

**Government of the People's Republic of Bangladesh**  
**Ministry of Planning**  
**Planning Division**

**Terms of Reference (TOR) for selection of national firm/institution for**

**Conducting a Study/Research and Preparing the Report on**

**Study on Future Direction of SMEs in Bangladesh**

## **Terms of Reference (ToR)**

### **“Study on Future Direction of SME in Bangladesh” project**

**Position / Level:** Consultant Firm (National)

**Duration** : 6 months

#### **1) Project Background:**

Accelerating growth and reducing poverty, income inequality and regional disparity are the overarching goals of the current development paradigm in Bangladesh. The main strategy for achieving these goals include creation of productive employment in the manufacturing and organized service sector and withdrawal of labor force out of the low skilled and low return agricultural sector and informal activities.

Considering the importance of industry sector for Bangladesh economy, the Industrial Policy 2016 was formulated. Some notable features of this policy are: (i) to increase production of industrial goods to meet the increasing demand in the internal market, (ii) to identify existing and probable impediments in creating export market and to solve these problems, (iii) to reduce dependence on import of industrial products and to increase availability and use of local raw materials with an aim to sustainable industrialization and diversifying manufacturing industrial products. This policy has given emphasis on strengthening the coordinated attempt of the public and private sectors to develop small and medium enterprises in the country.

Development of small and medium enterprises (SMEs) is envisaged as a key element in this development strategy. For achieving double digit growth in manufacturing, matching development of SMEs is considered critical. Enhanced micro, small and medium enterprise activities in the rural and backward regions constitute a key component of the strategy for rural development and reduction of poverty and regional disparity (GOB 2011).

Small and Medium Enterprises (SMEs) are treated as the engines of growth and drivers of innovation worldwide. They play a significant role in driving economic growth and generating jobs. In Bangladesh, the sector is actually changing the face of the economy. SMEs are playing a vital role for the country's accelerated industrialization and economic growth, employment generation and reducing poverty.

SMEs now occupy an important position in the national economy. They account for about 45 percent of manufacturing value addition, about 80 percent of industrial employment, about 90 percent of total industrial units and about 25 percent of the labor force. Their total contribution to export earnings varies from 75 percent to 80 percent. The industrial sector makes up 31 percent of the country's gross domestic product (GDP), most of which is coming from SMEs.

The total number of SMEs in Bangladesh is estimated to be 79,00,000 establishments. Of them, 93.6 percent are small and 6.4 percent are medium. The 2003 Private Sector Survey estimated that there are about 6 millions micro, small and medium enterprises, with fewer than 100 employees. About 60 to 65 percent of all SMEs are located outside the metropolitan areas of Dhaka and Chittagong.

The country's SME sector has created 15 lakh jobs between 2009 and June 2014. Now, private and foreign banks disburse half of all farm loans and a third of these are going to SMEs. Every year about 2

million young people join the country's workforce. Half of them find jobs at home or abroad. So, it has become a challenge to create more jobs so that the rest can be employed. SMEs can be an answer to the problem.

SME can reduce the urban migration in the capital and other major cities, increase cash flow in rural areas, and thereby enhance the standard of living of the rural people. SMEs are widely distributed all over the country which means developing SMEs will play a major role in bridging the urban-rural income gap and contribute towards inclusive growth. In a way, inclusive growth can only be achieved through a vibrant SME sector in a country like Bangladesh.

In Bangladesh contribution of the industry sector in GDP is continuously increasing. According to BBS in the financial year 2015-16 contribution of broad industry in GDP was 31.54%. According to the provisional estimate of BBS in 2016-17 this contribution has reached 32.48%. Contribution of manufacturing subsector is highest in the contribution of industry to GDP. Considering the industry sector as an important sector for Bangladesh economy Industrial Policy 2016 was formulated. Some notable features of this policy are: (i) to increase production of industrial goods to meet the increasing demand in the internal market, (ii) to identify existing and probable impediments in creating export market and to solve these problems, (iii) to reduce dependence on import of industrial products and to increase availability and use of local raw materials with an aim to sustainable industrialization and diversifying manufacturing industrial products. This policy has given emphasis on strengthening the coordinated attempt of the public and private sectors to develop small and medium enterprises in the country.

The Small and Medium scale industries are considered as a promising sector to eradicate poverty through creation of new employment opportunities and thereby addressing the significant portion of SDGs. This sector is making praiseworthy contribution in achieving economic growth through encouraging expanding business activities and taking part in earning foreign exchange.

