

Towards a Better Investment Climate for Jobs and Prosperity: Key Issues and Reform Priorities for Bangladesh

November 2024



Acknowledgement

This report embodies a thorough and insightful analysis of Bangladesh's investment landscape, illuminating the strategic priorities essential for elevating private investment and foreign direct investment (FDI). As part of our unwavering commitment to fostering economic growth, this study offers evidence-based insights and practical recommendations tailored for policymakers and stakeholders. It has been crafted with the expertise and collaboration of Policy Exchange Bangladesh, in partnership with the Metropolitan Chamber of Commerce and Industry (MCCI).

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This report stands as a testament to the collaborative efforts of all involved, aimed at not only transforming Bangladesh's investment climate but also positioning the nation as a formidable player in the global investment arena.

Table of Contents

Acronyms	1
List of Figure and Table	3
Executive Summary	5
Chapter 1: Overview of Bangladesh’s Development Context and Priorities	10
1.1 Introduction	10
1.2 Private Investment a Key Driver of Bangladesh’s Development.....	12
1.3 Economic Diversification, Boosting Productivity Forms Top Priorities.....	14
1.4 Ongoing Macroeconomic Perils and Political Developments Make Focus on Business Environment Reforms Crucial.....	15
1.5 Objective of The Report.....	17
1.6 Approach & Methodology	17
Chapter 2: Unlocking Bangladesh's Growth Potential through Catalyzing Private Investment	17
2.1 Private Investment Paving the Path to a High-Income Bangladesh.....	17
Chapter 3: Current Landscape and Comparative Position in Bangladesh’s Investment Climate	20
3.1 The Investment Landscape: Current State of Private Investment and FDI in Bangladesh	20
3.2 Competitive Advantage to Garner FDI: A Quick Analysis	22
Chapter 4: Barriers to Private Investment and FDI: Key Issues	24
4.1 State of the Overall Business Climate: Where does Bangladesh Stand?	24
4.2 Investment Challenges in Bangladesh: Where does Shoe Pinches	26
4.2.1 Inefficient Trade Facilitation.....	26
4.2.2 Regulatory Complexities & Predictability	26
4.2.3 Infrastructure Inadequacy	27
4.2.4 Productivity and Availability of Skills.....	28
4.2.5 Limited Access to Diversified and Long-term Financial Products	30
4.2.6 Burdensome Taxation Policies	31
4.2.7 Dispute Resolution.....	31
4.3 Reasons for the Failure of Previous Investment Efforts	32
Chapter 5: Global Best Practices for Enhancing Investment	34
5.1 The Case of Vietnam and India: Effective Mix of Investment and Tax Policies to Attract Investment..	34
5.1.1 Incentives Offered by India to Attract Foreign Investments	34
5.1.2 Incentives Offered by Vietnam to attract foreign investments	35
5.2 Key Takeaways for Bangladesh	36
Chapter 6: Strategic, Policy Priorities and Action Plans for Improving Investment Landscape	38
6.1 Immediate Action Required to Overcome Bangladesh's Business Bottlenecks	38
6.1.1 Priority Reforms by Strategic Focus Areas.....	39
6.1.2 Sector Specific Priority Reform	39
6.2 Strategic Options	42
6.3 Policy & Regulatory Priorities	43
6.4 Action Plan	48

Acronyms

BBX - Bangladesh Business Climate Index

BDT - Bangladeshi Taka

BIDA - Bangladesh Investment Development Authority

BGMEA - Bangladesh Garment Manufacturers and Exporters Association

BBS - Bangladesh Bureau of Statistics

BTCL - Bangladesh Telecommunications Company Limited

CIT - Corporate Income Tax

CPI - Corruption Perceptions Index

DDT - Dividend Distribution Tax

DIFE - Department of Inspection for Factories and Establishments

DQL Index - Digital Quality of Life Index

EPB - Export Promotion Bureau

EMC - Electronics Manufacturing Clusters

ESDM - Electronics System Design and Manufacturing

FDI - Foreign Direct Investment

FGD - Focus Group Discussion

FY - Fiscal Year

GDP - Gross Domestic Product

GII - Global Innovation Index

GCI - Global Competitiveness Index

GVCs - Global Value Chains

HDI - Human Development Index

HTZ - High-Tech Zone

ICD - Inland Container Depot

ICT - Information and Communication Technology

IP - Internet Protocol

IPPs - Independent Power Producers

KII - Key Informant Interview

LDC - Least Developed Country

LC - Letter of Credit

LPI - Logistics Performance Index

MAC - Middle and Affluent Class

MSMEs - Micro, Small, and Medium Enterprises

NBFIs - Non-Banking Financial Institutions

NPL - Non-Performing Loan

NSW - National Single Window

OSS - One Stop Service

PMO - Prime Minister's Office

PP2041 - Perspective Plan 2041
PPP - Public-Private Partnership
PLI - Production Linked Incentive
RMG - Ready-Made Garments
RJSC - Registrar of Joint Stock Companies
SAIDI - System Average Interruption Duration Index
SAIFI - System Average Interruption Frequency Index
SCADA - Supervisory Control and Data Acquisition
SEZ - Special Economic Zone
SMEs - Small and Medium Enterprises
SOP - Standard Operating Procedures
STEM - Science, Technology, Engineering, and Mathematics
SDGs - Sustainable Development Goals
USD - United States Dollar
VAT - Value Added Tax
WJP - World Justice Project
WTO - World Trade Organization

List of Figure and Table

- Figure 1:** Trend Analysis of RMG Exports and Growth Rates
- Figure 2:** Sectoral Growth Rates of GDP at Constant Prices
- Figure 3:** Bangladesh's Performance in Selected Socioeconomic Indicators
- Figure 4:** Workers' Remittance Inflow Growth
- Figure 5:** Private Investment, GDP Growth and Exports in the Last Decade
- Figure 6:** Trends in Private and Total Investment in Bangladesh
- Figure 7:** How Private Investment in Bangladesh Helped Stimulate Economic Growth
- Figure 8:** Private Sector Credit Growth, Despite Some Decline, has Remained Positive in the Last Decade
- Figure 9:** Reforms Undertaken in the Early Years that Laid Foundation for RMG Sector's Growth
- Figure 10:** How Bangladesh Benefitted from FDI
- Figure 11:** Various Incentives Provided to Boost Foreign Investment
- Figure 12:** Export Concentration Trends (FY1980-2022)
- Figure 13:** Economic Complexity of Bangladesh and Vietnam Over the Years
- Figure 14:** Labor Force Participation Rate Comparison
- Figure 15:** Frontier Challenges Facing Bangladesh's Economy
- Figure 16:** Snapshot of Bangladesh's Macroeconomic Situation
- Figure 17:** Broad Objectives of The Report
- Figure 18:** Key Approach Methodology Applied in the Report
- Figure 19:** The Perspective Plan Emphasizes on the Criticality of Private Sector for Attainment of Vision 2041
- Figure 20:** Private Investment Powering Bangladesh's Vision 2041
- Figure 21:** Key Areas of Supporting Infrastructure and Appropriate Political and Structural Reforms that will Drive Private Investment in the Future
- Figure 22:** Growing Need for Private Investment and FDI as Envisioned in PP2041
- Figure 23:** Why FDI Critical for Bangladesh's Future Aspirations
- Figure 24:** Bangladesh FDI Flows (In Million USD)
- Figure 25:** Net FDI Inflows by Major Sectors 2023 (In Million US\$)
- Figure 26:** Net FDI Inflows by Major Countries 2023 (In Million US\$)
- Figure 27:** Cross-Country Comparison of Private Sector Credit Growth (%)
- Figure 28:** FDI Flows with Comparator 2023 (In Billion Dollars)
- Figure 29:** Investment Project Activity in Developing Countries Continue to Grow, as they Account for 64% of Global FDI
- Figure 30:** Consumer Market Country Comparison
- Figure 31:** Median Age Population Country Comparison 2020
- Figure 32:** GDP Per Hour Worked (GDP constant 2017 international \$ at PPP) in 2023

