



Meeting of the Asia-Pacific Foreign Direct Investment (FDI) network for Least Developed and Landlocked Countries:

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1. Bangladesh at a Glance



- Official Name : People's Republic of Bangladesh
- Political System : Parliamentary Democracy
- Population : 150.7 million (census,2011)
- Area : 147,570 km²
- Time Zone : GMT+6 Hours
- GDP total : USD 114 billion(FY2011-12)
- GDP Per Capita : USD 772 (FY 2011-12)
- Total Exports : USD 17.88 billion ((FY 2011-12)
- Total Imports : USD 26.94 billion (FY 2011-12)
- Total FDI : USD 1,136 billion (CY 2011)
- Forex. Reserve : USD 105.698 billion (July, 2012)
- Major Maritime Ports: Chittagong, Mongla
- Currency : BDT (1 BDT = USD 0.01219)
(Avg FY September, 2012)
- Major Cities : Dhaka, Chittagong, Khulna
Rajshahi, Sylhet, Barisal
- Major Maritime Ports: Chittagong, Mongla
- Dialing Code : +880

Vision 2021: In Quest of a Happy, Prosperous and Inclusive Bangladesh

Medium Term Economic Targets (2013)

- Raising economic growth rate to 8%
- Reducing poverty rate to 25%
- Reducing absolute poverty rate to 15%
- Enhancing electricity supply to 7,000 MW

Long Term Economic Targets (2021)

- Boosting economic growth rate to 10% in 2017 and sustaining it till 2021
- Reducing poverty rate to 15%
- Enhancing electricity supply to 20,000 MW
- Raising the economy to the level of a middle-income country

FDI Policy Framework & Incentives

The broader FDI policy & regulatory framework include, among others, the following:

Business Stage	Policy & Regulation
1. General	- Bangladesh Industrial Policy (as undertaken from time to time)
1. Business start-up	- The Companies Act, 1994 - Securities and Exchange Commission Act, 1993
1. Protection	- The Foreign Private Investment (Promotion & Protection) Act, 1980
1. Export Zones	- Bangladesh Export Processing Zones Authority Act, 1980 - Bangladesh Private Export Processing Zones Authority Act, 1996
1. Facilitation	- The Investment Board Act, 1989
1. Corporate / Personal Taxation and incentives	- Income Tax Ordinance 1984 and related rules and SROs - National Budget - The Finance Act/Bill
1. International Trade (Export & Import)	- Bangladesh Export Policy (as undertaken from time to time) - Bangladesh Import Order (as undertaken from time to time)
1. Sectoral	- Bangladesh Energy Regulatory Commission Act, 2003 (BERC) - Bangladesh Telecommunication Regulatory Commission Act, 2001 (BTRC) - The National Drug Policy, 2005
1. Foreign Exchange	- Bangladesh Foreign Exchange Guidelines (issued from time to time)

Investment Climate

Bangladesh is a winning combination with its competitive business-friendly environment and cost structure can give you best returns:

- Strategic location, regional connectivity and worldwide market access.
- Industrious low-cost workforce
- Strong local market and growth
- Low cost of energy
- Proven export competitiveness
- Competitive incentives
- Export and Economic Zones

Investment Climate

- Bangladesh is one of the top exporters of readymade garments to US & Europe
- Risk factors for FDI are the minimum in Bangladesh
- Bangladesh never posted negative economic growth during the past 30 years
- Bangladesh has never defaulted in its debt repayments, nor asked for their rescheduling
- Bangladesh has an open, market based economy led by a vibrant and innovative private sector which provides the main stimulus to its growth
- Bangladesh is a homogeneous country with no religious, ethnic or other forms of cultural conflicts
- Bangladesh has outstanding records in human rights
- Bangladesh is one of the largest contributors to UN peacekeeping forces and missions and the records of the forces have been exemplary and laudable

What is told about Bangladesh

- **Citi Investment Research & Analysis** termed Bangladesh, China, Egypt, India, Indonesia, Iraq, Mongolia, Nigeria, Philippines, Sri Lanka and Vietnam have the most promising (per capita) growth prospects .
- **Goldman Sachs** branded as Bangladesh is in 'Next 11' list after the BRIC nations
- **The International Monetary Fund (IMF)** commented on the economy of Bangladesh as Resilient export and remittance flows have bolstered growth and external stability
- **The Wall Street Journal (WSJ)** dismissed the previous branding of Bangladesh as commented Bangladesh, 'Basket Case' No More - with a higher growth rate, a lower birth rate, and a more internationally competitive economy,
- **JPMorganChase** commented Bangladesh The country ranks fourth in growth in economically active population.
- **Morgan Stanley** has commented Bangladesh is at the very early stages of an investment boom...
- **New York Times** has termed Bangladesh as “an unlikely corner of Asia, strong promise of growth”...

