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Investment Climate in Bangladesh: Performance and Possibilities

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Abstract

Bangladesh achieved lower-middle income country's status from the World Bank in July 2015. It's GNI per capita raised into USD 1314 in 2014-15 FY from USD 1184 and USD 1054 in 2012-13 and 2013-14 Fiscal Years respectively. The government of Bangladesh declared Vision 2021 to be a higher middle income country by the year 2021. Therefor it has only 6 years in hand to raise GNI per capita from existing USD 1314 into USD 4126 to become a higher middle income country. There are many other challenges in front of it like; about 31.5% population is living below poverty line, there are 56.7 million workable populations in Bangladesh with 2 million unemployed populations. About 1.8 million educated workforces are entering into the job market in each year. GDP Growth rate is rotating around 6% to 6.6% during last decades, but it has to be increased into 8% to 10% to facilitate employment generation and poverty alleviation in Bangladesh. A huge amount of new investment is required to increase GDP growth and employment rate up to the desired level. There are options to increase local investment as well as go for foreign direct investment but preparations shall be taken in time. Otherwise Vision 2021 may not be achieved even by the year 2031. This is the time to compare Bangladesh's performance in local and foreign investment attraction with its competitor countries. Current investment attraction tools using by the government of Bangladesh could be rechecked and initiate effective corrective measures as, when and where required.

Keywords: Investment climate in Bangladesh; Investment scenario in Bangladesh; Trend of local investment in Bangladesh; Trend of fdi into Bangladesh; Economic growth through investment promotion; Employment generation and poverty alleviation through investment promotion

JEL Code: D92, E22, F21, P33, R42

Introduction

Bangladesh is one of the promising Least Developed Countries (LDCs) having potentials to grow further. Goldman Sachs investment bank described Bangladesh as one of the Next-11 countries (N-11) due to its prompt growth potentials [1].

The economy of Bangladesh is growing with an on an average 6-7% growth rate during last decade. Present government aimed to reach into the status of middle income country by 2021 and graduate from the list of LDC. To transform Bangladesh into a middle income country we must have to attain few targets like; achieve and sustained annual rate of GDP at 10 per cent by 2021, substantially eradicate poverty by bringing down the number of people living below the poverty line to 15 percent of the population estimated at no more than 25 million, change the sectorial composition of output with the shares of agriculture, industry, and services approximating 15 percent, 38 percent, and 47 percent respectively by 2021.

We have to reduce the unemployment rate to 15 per cent; change the shares of agriculture, industry, and services in employment to 30 per cent, 25 per cent, and 45 per cent respectively by 2021. To achieve this change in the economy Bangladesh has to generate 11,500 MW electricity by 2015, and make provisions to meet the expected demand for power of 20,000 MW by 2021 [2].

On the other hand about 31.5% of Bangladeshis are living below the poverty line [3]. There are 56.7 million workable populations in Bangladesh with 2 million unemployed populations [4]. Another 1.8 million educated workforce is entering into the job market per year [5]. Providing employment opportunity to such a huge population is quite difficult task for the government as well as for the local private sector. Therefore government has to go for foreign investment into Bangladesh to facilitate employment opportunity, foster economic growth and poverty alleviation.

To achieve all of the above mentioned targets by 2021 Bangladesh has only one option i.e. increasing investment. GDP growth rate was 6.06% in 2013-14 FY [6,7] but it was supposed to be increased into 8% by 2013 furthermore 10% by 2017 as per vision 2021 [8].

By investing 28.58% of GDP Bangladesh achieved 6.06% growth rate in 2013-14 FY it has to be increased into 34.4% to get 8% GDP growth. That means we have to invest about 5.82% of our total GDP (Total GDP is BDT 13,509,204 million, BBS 2014) i.e. BDT 786.23 billion or USD 9.82 billion more to get targeted 8% GDP growth of Bangladesh economy.

Investing such a huge amount may not be possible from internal sources only. We must have to go for foreign investment to achieve vision 2021 in time, increase GDP growth rate into 8% in near future, and be a middle income country by the year 2021.