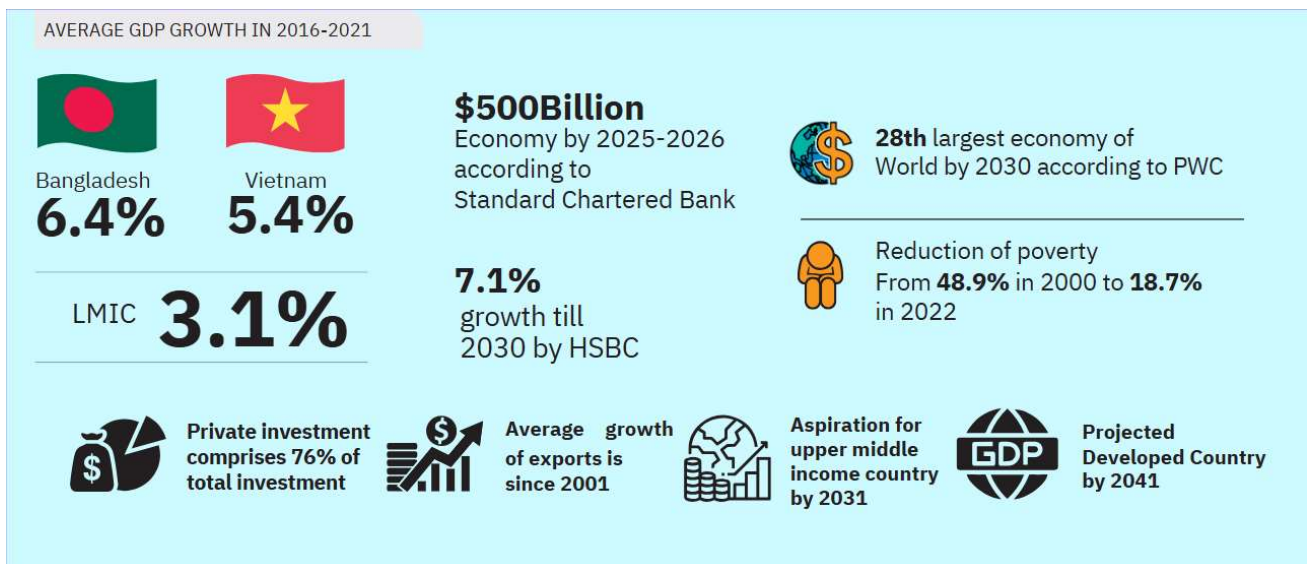
- Figure 33:** Mega Projects in Bangladesh
- Figure 34:** Bangladesh Business Climate Index Score
- Figure 35:** Global Innovation Index 2024
- Figure 36:** Global Competitiveness Index 2019
- Figure 37:** LDC Graduation and Forthcoming Challenges
- Figure 38:** Investment Challenges in Bangladesh
- Figure 39:** Container Port Performance & Logistics Performance Index 2023
- Figure 40:** OECD FDI Regulatory Restrictiveness Index 2021 and Worldwide Governance Indicator
- Figure 41:** CPI & Economic Freedom Index 2023
- Figure 42:** LPI Infrastructure Subindices 2023
- Figure 43:** Contributions of Productivity and Expenditure Components to Growth
- Figure 44:** Labor and Productivity Growth
- Figure 45:** Global Skill Ranking 2023
- Figure 46:** Digital Quality of Life Index 2023
- Figure 47:** Financial Freedom Index 2023
- Figure 48:** Key Factors Behind Bangladesh's Failure to Attract FDI
- Figure 49:** Constraints Along the Investment Climate in Bangladesh
- Figure 50:** FDI Inflow in India and Vietnam Compared to Bangladesh
- Figure 51:** India's FDI Stock Trend
- Figure 52:** The Key Changes Introduced to Foster FDI
- Figure 53:** Sector-Specific Promotion for Investment
- Figure 54:** FDI Stock Trend in Vietnam
- Figure 55:** Key Elements of Vietnam's Tax Incentive Strategy
- Figure 56:** Key Lessons for Bangladesh from Vietnam and India Example
- Figure 57:** Current Business Environment Requiring Immediate Reforms
- Figure 58:** Current Immediate Action to Overcome Bangladesh's Business Bottlenecks
- Figure 59:** Overarching Recommendations
- Figure 60:** Policy & Regulatory Recommendations
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- Table 1:** Bangladesh's Rapid Growth and Development Success
- Table 2:** Bangladesh Business Climate Index – Performance by Pillar
- Table 3:** Corporate Income tax & FDI Relation

Executive Summary

A. Private Investment a Key Driver of Bangladesh's Development

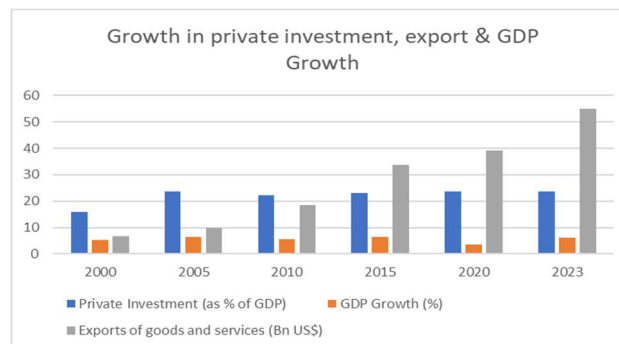
Bangladesh's development story reflects resilience, determination, and advancement. With steady high growth rates, impressive strides in human development, and low macroeconomic risks over the years, Bangladesh has earned the UNCDP's recommendation to graduate to "Developing Country" status in 2026. The nation has also outlined an ambitious vision to reach "High-Income Country" status by 2041.

Bangladesh's Impressive Growth and Development Performance



Private investment has been a driving force behind Bangladesh's growth, innovation, and development across various sectors. Over the past five decades, the country has evolved from an agrarian economy to a modern one, with private investment now accounting for 76% of total investment. This influx has fueled economic expansion, sparked innovation, and created jobs, contributing to significant progress in poverty reduction, education, healthcare, and gender equality.

