

Overview of Financial Incentives and Options Available for Foreign Investors



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*Seminar on “ Investment Climate and Business Opportunities
in Bangladesh”*

Organized by:

Singapore Business Federation (SBF) & International Enterprises

23 February, 2010

Singapore



Outline

- Introduction
- Coping with the global financial crisis
- Why Invest in Bangladesh
- Protection for Foreign Investors
- Opportunities for Foreign Investment
- Macroeconomic Fundamentals
- Concluding Remarks...



Introduction

- Bangladesh economy has grown at around 6% over the past 5 years, despite natural shocks and external volatility, and we believe that the best years for the country are ahead of us.
- The economy has the potential to grow by around 8% during the coming years and for that the investment must grow faster than the present rate.
- The investment climate in Bangladesh is quite attractive with policies for foreign investment that are among the most permissive in the region.



Coping with the Global Financial Crisis

- Countries that weathered the global financial crisis and economic downturn well, were able to do so because of:
 - Limited exposure and vulnerability of the financial sector to toxic assets and flighty speculative inflows from the global markets;
 - Domestic demand holding up well, helped by timely fiscal intervention in support;
 - Resilience of the population in tiding over crises, natural or man-made.



Coping with the Global Financial Crisis..(Cont'd)

- Bangladesh scores well on all the above counts, and has consequently come out of the crisis in a position of strength, with real GDP growth modestly impacted.
- The financial sector was free of contagion from toxic assets of the global market, stock and net outflow of Foreign Private Investment (FPI) from the capital market were modest.
- Domestic demand remained unimpaired, well supported by growing inflows of workers remittances, and extended social safety payment network.



Why Invest in Bangladesh?

- A large base of low-cost labor;
- Rapidly growing domestic market of 150 million consumers;
- Access to nearly 3 billion people in the Asian region; besides preferential access to advanced markets as a Least Developed Country (LDC);
- Potential for subcontracting to/networking with a vast number of local SMEs;
- Well developed telecom/internet infrastructure facilitating continuous contact and communication, internal and external;
- Deficiencies in infrastructure (power and energy) arising from growth driven demand pressure are excellent new investment avenues.



Why Invest in Bangladesh..(Cont'd)?

- Strongest Current Account position in South Asia.
- Moderate inflation.
- One of the most stable currencies in recent months.
- Least affected by the current global economic crisis.
- Growth rate remains robust, though there is scope for further improvement.



Protections for Foreign Investors

- Interests of foreign investors in Bangladesh are well protected by the *Foreign Private Investment (Promotion and Protection) Act, 1980* and also by bilateral agreements between Bangladesh and some other countries.
- Disinvestment proceeds are freely repatriable with capital gains (at market value for listed companies and at net present value for unlisted companies). The capital gains are free of income tax.
- No expropriation or nationalization of foreign investment without fair compensation.



Opportunities for Foreign Investment

- Bangladesh is open for foreign direct investment in all industrial sectors excepting for 4 reserve sectors (defense equipments, reserve forestry, atomic energy, currency printing and minting) mentioned in the Industrial policy.
- The Public Private Partnership (PPP) initiative in infrastructure investment announced by the government offer attractive long term investment opportunities for foreign investors.
- Stock markets in Bangladesh are open for foreign portfolio investment by non-resident individual or institutional investors.
- Fully serviced plots in developed industrial parks (EPZs) are available for foreign investors, for export-manufacturing with duty free import of inputs.



Borrowing Facilities for Foreign Owned Companies/Firms

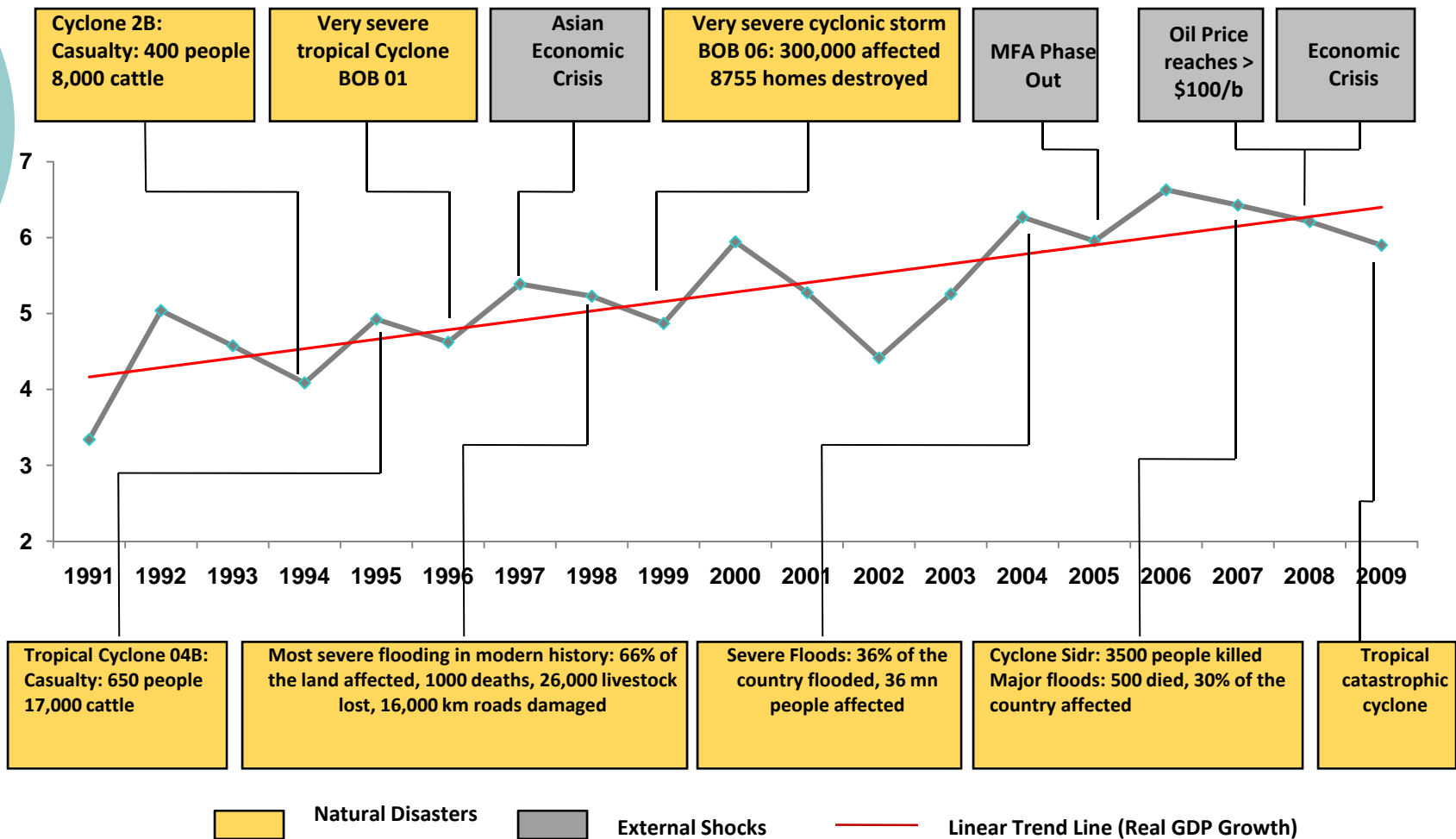
- Foreign owned companies/firms can access local banks for all their working capital needs in local currency (Taka).
- Term borrowing in Taka from local banks and financial institutions, and debt issues by listed companies in the capital market are also permissible.
- Medium and long term external borrowings for implementation/expansion of industrial projects are permissible with prior Board of Investment (BOI) approval.



