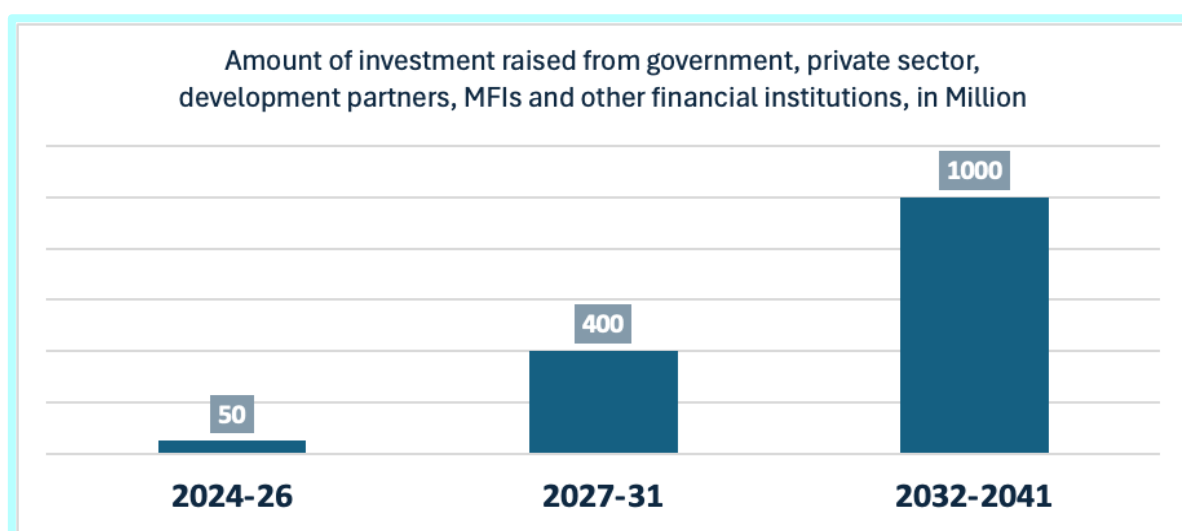


Figure 10.3 Projected Amount of Investment USD Raised from Government, Private Sector, Development Partners, MFIs, and Other Financial Institutions, in Million

10.3 Adopt a National Startup Policy and Strategy 2030

As startups are new breed of entrepreneurship banking on technology integration and high

Priorities to achieve Key Indicators: Startup

growth potential engaging skilled educated segment of youth, the startup ecosystem needs to be completed with a set of policy measures through a National Startup Policy. One of the priority action items is to adopt the National Startup Policy 2024. The Policy should be updated periodically: in 2031, 2027, 2041.

10.4 Access to Services

One major gap in the startup ecosystem is the required services by startup to grow and sustain are inadequate. The number of service providers is limited due to lack of viable business cases. The action plan prioritizes creating a private-sector led network of services providing institutions with provision of online, location-based services through multi-stakeholder collaboration. The priority will be such that the number of services providing insinuations will emerge in each district gradually: 10 by 2026, 64 by 2031, and 150 by 2041 [Figure 10.4].

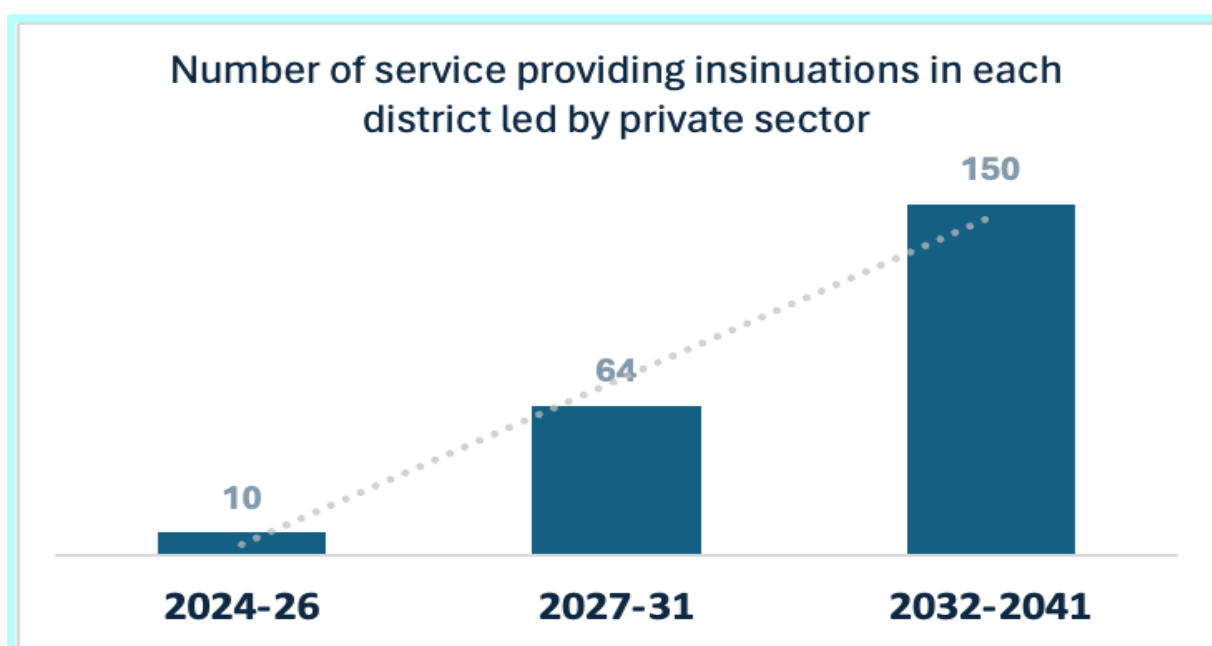


Figure 10.4 Projected Number of Service Providing Insinuations Led by Private Sector, in Each District of Bangladesh

10.5 Domestic Procurement Policy for Preferential Treatment to Tech-startups

The government is the largest client for the private sector. However, the market is dominated by large players. The government procurement system is not equipped to procure from small producers, especially from startups.

The action plan emphasizes Balanced Preferential Treatment to startups as a part of SMEs for facilitating business case of startups to access both domestic market and international market. The indicator will be Share of government procurement (in term of value) related to Smart.

Priorities to achieve Key Indicators: Startup

10.6 Private Sector-led Incubation and Acceleration Program

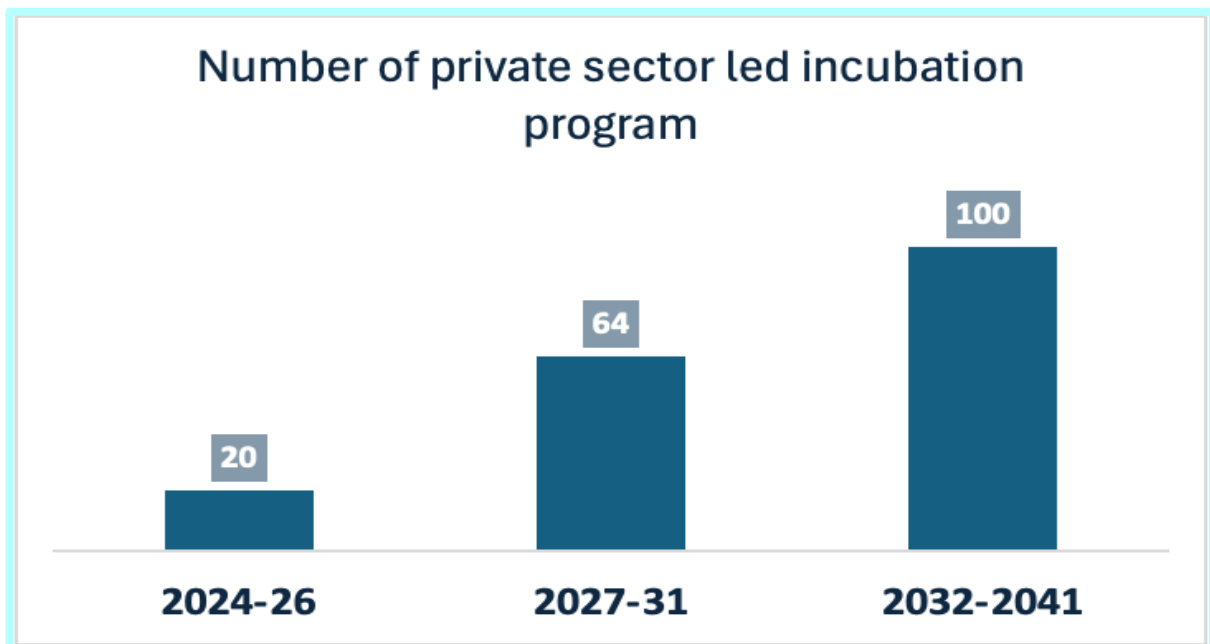


Figure 10.5 Projected Growth of Private-sector-led Incubation Programs

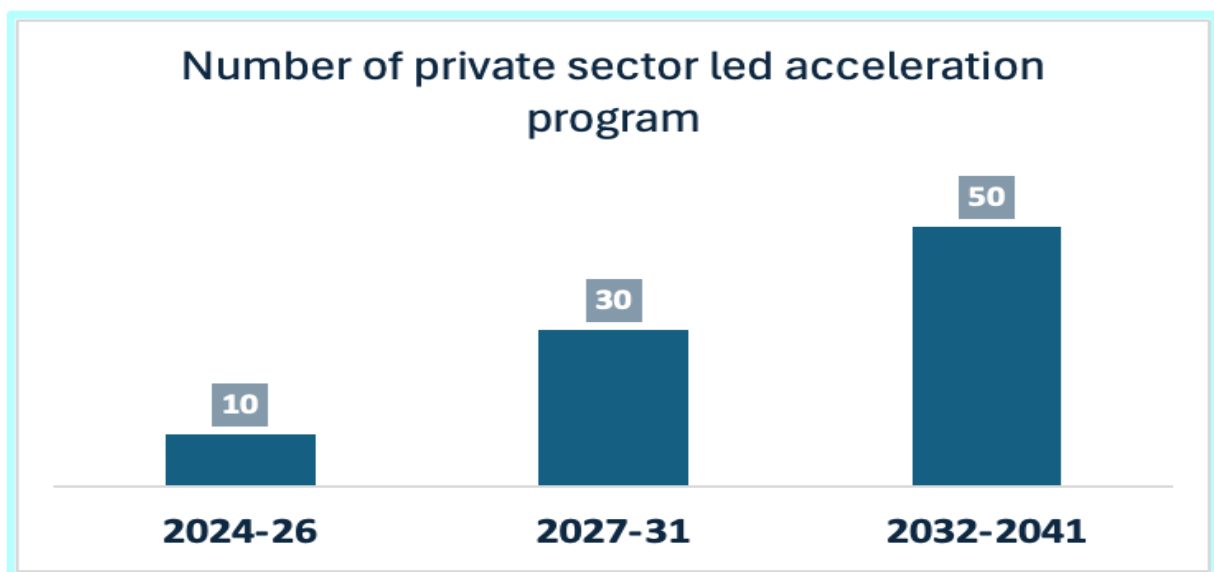


Figure 10.6. Projected Growth of Private Sector-led Acceleration Programs

It is noticed that although the private sector initiated the incubation process in the startup ecosystem, the government outpaced the private sector in this regard. The government led incubation program and acceleration program may facilitate the faster ecosystem building process through its investment, however, the best way for sustained growth of startups is to support private sector to run incubation and acceleration program.