Private Investment, GDP Growth and Exports in the Last decade



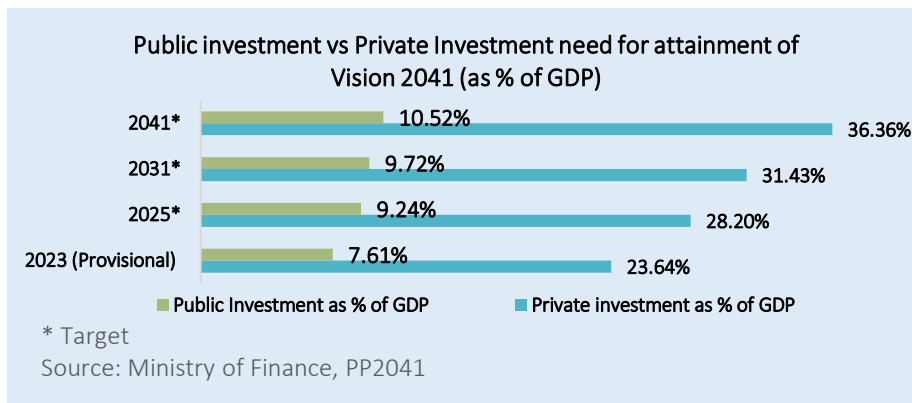
Bangladesh's private sector has evolved through distinct phases, each shaping the country's economic landscape. During "Private Sector 1.0" in the 1980s and 1990s, growth was driven by three key factors: improved agricultural productivity and supply chains, a steady flow of remittances boosting employment and consumer spending, and the rise of the ready-made garment (RMG) industry, which transformed manufacturing, employment, and services.

How Private Investment in Bangladesh Helped Stimulate Economic Growth



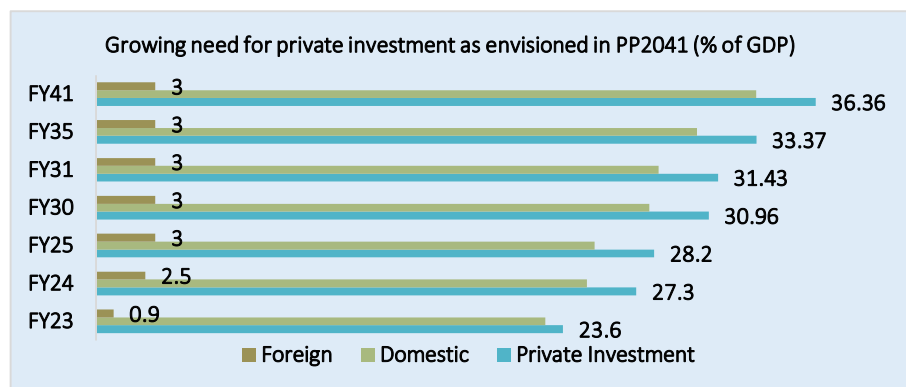
Bangladesh's PP41 sets a bold path toward becoming a prosperous, technologically advanced economy. Private investment has been crucial in the country's transformation from an agrarian economy to a modern, diversified growth engine, supported by trade liberalization and strategic financial policies. As Bangladesh advances toward its goals, private investment remains a key driver of development. Collaboration between the public and private sectors, along with innovation-focused policies, will be vital for sustained economic growth, poverty reduction, and achieving the ambitions of PP41.

The Perspective Plan Emphasizes on the Criticality of Private Sector for Attainment of Vision 2041



The success of HIC depends on cultivating private investment through strategic policy reforms and fostering collaboration for shared prosperity. Achieving PP41's transformative goals requires Bangladesh to create a business-friendly environment that encourages sustained private investment. This involves implementing policies that simplify business processes, ensure regulatory transparency, incentivize innovation, and improve access to finance. By placing private investment, including FDI, at the heart of HIC, Bangladesh can secure a future marked by growth, prosperity, and global influence.

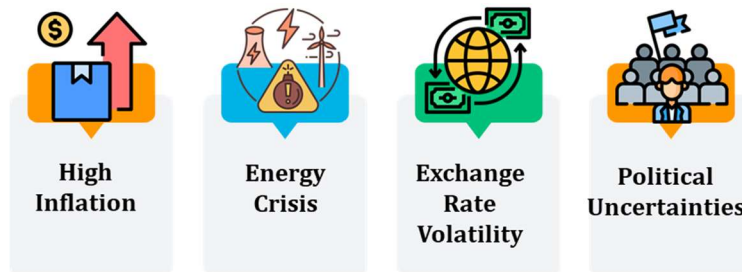
Growing Need for Private Investment and FDI as Envisioned in PP2041



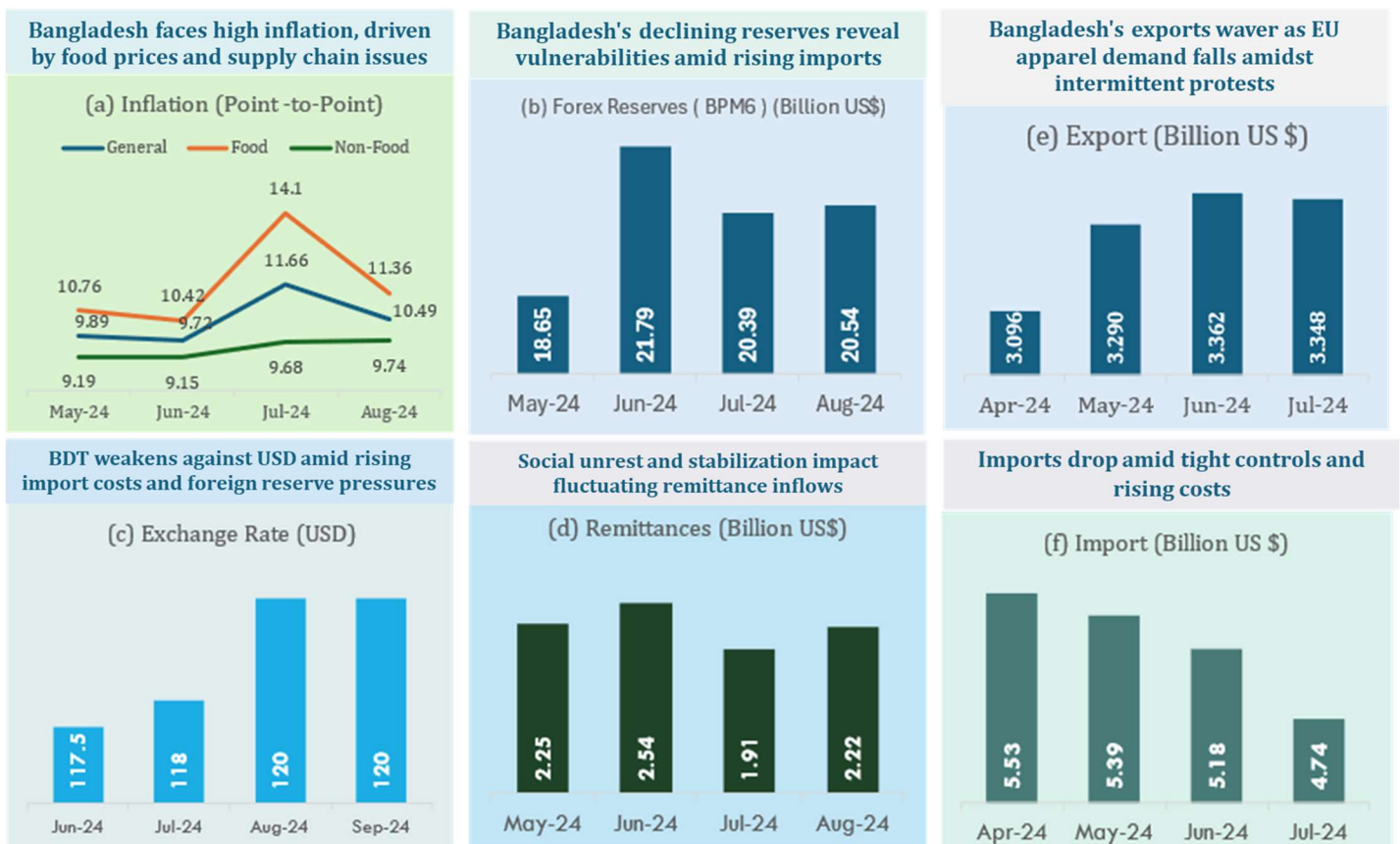
B. Ongoing Macroeconomic Perils and Political Developments Make Focus on Business Environment Reforms Crucial