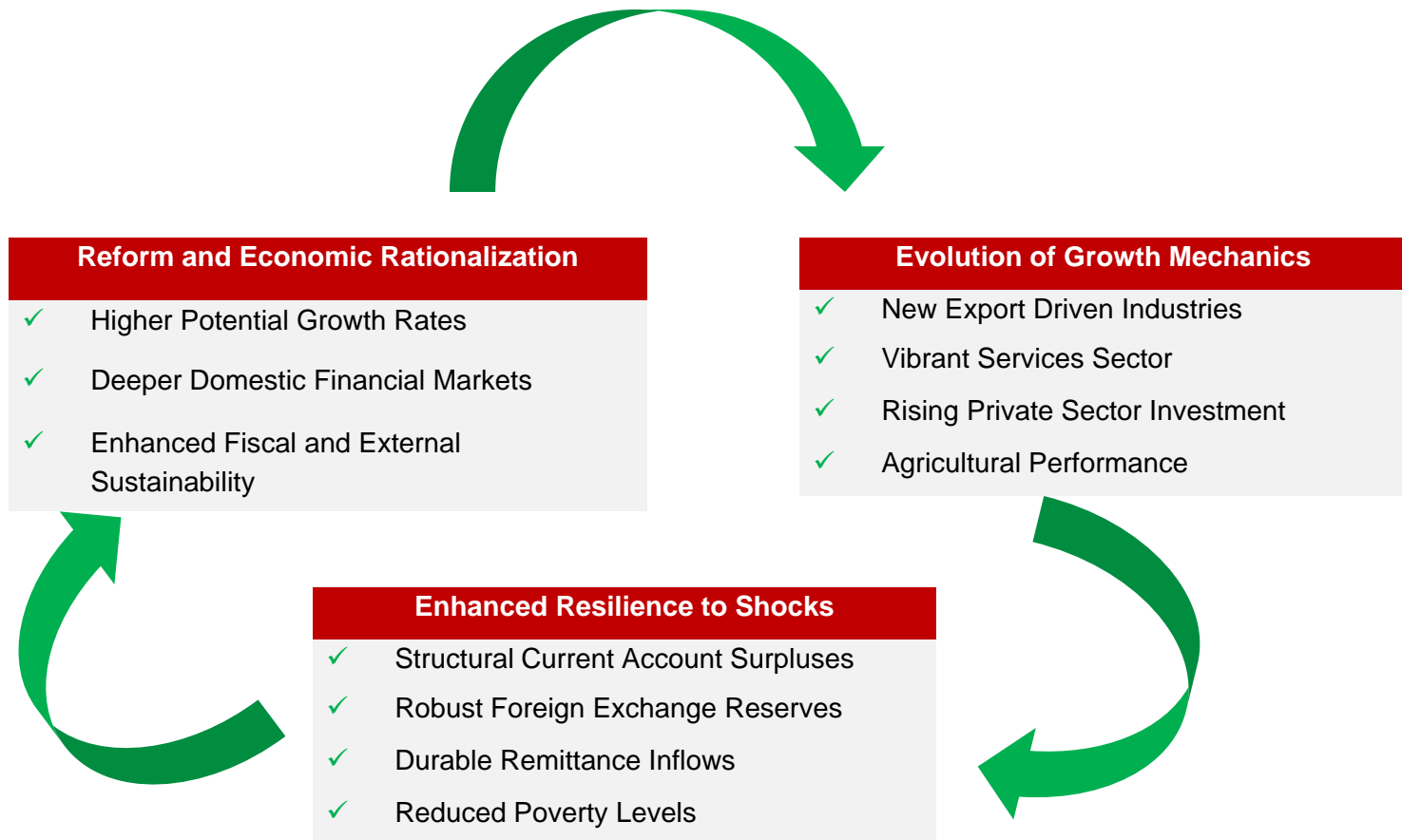
Macroeconomic Fundamentals

- Economic growth is resilient and impervious to shocks (both natural and external).
- Private sector is the lead driver of growth.
- Cost competitiveness in terms of low cost labor.
- Growing exports and workers' remittance inflows bolstering external sector viability.
- Low external debt service viability, under six percent of export.
- Resilient and well regulated banking and financial sector.