The priority action agenda is to support the private sector in such a way that by 2026 there are at least 20 incubation and 10 acceleration programs, which should grow to at least 100 and 50 respectively [Figure 10.5, 10.6].

Priorities to achieve Key Indicators: Startup

10.7 Investment in Acceleration Programs Run by Private Sector

Most of the founders of startups are self-motivated. The incubation program based in tertiary educational institutions must relate to private sector-led acceleration programs. Women-led startups are few and there are multiple barriers for them.

Action plan addresses the Synchronization of private sector-led (both tertiary educational institution-based and outside) incubation and acceleration program. The indicators are Number of private sectors led incubation program (which is projected to be 20 in 2026, 64 in 2031, and 100 in 2041), Number of private sectors led acceleration program (which is projected to be 10 in 2026, 30 in 2031, and 50 in 2041), Number of specialized incubation and acceleration program for women-led startups (which is projected to be 5 in 2026, 10 in 2031, and 20 in 2041) [Figure 10.7].

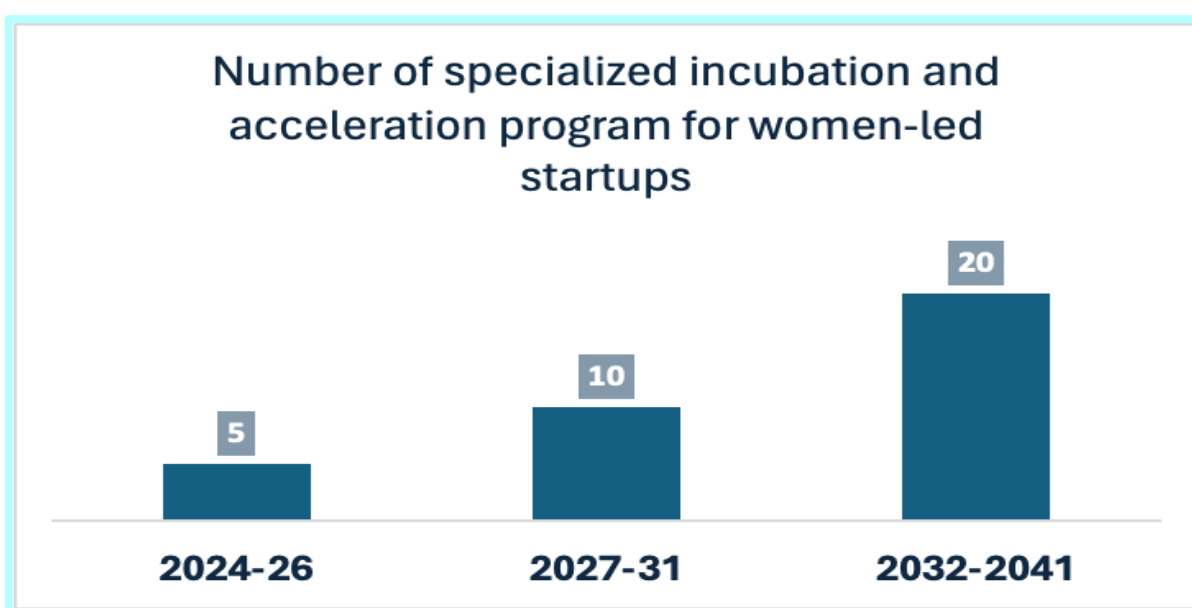


Figure 10.7 Projected Number of Specialized Incubation and Acceleration Programs for Women-led Startups in Bangladesh

10.8 Mentorship Development Program

While there are ambitious plans for exponential growth of startups, there is a severe dearth in quality mentors, essential for startup growth and maturity. Some gaps are filled by investment companies.

The action plan calls for Investment in mentorship development program led by private sector, both at university-based startup centers and outside where the indicator will be number of professional mentors which is set to be 1,000 by 2026, 5,000 by 2031 and 20,000 by 2041, as shown in Figure 10.8.

Priorities to achieve Key Indicators: Startup

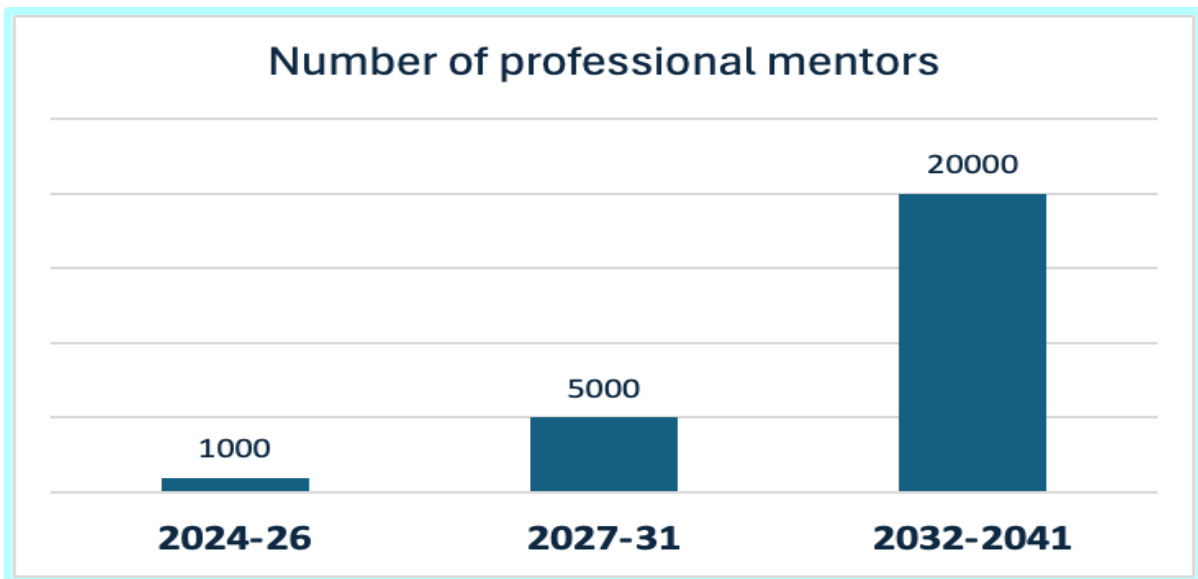


Figure 10.8 Projected Number of Professional Mentors for Startups in Bangladesh

The action plan also calls for a collaboration with international acceleration programs for development of mentorship programs where the indicator will be number collaboration with international acceleration programs, facilitated by government, which is set to be 10 by 2026, 100 by 2031 and 200 by 2041 [Figure 110.9.9].



Figure 110.9 Projected Number of Collaboration with International Acceleration Programs, Facilitated by Government

10.9 Ease of Doing Business for Startups

Startups face hurdles in inception of new business in bureaucratic labyrinth. The action plan emphasizes Legislative reform for introduction of Single Incorporation and business ID for all businesses including startups with the indicator being Year of availability of single incorporation and business ID. It is assumed that by 2027, we will see this shift.

Priorities to achieve Key Indicators: Startup

10.10 Taxation

Differential tax regime for different stages of startups, especially women led enterprises is important to set up. The action plan is set to be developing differential tax and VAT for selected groups of products or services produced by startups and Tax and VAT moratorium on early-stage startups where the indicator will be year of moratorium on tax and VAT. In the periods of 2024-2026 and 2027-2031, the moratorium will remain applicable. However, from 2031-2041, the moratorium will be withdrawn, and a 5% rate will be applied.

10.11 Financing

Reform of investment mechanism in startups and facilitation of international investors investing directly in Bangladesh. The action plan for this is to implement a policy on foreign and local investment in startups that offers rebates (incentives) to attract investment. The key indicator would be to review policy and have a revision schedule. The policy will be enacted by 2025 (already achieved in 2026). Scheduled revisions will occur in 2029 (completed by 2031), 2032 (completed by 2037), and 2040 (completed by 2041).

Another indicator would be 75% CGS for S and M categories of enterprises. Innovative financing mechanisms are yet to be available which calls for another action plan promoting innovation in startup financing. The indicators here are Blended Financing in total financing (which is projected to be at 20% in 2026, 30% in 2031, 40% in 2041) [Figure 10.10]. The year allowing both grants and equity investment for startups and social enterprises would be 2025 by 2026, 2029 by 2031, and by 2032, 2037, and 2040 by 2041. The share of GLI-based financing in startups will be at 10% by 2026, 15% by 2031, and 25% by 2041 [Figure 10.11].

