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Foreign Direct Investment: Advantage Bangladesh, Destination Bangladesh

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Section I. Advantage Bangladesh: A Transformational Journey

Section II. Destination Bangladesh: Ready to Emerge as a Potentially Major

FDI Host

Section III. Translating the Potentials into Realised FDI: The Needed

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Section I. Advantage Bangladesh : A Transformational Journey

□ Bangladesh's distinctive developmental journey

- A challenging beginning – Title of one the very first books on Bangladesh's development prospects: *Bangladesh: The Test Case for Development*
- An impressive Journey since our independence: A Journey of Dual Graduation
 - Middle Income Graduation: From Low Income to Lower Middle Income Status (2015)
 - LDC Graduation: By 2024, poised to move out of the LDC group and gain Developing Country Status (according to GNI per capita, HAI and EVI criteria)

□ Vision: An Aspirational Road Map

- To be Upper an Middle Income Country (UMIC: GNI per capita of US\$ 3996- 12,375) by 2030
- To be a developed country (DC: GNI per capita of US\$ 12,376 and above) by 2041

Transition from a predominantly aid-dependent economy to a trading nation

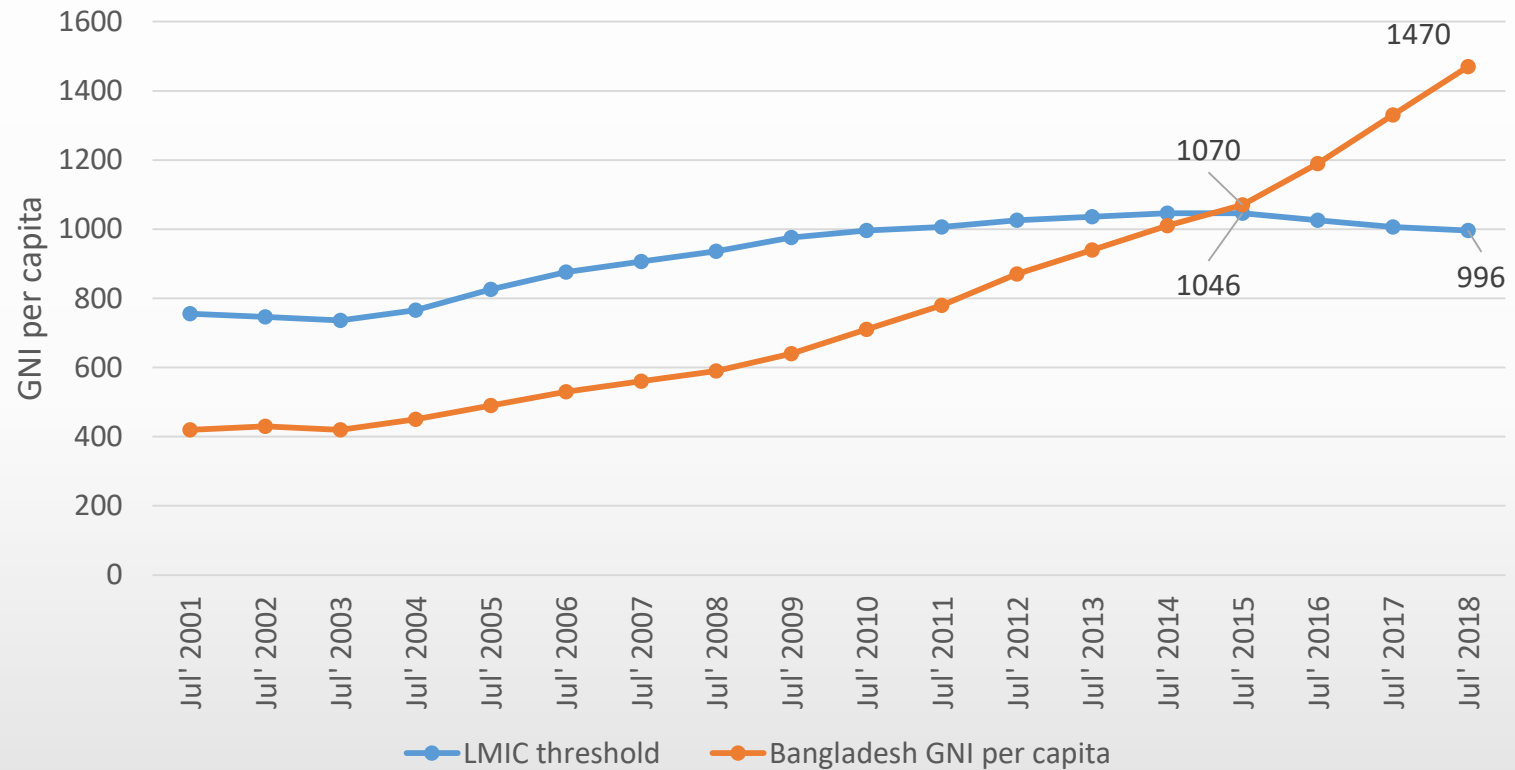
Indicators	Year	FY1991	FY2001	FY2011	FY2019
GDP (in billion USD)		30.26	53.99	128.6	305.0
GDP growth (in percentage over preceding year)		3.49	5.08	6.46	8.13
Per capita GNI per annum (in nominal USD)		310.0	427.92	927.97	1909
Population below poverty line (in percentage)		58.8	48.9	31.5	20.1
Share of agriculture (as percentage of GDP)		31.68	21.85	16.81	13.3
Foodgrains production (in million metric tons)		19.32	26.76	34.51	41.57
Export earnings (in billion USD)		1.72	6.47	22.93	40.5
Remittance earnings (in billion USD)		0.76	1.88	11.65	16.4
Export of Goods: ODA		1:1	—	—	11:1
Export of Goods & Remittance: ODA		1.3:1	—	—	16:1

Source: Bangladesh Bureau of Statistics (BBS); Global data Sources

Between FY 1991- FY 2019: Size of GDP Larger by 10 times

- GDP growth: Growth acceleration of 1.5 percentage points every decade
- Per capita GNI: Rise of more than 6 times
- If in FY 1991 export to foreign aid (ODA) ratio was 1:1, today our export is 11 times higher than the ODA

Transition from LIC to LMIC as per GNI Per Capita



Note: In current USD, according to the Atlas method.