Investment Climate...

- More stable and developed markets have a web of intricate regulations and other constraints which limit investment opportunities
- Growing markets, with innovative entrepreneurs, offer greater business opportunities vis-à-vis old markets with stagnant demand and high taxes
- Movement of capital to emerging markets like the ones represented by countries of south Asia is likely to be profitable with no added risks
- Existing slacks in the economy of Bangladesh offer enormous opportunities of high return and low risk investments in infrastructures, utilities, manufacturing and consumer goods industries
- Large and lumpy investments against this backdrop would not be inflationary and is likely to expand the productive capacity of the economy offering a variety of new goods and services which would further promote sustained economic growth and social development

Investment Climate...

Country Policy & Institutional Assessment of the World Bank

- Bangladesh has scored higher than the average rating of around 100 developing countries in the CPIA of the World Bank that assesses four broad areas including economic & public sector management
- The areas are a) economic management, b) structural policies, c) policies for social inclusion and d) public sector management and institutions
- Bangladesh scores 3.5 out of a maximum 6 points
- Developing countries average point is 3.3 (BD score 0.2% higher)
- Basic requirements for sound investment are a) good macroeconomic statistics, b) accurate financial statements, c) stable regulatory framework and d) clear understanding of corporate governance structure
- Bangladesh possesses all of the above at the present time and the quality of macroeconomic statistics is improving gradually.

World Bank on Bangladesh as an FDI destination

- The FDI friendly index in the world bank's latest report Investing Across Borders 2010 covering 87 countries lists Bangladesh as one of the most convenient destinations for FDI for its investment friendly facilities & regulations.
- Bangladesh is in the top of the list of countries which provides the strongest land or property lease rights to foreign investors along side Canada, Singapore, UK, USA, France & Spain.
- Leasing a private land by foreign investors is easy in BD while buying private land here is much easier than in India, Pakistan and Sri Lanka.
- Time required to lease private land is 2 months in BD, 7 months in Afghanistan, and 10 months in Sri Lanka.
- Foreign business in Bangladesh requires 55 days on an average completing 9 procedures, in India 46 days with 16 procedures and in China 99 days with 18 procedures.

World Bank on Bangladesh as an FDI destination

- Bangladesh is one of the most open countries to foreign equity ownership, as measured by Investing Across Sectors indicators.
- All of the 33 sectors covered by the World Bank indicators are fully open to foreign capital participation in Bangladesh with no constraints.
- This is the first World Bank report to offer objective data on regulations affecting foreign direct investment that can be compared across 87 countries.
- “Clear and effective laws and regulations are vital for ensuring best results for host countries, their citizens and investors” the World Bank report mentions.
- The report finds that countries which do well on the Investing Across Borders indicators also tend to attract more foreign direct investment relative to the size of their economies and population ,and countries that score poorly tend to have higher incidence of corruption, political risks and weaker governance structures.

The New BRICs- A look at the next 11.

- With the BRICs story largely having moved into the mainstream, the next question asked is who will be the next BRICs?
- Of the 11 countries mentioned (Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam), Bangladesh is one. The reasons mentioned are a) attractive destination for infrastructure investment, b) human capital which is a critical factor of long term growth, c) technology adoption , a key factor in the virtual world of connectivity. The explosive growth story in cell phones is spreading to all these countries with the poorest among them posting triple digit growth. In Bangladesh this is the major sector for direct investment which is growing exponentially. These 11 countries account for 7% of global growth and 9% of the world's energy consumption. Since 1990 , each of these countries' share of world energy consumption has risen, the increase being the highest in South Korea.

New types of Investment

- However, FDI has been slow and concentrated mostly in extractive and commodities sectors. We need investment in agriculture, manufacturing, services, research, outsourcing, franchising, etc. Due to their ephemeral nature, they are more risky and calls for expert management (PM).

- Bangladesh in global context
 - Duty and quota free access
 - Duty and quota free access to EU plus Japan, US, Canada, Australia and most other developed countries
 - Tariff-free access to selected SAFTA markets
 - Bilateral Investment treaties (BITs)
 - 29 countries and in process with another 09
 - Double taxation treaties (DTTs) and other guarantees and bilateral agreements with 28 countries plus 21 in process

“...Bangladesh foreign trade policy provides duty and quota free access to many of the world’s major markets, for most products...”