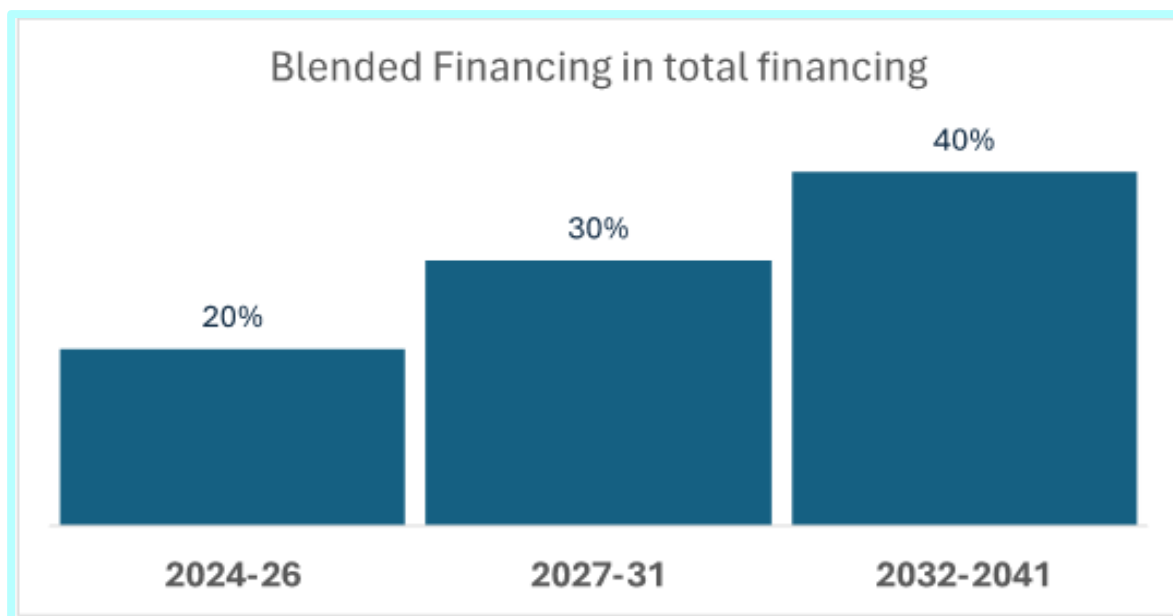


Figure 10.10 Projected Blended Financing in Total Financing of Startups in Bangladesh

Priorities to achieve Key Indicators: Startup

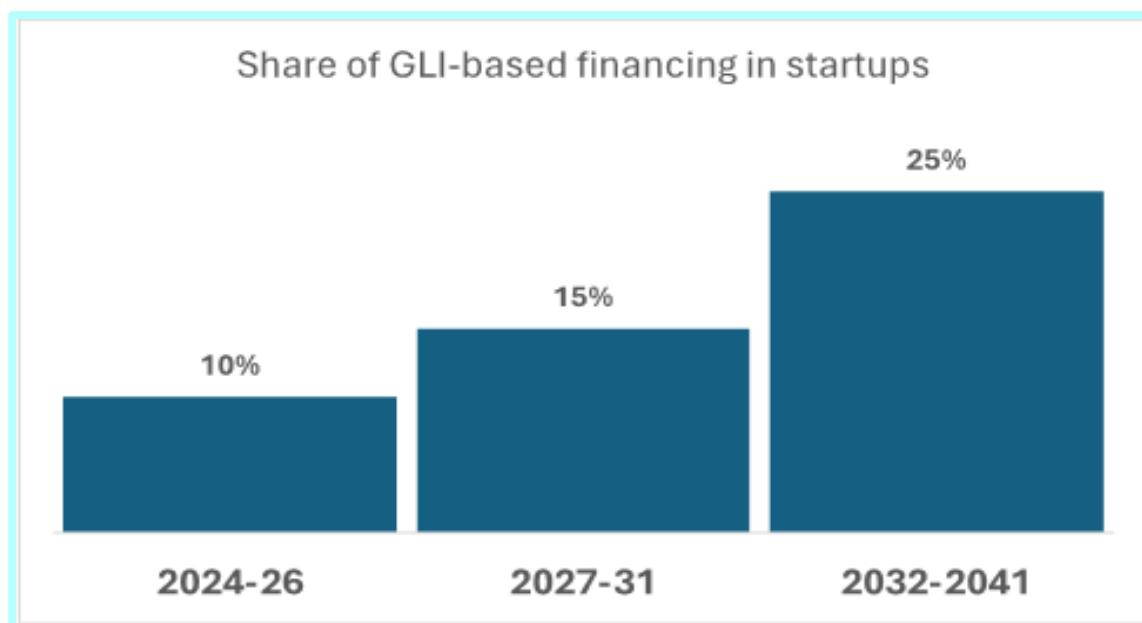


Figure 10.11 Projected Share of GLI-based Financing in Startups in Bangladesh

10.12 Policy Overhauling

The industrial policy and export policy are still medium and large manufacturing industry oriented. Without overhauling them with priority to service industry, especially digital products and services, the milestone would not be possible to achieve. For this, the action plan is set to Overhauling Industry Policy with the indicator being Balanced Industrial Policy with appropriate elaboration on startups available.

National planning documents do not recognize investment in startups as a priority. For this, the action plan will be overhauling of Export Policy where the indicator is Balanced Industrial Policy with appropriate elaboration on Startups available. By 2026, we will achieve our action plan target

Section 11

Conclusion

11. Conclusion

This section presents a snapshot of the proposed key indicators set to capture the contribution of the discussed sectors in building a Smart Bangladesh. The tables mention the rationale behind determining the indicators and maps the indicators with the priorities to achieve the key indicators, and the smart pillars and the smart pillar indicator groups (as visioned by the Smart Bangladesh Task Force) these key indicators will affect.

Tables 11.1, 11.2, 11.3 and 11.4 mainly summarize the insights gathered and generated through this research.

11.1 Summary of Key Indicators of ICT Industry

Table 11.1: ICT Industry and Key Indicators to Track its Trajectory towards Smart Bangladesh

Key Indicators	Rationale for Choosing Indicators	Priorities to Achieve Key Indicator	Smart Pillar Indicator Group	Smart Pillar
Contribution of ICT Industry to GDP (USD, Bn)	Bangladesh's shift from a price-driven to an innovation-based economy, with ICT playing a key role in domestic and foreign markets, entails a significant contribution of the sector to the overall economic performance of the country.	• Data Generation for Informed Decision Making: Annual Survey of ICT Industry • Special Initiatives: Facilitating the no. of Unicorns • Investment in R&D: Obtaining national and international patents for Bangladeshi innovation and inventions.	GDP Growth, Unicorn Startup, Tax-GDP ratio increase through the use of technology	Smart Economy, Smart Government
Size of Domestic ICT Market (USD, Bn)	Smart Bangladesh will experience varying uses of ICT where the domestic market will be the major consumer for the ICT industry.	• Investment in R&D in the whole Value Chain of Industrial Capability • Matching Allocation (in USD) for R&D in tertiary educational institutes and ICT Industry	GDP growth, Business prospects increase	Smart Economy
Share of Bangladeshi IT industry in domestic market	Value generation by the Smart ICT industry will facilitate more share of the domestic market, including government clients.	• Domestic Procurement Policy for Preferential Treatment to Bangladeshi Companies • Ease of Doing Business for ICT Industry: Single incorporation and Business ID. • Skills Gap Mitigation	GDP Growth, Technological Capability, Business Prospects increase, E-gov development indicator	Smart Economy, Smart Government

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities to Achieve Key Indicator	Smart Pillar Indicator Group	Smart Pillar
		• Taxation: Tax Incentives, Tax Holidays and Differential Tax Policies • Financing: Review of cash incentives and development of new incentive schemes for ICT Industry • Matching Allocation for small-scale ICT companies for using licensed software		
ICT Export Total (USD, Bn)	ICT industry will contribute to the building of Smart economy by serving both domestic and foreign markets. ICT exports will indicate the value created for the foreign markets	• Policy Overhauling: Overhauling Industry and Export Policy with priority to service industry, especially digital products and services. • Investment in R&D in the whole Value Chain of Industrial Capability • Taxation: Tax Incentives, Tax Holidays and Differential Tax Policies • Financing: Review of cash incentives and development of new incentive schemes for ICT Industry • Skills Gap Mitigation • Ease of Doing Business for ICT Industry	Digital Skills, Cashless transactions, GDP Growth, Technological capability, Business prospect increase	Smart Economy

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities to Achieve Key Indicator	Smart Pillar Indicator Group	Smart Pillar
ICT Export: Hardware (USD, Bn)	Bangladesh has a large workforce with relatively low wages, making it an attractive location for labor-intensive hardware manufacturing.	• Policy Overhauling: Overhauling Industry and Export Policy with priority to service industry, especially digital products and services. • Investment in R&D in the whole Value Chain of Industrial Capability • Taxation: Tax Incentives, Tax Holidays and Differential Tax Policies • Financing: Review of cash incentives and development of new incentive schemes for ICT Industry • Skills Gap Mitigation • Ease of Doing Business for ICT Industry	Digital Skills, GDP Growth, Technological capability, Business prospect increase	Smart Economy
ICT Export: Software (USD, Bn)	In consideration of the shift to an innovation-driven economy and LDC graduation, Bangladesh needs to keep a track of and make significant progress in the area of software development and exporting.	• Policy Overhauling: Overhauling Industry and Export Policy with priority to service industry, especially digital products and services. • Investment in R&D in the whole Value Chain of Industrial Capability • Taxation: Tax Incentives, Tax Holidays and Differential Tax Policies • Financing: Review of cash incentives and development of new incentive schemes for ICT Industry • Skills Gap Mitigation • Ease of Doing Business for ICT Industry	Digital Skills, GDP Growth, Technological capability, Business prospect increase	Smart Citizen, Smart Economy
ICT Export: ICT Services including freelancing (USD, Bn)	For smart indicators connected to smart citizen pillar and smart economy pillar, the freelancing and ITS-IES industry requires a key focus.	• Policy Overhauling: Overhauling Industry and Export Policy with priority to service industry, especially digital products and services.	Digital Skills, GDP Growth, Technological capability, Business prospect increase	Smart Citizen, Smart Economy

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities to Achieve Key Indicator	Smart Pillar Indicator Group	Smart Pillar
		- Investment in R&D in the whole Value Chain of Industrial Capability - Taxation: Tax Incentives, Tax Holidays and Differential Tax Policies - Financing: Review of cash incentives and development of new incentive schemes for ICT Industry - Skills Gap Mitigation - Ease of Doing Business for ICT Industry		
ICT Export: Telecommunication Services	Bangladesh's telecom sector is primarily focused on serving the domestic market. The development of Bangladesh's IT infrastructure (e.g., data centers, high-speed internet) would create a foundation for future telecom service exports.	- Policy Overhauling: Overhauling Industry and Export Policy with priority to service industry, especially digital products and services. - Investment in R&D in the whole Value Chain of Industrial Capability - Taxation: Tax Incentives, Tax Holidays and Differential Tax Policies - Financing: Review of cash incentives and development of new incentive schemes for ICT Industry - Skills Gap Mitigation - Ease of Doing Business for ICT Industry	Increase in Business Prospects, High Speed and reliable Broadband Internet	Smart Economy
Job Creation in ICT Industry	Smart citizens of Bangladesh will enjoy and take part in creating the potential of the ICT industry through employment prospects connected to the growth of the sector. The citizens will fuel this growth and the participation of citizens need to be tracked, with frontier technologies	- Skills Gap Mitigation - Investment in R&D in the whole Value Chain of Industrial Capability: Matching Allocation (in USD) for R&D in tertiary educational institutes and ICT Industry	Digital Skills, GDP Growth, Technological capability	Smart Citizen, Smart Economy

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities to Achieve Key Indicator	Smart Pillar Indicator Group	Smart Pillar
	introducing new avenues of employment.			