Growth is Impervious to all Shocks

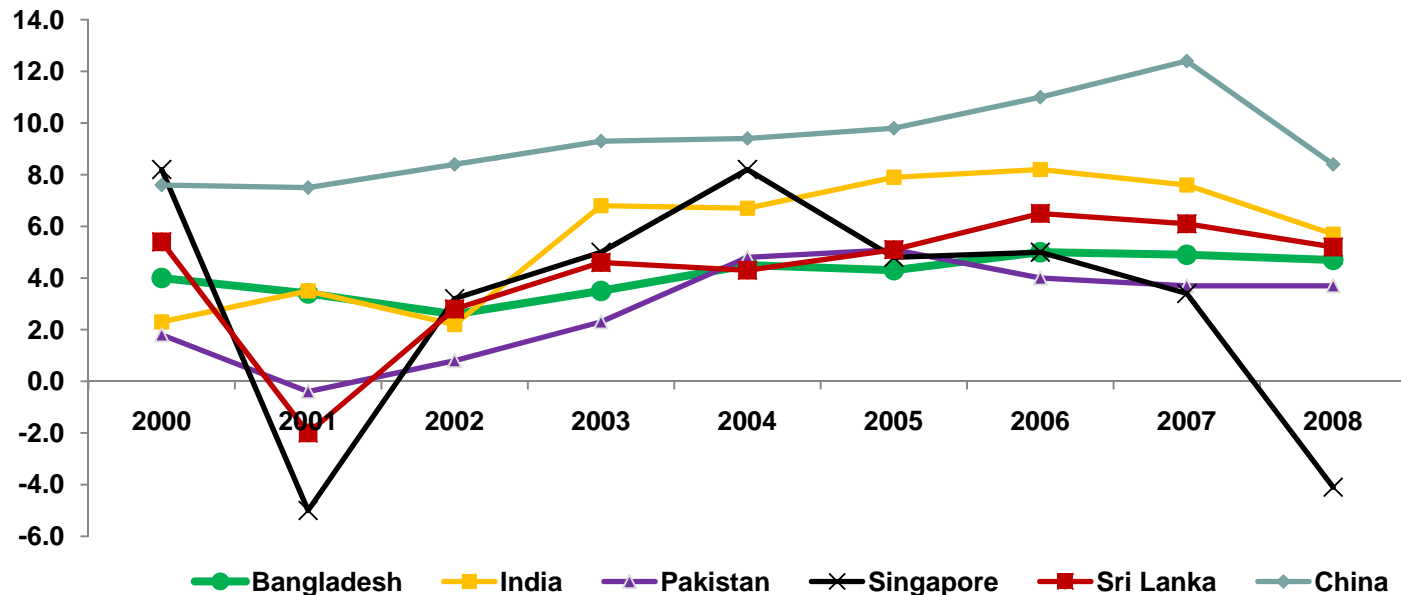


Bangladesh: A Highly Resilient Economy



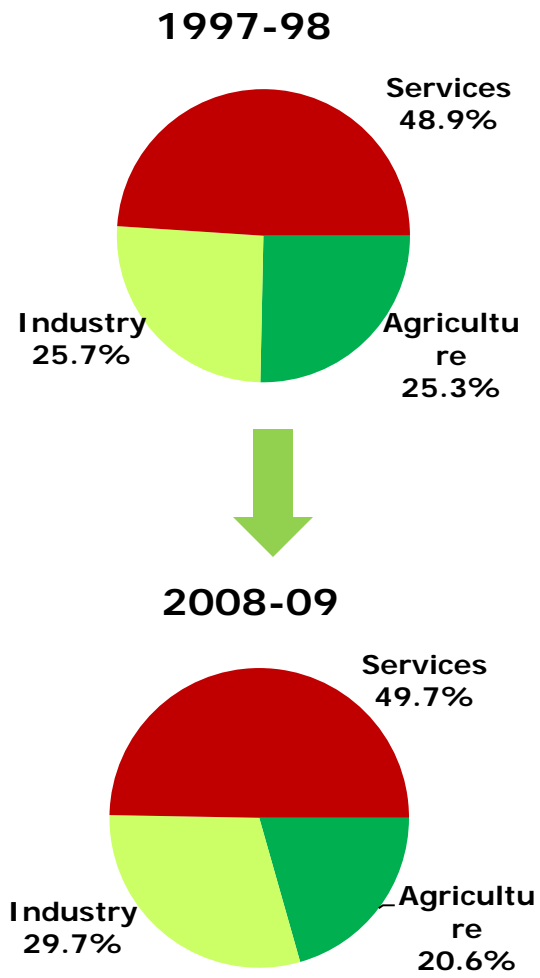
Growth demonstrates Remarkable Consistency

Bangladesh's Steady Growth Rate Makes it the Envy of Peers (% Real GDP Per Capita Growth)



o Bangladesh did not suffer from the boom-bust cyclicity evident in other emerging economies. This provides greater macroeconomic certainty.

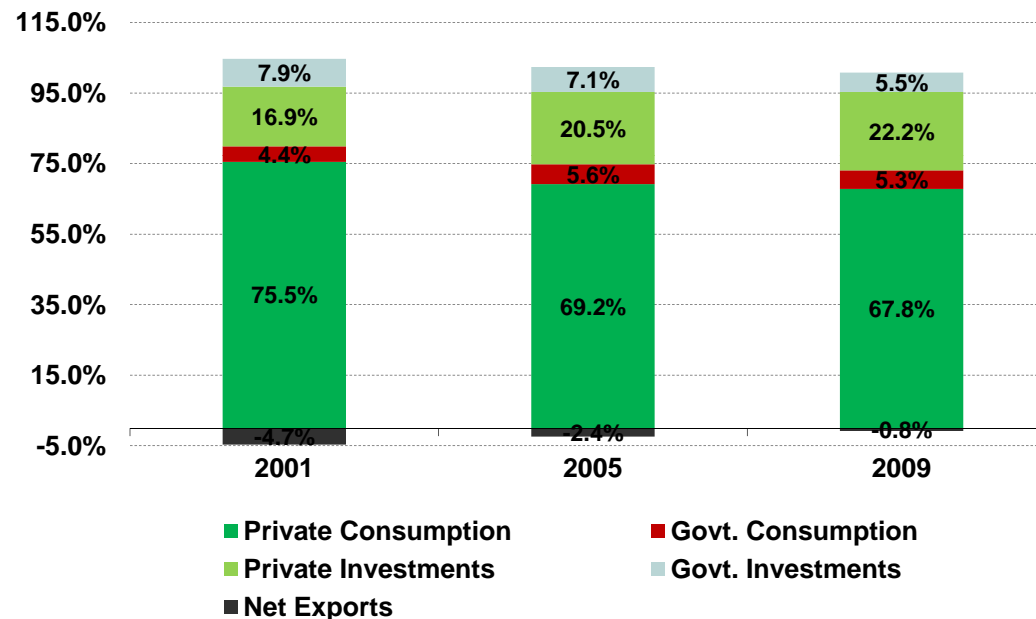
Shifting Towards Higher Value Added and More Productive Economy



o Bangladesh is striking a delicate and appropriate balance between promoting higher value added manufacturing and service activities and supporting continued strong expansion and productivity gains in 'labor intensive' agricultural activities.