Problem statement and research question

Bangladesh has to be higher middle income country within the year 2021. But a significant amount of its population is living below poverty line with a major unemployment figure. Number of educated job seekers is increasing day by day. There is a little effort to divert these jobseekers into entrepreneurship development or self-employment creation process by the government. Local and foreign investment has to be raised to increase GDP growth into double digit. The Board of Investment is organizing international road shows to attract foreign investment but its response is not satisfactory level till now. How the competitor countries like Vietnam are attracting foreign investment? What types of new initiative could be taken to increase local and foreign investment in Bangladesh?

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Objective of this study

Main objective of this study is to know about the investment attraction packages offering by Bangladesh for the local and foreign investors. How much local and foreign investment Bangladesh has received during last ten years? How its competitor countries are doing in terms of local and foreign investment attractions? We would like to know about the challenges and recommend ways forward to increase investment into Bangladesh.

Methodology

To conduct this study the researcher would like to go through investment relevant law, acts, incentive packages offered by the government of Bangladesh and other relevant agencies. We would like to know investment trend into Bangladesh during last ten years. Identifying the sectors received maximum foreign investment in last ten years. We would like to compare FDI attraction performance of few selected South and Southeast Asian countries along with the origin of investment. We would like to depends upon a popular market analysis tools namely ITC Investment Map to get international data. At the same time government published data and referred journals could get priority in terms of acceptability of data and information to be used in this study.

Scope of the work

Analyzing current performance of the selected countries in attracting foreign investment based on available secondary data sources like ITC investment map. Government published data (in case of availability) shall get priority to reflect the actual scenario. International standard of citation will be strictly followed by the author to maintain high professionalism and acceptability of the study. Looking after the challenges and recommending ways forward could be a major part of this study.

Limitation of this study

The whole study is conducted based on secondary literature, data and information. This is one of the major limitations of this study. This study could be more effective if adequate number of stakeholders could be interviewed from each country and incorporate their experience driven opinions in it. A broad based primary study could give it a new dimension in terms of efficiency and effectiveness of the recommendations.

Literature review

Bangladesh is a rapidly growing economy in South Asia. It is a market of 160 million populations and their purchasing power is rising day by day. It is offering 56.7 million workable populations with most competitive salaries and wages (LFS) [4]. All the factors of production are cheaper in Bangladesh than that of the other South and Southeast Asian countries. Bangladesh enjoys tariff free market access to the European, Canadian, Australian and Japanizes markets. According to the World Bank's Doing Business Index [9] Bangladesh's position are 107 among 183 countries which is well above than the countries like India or Indonesia. Renowned investment banker Goldman Sachs's indicated Bangladesh as one of the next eleven countries (N11) having potentials to be one of the largest economy of the world. Bangladesh was listed in 2007as one of five countries with impressive economic and investment potential (JP Morgan's Frontier Five). Bangladesh received its credit ratings (BB- and Ba3) in 2010. Moody's rating puts Bangladesh on par with Vietnam (Kingdom of the Netherlands [10].

The Government of Bangladesh has taken a number of steps to create a facilitating environment for the private sector so that it plays its due role as an effective economic agent and makes substantial contribution to the overall economic development of the country. As a result, total investment increased from BDT 1261 billion in 2005-06 FY to BDT 4384 billion in 2014-15 FY [6,7].

Bangladesh changed its socialist mentality and successfully adopted global free market economy in late 90s. A series of policy incentives, investment sovereignty has been offered to the FDI investors including tax holiday for several years, duty free facility for importing capital machinery, 100% foreign ownership, 100% profit repatriation facility, reinvestment of profit or dividend as FDI, multiple visa, work permit to foreign executives, permanent resident or even citizenship for investing a specific amount, Export Processing Zone (EPZ) facility, and easy hassle free exit facility. As a result it got FDI investment got momentum from USD 0.09 million in 1972 into USD 356 million in 1995 [11].