11.2 Summary of Key Indicators of Digital Commerce

Table 11.2 Digital Commerce and Key Indicators to Track its Trajectory towards Smart Bangladesh

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
Contribution of Digital Commerce to GDP (USD, Bn)	The pandemic led a major shift towards adoption of digital commerce. Offering flexibility and mobility, digital commerce is expected to be a significant source of GDP growth.	- Data Generation for Informed Decision Making - Limit of B2C and B2B Digital Commerce Transactions	GDP growth, Business prospects increase, Tax-GDP ratio increase through the use of technology	Smart Economy, Smart Government
Share of Domestic e-commerce sale in total retail sales	Technological advancement and rebuilding of trust among consumers have increased the usage of digital commerce among domestic market, where retail sales have also shifted to a hybrid modality, signifying the growing adoption of technology-based solutions among the smart citizens.	- Market Access - Digital Platform - Ease of doing business	Smart device, Cashless transactions, GDP growth, Business prospects increase, High speed and dependable broadband internet, Citizen-friendly service, E-gov indicator, Financial inclusion, Smart city and village	Smart Citizen, Smart Economy, Smart Government, Smart Society
Share of domestic ecommerce platform in total sales by all platforms	The diverse nature of offerings and the flexibility in delivery of service/product have proven the importance of tracking the market share achieved by the	- Market Access - Digital Platform - Ease of doing business	Smart device, Cashless transactions, GDP growth, Business prospects increase, High speed and	Smart Citizen, Smart Economy, Smart Government, Smart Society

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
	domestic platforms, across different types of service areas, which also shares insights into the consumption pattern of the nation.		dependable broadband internet, Citizen-friendly service, E-gov indicator, Financial inclusion, Smart city and village	
Size of Domestic eCommerce Market	The domestic digital commerce market has demand for both domestic and foreign products. This data will shed light for informed smart policy making and FDI strategies.	• Limit of B2C and B2B Digital Commerce Transactions • Market Access • Digital Platform • Logistics • Payment (Domestic and Cross-border) • Ease of doing business • Financing • Policy Overhauling	Smart device, Cashless transactions, High speed and dependable broadband internet, Citizen-friendly service, Financial inclusion, Smart city and village	Smart Citizen, Smart Economy, Smart Government, Smart Society
Annual Number of transaction (Mn)	In connection with market size, transaction pattern highlights further information on market demand and economic activity.		Cashless transactions, Financial inclusion	Smart Economy, Smart Society
Absolute value of transaction (BDT, Bn)	Economic participation of smart citizens will receive a measurable value for smart decision making of the government, the financial market and the private sector actors.		Cashless transactions, Financial inclusion	Smart Economy, Smart Society
Absolute value transaction (USD, Bn)	Economic participation of smart citizens will receive a measurable value for smart decision making of the		Cashless transactions, Financial inclusion	Smart Economy, Smart Society

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
	government, the financial market and the private sector actors.			
Average Monetary Value per transaction (BDT)	Consumption habit of smart citizens can be measured and economic analysis can be made with income specific and other data.		Cashless transactions, Financial inclusion	Smart Economy, Smart Society
Cross border ecommerce, Export (USD, Bn)	Globalization and LDC graduation are opening new doors for the domestic merchants to market and export their products and services to foreign markets, indicating prospects of GDP growth contribution from the sector.	- Market Access - Logistics - Customs - Payment (Domestic and Cross-border) - Quality Assurance - Consumer Protection - Partnership - Taxation: Tax Benefits for CMSMEs doing domestic or cross-border digital commerce - Institutional Framework	Digital Skills, Cashless transactions, GDP Growth, Technological capability, Business prospect increase, E-gov development indicator	Smart Economy, Smart Government
Share of e-commerce in total export	With improved technology and further demand for flexibility in trading, cross-border digital commerce will need to be tracked to better design cross-border policies.	- Market Access - Logistics - Customs - Payment (Domestic and Cross-border) - Quality Assurance - Consumer Protection - Partnership	Digital Skills, Cashless transactions, GDP Growth, Technological capability, Business prospect increase, E-gov development indicator	Smart Economy, Smart Government
Improving Bangladesh B2C e-commerce index (Rank)	While the sector is regaining trust from the consumers, B2C rank need to be closely tracked to ensure safety of the citizens and the societies of Smart Bangladesh.	- Institutional Framework - Policy Overhauling	Smart device, E-participation, Cashless transactions, High speed and dependable broadband internet, Citizen-	Smart Citizen, Smart Economy, Smart Government, Smart Society

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
			friendly service, Global cyber security index, Society	
Job Creation in eCommerce	Digital commerce platforms have created an avenue of employment generation in different modalities, creating better economic capability in the society. In the trajectory towards being an upper-middle income country, the performance of the e-commerce sector in creating opportunities for the citizens is important to track.	Ease of Doing Business for ICT Industry	Digital Skills, GDP Growth, Technological capability, Society	Smart Citizen, Smart Economy, Smart Society

11.3 Summary of Key Indicators of Entrepreneurship (CMSMEs)

Table 11.3 Entrepreneurship (CMSMEs) and Key Indicators to Track its Trajectory towards Smart Bangladesh

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
Growth of CMSMEs	With LDC graduation and the significant share of CMSMEs in the GDP, the growth of CMSMEs needs special attention and relevant policy changes can be brought to boost the growth.	- Data Generation for Informed Decision Making: Decisions on Policies, Taxation, Regulatory Compliance - Single Registration of CMSMEs - Access to Services - Domestic Procurement Policy for Preferential Treatment to CMSMEs - Entrepreneurship Skills	GDP growth, Business prospects increase, E-gov development indicator	Smart Economy, Smart Government

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
		- Ease of Doing Business for CMSMEs - Differential Tax Regime - Financing: Differential credit schemes and Integration with Fintech - Policy Overhauling: Consideration of CMSMEs in Industrial, Export and other National Policies		
Contribution to GDP	A key indicator of the contribution of CMSME-based entrepreneurship is to understand its share on GDP, both in terms of serving domestic and foreign markets.	- Data Generation for Informed Decision Making - Access to Services - Domestic Procurement Policy for Preferential Treatment to CMSMEs - Ease of Doing Business for CMSMEs - Financing: Differential credit schemes and Integration with Fintech	GDP growth, Business prospects increase, Tax-GDP ratio increase through the use of technology	Smart Economy, Smart Government
Employment Generation (including informal)	Entrepreneurship have two avenues of value generation: product/service development and employment generation. Contribution of entrepreneurs in creating opportunities for the smart citizens need to be measured to understand the capacity to be an equitable and economically participatory society.	- Data Generation for Informed Decision Making - Entrepreneurship Skills - Financing: Differential credit schemes and Integration with Fintech	GDP Growth, Technological Capability, Digital skills, Society	Smart Citizen, Smart Economy, Smart Government, Smart Society

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
Growth of Women-led Enterprises	Economic participation of women need to be boosted through data-backed decision making, which requires understanding the growth trajectory of women-led enterprises.	• Data Generation for Informed Decision Making: Decisions on Policies, Taxation, Regulatory Compliance • Single Registration of CMSMEs • Access to Services • Domestic Procurement Policy for Preferential Treatment to CMSMEs • Entrepreneurship Skills • Ease of Doing Business for CMSMEs • Differential Tax Regime • Financing: Differential credit schemes and Integration with Fintech	GDP growth, Business prospects increase, E-gov development indicator, Financial inclusion, Society	Smart Economy, Smart Government, Smart Society
Share of CMSMEs in Employment (including informal)	Economic value generation through enterprises is also done by generating employment opportunities. The growth of CMSMEs should translate into employment growth, including informal employment.	• Data Generation for Informed Decision Making • Entrepreneurship Skills • Financing: Differential credit schemes and Integration with Fintech	GDP Growth, Technological Capability, Digital skills, Society	Smart Citizen, Smart Economy, Smart Government, Smart Society
Formalization of informal entrepreneurs	In a smart economy, formalization of entrepreneurs is required to know about them and develop smart and business-friendly strategies for them.	• Data Generation for Informed Decision Making: Decisions on Policies, Taxation, Regulatory Compliance • Single Registration of CMSMEs • Access to Services • Domestic Procurement Policy for Preferential	Business prospects increase, High speed and dependable broadband internet, E-gov development indicator, Financial inclusion	Smart Economy, Smart Government, Smart Society

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
		Treatment to CMSMEs • Entrepreneurship Skills • Ease of Doing Business for CMSMEs • Differential Tax Regime • Financing: Differential credit schemes and Integration with Fintech • Policy Overhauling: Consideration of CMSMEs in Industrial, Export and other National Policies		

Conclusion

11.4 Summary of Key Indicators of Startup

Table 11.4 Startup and Key Indicators to Track its Trajectory towards Smart Bangladesh

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
Growth of Startup: No. of Startups	A growing number of startups suggests a thriving innovation ecosystem in Bangladesh, which is crucial for Smart Bangladesh.	- Building consistent and sustainable startup pipeline - Long term Co-investment in R&D-based startups and tertiary educational institutions in form of grants - Domestic Procurement Policy for Preferential Treatment to tech-startups - Mentorship Development Program: Collaboration with professionals and international acceleration programs, facilitated by government - Ease of Doing Business for Startups - Access to services - Financing	GDP Growth, Unicorn Startup, Increase in Business Prospects, Technological Capability, Society, Financial inclusion	Smart Economy, Smart Society
Contribution to GDP	Successful startups can enter global markets, bringing in foreign investment and boosting overall GDP.	- Adopt a National Startup Policy and Strategy 2030 - Domestic Procurement Policy for Preferential Treatment to tech-startups - Ease of Doing Business for Startups - Access to services	GDP Growth, Unicorn Startup, Tax-GDP ratio increase through the use of technology	Smart Economy, Smart Government
Employment Generation (including informal)	Tracking employment shows if startups are nurturing a skilled workforce. Including informal jobs reflects the broader impact of startups on Bangladesh's overall employment landscape.	- Ease of Doing Business for Startups - Financing - Access to services	GDP Growth, Technological Capability, Digital skills, Society	Smart Citizen, Smart Economy, Smart Government, Smart Society

Conclusion

Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
Growth of Women-led Startups	Tracking women-led startups shows progress in empowering women and fostering their entrepreneurial potential.	- Taxation: Differential tax regime for different stages of startups, especially women led enterprises. - Investment in Acceleration Programs led by private sector: Number of specialized incubation and acceleration program for women-led startups - Mentorship Development Program - Financing	GDP growth, Business prospects increase, Financial inclusion, Society	Smart Economy, Smart Society
Annual Investment in startups (Total, Mn)	Growing investment indicates Bangladesh's ability to attract resources and compete in the global innovation landscape.	- Investment in Acceleration and Incubation Programs led by private sector - Long term Co-investment in R&D-based startups and tertiary educational institutions in form of grants - Policy Overhauling - Mentorship Development Program: Collaboration with professionals and international acceleration programs, facilitated by government - Financing	GDP growth, Business prospects increase, Financial inclusion, Society	Smart Economy, Smart Society
Annual Investment in startups Global	Tracking global startup investment trends can provide valuable benchmarks for Bangladesh to assess its own startup ecosystem's performance.			
Annual Investment in startups National	Tracking investment reveals the economic impact of startups, contributing to growth and job creation, key goals of Smart Bangladesh.			