Source: World Bank data.

Section II. Destination Bangladesh: Ready to Emerge as a Potentially Major FDI Host

Going Forward: FDI as the New Frontier

- ❑ Bangladesh's impressive developmental journey instills confidence in going forward as our country embarks upon its twenty-first century journey
- ❑ But Dual Graduation will also bring new challenges for Bangladesh:
 - LDC Graduation: Loss of preferential market access and international support mechanism with consequent implications for Bangladesh's competitiveness in global market
 - Need to enhance supply-side capacities and raise export competitiveness
 - Middle income Graduation: Rising cost of borrowings, from concessional to blended finance, to non-concessional finance
 - Need to raise efficacy of aid allocation and allocative efficiency of aid
 - FDI could play a critically important role in support of Bangladesh's efforts to address Post-Dual Graduation Challenges and in realising Bangladesh's Vision 2041

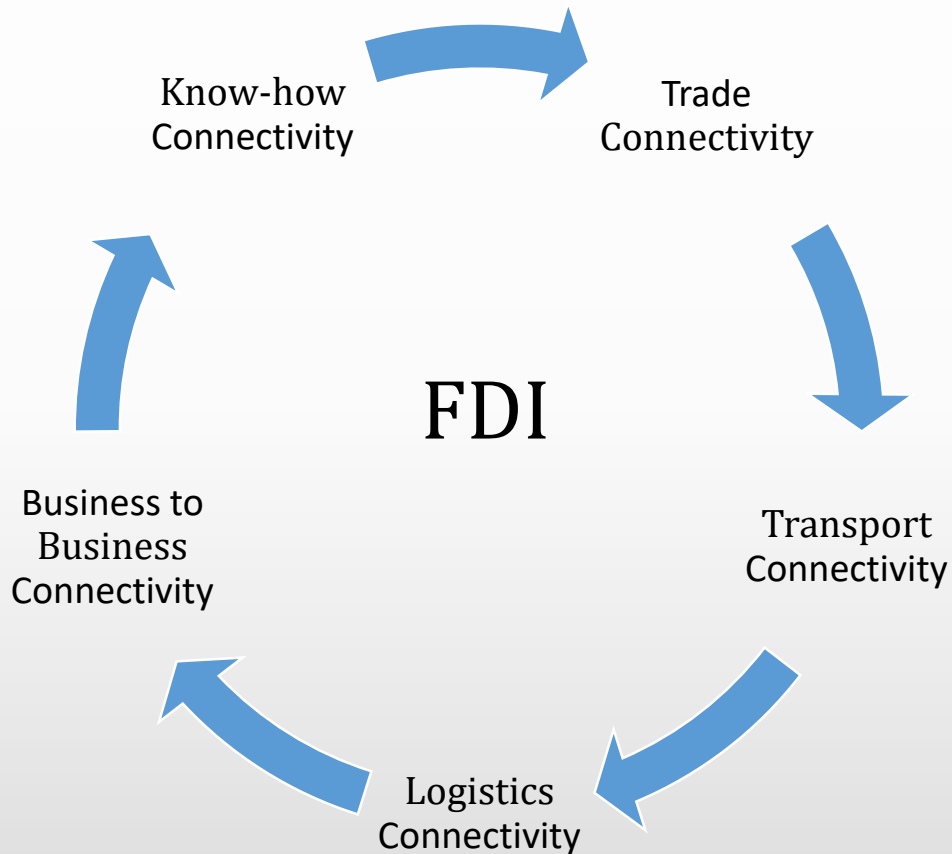
Bangladesh's Strengths

- ❑ A competitively priced workforce
- ❑ A quick learning labour force
- ❑ A large pool of technical and tertiary educated young people
- ❑ Demographic momentum and demographic dividend
 - Median age 24 years
- ❑ A rising middle class and a growing domestic market that facilitates scaling up
- ❑ Significant public sector investment in infrastructure development in recent times: Public Investment equivalent to 8 per cent of GDP
- ❑ Preferential market access: Global initiatives, Regional FTAs; BFTAs being negotiated
- ❑ A window of opportunity during the transition to post-LDC future
- ❑ Plan of Action: Special Economic Zones (SEZs)

The Role of FDI

- ❑ Realising the potentials of building regional value chains and production networks by taking advantage of recent initiatives: BBIN-MVA; Connectivity treaties; FTAs (SAFTA, BIMSTEC-FTA; BRI)
- ❑ FDI: An opportunity of translating Bangladesh's comparative advantages into competitive advantages in the global export market
- ❑ Technology transfer and connecting with global market
- ❑ Horizontal Spillovers and Vertical Spillovers
- ❑ Supply Chain Trade by developing value chains and production networks
- ❑ Price → Quality → Productivity → Efficiency → Lead time
- ❑ Inclusive Development: An opportunity to move from minimum wage to living wage towards more equitable income distribution

A Virtuous Cycle of Connectivities



FDI Policies: Conducive and Competitive

- ❑ Policy environment wise at par or even better compared to other regional
- ❑ Major policies related to FDI are:
 - FDI (Promotion and Protection) Act of 1980
 - BEPZA Act 1980, BEZA Act 2013; BOI Act of 1989
 - Bangladesh Private EPZA Act of 1996
 - Policy and Strategy for Public-Private Partnership (PPP), 2010
 - The Next Frontier: Bangladesh Economic Zones Act 2010: Plan to set up 100 SEZs:
 - Private SEZs
 - Country-specific SEZs
 - G to G SEZs
 - Science and Technology based SEZs
 - Tourism based SEZs
 - One Stop Service Act and One Stop Service Centre
 - 7 SEZs in operation and another 18 in next few years
- ❑ Bilateral investment treaty (BITs) with 29 countries and Avoidance of double taxation treaty (DTT) with 28 countries

- ❑ Bangladesh is a signatory of a number of international treaty
 - MIGA, OPIC, ICSID, WIPO
- ❑ Incentives for FDI
 - Fiscal incentives and tax rebates
 - Equity requirement and profit repatriation
 - Local content requirement
 - Guarantees
 - Dispute settlement mechanism
- ❑ ***FDI Policies and Incentives in Bangladesh can match those of any of her competitors***