Major industrial sectors of Bangladesh includes textiles, readymade garment, telecommunication, ICT, energy and gas, infrastructure development, leather goods, plastic goods, jut goods, light engineering, ceramics, agro-processing, and ship building etc. Muttakin and Ahmed [12,13] identified complex bureaucracy, weak infrastructure, political unrest, and absence of good governance, lack of entrepreneurship development initiative, absence of effective judiciary, poor capital market, and lack of adequate information, complex approval procedures and poor industrial base as major barrier to attract FDI into Bangladesh.

Current Trend of Investment in Bangladesh

Local investment

From the statistics of last ten years (2005-06 Base year) it is quite clear that, private sector is leading the trend of investment in Bangladesh (Table 1).

Investment in Bangladesh is rising very slowly. Therefore it failed to achieve projected growth rate as per vision 2021. It was supposed to achieve 8% GDP growth in 2013 but in 2015 we observed that GDP growth rate is still below 6.5%. Therefore we have no alternative but to increase investment in Bangladesh.

FDI inflows in Bangladesh

From the following Table 2 it is quite clear that the trend of FDI inflow in Bangladesh experienced several fluctuations during last ten years. Foreign investment into Bangladesh was remaining UDS 800

Fiscal Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Investment	1261	1439.3	1647.3	1847.7	2093.3	2511.3	2982.3	3403.7	3839.9	4384.4
Public Investment	268.3	280.2	282.8	304.4	372.8	481.5	608	796.2	879.9	1044.2
Private Investment	992.7	1159.2	1364.5	1543.3	1720.5	2029.8	2374.2	2607.5	2960	3340.2
Source: Bangladesh Economic Review [6].										

Table 1: Local investment billion Taka.

Fiscal Years	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Foreign Direct Investment (Net)	800	675	793	748	961	818	775	1191	1726	1550

Source: Compiled by the author from-
1. Bangladesh Economic Review [7]
2. Bangladesh Economic Review [15].

Table 2: FDI Inflows in Bangladesh USD in million.

Components/FY	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	20010-11	2011-12	2012-13	2013-14
Equity Capital	361.14	447.22	464.5	545.69	535.42	515.14	249.95	454.1	761.03	270.59
Reinvested earnings	297.11	198.64	281	197.71	336.61	331.1	445.19	542.35	645.64	795.81
Intercompany loans	145.53	89.75	47.24	25.29	88.56	66.78	83.9	198.43	323.96	429.1
Total FDI Inflows	803.78	744.61	792.74	768.69	960.59	913.02	779.04	1194.88	1730.63	1495.5

Source: Foreign Direct Investment [22].

Table 3: Component wise distribution of FDI Inflows USD in million.

Fiscal Years	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Percentage of GDP Invested (%)	26.1	26.2	26.2	26.2	26.2	27.4	28.3	28.4	28.6	29
GDP Growth Rate (%)	6.67	7.06	6.01	5.05	5.57	6.46	6.52	6.01	6.06	6.51

Source: Bangladesh Economic Review [7].

Table 4: Investment vs. GDP Growth (% of GDP)

million to USD 900 million till 2010. After that while a major amount of investment came into telecom sector the figure crossed USD 1 thousand million [14,15].

Component wise distribution of FDI inflows during last 10 years

If we would like to analyze FDI inflows according to the components then one fact be clear to us that, total FDI inflows amount is increasing but fresh FDI is not coming into Bangladesh accordingly. Maximum contribution of the total amount's hick comes from Reinvestment of locally earnings. Fresh FDI as Equity capital is not rising rather decreasing in recent years (Table 3).

Reinvestment of locally earned profit could increase the FDI figure academically. But practically it is not adding value in terms of increasing foreign currency, new employment or bringing new technology into Bangladesh. Therefore we are in need of attracting fresh investment into Bangladesh. Promoting new sectors and exploring new sources for FDI attraction.

Investment vs. GDP growth (% of GDP)

From the following Table 4 it is quite clear that, there is a positive correlation between percentage of GDP invested and GDP growth rate.