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Key Indicators	Rationale for Choosing Indicators	Priorities	Smart Broad Indicator Group	Smart Pillar
Number of Early-stage Deals	Early-stage deals reflect investor confidence in Bangladesh's startup ecosystem, a sign of its potential to drive smart solutions.	- Taxation: Tax and VAT Moratorium on early stage startups - Financing - Mentorship Development Program	GDP growth, Business prospects increase, Technological Capability	Smart Economy
Number of late-stage Deals	A rise in Late-stage deals indicate funding for established startups, allowing them to scale up their operations and increase their impact on Smart Bangladesh goals. This translates into job creation and market expansion for the startups themselves, ultimately boosting the Smart Bangladesh economy.	- Taxation - Financing	GDP growth, Business prospects increase, Technological Capability	Smart Economy

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Annexure

Annexure

Annex A. Key Indicators to be Achieved for ICT Industry

#	Indicators	Definition	Baseline	Year	Trend	2024-26	2027-31	2032-2041
1	Contribution of ICT Industry to GDP	Absolute value, BDT Billion	473	FY 2022-23	Rising from BDT 351,075 million	543	2,648	7,381
		Absolute value, USD Billion	3.94	FY 2022-23		5	20	51
		%	0.01	FY 2022-23	Declining, reduced from 1.15 in FY 2019-20	1.25%	6%	17%
2	Size of Domestic ICT Market	Absolute value, BDT Billion	245	FY 2022-23	Declining	281	1,373	3,825
		Absolute value, USD Billion	2.04	FY 2022-23	Declining	2	10	26
3	Share of Bangladeshi IT industry in domestic market	%	15%	FY 2022-23	Rising	20%	30%	60%
4	ICT Export Total	USD Billion	1.9	FY 2022-23	Rising	2	10	24
	ICT Export: hardware	USD Billion	0.1	FY 2022-24	Rising	0.2	1	5
	ICT Export: software	USD Billion	0.8	FY 2022-25	Rising	0.8	4	10
	ICT Export: ICT Services including freelancing	USD Billion	0.5	FY 2022-26	Rising	0.5	2.5	6
	ICT Export: Telecommunication Services	USD Billion	0.5	FY 2022-27	Rising	0.5	2.5	6
5	Job Creation in ICT Industry		1,400,000	FY 2022-23	Rising	1,605,505	5,484,404	10,917,431
Source of Data: BBS, IMF, BASIS, EDGE, Dr. Raihan's Analysis								

Annexure

Annex B. Priorities and Targets to be Achieved for Achieving Key Indicators for ICT Industry

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
1	Data Generation for Informed Decision Making	ICT Industry key data are not available and whatever available are with International Consulting Firms.	Annual data collection of ICT Industry for credible data generation on various aspects of ICT Industry	Census of ICT and allied industry for creating a solid baseline in collaboration with UNCTAD, which will be repeated every two/ five year	No comprehensive survey/census of ICT Industry	NA	NA	2025	2030	2035
		International Trade Data to be generated for segregating data of digitally deliverable services/products with technical assistance of UNCTAD WTO Moratorium on Digitally Deliverable Services/products is going to be withdrawn in 2026. While Bangladesh will be able to impose duty on digitally deliverable services/products, Bangladesh may face tariff barriers in exporting countries.	ICT Data Generation Initiative Following "SDMX BOP DSD," which refers to the data structure definition codes used for EBOPS 2010 items (see also https://sdmx.org/?page_id=1747) as well as WTO ICT Agreement.	Number of Annual Survey on ICT Industry	No annual survey	NA		2	5	10

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
2	Domestic Procurement Policy for Preferential Treatment to Bangladeshi Companies	Government is the largest client for ICT Industry. However, international players dominate the market. While it is important to attract large international corporates for ensuring private sector efficiency and delivery of large-scale government services, there is a need for balanced approach so that domestic industry can grow faster.	Balanced Preferential Treatment to Domestic ICT Industry in line with WTO Guideline of Preferential Treatment applicable for Bangladesh after LDC Graduation	Share of government contract related to Smart Bangladesh Agenda (in terms of value) to Bangladeshi ICT companies	Not available	NA	Rising	30%	50%	70%
3	Skills Gap Mitigation	Every year, 25,000 CSE graduates join the job market. However, there is a dearth in quality ICT professionals for meeting growing demands in new skills by the industry. The government is also investing in ICT skills development for various segments of the youth population. However, their effectiveness is	Formation of National Working Group for developing a strategy for designing an effective solution for kills gap problems. Creating ICT professionals for new frontier technology-based industry development	Annual number of graduates in new frontier technology from the institutions, collaborating with international institutions	Unknown		Rising	1000	5000	20000

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
		questionable. Many medium to large scale companies are meeting this gap by hiring professionals from abroad. Many others launched their own finishing schools for making the fresh graduates 'job ready'. There is a need for special support program for the ICT industry with co-investment for skills goal mitigation.	Long term Collaboration with international institutions (universities) for establishment of new curriculum-based programs, jointly run by foreign faculties and knowledge transfer to local faculties	Number of primary and secondary schools selected for producing graduates with good aptitude in Mathematics, Science, and allied disciplines.	To be collected	Unkn own	Unknow n	50	10000	50000
4	Investment in R&D in the whole value Chain of Industrial Capability	Bangladesh's transition from price-advantage-based economy to innovation0based economy would depend on investment in R&D in all sectors, including ICT	Incentivize R&D investment by private sector through matching grants	Matching Allocation in USD for R&D in tertiary educational institutions, BDT Million	185,290	FY 2022-23	Rising	277,935	833,805	3,335,220
		Bangladesh is at 105th position in Global Innovation Index 2023, behind all South Asian countries		Matching Allocation in USD for R&D in ICT industry	Unknown	FY 2022-23	Unknow n	10,000	100,000	1,000,000
		IP Protection and IP infringement is going to be a big issue for Bangladesh after LDC graduation	Obtaining national and international patents for Bangladeshi innovation and inventions to shift the economy from price-advantage based to innovation-based economy.	Increasing Number of patents related to frontier and ICT in Universities	45	2022	Declinin g	100	500	2500
				Improvement in Global Innovation Index	105	2023	Declinin g	90	60	40

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
		Small companies will require support for accessing licensed software for their businesses		Matching Allocation for small scale ICT companies for using licensed software	Unknown	NA	Unknown	50%	30%	10%
5	Ease of Doing Business for ICT Industry	Businesses are reluctant to incorporate, especially CMSMEs	Legislative reform for introduction of Single Incorporation and business ID for all businesses including ICT industry	Year of availability of single incorporation and business ID	Not available	NA	NA	Preparatory Time	2027	
6	Taxation	Tax incentive for ICT industry has been diminishing. Tax holidays are going to expire. Differential tax may be applied for various segments of the industry, size, and gender	Continuation of Tax Holiday for all types of ICT companies, with 3 differentiations: frontier technology-based companies, startups, woman led ICT companies	Tax Holiday for frontier technology companies to be launched in Year for 17 years (till 2041)	Not available	NA	NA	FY 2024-25		
				Tax holiday for technology-based startups to lobe launched in Year for 17 years (till 2041)	No separate tax incentives	NA	NA	FY 2024-25		

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
				Tax holiday for women led ICT enterprises to lobe launched in Year for 17 years (till 2041)	No separate tax incentives	NA	NA	FY 2024-25		
				Tax Holiday for ITES, BPO and freelancing to lobe launched in Year till 2030	Available, in Export Policy	2021-2024	Continuing, reduced to 8%	FY 2024-25		
7	Financing	Cash incentives are supposed to be eliminated gradually due to compliance. Currently, 10% cash incentive is provided for exportation of Hardware, Software, and IT-enabled Services (ITES) [Bangladesh Bank FE Circular No. 29 Date: 20 Sep 2021]	Review of Cash incentives and development of new incentive schemes for ICT Industry in compliance with WTO rules applicable due to LDC graduation	TBI						
		Innovative financing mechanisms are yet to be available.		TBI						

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
8	Special Initiatives	The ICT industry did not grow as expected due to sporadic and fragmented policy measures and initiatives. Both in the domestic market and international market, we do not have companies like Infosys or TCS. Those Bangladeshi companies have grown, they have a footstep abroad	Supporting Mechanism of Creating Unicorns in ICT Industry	Number of unicorns	2	2023	Increasing	2	5	10
9	Policy Overhauling	The industrial policy and export policy are still manufacturing industry oriented. Without overhauling them with priority to service industry, especially digital products and services, the milestone would not be possible to achieve.	Overhauling Industry Policy	Balanced Industrial Policy with appropriate elaboration on ICT Industry available	Not available	NA	NA	2026		
		National planning documents has a chapter on ICT as a sector. However, ICT is not mainstreamed in all sectors as it required for Smart Bangladesh Agenda.	Overhauling Export Policy	Balanced Industrial Policy with appropriate elaboration on ICT Industry available	Not available	NA	NA	2026		
			Mainstreaming Digital Transformation of all sectors in national planning documents	9th Five Yer Plan with ICT mainstreamed in all sectors	Not available	NA	NA	2026		

Annex C. Key Indicators for Achieving Smart Bangladesh 2041: Startups

#	Indicators	Definition	Baseline	Year	Trend	2024-26	2027-31	2032-2041
1	Growth of Startup	Number of Startups	2,500	FY 2022-23		3,500	10,000	25,000
		Growth in %				5%	20%	50%
2	Contribution to GDP	Absolute	Data not available					
		Share, %	1%	2022	Growing	2%	2.5%	5%
3	Employment Generation (including informal)	Absolute value	150,000			210,000	600,000	1,500,000
		Growth in %				40%	300%	900%
4	Growth of Women-led Startups	Absolute	100		Rising	500	2,000	2,000
		Growth in %						
5	Annual Investment in startups (total)	Absolute, million	72	2022	Declining	500	2,500	7,500
		Growth in %	Data not available			594%	3372%	10317%
	Annual Investment in startups Global	Absolute, million	Data not available			400	1500	5500
		Growth in %	Data not available			100	1000	2000
	Annual Investment in startups National	Absolute, million	Data not available					
		Growth in %	Data not available					
6	Number of Early-stage Deals	Absolute	314			3,349	12,560	46,053
		Share of total deals in %	84%			91%	89%	90%
	Number of late-stage Deals	Absolute	61			325	1,627	4,880
		Share of total deals in %	16%					