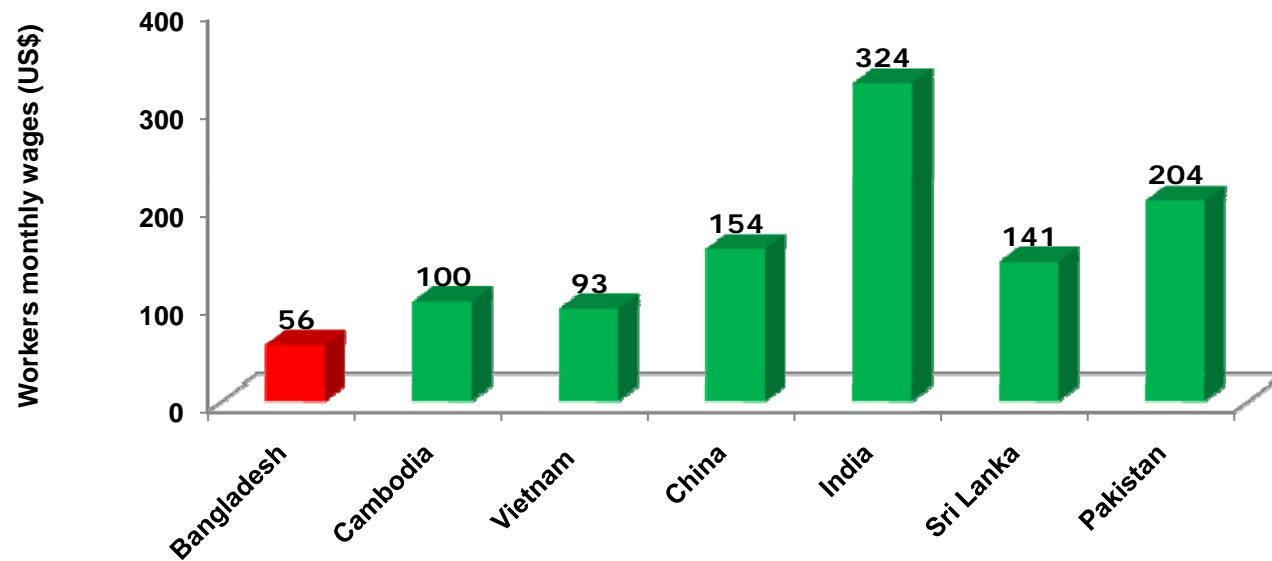
Bangladesh's Private Sector is Leading the Way

Private enterprises account for roughly 90% of economic activity



- Unlike many developing nations, Bangladesh's private sector is overwhelming driver of growth.

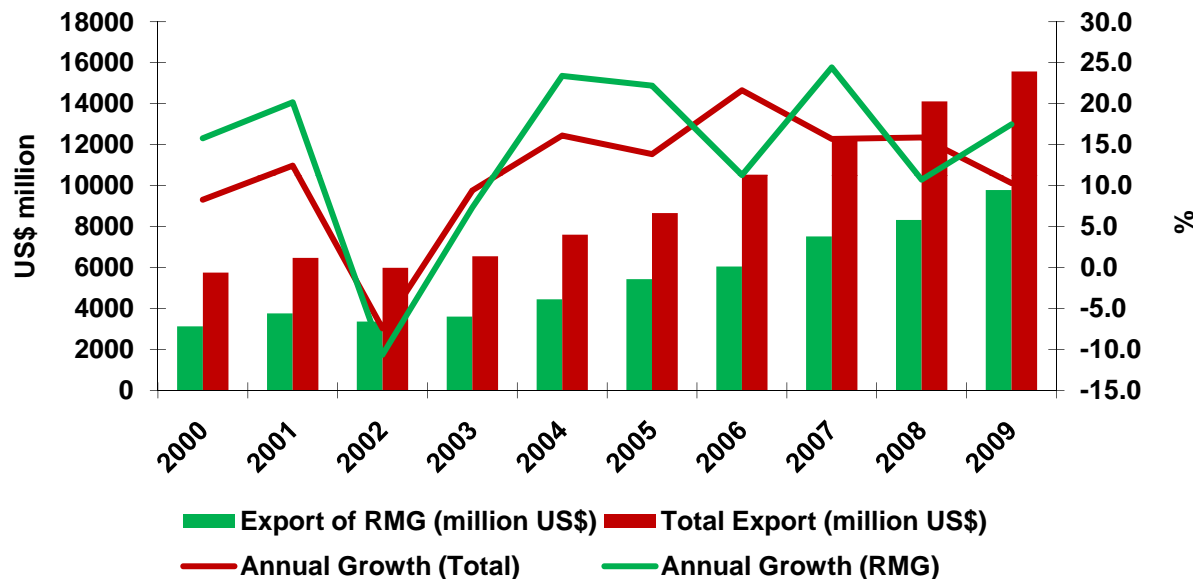
Cost competitiveness ensures continued success



- Bangladesh has high advantage in terms of low cost labor compared to other Asian economies.