From 2005-06 to till date investment is below 30% of GDP in Bangladesh therefor GDP growth rate is also below 7%. We have to increase investment up to 32% to achieve 7% GDP growth. Similarly investment has to be increased up to 34.5 or more in percentage of GDP to achieve 8% growth [16,17].

Current Trend of FDI Inflow in Some Selected South and Southeast Asian countries

We can observe from the following table that, countries ensures good governance, transparency and better law and order situation enjoyed more FDI than that of the others. Singapore, Malaysia, Thailand and India are the samples of attracting FDI through good governance and stable political environment.

Countries governing by the autocratic leaders like Cambodia do not get FDI. Iran is doing comparatively better in attracting FDI even in a sanction condition. Pakistan and Bangladesh are experiencing fluctuations due to the political unrest and corrupt bureaucracy. Vietnam is getting much more FDI than Bangladesh even after a civil war against the strongest superpower of the world. Vietnam has strong political commitment, secure regulatory regime and better drive to attract new investment into it [18,19].

Vietnam has almost same size of GDP but it attracted USD 23107.3 million, 19886.1 million, and 15598.1 million in 2009, 2010, and 2011 whereas Bangladesh got USD 700.2 million, 913.3 million and 1136.4 million respectively. This shows a clear distinction of performance of Vietnam and Bangladesh [20].

In the above Table 5 and Figure 1 we can observe that 2007 was a black year for attracting FDI into South and Southeast Asian countries. This could be happened due to the Asian Financial Crisis in the same year. It happened again in 2009 and 2010 due to the Global Financial Crisis in 2008-09 FY. Without some expectations all the countries get back their upward momentum in 2011.

FDI inflow (net) in% of GDP

From the following Figure 2 we can see that, Singapore is the regional leader in attracting maximum FDI about 27% of its GDP. Similarly Singapore experienced maximum fluctuations due to repatriation of earning by the FDI investors. Malaysia, Vietnam and Thailand is also getting comparatively more FDI i.e. about 7-8% of respective GDPs.

Top ten sectors of the selected countries attracting more FDI

From the Table 6, we observed that, textile, clothing and leather sector is dominating for getting FDI into the selected countries. Bangladesh, Cambodia and Iran got maximum FDI in this sector readymade garment and textile sector of Bangladesh got South Korean, Sri Lankan and Indian FDI. Similarly Cambodia and Iran is also got maximum FDI in these sectors. Finance is the second largest sector to attract FDI into these states, namely Bangladesh, Cambodia, Iran,

Y/C	GDP in USD billion	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bangladesh	185.41	350.2	460.4	845.3	792.5	666.4	1086.3	700.2	913.3	1136.4	1191
Cambodia	16.55	84	131.4	381.3	483.2	867.3	815.2	539.1	782.6	891.8	387
India	2049.5	1462	2320	3359	9307	19425	22697	22461	14939	23473	18286
Iran	404.13	3037.3	2889.2	2317.5	2017.8	1980	2983.4	3649	4276.7	4661.7	3049.9
Malaysia	326.93	2473.2	4624.2	3964.8	6059.7	8401.2	7178.5	1453.1	9058.9	12201.2	10074.3
Pakistan	250.13	531.8	1117.3	2200.3	4272.4	5591.3	5436.9	2338.4	1820.8	1326.2	1150.3
Singapore	308.05	14819.4	20080.5	36924	47733.3	12200.7	23821.3	55075.8	50367.7	61159.4	63772.3
Si Lanka	74.58	233	272	480	603.4	752.2	404	477.6	981.1	941.1	915.6
Thailand	373.8	3411	5165	4956	8048.1	9459.6	11331.3	8547.1	4853.5	9689.8	9539
Vietnam	186.04	1450.1	1610.1	2020.8	12003.8	6981	64011	23107.3	19886.1	15598.1	16348

Source: Compiled by the Author from the following sources:
a. The International Monetary Fund [24].
b. ITC Investment Map [23].

Table 5: Current Trend of FDI Inflow in some selected countries USD in million.