Source of Data: ICT Division, SBL, LCP and Author's Analysis

Annexure

Annex D. Priorities for Achieving Key Indicators for Startups

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
1	Building consistent and sustainable startup pipeline	The current startup ecosystem is generally self-propelled, with the emergence of supporting institutions within government and private sector, national and global. However, to address pervasive unemployment and underemployment, as well as for prevention of massive brain drain, there is need to focus on entrepreneurship and start pipeline building in tertiary education system.	Co-investment with universities for mainstreaming entrepreneurship education and startup incubation program	Number of tertiary educational institutions having Entrepreneurship education and incubation program	13	NA	NA	25	100	150
				Number of Bi-annual Survey on ICT Industry	No regular Survey			1	2	5
2	Investment in R&D and Patenting		Long term Co-investment in R&D-based startups and tertiary educational institutions in form of grants	Amount of investment raised from government, private sector, development partners, MFIs, and other financial institutions, million	Unknown			50	400	1000
3	Adopt a National	As startups are new breed of entrepreneurship banking on	Adopt National Startup Policy 2024	Year of National Startup Policy				2024	2027	2031

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
	Startup Policy and Strategy 2030	technology integration and high growth potential engaging skilled educated segment of youth, the startup ecosystem needs to be completed with a set of policy measures through a National Startup Policy.		Launched / Updated						
4	Access to services	Differential provision of services required by startups are inadequate. The number of service providers are limited due to lack of viable business case.	Creating private-sector led network of service providing institutions with provision of online, location-based p services using PPP model prioritizing self-soliciting proposals from private sector.	Number of service-providing insinuations in each district led by private sector	Unknown			10	64	150
5	Domestic Procurement Policy for Preferential Treatment to tech-startups	Government is the largest client for private sector. However, the market is dominated by large players. The government procurement system is not equipped to procure from small producers, especially from startups.	Balanced Preferential Treatment to startups as a part of SMEs for facilitating business case of startups to access both domestic market and international market.	Share of government procurement (in term of value) related to Smart Bangladesh Agenda (in terms of value) to startups	Not available		Rising	2,5%	5%	10%
6	Investment in Acceleration Programs run by private	Most of the founders of startups are self-motivated. The incubation program based in tertiary educational institutions must be connected with private sector-led acceleration	Synchronization of private sector-led (both tertiary educational institution-based and outside) incubation and acceleration program	Number of private sector-led incubation program				20	64	100

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
		programs. Women-led startups are few and there are multiple barriers for them.		Number of private sector-led acceleration program				10	30	50
				Number of specialized incubation and acceleration program for women-led startups				5	10	20
7	Mentorship Development Program	While there is an ambitious plan for having exponential growth of startups, there is severe dearth in quality mentors, essential for startup growth and maturity. Some gaps are fulfilled by investment companies.	Investment in mentorship development program led by private sector, both at university-based startup centers and outside.	Number of professional mentors				1000	5000	20000
			Collaboration with international acceleration programs for development of mentorship programs	Number collaboration with international acceleration programs, facilitated by government				10	100	200
8	Ease of Doing Business for startups	Startups face hurdles in inception of new business n bureaucratic labyrinth.	Legislative reform for introduction of Single Incorporation and business ID for all businesses including startups	Year of availability of single incorporation and business ID					2027	

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
9	Taxation	Differential tax regime for different stages of startups, especially women led enterprises.	Differential tax and VAT for selected groups of products/services produced by startups	TBI						
			Tax and VAT Moratorium on early-stage startups	Year of moratorium on tax and VAT				Yes	Yes	5%
10	Financing	Reform investment mechanism in startups and facilitate international investors investing directly in Bangladesh	Policy on foreign and local investment with rebate	Year of Policy on Startup Investment enactment				2025	2029	2032, 2037, 2040
				75% CGS for S and M categories of enterprises						
		Innovative financing mechanisms are yet to be available.	Promoting Innovation in startup financing	Blended Financing in total financing				20%	30%	40%
				Year of allowing both grants and equity investment for startups and social enterprises				2025	2029	2032, 2037, 2040
				Share of GLI-based financing in startups				10%	15%	25%

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
11	Policy Overhauling	The industrial policy and export policy are still medium and large manufacturing industry oriented. Without overhauling them with priority to service industry, especially digital products and services, the milestone would not be possible to achieve.	Overhauling Industry Policy	Balanced Industrial Policy with appropriate elaboration on startups available				2026		
		National planning documents do not recognize investment in startups as an apriority	Overhauling Export Policy	Balanced Industrial Policy with appropriate elaboration on Startups available				2026		

Annex E. Key Indicators for Achieving Smart Bangladesh 2041: Digital Commerce

Annexure

#	Indicators	Definition	Baseline	Year	Trend	2024-26	2027-31	2032-2041
1	Contribution of ICT Industry to GDP	Absolute value, BDT Billion	1,213	FY 2022-23	Rising from BDT 119 billion in FY 2021-22	3,032	12,128	48,511
		Absolute value, USD Billion	10.55			24.26	80.85	242.56
		%	3%	FY 2022-23	Unknown	5.00%	7.00%	10.00%
2	Share of Domestic e-commerce sale in total retail sales	%	Unknown		Increasing	5%	10%	15%
3	Share of domestic ecommerce platform in total sales by all platforms	%	Unknown		Reducing	5%	25%	50%
4	Size of Domestic eCommerce Market	Annual Number of transactions, million	48.40	FY 2022-23	average 41% YoY growth	100	200	300
		Absolute value of transaction, BDT Billion	1,213	FY 2022-23	average 67% YoY growth	3,032	12,128	48,511
		Absolute value transaction, USD Billion	10.55	FY 2022-23	average 67% YoY growth	24.26	80.85	242.56
5	Average Monetary Value per transaction	BDT/Transaction	3,039	FY 2022-23	average 17% YoY growth	5,000	7,500	10,000
6	Cross border ecommerce, Export Share of ecommerce in total export	USD Billion	Unknown			0	1	5
			Unknown			1%	5%	10%
7	Improving Bangladesh B2C e-commerce index	Ranking	103	2023	Improved from 115 in 2020	100	75	50
8	Job Creation in eCommerce	Number of Jobs	500,000	FY 2022-23		1,250,000	2,500,000	10,000,000

Source of Data: Bangladesh Bank and Dr. Raihan's Analysis

Annex F. Priorities for Achieving Key Indicators for Digital Commerce

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
1	Data Generation for Informed Decision Making	A key set of data on e-commerce is missing, especially its contribution to GDP, ecommerce export volume, volume of CoD payment, market share of domestic e-commerce platforms	Annual data collection of e-Commerce sector for credible data generation on various aspects of e-Commerce sector (domestic and cross-border)	Census of e-Commerce sector for creating a solid baseline in collaboration with UNCTAD, which will be repeated every two/ five year	No comprehensive survey/census of ICT Industry	NA	NA	2025	2030	2035
		International Trade Data to be generated with segregation for data of digitally deliverable services/products and digital commerce with technical assistance of UNCTAD	ICT Data Generation Initiative Following “SDMX BOP DSD”, which refers to the data structure definition codes used for EBOPS 2010 items (see also https://sdmx.org/?page_id=1747) as well as WTO ICT Agreement. Another survey is required for generating data on cross-border e-Commerce transaction by Bangladesh Bank	Number of Annual Survey on Digital Commerce sector	No annual survey	NA	NA	2	5	10
				Quarterly and monthly data are published on domestic and Cross-border digital commerce by Bangladesh Bank	No quarterly publication	NA	NA			
						NA	NA			
2	Limit of B2C and B2B Digital Commerce Transactions	The volume of import and export for Digital Commerce Transactions for B2C level needs to be determined such that the transportation cost can be reduced per unit and products remain competitive in global market	SRO for setting limit of B2C transactions (value and volume)	Maximum value of the order not exceeding, USD	USD 100	2017		1000	2000	5000
		The volume of import and export for Digital Commerce Transactions for B2B level (especially for drop shipping) needs to be determined such that the transportation cost can be reduced per unit and products remain competitive in global market	SRO for setting limit of B2B transactions (value and volume)	Maximum quantity of B2C transaction	One piece of one product	2017		10	25	50
				Maximum value of the order not exceeding, USD	Not available	NA	NA	250,000	1,000,000	5,000,000
				Maximum quantity of B2C transaction	Not available	NA	NA	1000	2000	5000

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
3	Digital Platform	a. It is challenging for a Bangladeshi marketplace to onboard a partner across the border for logistics, storage, customs clearance, payment collection, management of return and refund. b. It is also challenging to determine genuine platforms, originated abroad, and operating in Bangladesh, which will ensure protection of Bangladeshi partners, who facilitate their business in Bangladesh, consumers' protection, protection of workers, working with these platforms, Certain criteria need to be set before such market place or platform can legally operate within the jurisdiction of Bangladesh.		Establishment of Online Market place like ONDC with appropriate data interoperability of transaction data captured and maintained by all relevant entities, with appropriate feasibility study and applying designing thinking approach.	Not available	NA	NA	2026		
4	Market Access	While there is natural diaspora market across the globe, there is no systematic market assessment and update on market dynamics. The government in collaboration with leading think tanks and e-commerce association, will launch a systematic market assessment system, with periodic updates. The existing system of market promotion abroad does not focus on Bangladesh's capability and potential for cross-border eCommerce. It is difficult by the	The Ministry of Commerce through its eCommerce Cell should undertake a project for systematic market assessment through Bangladesh Foreign Trade Institute and other private sector market research institutions, to identify potential market for cross-border eCommerce. Appropriate budget will be allocated for this purpose in the annual budget of the relevant organizations.	Number Annual Marker Assessment for identification of market for listed products, including GI products	Not available	NA	NA	1	5	10

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
		market place or platform alone to promote Bangladeshi products and services offered through eCommerce platform.	Export Promotion Bureau, Bangladeshi Missions abroad will proactively conduct commercial diplomacy in potential major markets for promoting Bangladeshi eCommerce businesses. All relevant associations, including eCAB should proactively collaborate with relevant government bodies for promoting Bangladeshi eCommerce abroad. The primary objective of the market promotion will be making a breakthrough beyond traditional diaspora market and traditional product baskets.	Share of non-diaspora market in total export through digital commerce	Data not available	NA	NA	5%	25%	50%
			CMESMEs involved in digital commerce and platforms need to be facilitated for building their capacity to participate in such market promotion activities. A one stop solution is required for the exporters to provide with relevant information for market assessment.	Number of CMSMEs participated in international trade fair focusing on Digital commerce	Data not available	NA	NA	1000	5000	10000