Exports Represent an Important New Pillar of Growth

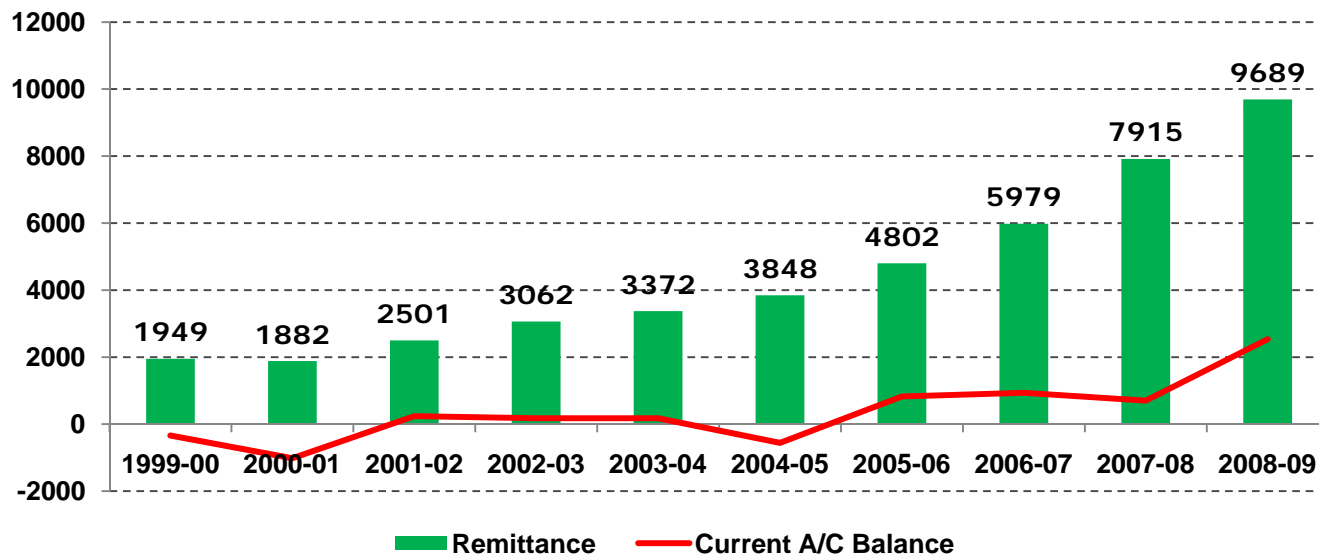
Exports have nearly doubled since 2005 despite the global crisis



- Ready made garments (RMGs) exports have doubled in the last 4 years despite the expiration of MFA in 2005 and collapse in global demand in 2008.
- Besides RMG exports of a diverse range of primary and manufactured products are also growing.

Steady Current Account Surpluses Provide External Buffer

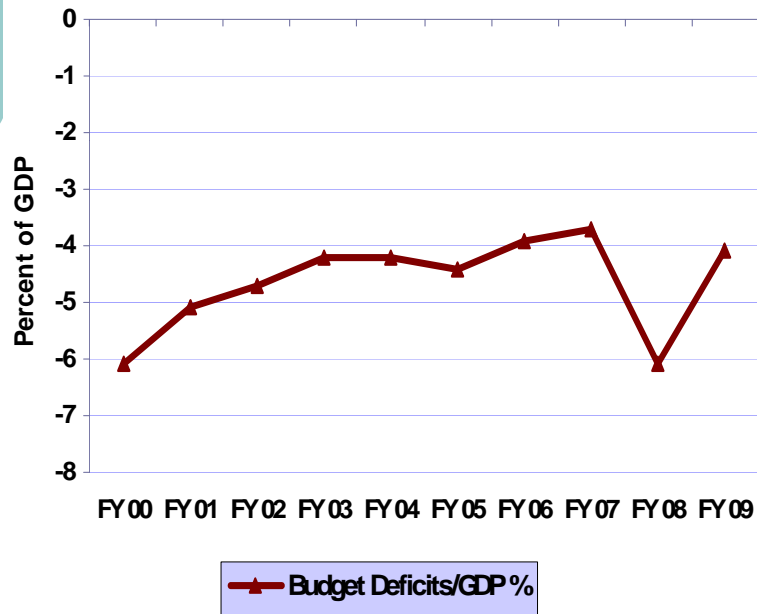
Current Account Balance bolstered by Workers'
Remittances (million US\$)



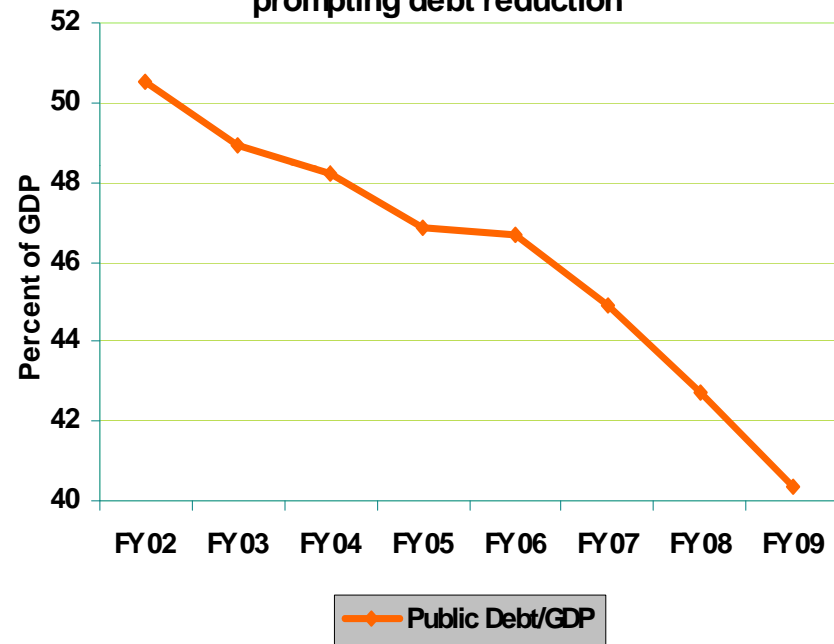
- Rapid growth in remittances (500% growth in a decade) helped Bangladesh to boost current account surpluses.