- However, if Bangladesh is to attain its development goals, create the jobs it needs to create, replenish forex reserves, enhance export and accelerate the pace of GDP growth, its performance will need to be at par with its key competitors such as Vietnam

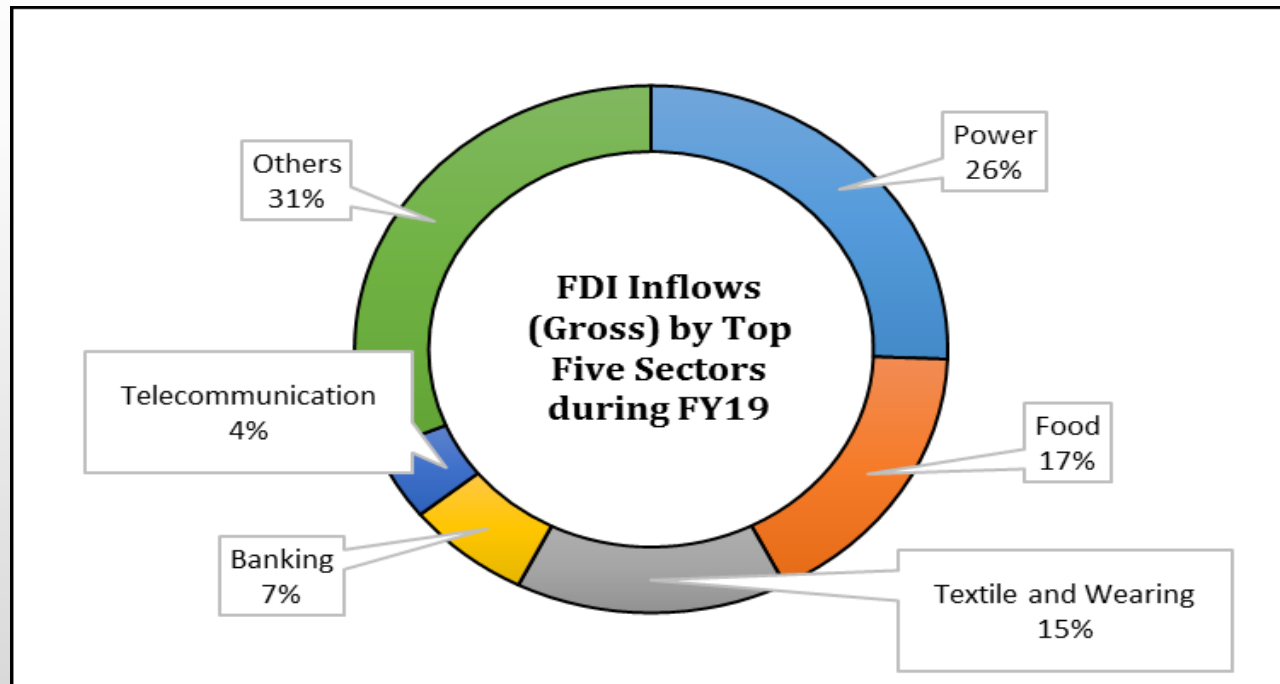
FDI: Bangladesh vis-à-vis Vietnam

	GDP	FDI Net Inflow	FDI Stock (End of June,2019)	Export
Bangladesh	305.0 (Billion USD; FY 19)	3.9 (Billion USD; FY 19)	18.7 (Billion USD; FY 19)	40.5 Billion USD
Vietnam	255.0 (Billion USD; CY 19)	15.5 (Billion USD; CY 18)	145.0 (Billion USD; CY 18)	236.8 Billion USD

If we are doing good but can do better we are not doing enough

FDI Inflows (Gross) classified by Top Five Sectors during FY19 (million USD)

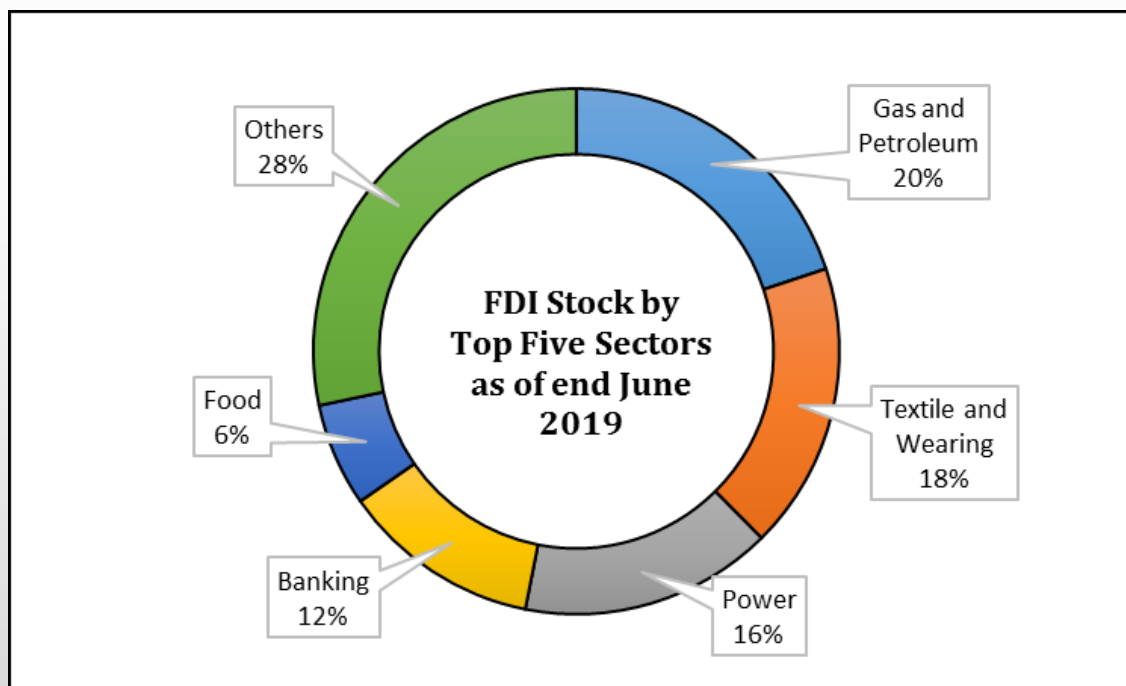
Sector	Power	Food	Textile and Wearing	Banking	Telecommunication	Others	Total
Value	1266.2	838.4	733.9	337.4	223.0	1546.9	4945.8
Share (%)	25.6	17.0	14.8	6.8	4.5	31.3	100.0



Source: Bangladesh Bank data.