Facilities and incentives for foreign investors

- Tax exemption on royalties, technical know how and technical assistance fees and facilities for their repatriation
- Tax exemption on interests on foreign loans
- Tax exemptions on capital gains from transfer of shares by the investing company
- Exemption of income tax for upto three years for the expatriate personnel employed under an approved industrial set up
- Remittances of upto 50% of salaries of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return
- No restrictions on issuance of work permits to project related foreign nationals and employees

Facilities and incentives for foreign investors

- Facilities for repatriation of invested capital, profits and dividends
- Provision of transfer of shares held by foreign share holders to local investors
- Taka the Bangladesh currency would be convertible for international payments for the foreign investors
- Reinvestment of remittable dividends would be treated as new investment
- Level playing field: foreign owned companies duly registered in Bangladesh will be on the same footing as locally owned ones
- Foreign investment in Bangladesh is secure and highly profitable
- According to available records no foreign investors have ever lost money in Bangladesh

Investment Incentives

Fiscal Incentives

- Corporate tax holiday (outside EPZs): 5 to 7 years for selected sectors
- Accelerated depreciation on cost of machinery for new industries in lieu of tax holiday
- Reduced Corporate Tax for 5 to 7 years in lieu of tax holiday and accelerated depreciation
- Avoidance of double taxation under bilateral tax convention
- Tariff concessions on import of capital machinery
- Tariff concessions on import of raw materials of the export oriented industries
- Bonded warehousing facility

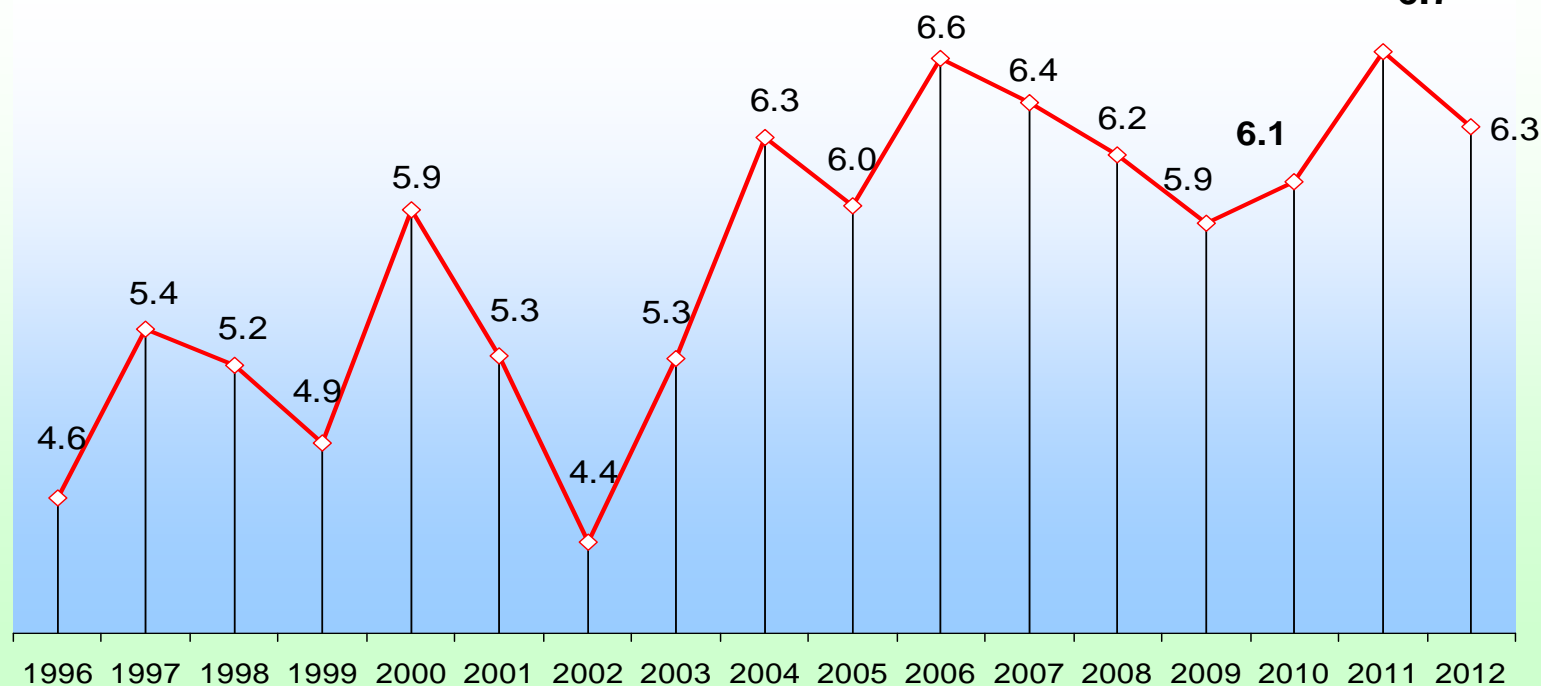
Financial & Other Incentives

- Cash incentives and export subsidies ranging from 5% to 20% on the FOB value of selected products:
- Funds for export promotion, export credit guarantee scheme, permission for domestic sales up to 20% by export-oriented companies outside EPZ.
- Remittance of royalty, technical know-how and technical assistance fees
- Citizenship by investing a minimum of US\$ 5,00,000
- Permanent resident permits on investing US\$ 75,000
- And many more