Well contained Fiscal Deficits strengthening Debt sustainability

Moderate fiscal deficits limit financing risk



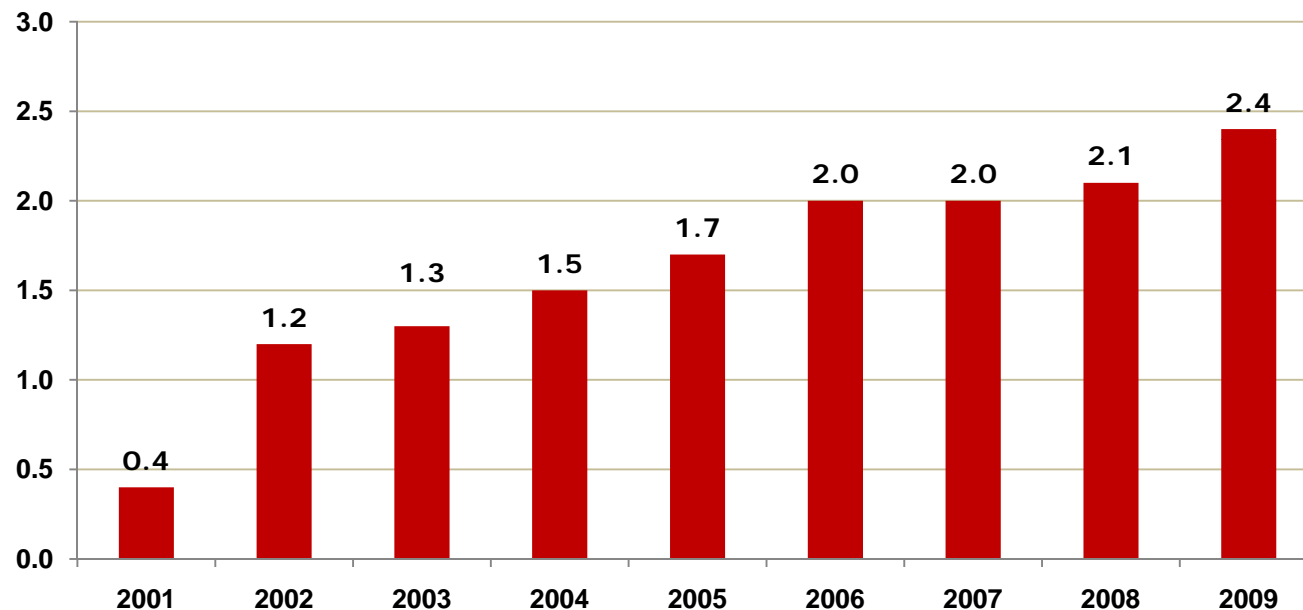
Rapid growth and moderate deficits are prompting debt reduction



- Consistently moderate fiscal deficits are easily financed by concessional foreign borrowings and a deepening domestic government bond market.

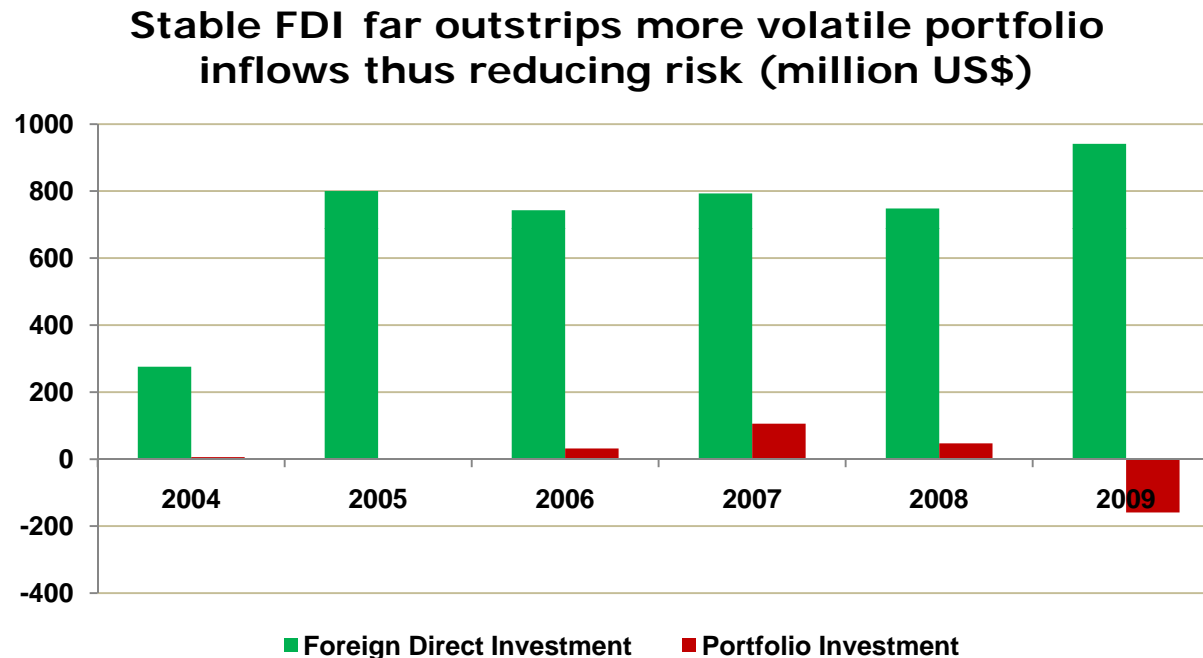
Steady Improvement in Social and Governance Indicators

Perception of Corruption is on an Improving Trend



○ Bangladesh has done reasonably well in reducing corruption and the prospects are even better over the near term.