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
5	Logistics	Appropriate logistics infrastructure across the country and in major export destination countries for cross-border eCommerce is missing, which is a major barrier for launching a proper cross-border eCommerce business ecosystem. Processing export or important through the same channels as of large-scale business is restrictive for digital commerce. For exporting products from Bangladesh, freight forward and shipping rate is high for Bangladeshi marketplace, platforms, and merchants, as Bangladesh is not a logistics hub. Currently, the merchants have to send to other countries to get a decreased shipping rate.	The existing infrastructure of the Bangladesh Postal Department need be modernized and leveraged for building a country-wide logistics system by connecting MSMEs. The modernization will take part, in the following, but not limited to, areas: i. Digitizing and integrating product tracking system ii. Launching a separate SOP for cross-border e-commerce for channeling products from the MSMEs and artisans across the country. iii. Setting a realistic timeline for international delivery of products. iv. Building public-private partnership in the process of modernization of the system by Involving private logistics service providers.	Postal Department Facilities upgraded for facilitating digital commerce nationally and globally	Not ready	NA	NA	2026		
6	Customs	The growing volumes and expectations by consumers for rapid clearance and delivery also mean that new models of taxation and revenue collection and border interventions are needed from Customs and other relevant government agencies. Recent discussions in various fora also demonstrated the key importance of trust-based partnerships between Customs and E-Commerce	A separate unit with Bangladesh Customs need be established for managing cross-border movement of products and services (export and import), with a feasibility study. Such a unit will specially ensure the transparency, speed of clearance, risk management, revenue collection at the borders.	Digital Commerce Unit of Bangladesh Customs is established	Not available	NA	NA	2026		

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
		stakeholders, in particular E-Commerce platforms and marketplaces [WCO, 2022]. Customs and other border agencies play a crucial role in the flow of E-Commerce shipments and as such, there is a need for a World Customs Organization (WCO) endorsed strategy to secure the legitimate movement of global E-Commerce trade with minimum intervention [WCO, 2022]. The processing time of clearance of the products at the ports is lengthy processing time at ports, as most of the products are consumer goods.	A separate SoP needs be developed with less documentation and simplified process of customs and digitization. The separate channel will have a fast-track clearance of non-risky products.	New SoP with revamped procedure of customs clearance of products import and export	Not available	NA	NA	2025		
			In all major border points (air, land, sea, and river), a separate channel with sorting centers will be established through SRO for clearance of products to be exported or imported for cross-border eCommerce purposes. This channel will expedite clearance and meet the consumers' expectations both within Bangladesh and abroad and increase volume of businesses.	Number of separate channels for digital commerce product clearance	Not available	NA	NA	2	20	50
			Warehousing facilities will be developed in selected export destination countries through public-private partnership using variable business models. eCAB will propose possible alternative models and launch a pilot run for feasibility check.	Number of warehouses in foreign destinations for CMSME product storage through partnership and allowed to Bangladeshi planforms	Not available	NA	NA	2	5	20

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
			Bangladesh Customs and Bangladesh bank will coordinate to develop a new SOP for facilitating sales of Bangladeshi products through Amazon and similar platforms, so that export of goods and receiving sales proceeds become smooth.	New SoP for sales of Products through platforms like Amazon	Not available	NA	NA	2025		
			Expanding the Concept of Authorized Economic Operator (AEO) to Cross-Border E-Commerce: Bangladesh Customs will explore the possibilities of applying AEO Programmes and Mutual Recognition Arrangements/Agreements in the context of cross-border E-Commerce, including leveraging the role of intermediaries, to enable Micro, Small and Medium-sized Enterprises (MSMEs) and individuals to fully benefit from the opportunities of cross-border E-Commerce.	Number of AEO for facilitating CMSMEs to export and import for digital commerce	Not available	NA	NA	5	10	50

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
7	Payment (Domestic and Cross-border)	International payment is exceedingly difficult a without a payment gateway. Not many people have authorized international credit card. Use of credit card for international payment is also not easy as it requires multiple steps to follow before a transaction is made. There is also a cap on the amount of one single payment on daily payment ceiling. Thus, cash on delivery (COD) as a mode of payment will also have to be available for the time till seamless online payment option is available. However, COD entails remitting money on behalf of the customers and the Import Policy Order of Bangladesh Bank does not have any provision for a marketplace in regard to this.	Bangladesh Bank needs to expedite Payment system interoperability and extension-based on experience with 'Binimoy'	Domestic Payment system interoperability is in place and connected to digital commerce platforms.	In progress, however not yet operational	2022	NA	2026	NA	NA
		Escrow is not really a good option for exporters considering the cost and cash flow management, as large amount is stuck for a long time at escrow account, which is not conducive for MSME, who are the lifeblood for promoting cross-border eCommerce.	Comprehensive Legal, regulatory, and supervisory frameworks for new digital payment system for domestic and cross-border payment is required	Comprehensive Legal, regulatory, and supervisory frameworks for new digital payment system for domestic and cross-border payment is in force.	Not available	NA	NA	2026	NA	NA
		A good instrument was introduced for eCommerce stakeholder, which is a credit card. However, this facility does not benefit the merchants and other stakeholders. While facilities like purchasing digital product is important for the members of BASIS, for eCommerce merchants' primary need to purchase small volume of products using credit	Cross-border data exchange and message standards for digital commerce need to be established on a priority basis.	Cross-border data exchange and message standards for digital commerce need are in place.	Not available	NA	NA	2026	NA	NA

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
		card from abroad. The volume is wholesale (not one single piece) and the existing limit of USD 10,000 is not adequate.								
8	Quality Assurance	The capacity of BSTI is limited for introduction of quality assurance system for products to be sold online.	The government need to provide license to a new set of businesses, whose job will be to perform the quality control job. This provision will allow to have economies of scale and cost-effective for the manufacturers and market place.	Launching of licensing for quality assurance to private sector inspection of quality of products, under international quality assurance bodies with appropriate incentives to take small volume of certification.	Available, which are affordable to large scale exporter	1991	NA	2026	NA	NA
		The introduction of quality assurance system by the online marketplace and platforms is not cost-inefficient, also technically not possible, due to business model, where 'closed box' system is in place. The open box policy creates cope for allegation of product tampering, which is difficult to handle.	The government may introduce a system of online rating (website and social media), for applicability of escrow system. Below certain rating, a market place or platform will have to avail escrow system, which will ensure return and refund by the merchant or manufacturer, depending on the business model. Such rating system will allow manufacturers/ merchants/ market places to be more caution about product quality to avoid escrow.	Launching of rating system for establishing consumer protection system and applicability of escrow system.	Not available	NA	NA	2026	NA	NA

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
9	Consumer Protection	a. A Bangladeshi consumer ordering any product online from a market place outside Bangladesh, ends up paying Advance Income Tax (AIT), Value Added Tax (VAT), and other charges, through a complex procedure of total tax incidence (TTI), no matter the purchase is for consumption or on-selling.	A consumer right protection guideline for cross-border e-commerce needs to be developed, where the following matters will be considered: i. return and refund; ii. Data Privacy; iii. Quality of product; iv. delivery time of the product; and v. international payment.	A consumer right protection guideline for cross-border e-commerce is in force.	Not available, however draft Cross-Border Digital Commerce Policy aims to deploy appropriate mechanism for protection of consumers.	2024	NA	2025	NA	NA
		b. The consumers do not get clear idea about the landed cost of purchased product from the market place or platforms, even from the big ones.	A central complain management system, with participation of all market places and platforms, with a standard operating procedure (SoP) may solve the problem of return and refund partially. This will address the issues of cost of running independent complain management system, as the cost may be shared proportionate to the transaction volume.	Launching of a central complain management system, with participation of all market places and platforms, with a standard operating procedure (SoP)	Not available	NA	NA	2025	NA	NA
		c. While the consumer protection issues came to lime light due to scams, the response to protection impacted consumers of other platforms, with increased price.	A central tracking system of return and refund, managed by Department of Consumer Rights, with data pooled from marketplaces and platforms, may address the problem poor consumer satisfaction level.	Launching of a central tracking system of return and refund, managed by Department of Consumer Rights, with data pooled from marketplaces and platforms,	Not available	NA	NA	2026	NA	NA
		d. Returning product, purchased from an online platform, and shipped from abroad, is almost impossible. As the receipt of the product is considered as import, the return is considered as export, thus procedure is very complex, and a consumer just forget about returning, incurring loss, and being discouraged from purchasing online. The lack of consumer awareness on the matters of return and refund makes them away from eCommerce-based transactions.								
		e. The complains by the consumers are not appropriately handed by market places AND platforms, as a proper complaint management system with back-end connection								

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
		with the merchants for return and refund, is a costly proposition, and not all platforms cannot afford this. It is especially true for F-commerce merchants.	Data privacy and data monetization policy needs to be established considering consumers' interest.	Data privacy and data monetization policy is in place	Not available, however draft data protection law has scope to include such provision for consumer data protection.	2023	NA	2026	NA	NA
10	Partnership	Partnership among national agencies including private sector and cross-border partnership is key for boosting digital commerce.	Public-Private Partnerships: eCommerce Cell, Bangladesh Customs administrations should establish and strengthen cooperation partnerships with E-Commerce stakeholders to develop and enhance communication, coordination, and collaboration, with an aim to optimize compliance and facilitation.	A permanent working committee with sub-committees is established with specific mandate for resolving various issues.	Not available	NA	NA	2025	NA	NA
			International Cooperation: Customs administrations should expand Customs cooperation and partnerships to the cross-border E-Commerce environment in order to ensure compliance and facilitation. Some specific agenda for bi-lateral and multilateral collaboration are:	Launching of bi-lateral and plurilateral partnership development program for ease of customs clearance of digital commerce products and services	Not available	NA	NA	2025	NA	NA
				Number of bi-lateral and plurilateral partnerships on digital commerce	Not available	NA	NA	2	20	50