FDI Stock classified by Top Five Sectors as of end June, 2019 (million USD)

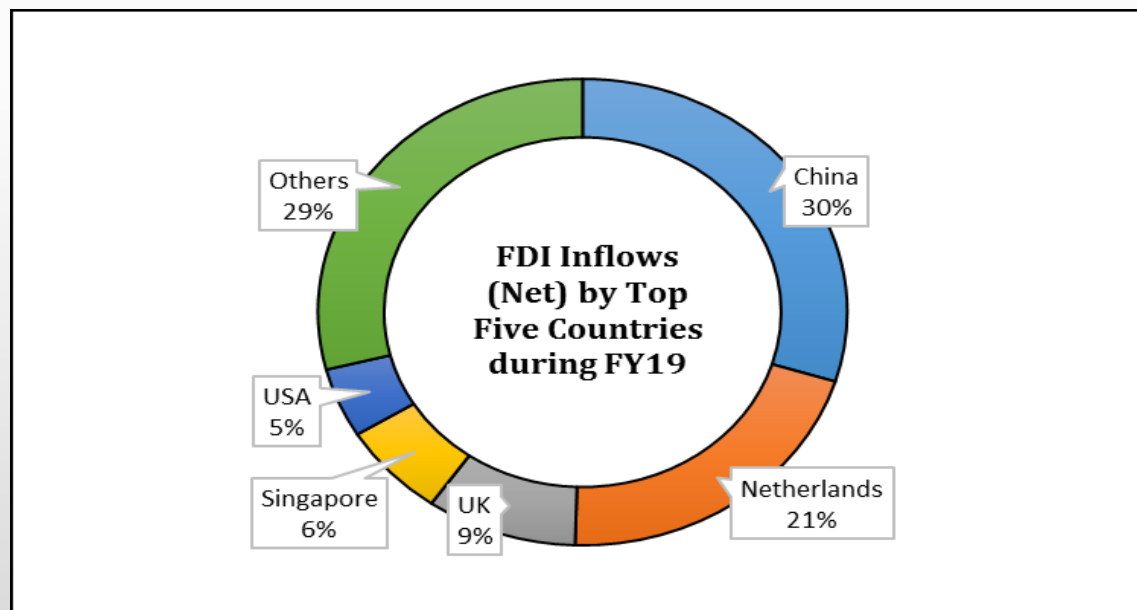
Sector	Gas and Petroleum	Textile and Wearing	Power	Banking	Food	Others	Total
Value	3719.8	3298.6	2904.3	2283.8	1187.1	5286.7	18680.2
Share (%)	19.9	17.7	15.5	12.2	6.4	28.3	100.0



Source: Bangladesh Bank data.

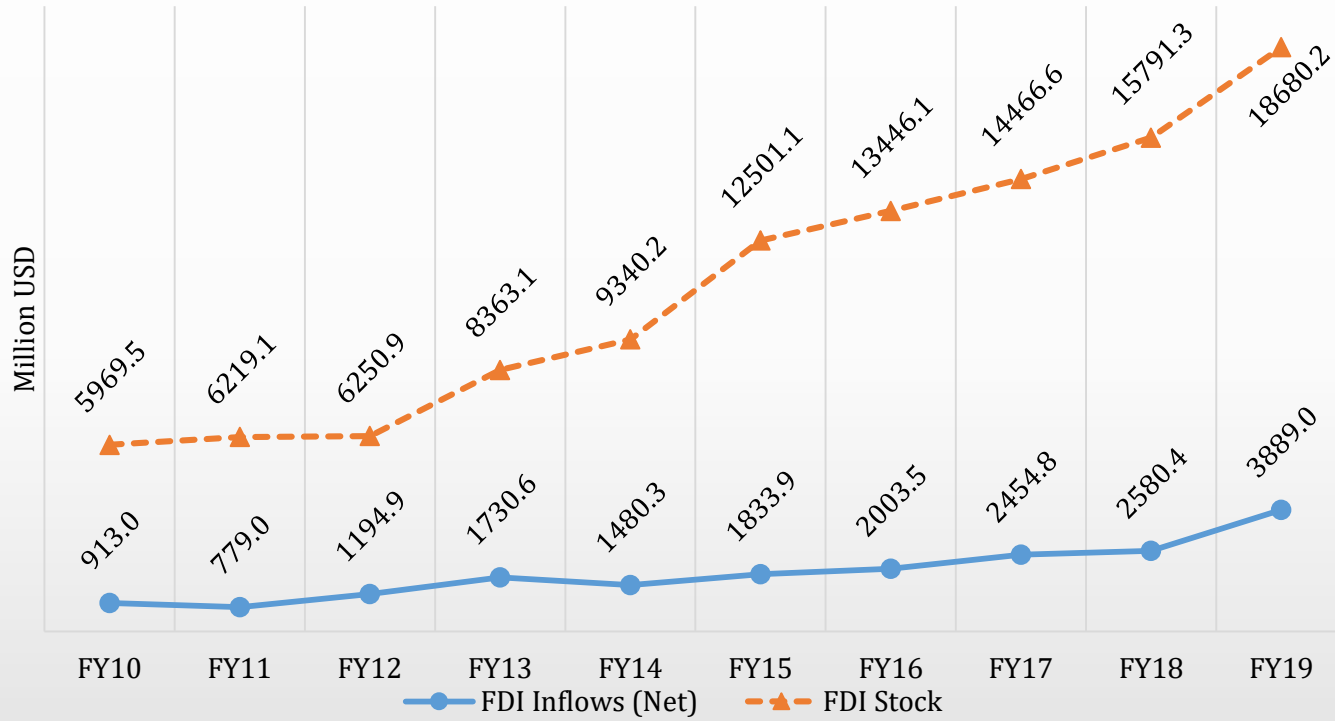
FDI Inflows (Net) classified by Top Five Countries during FY19 (million USD)