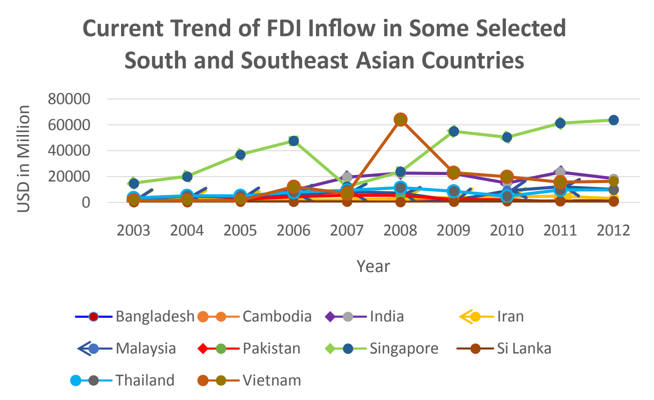
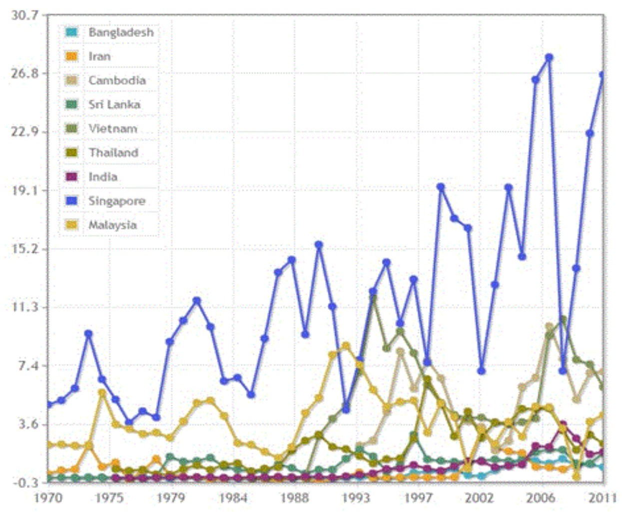


Figure 1: Current Trend of FDI Inflow in Some Selected Countries.



Source: World Bank [17].

Figure 2: FDI in percentage of GDP of the selected countries.

Pakistan, Malaysia, and Thailand got second largest amount of FDI in this sector. Transport, Storage and Communication is the 3rd largest FDI receiving sector in the selected countries [21,22].

Major sources of investment into the selected countries

Netherlands has FDI into most of the selected countries of South and Southeast Asia. It is one of the major investors in Bangladesh, India, Malaysia, Sri Lanka, and Thailand. The USA and UK are also investing into these countries. USA and UK has FDI investment in Bangladesh, India, Pakistan etc. states. One notable fact is observed here that, the regional leader of FDI attraction i.e. Singapore do not have much FDI from the western countries like USA or UK or Netherlands. Rather maximum Investment goes to Singapore from Brunei, China, Hong Kong, India, Indonesia, Israel, Japan, Korea and Laos. Vietnam is the only country having FDI from both western and regional states like Japan, Singapore, South Korea, Taiwan, British Virgin Island, Hong Kong, USA, Malaysia, China and Thailand [23-26] (Table 7).

Another notable fact is that, maximum FDI into the Singapore and Vietnam comes from their neighboring countries not from the Europe or America. Therefore Bangladesh could learn the fact that, neighboring countries could be major source of FDI if we have congenial relationship with India, China, Hong Kong, Taiwan, Japan and Brunei etc. countries. Therefor our investment promotion missions shall go to Hong Kong, Taiwan, Brunei etc. states rather than to the western world [27,28].

Determinants of FDI: Bangladesh Perspectives

There are many theories and research finding regarding the factor affecting FDI decision of an investor. Few major determinants are as follows:

1. Size of local market: Bangladesh is a steadily growing market of about 160 million people. Purchasing power of local consumers is rising day by day. It is located at a strategic position to reach into half of the world's population market existing in India and China easily. Therefor it has a potential to be regional hub of the channel of distribution in near future.

2. Regulatory environment: The government of Bangladesh offered a long list of fiscal and non-fiscal incentives to attract FDI.