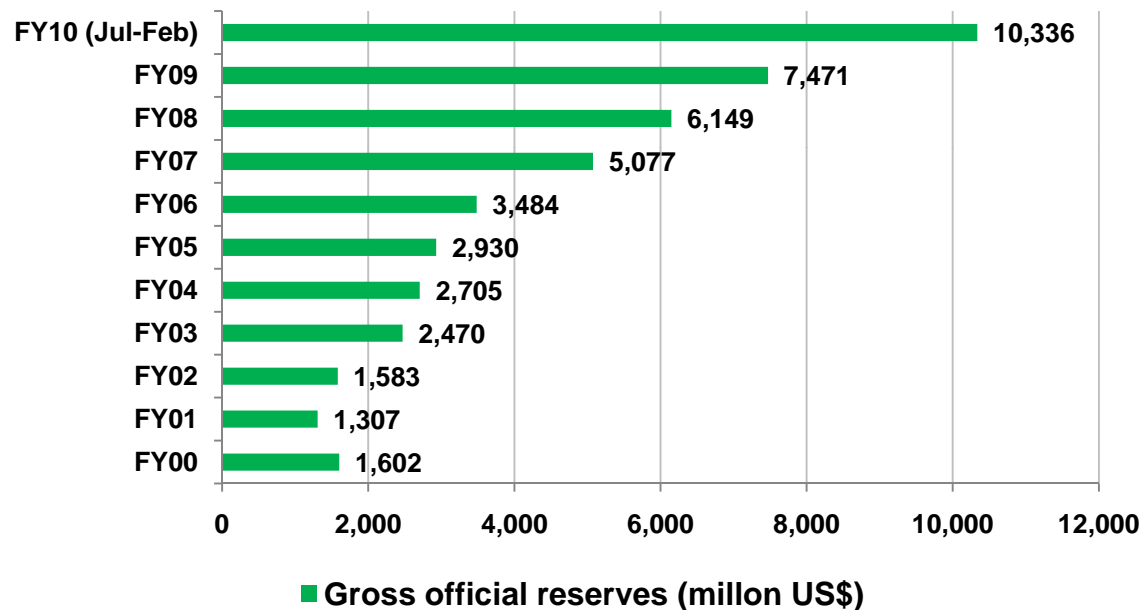
Resilient FDI despite the global crisis



- Bangladesh's increasing competitiveness continues to attract FDI despite the global slowdown.

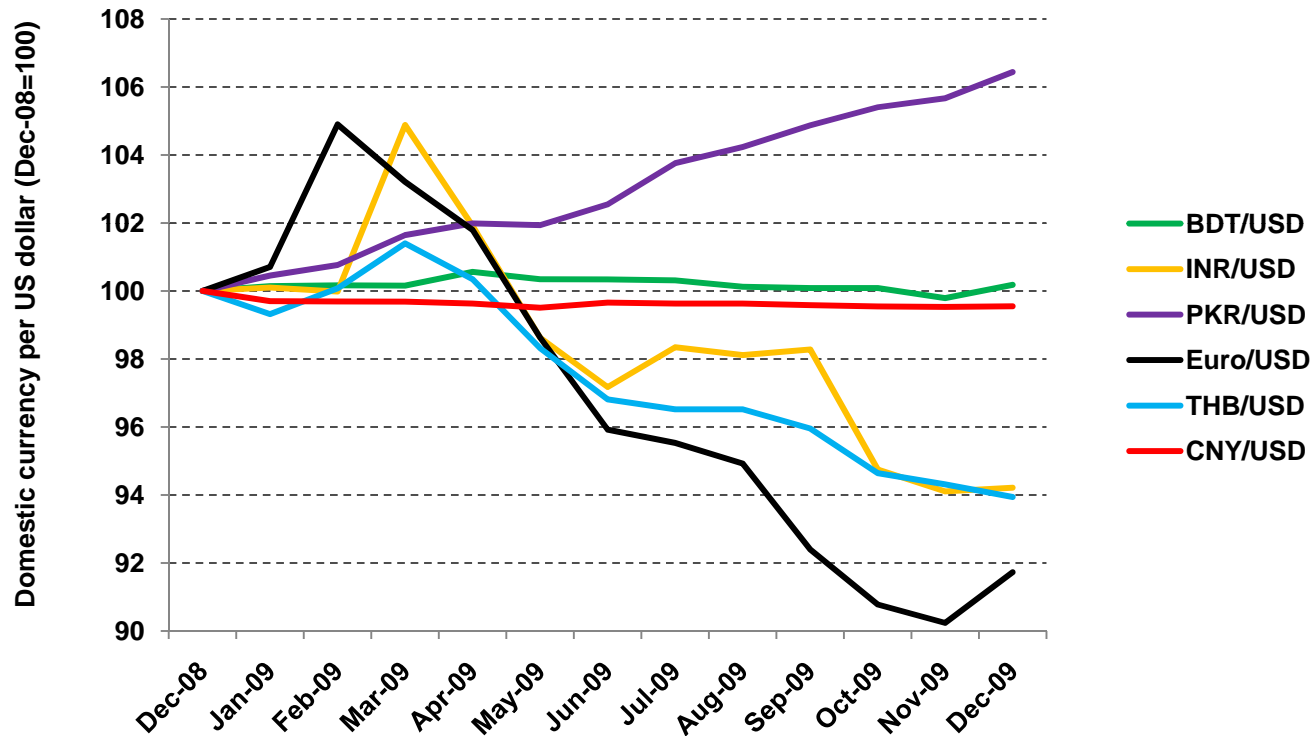
Rapid Reserve Accumulation Provides Yet Additional Buffer