Bangladesh's economy, impacted by global challenges and internal pressures, grew by 5.2% in FY24 but is projected to slow to 4% in FY25. Rising inflation, low foreign reserves, an energy crisis, and recent political instability—especially after the Prime Minister's August 2024 resignation—are disrupting industrial and export activities. Without stabilization, growth may drop to 3.2%, highlighting urgent priorities in inflation, reserves, energy, and political stability.

Frontier Challenges Facing Bangladesh's Economy



Bangladesh's macroeconomic challenges are intensifying, with inflation peaking at 11.66% in July 2024 due to rising food costs, import expenses, and recent floods. Though inflation eased slightly in August, price pressures remain high amid political instability. Foreign exchange reserves dropped by 5.71% from June to August, straining the Taka, which has depreciated to 120 against the USD. Remittance inflows saw volatility, dipping sharply in July due to social unrest before recovering in August. Export growth is hindered by falling EU apparel demand and intermittent protests, while imports have declined under tight controls and high costs.

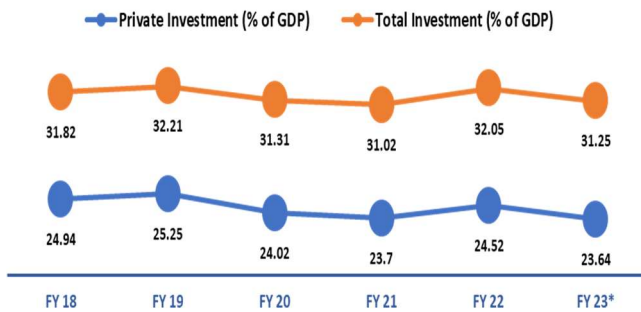


Snapshot of Bangladesh's Macroeconomic Situation

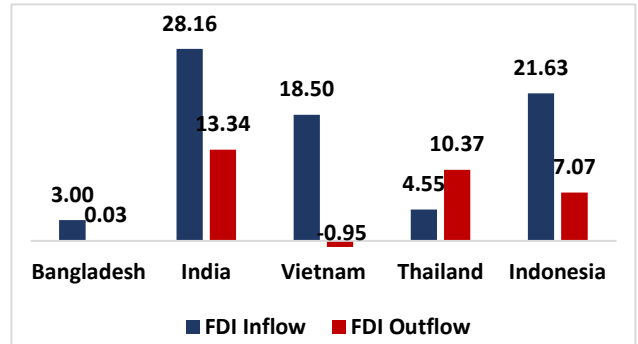
C. Current Landscape and Comparative Position in Bangladesh's Investment Climate

Bangladesh's investment climate has demonstrated resilience, particularly in private investment and foreign direct investment (FDI). FDI has significantly contributed to Bangladesh's growth and development, especially through impactful joint ventures. It has been essential in advancing the Ready-Made Garments (RMG) sector, establishing the country as a global leader in this industry.

Trends in Private and Total Investment in Bangladesh

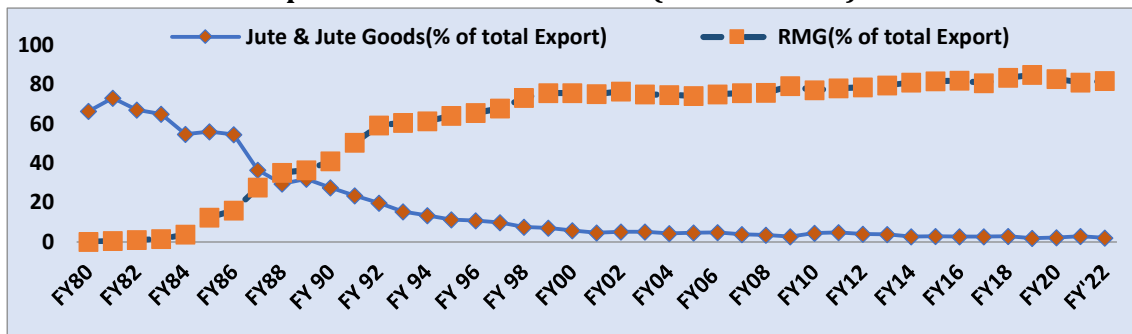


Bangladesh's FDI Flows with Comparator 2023 (In Billion Dollars)



Bangladesh's export-led growth, driven largely by the garment sector, is vulnerable and in urgent need of diversification to ensure sustained development. While the Ready-Made Garments (RMG) sector has been central to Bangladesh's success, accounting for about 84% of its exports, this heavy reliance leaves the economy exposed to external shocks.

Export Concentration Trends (FY1980-2022)



Bangladesh's strong investment appeal is fueled by its strategic location, low labor costs, young workforce, and expanding consumer market, projected to be the world's ninth largest by 2030. Enhanced by major infrastructure projects like the Rooppur Nuclear Plant, Dhaka Metro Rail, and planned economic zones, Bangladesh offers a competitive edge for efficiency-driven investments. With a large, youthful population and an affordable labor force, the nation is well-positioned for sustained growth, making it a promising destination for market-seeking investors looking to leverage its economic resilience and increasing integration into global value chains.