Facilities and incentives for a foreign investor

i. Remittances of up to 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.

Bangladesh	Cambodia	India	Iran	Malaysia	Pakistan	Singapore	Sri Lanka	Thailand	Vietnam
Textiles, clothing and leather	Textiles, clothing and leather	Unspecified secondary	Textiles, clothing and leather	Unspecified secondary	Petroleum	Agriculture and hunting	Chemicals and chemical products	Machinery and equipment	Unspecified secondary
Finance	Agriculture and hunting	Hotels and restaurants	Finance	Mining and quarrying	Finance	Business activities	Food, beverages and tobacco	Finance	Business activities
Electricity, gas and water	Finance	Finance	Electricity, gas and water	Finance	Chemicals and chemical products	Chemicals and chemical products	Metal and metal products	Unspecified secondary	Wholesale and retail trade
Transport, storage and communications	Hotels and restaurants	Electricity, gas and water	Transport, storage and communications	Wholesale and retail trade	Motor vehicles and other transport equipment	Coke, petroleum products and nuclear fuel	Non-metallic mineral products	Electrical and electronic equipment	Transport, storage and communications
Non-metallic mineral products	Business activities	Construction	Non-metallic mineral products	Unspecified tertiary	Electricity, gas and water	Construction	Other manufacturing	Business activities	Construction
Chemicals and chemical products	Transport, storage and communications	Business activities	Chemicals and chemical products	Transport, storage and communications	Construction	Electrical and electronic equipment	Textiles, clothing and leather	Chemicals and chemical products	Mining and quarrying
Other manufacturing	Food, beverages and tobacco	Unspecified tertiary	Other manufacturing	Agriculture and hunting	Non-metallic mineral products	Finance	Unspecified tertiary	Rubber and plastic products	Health and social services
Food, beverages and tobacco	Petroleum	Wholesale and retail trade	Food, beverages and tobacco	Construction	Business activities	Food, beverages and tobacco	Wood and wood products	Mining and quarrying	Hotels and restaurants
Unspecified tertiary	Coke, petroleum products and nuclear fuel	Transport, storage and communications	Unspecified tertiary	Business activities	Coke, petroleum products and nuclear fuel	Hotels and restaurants		Food, beverages and tobacco	Education
Metal and metal products	Community, social and personal service activities	Education	Metal and metal products	Others	Textiles, clothing and leather	Machinery and equipment		Transport, storage and communications	Agriculture and hunting
Source: ITC Investment Map [23].									

Table 6: Sector attracting more FDI into the selected countries.

Sl.	Bangladesh	Cambodia	India	Iran	Malaysia	Pakistan	Singapore	Sri Lanka	Thailand	Vietnam
1	United Arab Emirates	China	Mauritius	Jordan	Japan	USA	Brunei Darussalam	China	Japan	Japan
2	Kingdom of Saudi Arabia (KSA)	South Korea	Singapore	Lebanon	Singapore	UK	Cambodia	Hong Kong	Hong Kong	Singapore
3	UK	Malaysia	USA	Georgia	Netherlands	UAE	China	Singapore	Netherlands	South Korea
4	USA	Taiwan	UK	Kazakhstan	Honk Kong	Japan	Hong Kong	Netherlands	Malaysia	Taiwan
5	Netherlands	Hong Kong	Netherlands	Bahrain	British Virgin Islands	Hong Kong	India	Malaysia	Singapore	British Virgin Island
6	Egypt	Thailand	Japan	Tajikistan	Switzerland	Switzerland	Indonesia	UK	USA	Hong Kong
7	Malaysia		Cyprus	Armenia	Bermuda	KSA	Israel	India	Taiwan	USA
8	South Korea		Germany	Azerbaijan	Thailand	Germany	Japan		Cayman Island	Malaysia
9	India		France	Egypt	USA	South Korea	Korea, Republic of		Switzerland	China
10	China		UAE	Kyrgyz zepublic	Cayman Islands	Norway	Lao People's Democratic Republic			Thailand
Sources: Compiled by the author from the different sources [19-21,25-28,].										