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
11	Ease of Doing Business for ICT Industry	Businesses are reluctant to incorporate, especially F-commerce single entrepreneur as they both do to have capacity and ability to manage complex labyrinth of compliance.	i.	Entering into Memorandum of understanding with selected priority countries to have a two-way merchant and consumer-friendly de minimis partnership.	Not available	NA	NA	NA	2027	NA
12	Taxation	The CMSMEs involved in domestic or cross-border digital commerce will require tax incentives for boosting their businesses, which not only contribute to solving the unemployment issues, also contribution to GDP.	ii.	Developing country-specific strategies for bi-lateral collaboration for promoting cross-border Digital Commerce.	Not available	NA	NA			
		Differential tax may be applied for various segments of the digital commerce sector, size, and gender	Tax and VAT Moratorium on C, M and S categories of Digital Commerce businesses.	Tax and VAT Provision for C category of F Commerce Businesses	Standard VAT and Tax	Latest Import Policy Order		0%	0%	0%
				Tax and VAT Provision for C and category of Digital commerce business	Standard VAT and Tax	Latest Import Policy Order		0%	0%	5%
				Tax and VAT Provision for S category of Digital commerce businesses	Standard VAT and Tax	Latest Import Policy Order		2%	5%	5%
		Digital commerce for C and M category of Digital Commerce required special import duty support	Import duty on products for sales through digital commerce platform needs to be revisited.	Year of launching Special import duty for volume of consignment up to USD 50,000.	Not available	NA	NA	2,026	NA	NA

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
13	Financing	Maintain cash flow and having adequate working capital is major problem for small merchant connected to various e-commerce platform and logistics companies, as collection of sales proceeds is time consuming.	Launching of digital credit for digital commerce businesses, especially for the merchants.	Size of credit guarantee schemes offered by Bangladesh Bank and other development actors for fintech, digital banks and other financial insinuations, who will offer seamless digital credit to the merchants, Billion BDT	Not available	NA	NA	1,000	4,000	15,000
			Launching of incentive program for entities offering digital credit to digital commerce merchants.	Volume of R&D support to fintech and other allied industry players, Billion BDT	Not available	NA	NA	1	10	50
14	Policy Overhauling	The industrial policy and export policy are still manufacturing industry oriented. Digital commerce needs to be included in line with the Digital Commerce Act and Cross-Border Digital Commerce Policy.	Overhauling Industry Policy	Balanced Industrial Policy with appropriate elaboration on Digital Commerce.	New Industrial Policy has mention on Digital Commerce, however no elaboration is available	2024-2028	NA	2026		
		National planning documents do not elaborate on digital commerce.	Overhauling Export Policy	Year of Balanced export Policy with appropriate elaboration on Cross-Border Digital Commerce available	New Industrial Policy has mention on Digital Commerce, however no elaboration is available	2024-2028	NA	2026		

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-41
		New Policy regime is required to handle complexity and complex phenomenon of digital commerce	Enhancing 9th Five Year Plan	9th Five Yer Plan include a section on Digital Commerce	Upcoming	2025	NA	2026		
			New Regulatory Framework for Digital Commerce	Digital Commerce Act in in force and reviewed	In progress	2024	NA	2024	2027, 2030	2035, 20240
				Cross-border Digital Commerce Policy in Place and reviewed	in progress	2024	NA	2024	2026, 2028, 20230	
				Cross-Border Digital Act in force and reviewed	Not available on the horizon	NA	NA	2026	2030	2035
15	Institutional Framework	There are multiple insinuations are involved for making digital commerce booming. Due to lack of coordination and alignment of policies, cross-border digital commerce is not able to unleash its potential.	There is a need for overarching body for coordinating and promoting digital commerce in domestic market and global market. It can beg with establishment of a core technical group with participation of the following key agencies: i. National Board of Revenue ii. Bangladesh Customs iii. Bangladesh Tariff Commission iv. Bangladesh Bank Foreign Exchange Department, Bangladesh Bank v. Bangladesh Investment Development Authority vi. Bangladesh Post Office vii. Ministry of Foreign Affairs	Launching Digital Commerce Development Authority	The Digital Commerce Policy Mentions about such authority	2024	NA	2026	NA	NA

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Annex G. Key Indicators for Achieving Smart Bangladesh 2041: Entrepreneurship (CMSMEs)

#	Indicators	Definition	Baseline	Year	Trend	2024-26	2027-31	2032-2041
1	Growth of CMSMEs	Number of CMSMEs, million	7,806,209	FY 2022-23		8,196,519	10,538,382	15,612,418
		Growth in %				5%	35%	100%
2	Contribution to GDP	Absolute						
		Share, %	24%	FY-2020-21	Growing	30%	37.5%	50%
3	Employment Generation (including informal)	Absolute value	23,000,000			24,150,000	38,812,500	57,500,000
		Growth in %				5%	69%	150%
4	Growth of Women-led Enterprises	Absolute	518,400		Rising	680,400	1,014,768	2,073,600
		Growth in %	6.64%			25%	45%	100%
5	Share of CMSMEs in Employment (including informal)	Absolute	22,998,649	FY 2022-23	Rising	24,150,000	38,812,500	57,500,000
		Share, %	31.21%			33%	53%	78%
6	Formalization of informal entrepreneurs	Absolute	1,951,552			390,310	2,341,863	5,464,346
		Share in %	20%			24%	44%	76%

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Annex H. Priorities for Achieving Key Indicators

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
1	Data Generation for Informed Decision Making	CMSME key data are partially available and whatever available are with International Consulting Firms.	Census of CMSMEs for each segment and with gender segregated data including informal enterprises	Census of CMSMEs for creating a solid baseline in collaboration with BBS, which will be repeated every two/ five year	No comprehensive survey/census of CMSMEs	NA	NA	2025	2030	2035
				Number of Bi-annual Survey on CMSMEs	No regular Survey			1	2	5
2	Comprehensive registry of all CMSMEs across the country with single ID and incorporation with predictability on taxation with a purpose of designing customized programs for each segment of the CMSMEs, especially women led CMSMEs.	CMSMEs are reluctant to get any kind of registration as they are afraid of inadequate ability of compliance with business laws and practices as well as fear of undue taxation on their business. There is a need for a holistic program to have a paradigm shift in this sector and that requires long term roadmap with clear and predictable compliance mechanism, which are trustworthy for them.	Campaign for registry of any kind of CMSMEs with appropriate incentives.	Number of registered CMSMEs across the country, no matter what the size of business is	Fragmented databases with SME Foundation and other agencies, which are not available publicly available.			25%	50%	90%

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
3	Access to services	Differential provision of services required by CMSMEs are absent or inadequate. The number of service providers are limited due to lack of viable business case.	Creating private-sector led network of service providing institutions with provision of online, location-based, and doors-step services.	Number of service-providing insinuations in each union				0.25	1	3
				Number of service-providing institutions, which provide services at the door-steps up to the village level				0.1	0.5	2
4	Domestic Procurement Policy for Preferential Treatment to CMSMEs	Government is the largest client for private sector. However, the market is dominated by large players. The government procurement system is not equipped to procure from small producers. These with network can access to some government agencies for sales of their products, however, vast majority is left out.	Balanced Preferential Treatment to CMSMEs for facilitating business case of CMSMEs to access both domestic market and international market.	Share of government procurement (in term of value) related to Smart Bangladesh Agenda (in terms of value) to CMSMEs	Not available		Rising	5%	10%	20%

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
5	Entrepreneurship skills	Most of the entrepreneurs of CMSME categories are self-motivated with any professional entrepreneurship skills development. Where there is lack of adequate entrepreneurial skills development facilities, it is concentrated in pre-dominantly urban and peri-urban areas. There is also question of relevance and up-to-datedness of the entrepreneurship skills development program. Entrepreneurship requires a combination of training and	Synchronization of government-led initiatives with merger and revamping the curriculum and services delivery system focusing on entrepreneurship skills development.	Number of CMSMEs covered with various entrepreneurship programs				5%	15%	25%
			Creating PPP based private sector (including NGOs) led entrepreneurship skills development initiatives for all segments of the entrepreneurship classes.	Percentage of PPP-led initiatives among overall entrepreneurial skills development initiatives				5%	35%	70%

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
		mentorship, which is missing. Demand for Entrepreneurship skills development is not high for multiple reasons, one of them it is nearly impossible for an entrepreneur to dedicate time at a stretch for such programs. Innovation and investives is absent for private sector for offering entrepreneurship skills development services. There are good development partner-led entrepreneurship skills development program, however, they are time-bound and geographically with very limited coverage. Skills development services are inadequate for C and M and geographically concentrated.	Long term Collaboration with international institutions (development partners and INGOS) for investment in entrepreneurial skills development.	Investment brought into for entrepreneurship skills and services development in partnership with private sector from the very beginning. Billion USD				1	5	20

Annexure

#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
6	Ease of Doing Business for CMSMEs	Businesses are reluctant to incorporate, especially CMSMEs	Legislative reform for introduction of Single Incorporation and business ID for all businesses including ICT industry	Year of availability of single incorporation and business ID					2027	
7	Taxation	Differential tax regime for different segment of CMSMEs, especially women led enterprises.	Differential tax and VAT for selected groups of products produced by CMSMEs	TBI						
			Tax and VAT Moratorium on C, M and S categories of CMSMEs	Tax and VAT for C category of enterprises				0%	0%	0%
				Tax and VAT for M category of enterprises				0%	0%	5%
				Tax and VAT for S category of enterprises				2%	5%	5%
8	Financing	Despite significant efforts, banks and financial insinuations are reluctant to provide credit to CMSMEs. The supply side reason is the high cost of lending and lack of mindset. The	Differential credit guarantees schemes for various categories of CMSMEs	100% CGS for C and M categories of enterprises						

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
		demand side issue is lack of minimum documentation of businesses, especially of C and M categories for businesses.		75% CGS for S and M categories of enterprises						
		Innovative financing mechanisms are yet to be available.	Revamping (not simplification) of lending to CMSMEs in partnership with DFS and fintech companies	Days of loan processing				7	5	1
				Share of C and M categories received loan				20%	40%	75%
				Share of S and Med categories received loan				25%	50%	90%
9	Policy Overhauling	The industrial policy and export policy are still medium and large manufacturing industry oriented. Without overhauling them with priority to service industry, especially digital products and services, the milestone would not be possible to achieve.	Overhauling Industry Policy	Balanced Industrial Policy with appropriate elaboration on CMSMEs available				2026		
		National planning documents does not have a chapter on Entrepreneurship as a sector.	Overhauling Export Policy	Balanced Industrial Policy with appropriate elaboration on CMSMEs available				2026		

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#	Priorities	Background	Action/ Project/ Initiative	Indicators	Baseline	Year	Trend	2024-26	2027-31	2032-2041
			Mainstreaming Digital Transformation of all sectors in national planning documents	9th Five Year Plan with Entrepreneurship mainstreamed in all sectors				2026		

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