## **2) Objectives**

### **2.1. General Objective:**

The purpose of the study is to assess the current situation of SMEs in Bangladesh economy and evaluate the means to integrate the SMEs as a dynamic sector in the economy by overcoming the existing constraints and by articulating proper strategy for facilitating the development of the SME as a thrust sector to contribute effectively to the objective of growth and equity in the 7<sup>th</sup> Five Year Plan.

### **2.2. Specific Objectives:**

The specific objectives of the research study on SME are:

- To scan the present situation of SME subsector in Bangladesh as source of employment, poverty alleviation and contribution to national economy;
- To investigate the sources of funding of SMEs;
- To estimate the volume of foreign exchange earnings through export of SME generated products and services;
- To find out the existing constraints and challenges of SMEs of Bangladesh;
- To forecast the growth of SME subsector for the years from 2018 to 2030;

- To develop strategies to make SME as a thrust sector towards sustainable development of the country.
- To delineate and suggest relevant policy issues to promote SMEs in Bangladesh.

### **3) Scope of the Study/Survey:**

The Consultant firm shall conduct a Survey on SME across the country, its subsector, productivity and Sectoral Investment as well as future projection on behalf of Planning Division. The findings and outputs will help the government for evidence based policy making.

The study investigation will cover the following issues:

- Identifying different types of resources produced in various parts of the country and assessing needs to develop small and medium scale enterprises based on comparative advantages of each area.
- Making use of SME clusters identified by SME foundation in different parts of the country and gathering facts about their operation, management manpower, HR development needs, marketing of products, promotional activities and sources of finance.
- Identifying entrepreneurial potentials to develop SME based entrepreneurial capacity development of women. Collecting data on needs of women entrepreneurs. The study should adequately cover the trends in involvement of women entrepreneurs in development of SME sub-sector in Bangladesh.
- ICT based entrepreneurial development potentials among young women and men.
- Mobile phone utilization based Application systems to provide services in different day to day activities.
- Agri-processing based small and medium scale industries to produce food items for household consumption.
- Reviewing the existing sources of financing of SMEs and to find out ways for widening the financing sources.
- The SMEs develop on availability of resources and skills in different locations. The consulting firm should identify the areas of comparative advantage for development of SMEs.
- The firm should formulate a stepwise strategy for development of the SME sector of the country. The first step should relate to the consolidation of the naturally developed capabilities mainly serving the domestic market, the second step focuses on making the entry of SMEs into the export market easier and the third step emphasizes the enhancement of capacities to thrive into the global market.
- The research study should give special focus on enumerating women entrepreneurs engaged in manufacturing enterprises classified as SMEs.
- The firm should suggest approaches for creating an enabling environment for private investment in SME sector.

### **4) Methodology of Conducting the Study/Survey**

The consulting firm should state its understanding of the study in relevance to the objectives and scope of work. The consulting firm should propose its own designed study methodology which include total working plan, sampling plan, the development of tools and techniques, checklists and question guides (both quantitative and qualitative if necessary), data collection and quality control plans that would be representative of the project activities. The firm will develop a proper sampling design and follow with respect to sample size, allocation and selection of samples to conduct the study/survey. The instruments must be pre-tested in a representative sample of geographically diverse sites. The final questionnaire must be approved by the Technical Advisory Committee (TAC) of the project.

The research investigation should be conducted in all districts of the country to determine the comparative advantage of one district over other and one Upazila over another within a district. The research study will involve extensive review of literature and collection of quantitative as well as qualitative data.

The districts may be categorized based on the number of SMEs that are operating in each of them. Thus the districts may be divided into three groups i.e. Group-1 (districts having large number of SMEs), Group-2 (districts having medium number of SMEs), Group-3 (districts having few number of SMEs). Minimum of SMEs to be covered from each district belong to group-1, group-2 and group-3 may be 100, 50, 20 respectively. In this way minimum 3200 SMEs should be selected from all the districts. It is expected that among the 3200 SMEs 400 will be large, 1200 medium and 1600 small. Of these 1600 small 400 will be small enterprises that have 1 to 2 employees. Since the research study will involve conducting survey in all 64 districts, the consulting firm should establish four project offices, one in Dhaka and other three in convenient locations so that field work can be effectively carried out.

Number of respondents at an SME for interview should be determined by its size. At least six respondents will be selected from a large SME, four from a medium and two will be from a small SME comprising the Entrepreneurs/ Owner and employees of male and female. And, from 400 small enterprises one entrepreneur should be interviewed. **Thus, minimum number of respondents would be  $(400 \times 6 + 1200 \times 4 + 1200 \times 3 + 1 \times 400) = 11200$ .**

The methods to be applied to collect data will be Physical verification of sample SMEs in each district, Opinion collection through interviewing, Key Informants Interviewing (KII), Area specific participatory sessions, Administering questionnaire among respondents at SMEs, Focus Group Discussion (FGD), Preparation of case studies in each divisions (success stories) and so on as the firm considers. Methods, tools, techniques and software mentioned in the EOI advertisement are to be considered by the firm.