Country	China	Netherlands	UK	Singapore	USA	Others	Total
Value	1159.4	802.8	358.9	254.0	187.4	1126.5	3889.0
Share (%)	29.8	20.6	9.2	6.5	4.8	29.0	100.0



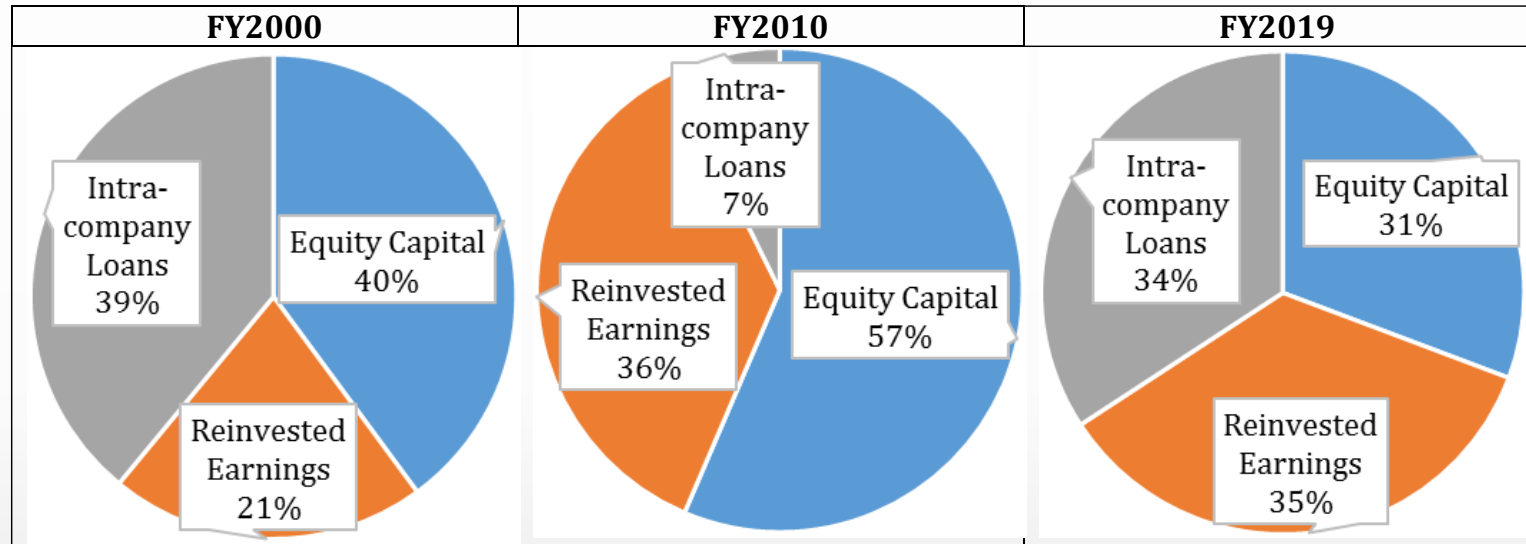
Source: Bangladesh Bank data.

Year-wise FDI Inflows (Net) and FDI Stock (million USD)



Source: Bangladesh Bank data.

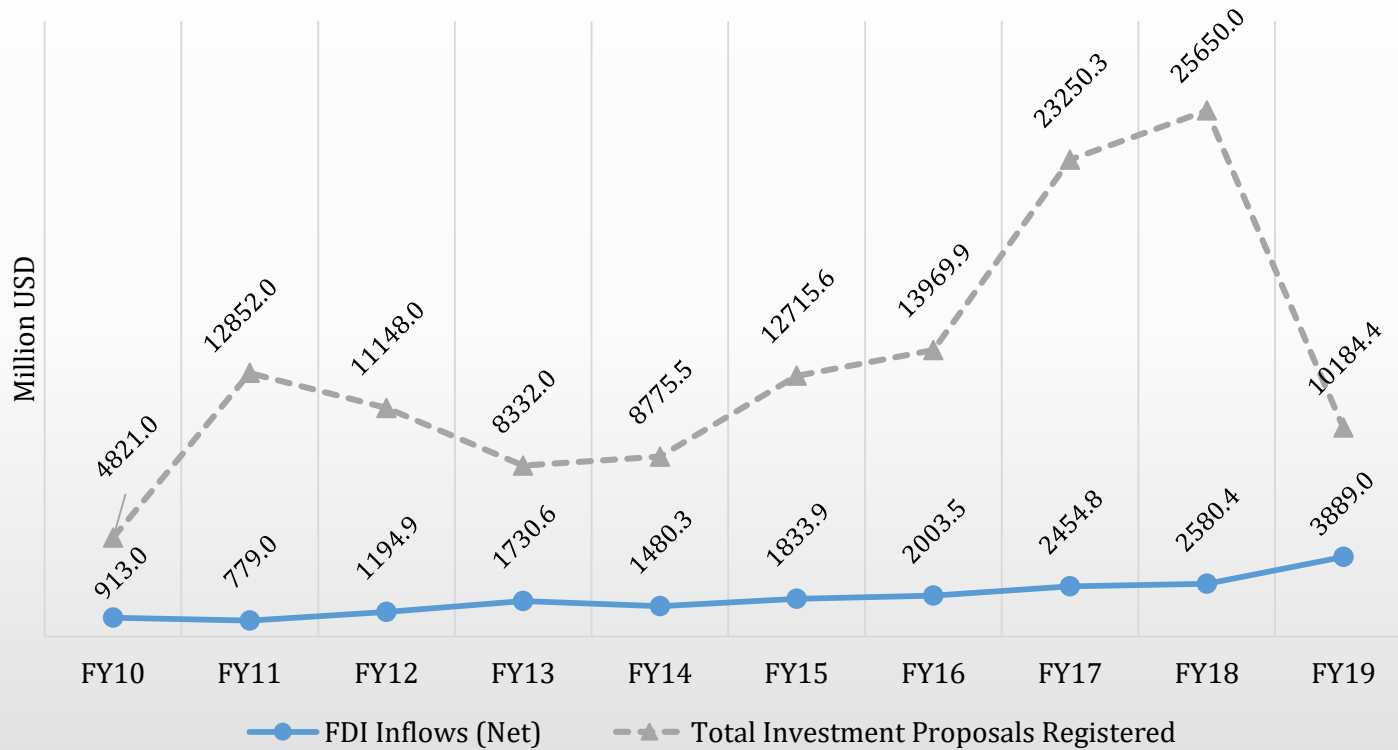
Share of Components of FDI Inflows (Net) (Per cent)



Source: Bangladesh Bank data.