Table 7: Sources of FDI into the selected countries.

ii. No restrictions on issuance of work permits to project related foreign nationals and employees.

iii. Facilities for repatriation of invested capital, profits and dividends.

iv. Provision of transfer of shares held by foreign shareholders to local investors.

v. Reinvestment of remittable dividends would be treated as new investment.

vi. Level playing field: foreign owned companies duly registered in Bangladesh will be on the same footing as locally owned ones.

Fiscal incentives

i. Accelerated depreciation on cost of machinery is admissible for new industrial undertaking (50% in the first year of commercial production, 30% in the second year, and 20% in the third year).

Financial incentives for export oriented industries

ii. Cash incentives and export subsidies ranging from 5% to 20%

granted on the FOB value of the selected products.

iii. 90% loans against letters of credit (by banks).

iv. Permission for domestic market sales of up to 20% of export-oriented companies outside EPZ (relevant duties apply).

Additional facilities/incentives

v. 100% foreign equity allowed.

vi. Unrestricted exit policy.

vii. Remittance of royalty, technical know-how and technical assistance fees.

viii. Full repatriation facilities of dividends and capital at exit.

ix. Citizenship by investing a minimum of US$ 5,00,000.

x. Permanent resident permits on investing US$ 75,000.

xi. An investor can wind up investment either through a decision of the AGM or EGM. He or she can repatriate the sales proceeds after securing proper authorization from the Central Bank.

3. Labor cost and productivity: According to a recent survey report of JETRO Dhaka is offering more competitive price for all factors of production than that of the other South and Southeast Asian cities. So it shall get more attention for relocating industries into Bangladesh.

4. Political Risk: Bangladesh has only one disadvantage that we have a non-compromising tendency among our political parties. As a result political violence occurs and caused into life and wealth damage. We have to overcome this major barrier to get attention of FDI investors.

5. Infrastructure: We have two Sea Ports, national highways and going to establish Deep Sea Port in near future. We have to develop alternative of Dhaka – Chittagong highway to reduce lead time for exportable products.

6. Economic growth: Bangladesh economy is rising on an average 6-7% growth during last decade. It is resilience as well as potentials to grow further into double digit if good governance could be ensured.

7. Tax regime of the host country: Bangladesh is offering a long range of tax benefits for FDI investors including;

i. Tax exemption on royalties, technical knowhow and technical assistance fees and facilities for their repatriation.

ii. Tax exemption on interests on foreign loans.

iii. Tax exemptions on capital gains from transfer of shares by the investing company.

iv. Corporate tax holiday of 5 to 7 years for selected sectors.

v. Reduced tariff on import of raw materials capital machinery.

vi. Bonded warehousing.

vii. Tax exemption on capital gains from the transfer of shares of public limited companies listed with a stock exchange.

viii. Reduced Corporate Tax for 5 to 7 years in lieu of tax holding and agricultural depreciation.

Bangladesh's Initiatives to Attract FDI

Besides all the above mentioned fiscal and non-fiscal incentives Bangladesh undertake a series of initiatives to attract FDI. These are as follows:

Reforms and liberalizations

i. Bangladesh opened up its market for foreign investment up to 100% foreign ownership without few reserved sectors like production of arms and ammunition and other defense equipment, and machinery, forest plantation and mechanized extraction within the bounds of reserved forests, production of nuclear energy and security printing (currency notes) and minting.

ii. Private Sector's Ownership: Government has enacted a law in the parliament enabling the private investors to set up private Export Processing Zones (EPZ). The units in private EPZ will enjoy facilities similar to those in government EPZs. The Private Power Generation Policy has been formulated paving the way for private investment in power generation for which a new Electricity Act and a regulatory commission is on their way. Private investments have already been allowed in gas exploration, gas development, power generation and other mining and exploration activities [13].

iii. Legal security for investment: Foreign Private Investment (Promotion and Protection) Act, 1980 ensures legal protection to foreign investment. Bangladesh is a member of Multi-Lateral Investment Guarantee Agency (MIGA), Overseas Private Investment Corporation (OPIC) of USA and International Centre for Settlement of Industrial Disputes (ICSID). Member of World Intellectual Property Organization (WIPO) and World Association of Investment Promotion Agencies [29].