Data from reliable and authentic sources should be used as reference to forecast the trends of growth of SMEs for future. The firm must mention the forecasting method to be used to forecast the situation of SMEs in Bangladesh for the years from 2018 to 2030.

## **5) Consultancy firm's expected deliverables with timeline:**

**The duration of the assignment: 6 (Six) months.**

The firm should prepare and submit the following reports-

### **a) Inception Report**

The consulting firm must submit an Inception Report within two weeks after signing of the contract. The Inception Report should contain the study design, methodology, questionnaires, indicator to be verified, work plan, staffing with responsibilities, time line, logistic support to be needed etc. The inception report should be presented in a workshop to be arranged by the consultancy firm with the presence and participation of all key staffs and stakeholders as per the direction of Planning Division. The report should be modified based on the comments to be generated in the workshop. All cost will be borne by the consulting firm.

**b) Draft Report**

A Draft Report shall be prepared within Nineteen weeks of signing of the contract. This report will include description of survey procedure and sampling method, summary tables, data analysis, findings of the survey, challenges, case studies and recommendations etc. The draft report should be presented in a national workshop to be arranged by the consultancy firm according to the advice of the Planning Division. At least 50 (Fifty) participants including key staffs stakeholders should be invited in the national workshop according to the suggestions of Planning Division. All cost will be borne by the consulting firm.

**c) Final Report with Survey data**

The firm shall revise the Draft Report by incorporating the comments and suggestions of the national workshop and through this revision the final Report should be prepared. A policy brief should be provided to Planning Division along with final report. The consultancy firm will print 100 copies of final report and distribute as per direction of the Planning Division. The firm will also submit the soft copy of the final survey data to the Planning Division.

**Accountant**

The Consulting Firm will provide an Accountant from their part to the Planning Division. The firm would withdraw the staffs at the end of the project.

**6. Expected Qualification of the Consultancy/Research Firm**

Ideal consultancy firm for this assignment should fit the following profile:

The firm should have the experience of handling a large number of projects under Government, Semi-Government, Private Sector and Donor Agencies. The sectors in which it has to have the experience of carrying out projects in (i) Agriculture; (ii) Macro-Economic Analysis and Management; (iii) Socio-Economic studies; (iv) Industries; (v) Rural Development; (vi) Human Resources Development (Education, Health, and Population); (vii) Water Resources. It should have minimum 5 years of experience of conducting Evaluation Studies and Impact Evaluation Studies in most of these sectors.

Apart from the above:

- ❑ The Firm should have at least 15 years' experience and track records on conducting similar research studies and also have a strong team to carry out the assignment.
- ❑ The firm should have experience in designing, developing and implementing countrywide large surveys in Bangladesh.
- ❑ The firm should have extensive experience of conducting policy strategy studies and Action Plans to help the government organization in undertaking long range plans.
- ❑ The firm should have the experience of carrying out consultancy assignments in Industry particularly Small-Scale and Cottage Industries, Market Survey / Studies.
- ❑ The firm should have experience of conducting at least five large surveys (sample to include 3000 individuals or 500 entities).

- ❑ The firm should have enormous past experience of conducting FGDs and PRAs.
- ❑ The firm has to propose a team of professional researchers / experts with qualifications and experience mentioned in section 7 below.
- ❑ The firm should have adequate resources such as liquidity, hardware, software and logistics for conducting the research studies.
- ❑ The firm should be Proficient in business diagnosis, strategic management, business modeling and structuring;
- ❑ The firm has to demonstrate understanding and competencies in management of smallholder enterprises and private sector actors;
- ❑ The firm has to demonstrate strong experience with data quality control using high frequency checks, back checks, accompaniments etc. and the capacity to produce quality monitoring reports using such data;
- ❑ The firm has to have capacity to illustrate knowledge and experience in working through value chains and market development approaches;
- ❑ The firm should have manpower to demonstrate strong knowledge in the following statistical software: SPSS, STATA etc;
- ❑ The firm should have strong capacity and experience in planning and organizing survey logistics.

## 7. Key Professionals required for the research study

The firm should engage a team of experts following categories as per their work plan. Preference will be given to professionals having multidisciplinary academic background, expertise and experience of implementing consultancy assignments.