❑ Need to attract more equity and JVs in the context of FDI

Year-wise FDI Inflows (Net) and Total Investment Proposals Registered



Source: Bangladesh Bank and BIDA data.

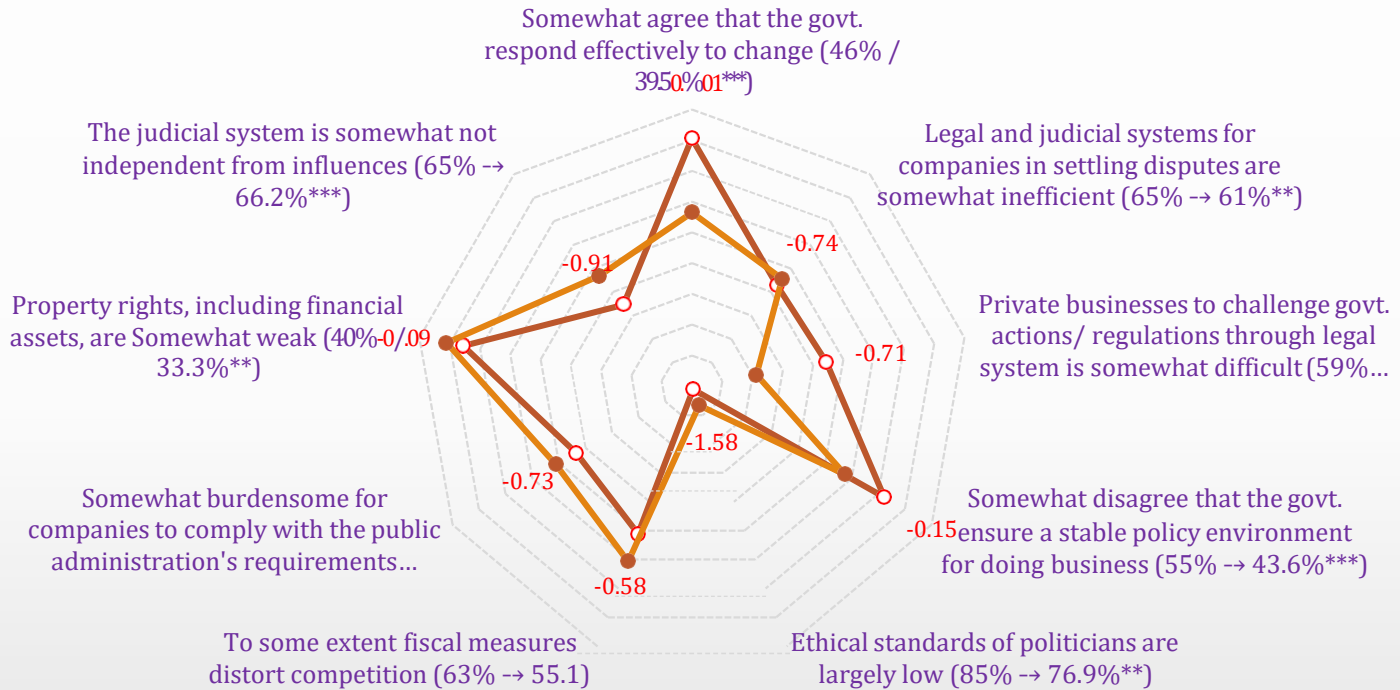
Bangladesh in Global Ranking 2019 as per GCR

- ❑ Bangladesh's weakest positions are in business dynamism (121st), labour market (121st), product market (119th) and skills (117th). Main concerns are:
 - Business dynamism: complex administrative requirements (118th) and weak entrepreneurial culture (114th)
 - Labour market: lack of flexibility (121st)
 - Skills: current work force (120th), skills of current workforce (123rd) future workforce (114th) and skills of future workforce (111st).