- Economic Performance - growth

- Bangladesh economic growth %

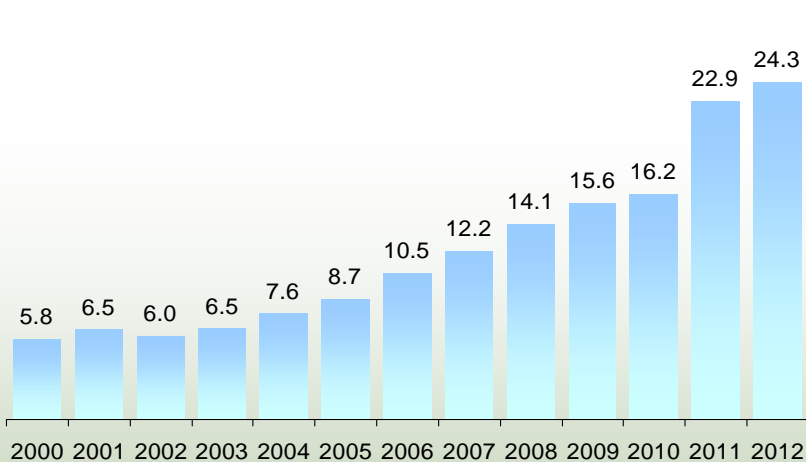
“...constant unbroken GDP growth...”



Source: Ministry of Finance, others

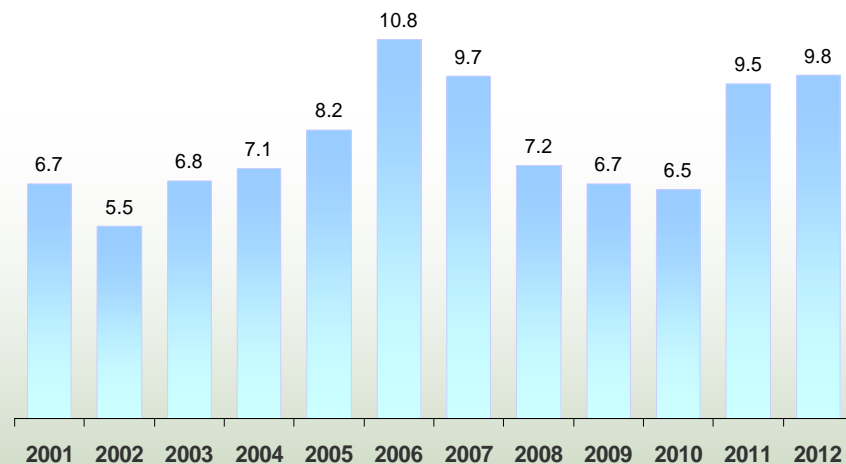
- Economic Performance - growth

- Exports US\$bn



- Manufacturing growth % of GDP

“...export driven growth in manufacturing...”



Source: Bangladesh Bureau of Statistics 2010, Bangladesh Economic Review 2010

FDI inflows in South Asia

(In million USD)

Country	2008	2009	Growth (YOY)%	2010	Growth (YOY)%	2011	Growth (YOY)%
Afghanistan	300	185	-38.33	76	-58.91	83	+9.21
Bangladesh	1 086	700	-35.54%	913	+30.00	1136.38	+24.42
Bhutan	28	15	-46.42	12	-20.00	14	+16.66
India	42546	35649	-16.21	24640	-30.88	31554	+28.06
Maldives	135	112	-15.15	164	+46.42	282	+71.95
Nepal	1	39	+97.43	87	+123.07	95	+9.19
Pakistan	5438	2338	-57.00	2016	-13.77	1327	-34.17
Sri Lanka	752	404	-46.27	478	+15.48	300	-37.23

■ FDI Trend : Components:

Components	2009	2010	2011
Equity Capital	218.55	519.98	431.85
Reinvested earnings	364.94	364.62	489.63
Intra-company Loans	116.67	28.72	214.90
Total FDI inflows	700.16	913.32	1136.38
Growth %	-	+30%	+24.42%

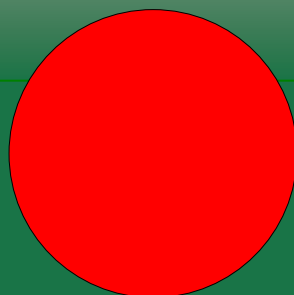
■ FDI to Bangladesh: (by source country)

(In million \$)

Country	2011
	152.30
USA	117.74
Netherlands	116.75
UK	116.32
South Korea	113.06
Hong Kong	104.84
Australia	72.80
Pakistan	70.54
Japan	46.55
India	25.74
Others	199.74
Total FDI	1136.38

Source: Enterprise Survey, Bangladesh Bank

Thank you



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