S N	Position, number and staff months [person months]	Main Tasks	Minimum Qualifications and Professional experience desired
1	Team Leader (01) [For six months]	Lead, manage supervise and monitor the works of the team of experts. Prepare data collection instruments, training investigators, data analysis; be responsible for preparation and submission of deliverables in time.	Post graduate Degree in Economics, Mechanical/Industrial/Production Engineering, Computer Science, MBA or relevant subject. Preference will be given to those who have a PhD in relevant subject. The Team Leader should have at least 20 years of experience in conducting research, training and consultancy work in industries and related sectors of Bangladesh economy. He/she should have a minimum experience of 10 years in enterprise development, organization and institutional development, management systems development in manufacturing, services or business subsector. Proficient in business diagnosis, strategic management, business modeling and structuring. Preference will be given to those who have multidisciplinary academic background and work experience. He / She should have the experience of working as Team Leader in at least 5 (five) studies.
2	Industrial Management Specialist (01) [For five months]	Investigate the operation and maintenance issues of SMEs of various types. Prepare data collection instruments, training investigators, data analysis etc.	Bachelor Degree in Mechanical or Industrial Engineering with at least 15 year of experience in Operation and management of industries including those belonging to SMEs. He/she should have at least ten years' experience of extending engineering and consultancy services to industrial enterprise. Should have experience of conducting minimum 3 (three) research studies in different sectors including industry sector.

S N	Position, number and staff months [person months]	Main Tasks	Minimum Qualifications and Professional experience desired
3	Women Entrepreneurship Development Specialist (01)  [For five months]	Review the issues of women entrepreneurship development factors of SME sector. Prepare data collection instruments, training investigators, data analysis etc.	Masters Degree in a subject in Science or Social Science discipline with at least 15 years of experience of management activities in industries. Should have experience of working in SME sector. Preference will be given to those who have wide working experience with issues of entrepreneurship development of women in Bangladesh. Should have experience of conducting minimum 3 (three) research/studies in different sectors including industry sector.
4	Socio-economist (01)  [For four months]	Investigate socio- economic issues of SME sector in Bangladesh. Prepare data collection instruments, training investigators, data analysis. Guide field investigators in conducting FGDs and PRAs etc.	Masters Degree in Sociology, Economics, Social work or a relevant subject. Should have at least 15 years of working as a Sociologist/Socio-economist in development projects and organizations belonging to different sectors. He/she should have wide experience of social analysis, conducting PRAs and social mapping in development projects. Should have experience of conducting minimum 3 (three) research/ studies in different sectors including industry sector.
5	Statistician (01) [For four months]	Participate in training the field investigators and supervisors. Prepare data collection instruments. Co- ordinate the field work, prepare tabulation plan, and analyze data etc.	Masters Degree in Statistics. Should have at least 15 years of experience in implementing large scale surveys, processing and analyzing data. He/she should have expertise in popular statistical packages like SPSS, STATA etc. Should have experience of conducting 3 (three) research/studies in different sectors including industry sector.
6	Human Resources Management Specialist (01) [For five months].	Investigate human resources development and management issues. Should participate in analysis of data and preparation of reports etc.	At least Masters Degree in Public Administration, Economics, Sociology, Business Administration, Social Science or relevant subject with specialization in Human resource Management. Must have at least 15 years of experience in implementing training and research in Human Resource Department and Management. He/she should be competent in preparation of manpower development plan for industrial and other enterprises. Should have experience of conducting minimum 3 (three) research/studies in different sectors including industry sector.
7	Banking and Investment Management Expert (01)  [for Four months]	Investigate the role of banking and non- banking financial institutions in funding SMEs. Prepare data collection instruments, training investigators, data analysis etc.	Masters Degree in Business Administration, Economics, Finance, Accounting, management or in a relevant subject. Should have at least 15 years of experience in Management of financing and investment in industrial sector including SMEs. Should have experience of conducting minimum 3 (three) research/studies in different sectors including industry sector.

S N	Position, number and staff months [person months]	Main Tasks	Minimum Qualifications and Professional experience desired
8	Marketing Specialist (01)  [For Four months].	Investigate the marketing issues of SME products and services in Bangladesh. Prepare data collection instruments, training investigators, guide field work of investigators, data analysis and preparation of reports etc.	Masters Degree in Marketing or MBA with specialization in Marketing particularly in industry sector of Bangladesh. The specialist should have at least 15 years experience of providing consultancy services to industrial and other enterprises in enhancing market potential of manufacturing and service organizations. Preference will be given to those who have experience of working in SME subsectors. The expert should also possess expertise and experience in developing marketing plans and strategies. Should have experience of conducting minimum 3 (three) research/ studies in different sectors including industry sector.
9	Financial Management Expert (01)  [For four months].	Review financial management issues in categories of SMEs. Prepare data collection instruments, training investigators, data analysis etc.	The financial management expert Should have at least Masters Degree in Accounting, Finance or a qualified Chartered Accountant or Cost Accountant. He/she should possess at least 15 years experience in rendering Financial Management/ Accounting Advisory services in industrial and service sector organizations. Should have experience of conducting 3 (three) research/studies in different sectors including industry sector.