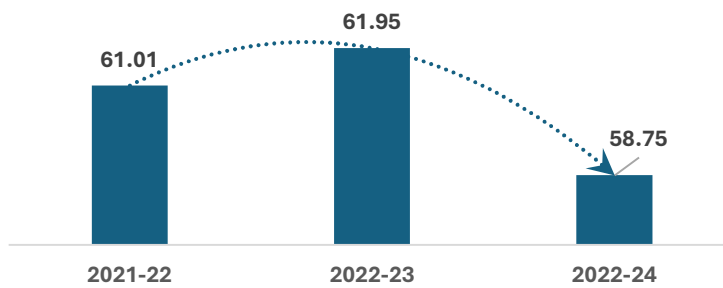
Bangladesh Offers Several Strengths to Garner Investments

- Proactive policies
- Bangladesh is a top FDI recipient among LDCs
- Advantageous geopolitical location
- Bangladesh's young population offers a strong foundation for economic growth
- Strategic location and infrastructure projects
- Bangladesh offers a competitive edge with low labor costs

D. Barriers to Private Investment

Bangladesh's business climate currently reflects a complex mixture of growth potential and structural challenges. The Bangladesh Business Climate Index (BBX) score of 58.75 for 2023-24 marks a deterioration and paints a picture of a challenging business landscape in the country, with no significant reform measures implemented in the past year. Highlights a challenging environment for businesses, marked by several persistent issues.

Bangladesh Business Climate Index Score



Bangladesh Business Climate Index - Performance by Pillar

Pillars	BBX Scores in 2021-22	BBX Scores in 2022-23	BBX Scores in 2023-24	% Change in Scores between 2022-23 & 2023-24	Improvement/Deterioration Compared to BBX 2022-23
Starting a Business	68.91	70.78	62.74	-11.35%	Deterioration
Access to Land	58.90	53.07	53.11	0.07%	Improvement
Availability of Regulatory Information	59.83	72.85	68.04	-6.60%	Deterioration
Infrastructure	72.02	74.49	71.08	-4.58%	Deterioration
Labour Regulation	66.25	74.40	70.04	-5.86%	Deterioration
Dispute Resolution	57.48	64.24	62.38	-2.89%	Deterioration
Trade Facilitation	49.43	58.61	60.87	3.86%	Improvement
Paying Taxes	68.72	55.21	54.74	-0.86%	Deterioration
Technology Adoption	57.70	60.60	63.50	4.79%	Improvement
Access to Finance	50.78	35.22	28.11	-20.18%	Deterioration
Environmental Regulation and Standards			51.59		

Global Competitiveness Index 2019

Bangladesh's Overall Rank

105th/141



As Bangladesh transitions to Developing Country status in 2026, it faces key challenges that will impact its investment landscape and FDI. The loss of duty-free market access for 80% of its exports may hurt competitiveness, while the removal of export subsidies could reduce exports by up to 14%, affecting GDP and deterring investors.

LDC Graduation and Forthcoming Challenges

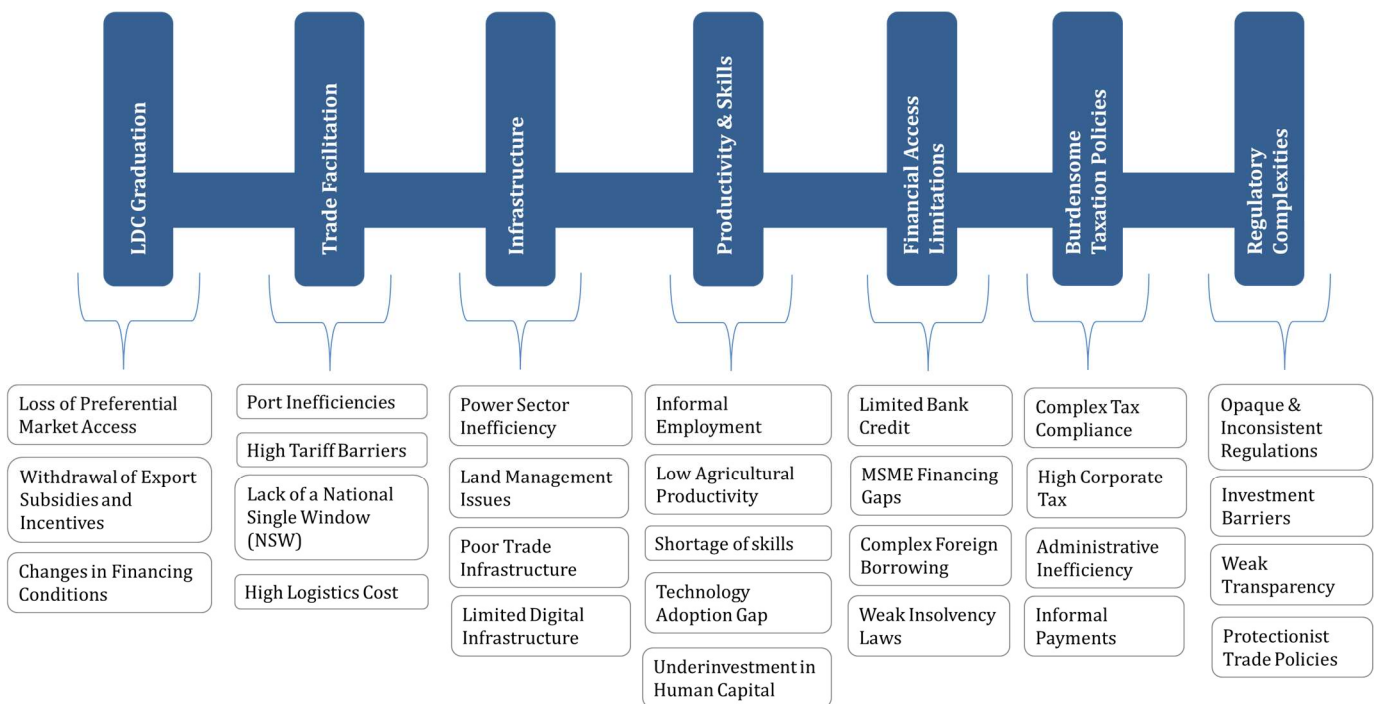


Bangladesh encounters several obstacles that reduce its appeal for domestic and foreign investors. Key challenges include trade facilitation bottlenecks, inefficient regulations, infrastructure gaps, protectionist trade policies, limited access to finance, and political and economic instability. These issues create a complex and challenging investment environment, especially for non-RMG sectors, SMEs, and foreign direct investors (FDIs).