Bangladesh's Performance in Different Pillars



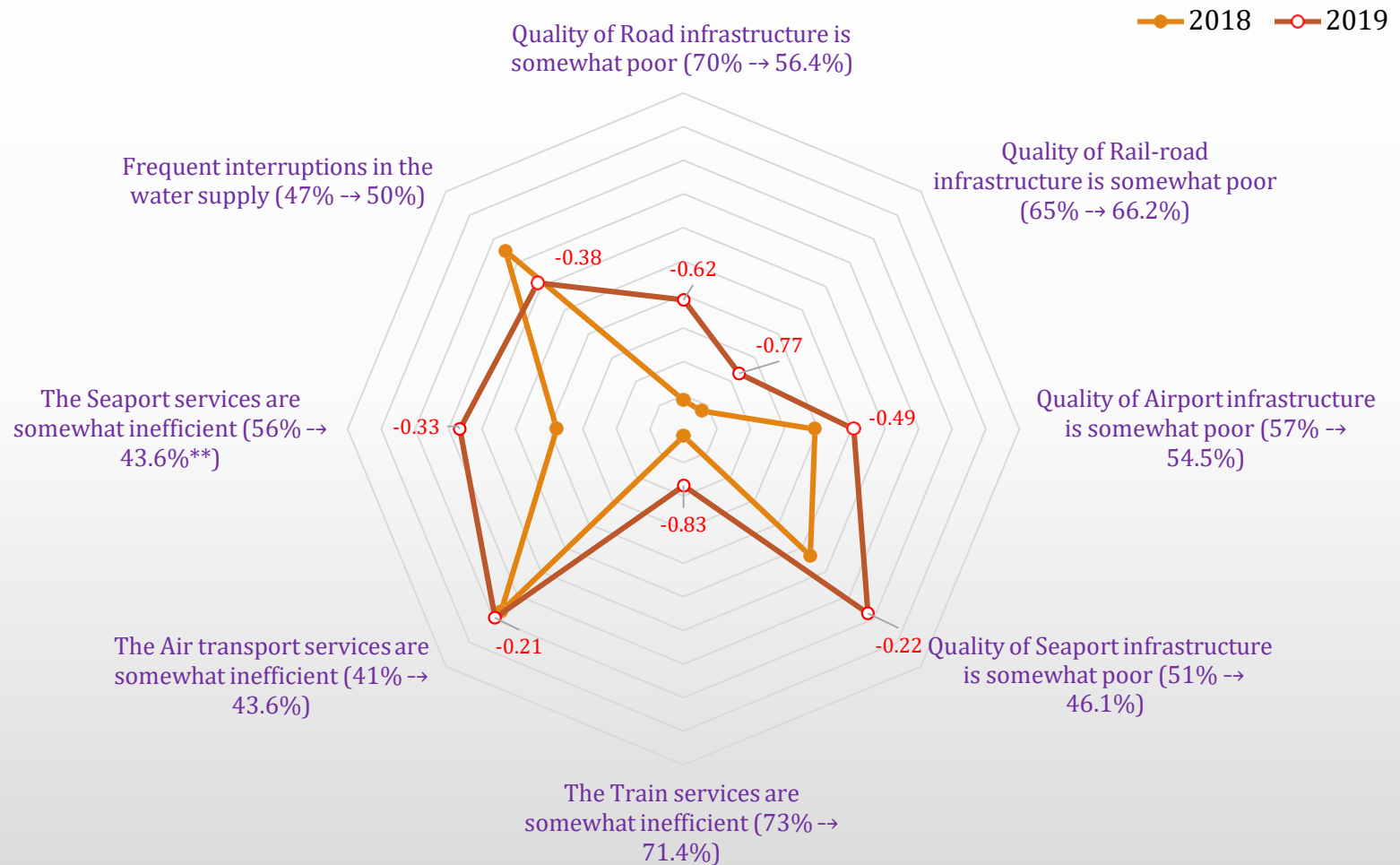
Governance



Source: GCR 2019

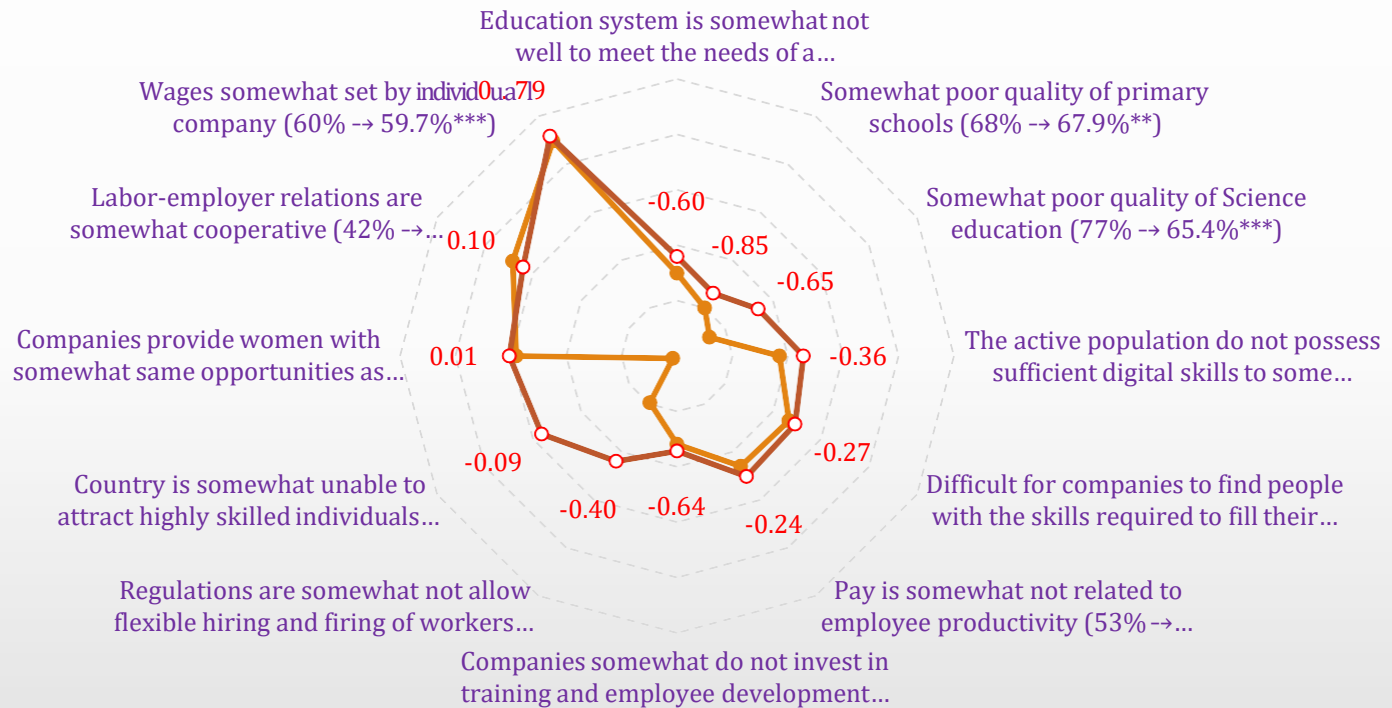
—○— 2019 —●— 2018

Infrastructure



Source: GCR 2019

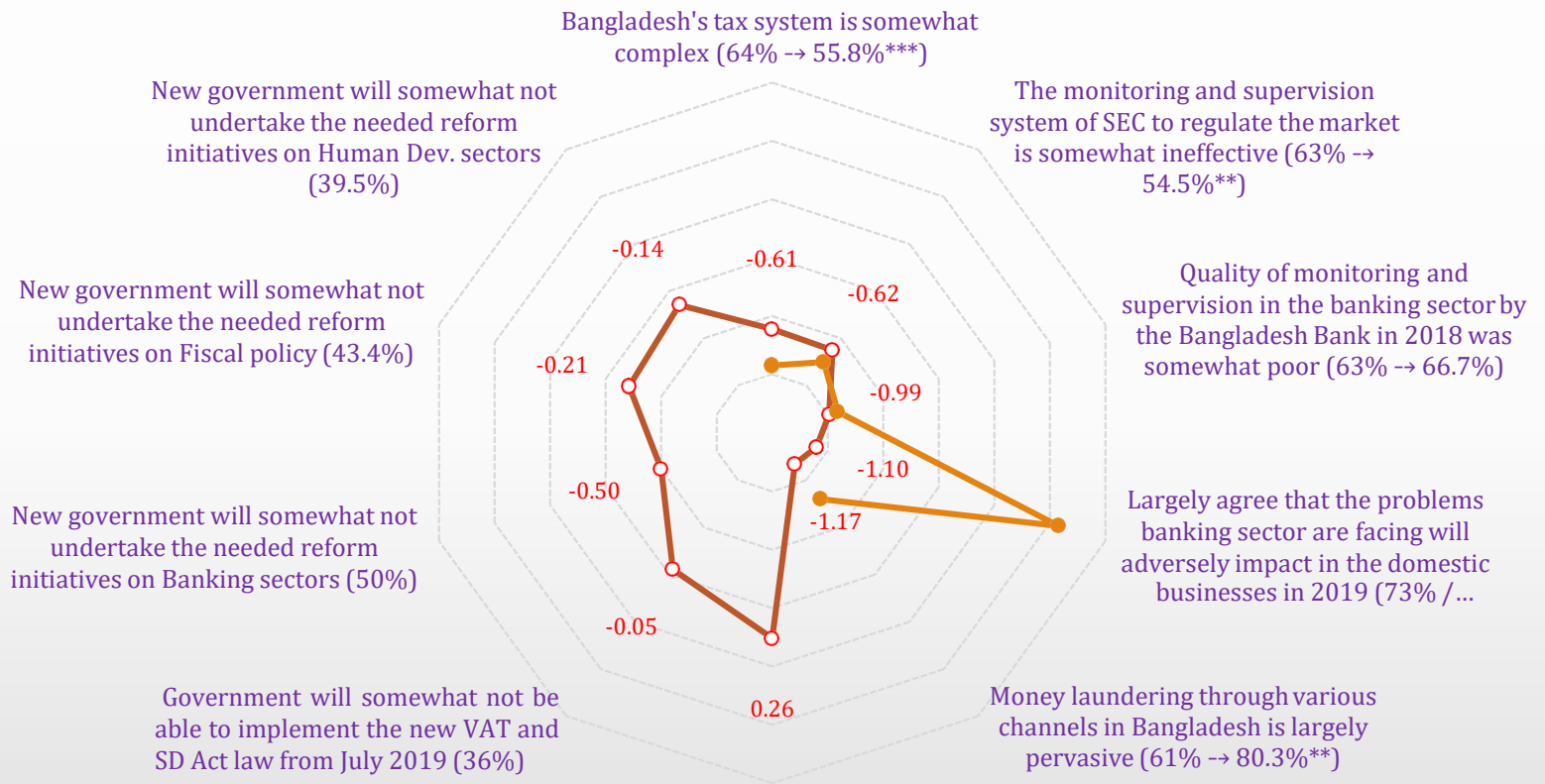
Education and Human Capital



Source: GCR 2019

—●— 2018 —○— 2019

Bangladesh Business Environment



Source: GCR 2019

○ 2019 ● 2018

Section III. Translating the Potentials into Realised FDI: The Needed Homework

❑ Four key determinants to attract FDI

- Skilled Human Resource
- Adequate Infrastructure
- Predictable Policy Environment
- Reduction of cost and lead time

Our Homework

- ❑ Every year more than 2 million job entrants into the labour market. There is a plan to create 10 million jobs in the SEZs, FDI will have to play a key role in this
- ❑ FDI to be geared to promoting Innovation and Entrepreneurship
- ❑ Need to align strategic trade and industrial policies and fiscal policies and incentives with the FDI policy
- ❑ Infrastructure: Cost-effective, timely delivered, well-governed
- ❑ Ensure trade facilitation and speedy customs clearance: Single Window; Green Channels, Automation
- ❑ Well-governed financial sector: both debt and equity markets
- ❑ Enforcement of regulatory regime and implementation of One Stop Service

- ❑ An education sector that meets the emerging demands of the economy
- ❑ More investment in skills development, training and R and D
- ❑ Ensure implementation of national Skills Strategy towards correspondence between demand side and supply-side in view of FDI
- ❑ Emphasis on preparing mid and top level management
- ❑ Blue economy: The next frontier
- ❑ Prepare for the New Economy and 4IR as against Traditional Economy