**The Consulting firm will also propose required number of program support staffs/Field staffs of following categories as per their work plan.**

<b>Support Staffs</b>	
Research Officer	Master Degree in Economics or related field. Professional experience of working in relevant studies.
Computer Programmer	Masters degree in Computer Science and Engineering or relevant subjects. Minimum three years of experience in relevant works.
Data Coding and Cleaning staff	B.Sc. /BSS/BA/BBA or equivalent; with at least three years of experience.
Data Entry Operator	B.Sc. /BSS/BA/B.Com/BBA or equivalent; with at least three years of experience.
Office Manager	B.Sc. /BSS/BA/B.Com/BBA or equivalent; with at least three years of experience.
Office Assistant cum Computer Operator	B.Sc. /BSS/BA/B.Com/BBA or equivalent; with at least three years of experience.
Accountant	B.Com/BBA or equivalent; with at least five years of experience as an Accountant.
Messenger	SSC or equivalent.

<b>Field Staffs</b>	
Field Supervisor	B.Sc. /BSS/BA/B.Com/BBA or equivalent; with at least three years of experience.
Enumerator	B.Sc. /BSS/BA/B.Com/BBA or equivalent; with at least three years of experience.

## 8. Timeline

Sl.No	Tasks, Activities and Deliverables	Month														
		1	2	3	4	5	6	7	8	9	10	11	12			
1	Submission of inception report and Inception Workshop	■														
2	Survey Implementation		■	■	■											
3	Data Processing				■	■										
4	Submission of midway progress report					■	■									
5	Data Analysis						■	■	■							
6	Draft Report							■	■	■						
7	Draft Report Finalization, Workshop at National Level										■					
8	Printing and Submission of Final Report and Policy Brief											■				
9	Report Publication														■	

The above time frame is indicative. The contract period may be extended as per the need of the project without any adjustment of the contract price. Updated PPR will be followed for all other relevant things.

## 9. Other requirements

1. Data collection team and monitoring team must visit the SMEs physically. They will pay a courtesy visit to the respective DC/ UNO office before or after data collection and can seek necessary cooperation from them.
2. Schedules of data collection, FGD, PRA, KII etc. should be sent to the Project Office (PD) of Planning Division before 20 (Twenty) days for supervision and monitoring.
3. The Questionnaire/s must be approved by the Technical Advisory Committee (TAC) of the project.
4. Payment documents of the consultants other officials, staffs, logistics etc. should be preserved properly and a set of those to be handed over to Planning Division.
5. The management team of the firm will sit for a meeting with Project Director (PD)/ Hope of the project (Secretary, Planning Division) in each month to discuss the development the project.

6. Project Steering Committee (PSC) will oversee the implementation of the project. They will review the project progress and provide direction and recommendations to ensure agreed deliverables are produced according to plan.
7. Technical Advisory Committee (TAC) of the project will also oversee the study process. They will review progress of the study and provide direction and recommendations to ensure appropriate study procedure according to the agreed plans.
8. For any confusion, PPR will be the guideline.

## **10. Mode of payment:**

The above contract is fixed priced contract. The payment will be made in four installments. The installments are as follows:

- A. 10 percent of the agreed amount to be paid after signing of the agreement and submission of inception report.
- B. 25 percent of the agreed amount to be paid after submission of the midway progress report.
- C. 35 percent of the agreed amount to be paid after submission of the draft report; and
- D. 30 percent after the completion of the total work and reception of satisfactory report by Planning Division.
- E. All relevant taxes and VAT shall be deducted at source at the applicable rates by the Government of Bangladesh.

## **11. Conditions for research/study paper**

- a) The research paper/Study report will be entirely Planning Division's knowledge product to be used for public policy making;
- b) A soft and hard copy of final data set shall be handed over to the client duly.
- c) The research paper/ Policy brief, or guidance of any part, cannot be sold, or reproduced in any manner without the prior written approval of Planning Division;

Md. Khorshed Alam  
Deputy Secretary  
Planning Division  
&  
Project Director