Investment Challenges in Bangladesh

<ul style="list-style-type: none"> Inefficient Trade Facilitation 	<ul style="list-style-type: none"> Regulatory Predictability
<ul style="list-style-type: none"> Regulatory Complexities 	<ul style="list-style-type: none"> Infrastructure Inadequacy
<ul style="list-style-type: none"> Burdensome Taxation Policies 	<ul style="list-style-type: none"> Productivity Gap
<ul style="list-style-type: none"> Limited Access to Diversified and Long-term Financial Products 	

Constraints Along the Investment Climate in Bangladesh



Summary of Challenges in Bangladesh's Investment Climate

Inefficient Trade Facilitation	Delays & Corruption at Ports <ul style="list-style-type: none"> • Chattogram Port ranks 337/405 (WB, Container Port Performance Index). • Export clearance : 3 days; Import clearance : 11 days. • Over 90% of firms report paying bribes for customs.
Regulatory Complexities & Predictability	Opaque Regulatory Environment & Trade Barriers <ul style="list-style-type: none"> • 82% of investors prioritize regulatory transparency (World Bank). • Regulatory Quality Score : -0.9 (Bangladesh), India -0.1 and Vietnam -0.4. • Corruption Perceptions Index: Bangladesh 149/180
Infrastructure Inadequacy	Inadequate Physical & Digital Infrastructure <ul style="list-style-type: none"> • LPI Infrastructure: 108/139 (Bangladesh), compared to India 47 and Vietnam 47. • Digital Quality of Life Index: 82/121.
Productivity and Availability of Skills	Low Productivity & Skills Shortages <ul style="list-style-type: none"> • Global Skills Ranking: 94/109 (Bangladesh), Vietnam 54, India 87. • Female labor force participation: 35%. • Digital Quality of Life Index: 82/121.
Limited Access to Diversified Financial Products	Insufficient Financing & MSME Challenges <ul style="list-style-type: none"> • Financial Freedom Index Score: 40 (Heritage Foundation). • NBFI lending rise due to restrictive bank credit terms.
Burdensome Taxation Policies	Complex Tax System & High Corporate Tax Rates <ul style="list-style-type: none"> • Corporate Tax Rate: 32.5% (higher than regional averages).- • Tax revenue 8.8% of GDP (low by international standards).
Dispute Resolution	Judicial Delays & Lack of Commercial Courts <ul style="list-style-type: none"> • Rule of Law Index Civil Justice Delay Ranking: 136/140. • Judicial independence concerns, and significant civil case backlog (16,172 cases).

Despite various initiatives to attract FDI into Bangladesh, past efforts have largely failed to meet their targets. Several institutional, regulatory, and strategic weaknesses have hindered the country from fostering a favorable investment climate. The absence of a cohesive strategy, bureaucratic inefficiencies, and insufficient collaboration between the public and private sectors have been major contributors to these shortcomings.

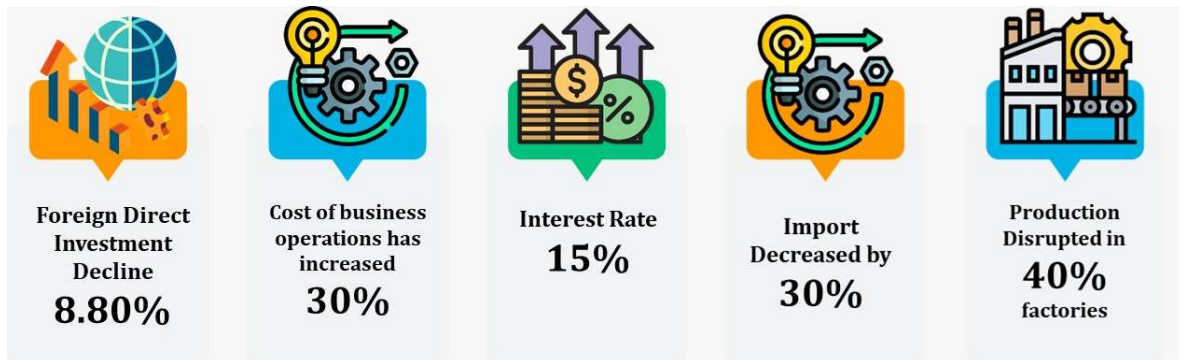
Key Factors Behind Bangladesh's Failure to Attract Private Investment

 Absence of Systematic Investment Promotion	 Complex Regulatory Framework and Red Tape
 No Comprehensive National FDI/Private Investment Strategy	 Limited Cooperation from PMO and Ministries
 Gap Between Political Rhetoric and Implementation	 Weak Public-Private Dialogue
 Limited Competitive Sectors for Investment	 Inadequate Investment Aftercare

E. Recommendations





Addressing the critical business bottlenecks hindering Bangladesh's economic growth. It emphasizes the need for immediate actions to stabilize the financial environment, improve political and regulatory stability, resolve energy and infrastructure challenges, and support key sectors such as manufacturing and SMEs. With targeted reforms in the banking sector, inflation control, and business facilitation, Bangladesh can restore investor confidence, streamline operations, and set the foundation for sustainable economic development.

Several Economic Indicators Imply Need for Immediate Reforms







Immediate Action to Overcome Bangladesh's Business Bottlenecks


1. Priority Reforms by Strategic Focus Areas

 Monetary and Financial Sector Reforms	 Political, Regulatory Stability and Inflation Management	 Manufacturing and Export Growth	 Energy and Infrastructure Development
<ul style="list-style-type: none"> Stabilize Interest Rates Address Banking Sector Governance Issues Tackle Non-Performing Loans (NPLs) Implement Willful Defaulter Policy 	<ul style="list-style-type: none"> Strengthen Law and Order Instill Stability and Certainty in Public Administration Immediately Roll Out One Year Trade and Investment Reform Programme Stabilize Currency and Inflation 	<ul style="list-style-type: none"> Revitalize Manufacturing and Export Sectors Address Raw Material and Capital Machineries Import Issues Support Measures For SMEs 	<ul style="list-style-type: none"> Resolve Energy /Gas Shortages Continue Development of Critical Infrastructure for Business Growth (e.g. New Ports, Explorational Onshore and Offshore gas)

2. Sector Specific Priority Reforms

 Manufacturing Sector	 Agriculture Sector	 Export Sector	 Service Sector
<ul style="list-style-type: none"> Strengthen Law and Order Facilitate Industry-Friendly Policies Energy and Logistics Improvements Price Stabilization Measures Develop SME-Focused Financial Products Boost Liquidity in Banking Sector Streamline License and Permit Processes 	<ul style="list-style-type: none"> Simplify Loan Processes for Agribusiness Expand Government Support for Agriculture Financing Invest in Temperature-Controlled Logistics (TCL) Modernize Cold Chain Facilities Reduce Clearance Costs and Informal Payments Implement Inflation Control Measures Enhance Domestic Input Production 	<ul style="list-style-type: none"> Immediate Law and Order Stabilization in Ashulia, Savar, Gazipur etc Ensure Supply Chain Connectivity Provide Short-Term Financial Relief Develop SME-Focused Financial Products Streamline Port Operations Simplify Customs Clearance 	<ul style="list-style-type: none"> Address Digital Economy Sector Uncertainties Expand Youth Development and Training Centers Enhance Access to Startup Capital Digitalize Logistics and Service Sub-Sectors

3. Overarching Recommendations

 Enhance Investment Establishment Processes	 Refine Investment Incentives
 Promote Coherence Between Trade and Investment Policies	 Strengthen Domestic and FDI Linkages
 Support SMEs and Exporting Industries	 Enhance Country Branding

4. Policy & Regulatory Recommendations

 Enhancing Trade Facilitation	 Streamlining Regulatory Frameworks
 Improving Access to Finance	 Investing in Infrastructure
 Reforming Taxation Policies	 Export Diversification