FX reserve have grown by 800% since 2001



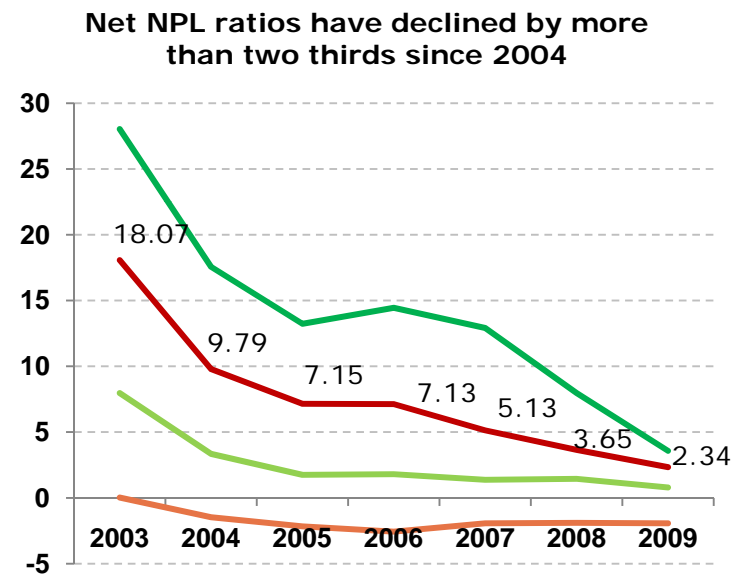
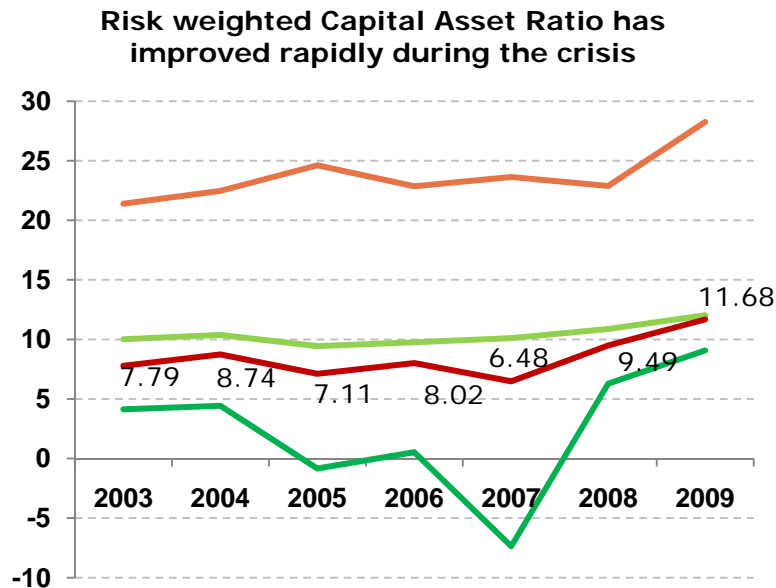
○ Bangladesh's record accumulation of FX reserves coupled with stable flows associated with remittances has virtually insulated the country from balance of payment pressures.

Stable Nominal Exchange Rate



○ Bangladeshi Taka remained stable against US dollar while other currencies such as Indian Rupee, Thai Baht and Euro appreciated considerably.

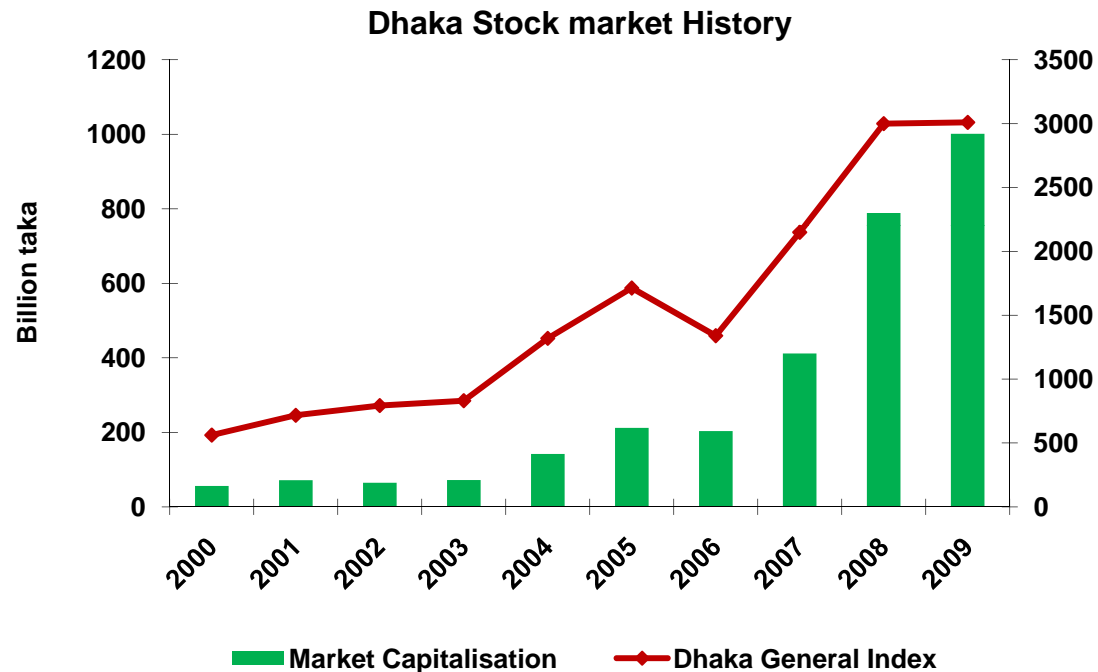
Resilient banking Sector Performance Despite Global Crisis



— State Owend Comm. Bank — Private Comm. Bank
— Foreign Comm. Bank — All Banks

o Bangladesh's financial system has seen strong improvement in the operations as evidence from improving capitalization, reduction of NPLs and profitability.

Stock Markets Have Remained Buoyant



○ After a bubble burst in 1996, the stock markets took a while to regain momentum; since then both exchanges (Dhaka and Chittagong Stock Exchange) have achieved steady growth, with a big mobile phone company (grameen phone) listing in 2009.



Concluding Remarks

- Bangladesh is an ethnically homogeneous country with ample supply of skilled and unskilled manpower at wage rates amongst the lowest anywhere.
- *Goldman-Sachs* listed Bangladesh as one of the new emerging countries (N-11). More recently, *Price Waterhouse Cooper* listed Bangladesh as one of the new emerging economies (E-13).
- The new government in Bangladesh elected with overwhelming majority is committed to rapid development and poverty eradication; warmly welcoming and facilitating new investments, internal and external.



Concluding Remarks..(Cont'd)

- The LDC status of Bangladesh is an important opportunity for foreign investors to use Bangladesh as manufacturing base for preferential access to markets in advanced economies.
- The recently concluded Bangladesh India cooperation MOUs present a new window of opportunity for Bangladesh as a manufacturing base for the broader sub-regional markets.



Many thanks