- ❑ Attracting FDI from the region, to cater to the growing import demands of regional countries, taking advantage of the preferential market access, could be a game-changer for Bangladesh
- ❑ Attracting Regional FDI by putting in place: Seamless multi-modal movement of goods across borders; Adequate trade related logistics; Single window, Paperless trade; Electronic data exchange; Interoperable systems at the border

Prioritise the Initiatives

- Make a few SEZs up and running and visible for potential investors
- In RMG: Intra-RMG Diversification; Garments park in Munshiganj/Mirsharai and RMG Cluster
- In Leather and Footwear: Savar and Jamalpur Clusters (Central ETP); Leather Working Group Certification
- In Pharmaceuticals: API park in Gazipur
- In IT Industry: IT park in Kaliakair
- BPOs, Start-ups and Business: Facilitate access to finance, financial transactions
- Sectors with FDI potentials (16 emerging sectors were identified on a recent USAID study titled *Comprehensive Private Sector Assessment*). These sectors with high potential could be targets for attracting FDI:
 - Leather and Leather goods
 - Light engineering
 - Automotive assembly
 - Telecommunication
 - Tourism
 - Shipbuilding
 - Renewable energy and energy efficient technology

Section IV. Concluding Remarks

- ❑ Bangladesh has signed on to the SDGs which talk of triangulation of economic growth, Social Inclusiveness and Environmental Sustainability
- ❑ A well-governed, dynamic and environmentally sensitive FDI sector could play an important role in helping Bangladesh realise the SDGs by 2030.
- ❑ In a competitive global environment, attracting FDI to Bangladesh in a significant way will hinge on our ability to do the needed homework with the urgency it deserves. The window of opportunity is rather low. **THE TIME IS NOW.**

Thank You