Enhancing Trade Facilitation

Short-Term Actions

- Introduce e-payment for customs duties, fees, and charges related to import/export
- Allow online document submission before ship arrival
- Provide online services for export/import-related visas within 7 working days
- Enable exporters' enrollment and certificate issuance online within 2 days
- Implement e-payment for customs duties
- Streamline documentation requirements for import/export processes
- Reduce documentary compliance time for imports/exports
- Offer online issuance of Country of Origin and Membership Certificate by chambers

Medium-Term Actions

- Improve risk management systems for imports/exports
- Implement post-clearance audit systems
- Reduce costs for documentary compliance for imports
- Allow customs clearance outside port premises for import boxes
- Enable the use of empty import containers for export without depot returns
- Reduce para-tariffs to lower trade costs and promote exports

Long-Term Actions

- Implement a National Single Window for trade to streamline import/export processes
- Improve trade logistics by enhancing infrastructure and reducing bottlenecks

Streamlining Regulatory Frameworks

Short-Term Actions

- Issue and renew online trade licenses within 1 day by city corporations and municipalities
- Process RJSC services online within 1-7 days
- Provide all utility connections through a single application and payment process
- Ensure online provision of high-speed internet and IP phone services within 3 days by BTCL
- Streamline fire safety-related services within 15-30 days
- Provide DIFE services (license issuance/renewal) online within 10-15 working days
- Launch an online regulatory platform to centralize regulatory processes

Medium-Term Actions

- Renew trade licenses every 3-5 years instead of annually
- Offer online environmental clearances and renewals within specified timeframes
- Speed up land use clearances, construction permits, and possession certificates for industrial projects
- Digitally process land registration, mutation, and cadastral plans
- Develop SOPs for service delivery to improve efficiency and consistency in regulatory processes
- Incorporate gender considerations in regulatory and business frameworks
- Revamp OSS framework for a more integrated and efficient one-stop service system

Long-Term Actions

- Mandate liability and insurance for building structural defects in construction rules
- Conduct Regulatory Impact Assessment for policy optimization
- Revise Company's Act to reflect current business needs
- Accommodate innovative ventures through flexible and supportive regulatory frameworks

Improving Access to Finance

Short-Term Actions

- Permit foreign currency borrowing by private industrial projects within 15 working days
- Allow share transfer and profit repatriation services within 10 working days for non-listed companies
- Provide non-authorized consultancy fee remittance services within 7 working days
- Address deliberate defaulters through targeted policies and stricter enforcement measures
- Amend Bangladesh Bank Order, 1972, to allow private sector access to Credit Information Bureau data

Medium-Term Actions

- Review repatriation policies for foreign companies and consider tax adjustment facilities to encourage foreign investment
- Develop local capital markets to support economic growth and diversify funding sources
- Stimulate the corporate debt market to provide more funding options for businesses
- Develop a resolution mechanism for distressed assets to manage non-performing assets effectively
- Introduce an NPL resolution mechanism to address high levels of non-performing loans

Long-Term Actions

- Develop a green bond market to support environmentally sustainable projects and attract green financing
- Remove loan limits to provide greater flexibility in borrowing for established and creditworthy businesses

Investing in Infrastructure

Short-Term Actions

- Provide electricity connections at the industrial level within 28 working days to streamline industrial operations
- Approve factory layout plans and construction permits for industries within 10-20 days to reduce setup delays
- Digitize water and sewerage connections and gas connection services for industrial establishments to enhance accessibility and transparency

Medium-Term Actions

- Track SAIFI and SAIDI indices for electricity interruptions and reduce progressively to improve power reliability
- Implement SCADA systems to monitor SAIDI/SAIFI for efficient management of power distribution and interruption response
- Evaluate PPP legislation to support effective public-private partnerships in infrastructure development
- Conduct feasibility assessments for economic zones to identify and develop high-potential industrial areas

Long-Term Actions

- Finance infrastructure via bonds to attract investment and fund large-scale development projects
- Develop domestic capital markets to provide diverse funding sources for businesses and infrastructure
- Involve private sector in power transmission to increase efficiency and expand capacity

Reforming Taxation Policies

Short-Term Actions

- Register companies for VAT online within 24 hours to improve ease of doing business
- Issue bonded warehouse licenses online within 15 days to streamline warehousing and supply chain operations
- Remove tax provision limiting promotional expenses to 0.5% of turnover to support business marketing and growth
- Introduce compulsory e-filing of tax returns and e-payments to reduce tax payment times and enhance compliance

Medium-Term Actions

- Speed up VAT refund processes and reduce correction procedure times from 36 to 16 hours to ensure timely refunds
- Integrate online tax return filings with BIDA OSS system to centralize and simplify tax-related processes for businesses
- Simplify tax reporting forms to encourage compliance and reduce administrative burdens
- Educate taxpayers on new tax policies and digital processes for greater transparency and awareness

Long-Term Actions

- Digitize tax administration to enhance efficiency and reduce manual errors
- Implement VAT Law fully to streamline VAT collection and compliance

Export Diversification

Short-Term Actions

- Provide bonded warehouse license issuance online to facilitate exports and reduce processing times for businesses.
- Duty-free clearance for shipments below Tk. 2000 for SMEs and export units to ease small-scale exports and support growth.

Medium-Term Actions

- Eliminate barriers to expanding electronics and medical device manufacturing to strengthen export-oriented manufacturing and support industry diversification.

Logistics Infrastructure and Services

Short-Term Actions

- 24/7 Digital Payment System for continuous processing and payment of customs duties.
- Faster IGM Amendments to reduce delays in import goods management and facilitate smoother operations.
- Electronic Payment for Customs Duties to streamline customs processes and enhance efficiency.
- Common Bonded Facility for SMEs to improve logistics for small and medium enterprises by reducing costs and simplifying processes.

Medium-Term Actions

- Expand National Single Window (NSW) to further streamline trade and logistics operations.
- Temperature-Controlled Logistics Facilities for perishable goods, enhancing cold chain logistics across the country.
- Cold Chain Development at Ports to ensure smoother handling of temperature-sensitive products at key entry points.
- Air Freight Charges Reduction to lower transportation costs, particularly for high-value and time-sensitive goods.
- Private Sector in Railway Logistics to boost rail-based transportation, reducing reliance on road freight.
- Skilled Manpower Development in Logistics to improve sector productivity through targeted training programs.
- Increase Importable Product Categories at ICDs to diversify the range of products handled at Inland Container Depots (ICDs).

Long-Term Actions

- Multimodal Air Logistics Hubs to create integrated logistics centers that combine air, land, and sea transport for more efficient trade facilitation.
- Private Testing Laboratories to enhance quality control and ensure regulatory compliance in the logistics and export sector.
- Off-Dock Cold Chain Logistics to decentralize cold storage capabilities and reduce congestion at ports.
- ICD Operations for LCL (Less Than Container Load) to increase efficiency in handling smaller shipments and facilitate smaller traders.
- Tracking for Bonded Goods to improve security and monitoring of goods in the bonded warehouse system.
- Green Channel for Non-Sensitive Goods to expedite clearance for low-risk goods and ease congestion.
- Inland Waterway Transport Incentives to promote the use of water transport, reducing congestion on roads and railways.
- Allow 100% Foreign Ownership in ICD/Off-Dock Depot/Warehousing to attract international investments and enhance logistics capabilities.
- Increase Foreign Shareholding in the Logistics Sector to 100% to promote international expertise and capital flow in Bangladesh's logistics industry.