International road shows and entrepreneurs meet

Bangladesh Board of Investment (BoI) organized a number of international Road Shows and entrepreneur's meets in Hong Kong, Germany, India, and London, Japan regularly from 2009. In 2015 Road Shows were organized at England, Netherlands, France and Japan [30].

Barriers to Invest in Bangladesh

1. Long list of permissions/registration/license from different government agencies: To pirate an enterprise in Bangladesh about 37 permissions/registrations required from different government agencies.

2. Absence of good governance and corrupt bureaucracy: A corruption free bureaucracy could offer prompt delivery of government services to enhance investment in Bangladesh.

3. Lengthy Judicial System: Lengthy and cumbersome judicial process is discouraging foreign investors to enter into Bangladesh.

4. Limited capacity to supply adequate electricity and gas to industries: About 47.90% of people are covering under electrification in Bangladesh. Currently about 7200-7500 MW of electricity is generating in a day. It is not sufficient to provide electricity supply into newer industries as demanded.

5. Absence of efficient physical infrastructure: We have two Sea ports in Bangladesh. But only Chittagong port is active. On

the other hand only one Dhaka-Chittagong Highway is not sufficient to support total import-export trade of Bangladesh. As a result traffic jam is destroying our valuable time during international trade through this port. We are in need of a Deep Sea Port to enhance our international trade capabilities.

6. Bureaucratic complexity to get registered or permission: Cost of doing business in increasing by the unofficial cost of bureaucracy.
7. Absence of investment promoting agency: We have regulators to provide permissions and operate inspections in industrial establishments but we do not have a government agency to promote investment in larger scale. The SME Foundation is working to promote Small and Medium Enterprises but they do not have mandate to promote foreign investment or large scale local investment.
8. Lack of professionals and sector specific trained man power: We are lagging behind in terms of trained manpower to meet up the demands from a modern industry. It is in terms of operators, trouble shooters or engineers etc. Government has to take the lead to produce sector specific trained manpower to feed the industries as well as create employment of the young generations.
9. Poor imposition of IP (Intellectual Property) law: We have limited understanding and institutional capacity to impose IP relevant laws in Bangladesh. It discourages a high-tech company to enter into Bangladesh.
10. Lack of project specific proposals in hand to attract international investment.
11. Non-cooperation from relevant government agencies like, the Board of Investment, Police, National Board of Revenue, Environment Authority etc.
12. Political unrest and blockades.
13. Absence of standardization/quality infrastructure in home.
14. Absence of technology infrastructure.
15. Differential treatment with the change of government.
16. Lack of administrative coordination among different government bodies.
17. Delay to get services from support organizations.

Recommendations to Improve Investment Climate in Bangladesh

1. Decreasing number of permissions/registrations/licenses with a predetermined time frame/one stop investment requirement services.
2. Ensuring hassle free and in time delivery of industrial utilities like Electricity, Gas and water etc.
3. Restructuring investment promotion organization i.e. the Board of Investment with new management.
4. Special investment attraction drive with specific project proposals to attract local and foreign investment.
5. Activating entrepreneurship promoters like better business forum or regulatory reform commission.
6. Developing infrastructure as per requirement of tomorrow's business.
7. Developing sector specific demand driven skilled manpower with specific technical knowledge.
8. Establishing investment promotion agency [30].

Concluding Remarks

Bangladesh is a land of opportunity. We have every potential to grow further. Entrepreneurship development and investment promotion is the most effective tool to make these potentials in reality. New investment brings employment, technology, managerial knowledge to alleviate poverty. Therefore it is the time for the Bangladeshi political leaders to seat together and come to a consensus for the quicker growth of the nation. Increasing institutional capacities for investment promotion and FDI attraction into Bangladesh could lead up toward this dream in near future. We all have a stake to perform for building a prosperous Bangladesh in near future.

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