Chapter 1: Overview of Bangladesh's Development Context and Priorities

1.1 Introduction

Bangladesh secured lower middle-income status in less than five decades with strong growth

Bangladesh, once among the world's lowest per capita income countries, has achieved lower middle-income status in just fifty years. Over the past decade, the country has sustained an average GDP growth rate exceeding 6%, with growth reaching over 8% in FY2019. Despite global challenges, including the pandemic, Bangladesh demonstrated strong economic resilience. In 2020, the nation outpaced comparable economies such as India, Bhutan, and Vietnam, achieving a growth rate of 5.2%¹.

Average Economic Growth rate of over **5%** in the last 30 years.

Table 1: Bangladesh's Rapid Growth and Development Success

High Level Success of Bangladesh from Independence to Present			
Indicators	1971	2023	
Gross Domestic Product (in US\$ billion)	9	454	
Per Capita Income (in US\$)	137	2,749	
Life Expectancy (in years)	46.59	72.3	
FOREX Reserve (in US\$ billion)	Nil	24.75	
Bangladesh's Performance in Select Indicators with Comparators			
Indicators	Bangladesh	Vietnam	Thailand
Average GDP growth rate, 2022	7.4	6.8	3.4
Mean Years of Schooling	7.4	8.7	8.4
Seats held by women in national parliaments (%)	21	27	16

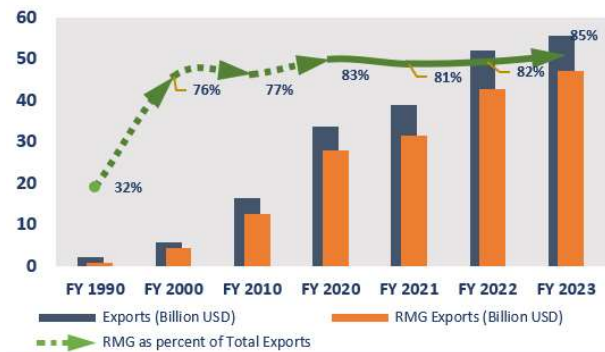
Source: Bangladesh Sample Vital Statistics 2023, BD News 2024, Bangladesh Bank

RMG sector fuels economic growth and poverty reduction

Bangladesh's development is exemplified by the rise of its Ready-Made Garments (RMG) sector, a transformative industry that has generated significant employment and income while playing a crucial role in reducing extreme poverty. Since independence, manufacturing's share of GDP has grown from 5.5% to 23% in FY 2023, with the RMG sector playing a key role in the global textile supply chain.

In FY 2023, it contributed 10.4% of GDP and 84.5% of exports. While total exports rose 6.67% to \$55.6 billion, they fell short of the \$58 billion target due to global economic challenges. Knitwear and woven garments drove this growth, marking the second consecutive year, exports exceeded \$50 billion.

Figure 1: Trend Analysis of RMG Exports and Growth Rates

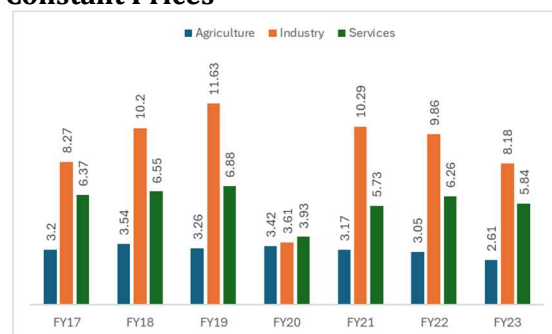


Source: Bangladesh Export Promotion Bureau, Bangladesh Bank, World Bank, BGMEA

Services and Manufacturing now more dominant drivers of growth

The agriculture sector, once the cornerstone of Bangladesh's economy, has seen its GDP contribution decline, while the service and industry sectors have increased their contributions, signaling a shift towards a more diversified and modern economy.

Figure 2: Sectoral Growth Rates of GDP at Constant Prices

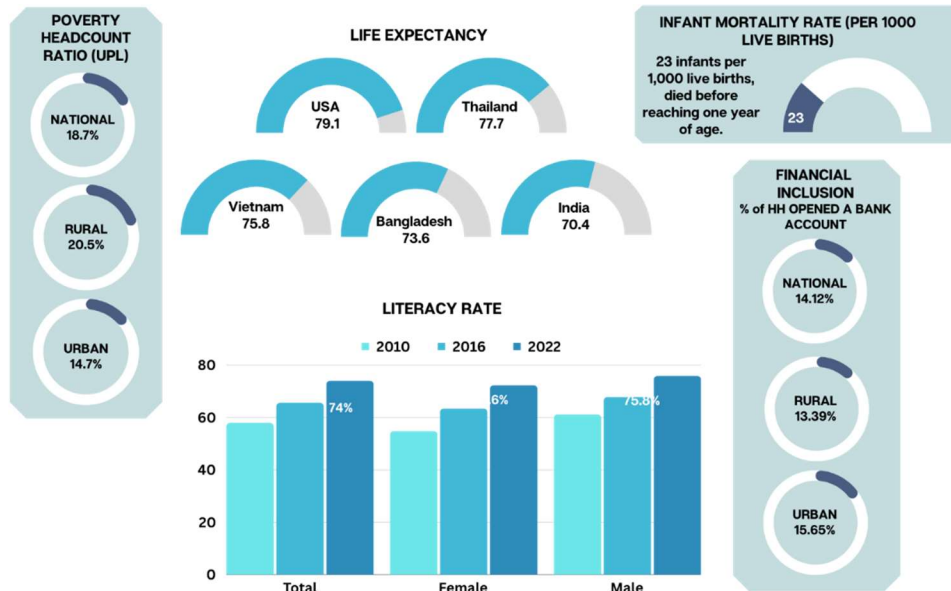


Source: Ministry of Finance; Bangladesh Bureau of Statistics

¹ Statistical Yearbook Bangladesh 2022, Bangladesh Bureau of Statistics, 2023

According to the BBS estimates, agricultural growth was 2.61% in FY 2022-23, down from 3.05% the previous year. Agricultural growth is expected to rebound unless affected by floods or other natural disasters. However, the industry sector showed robust growth, achieving a rate of 8.18% in FY23, slightly below the 9.86% recorded in FY22. The services sector continued to grow, reaching 5.84% in FY23.

Figure 3: Bangladesh’s Performance in Selected Socioeconomic Indicators



Source: HIES 2022, Bangladesh Bureau of Statistics; World Bank

	BANGLADESH	INDIA	MALAYSIA	SRI LANKA	THAILAND	VIETNAM
Mean Years of Schooling, 2021 (SDG 4.4)	7.4	6.7	10.6	10.8	8.7	8.4
Expected years of schooling, 2021 (SDG 4.3)	12.4	11.9	13.3	14.1	15.9	13
Total Net Attendance Rate (Primary Education) (2019)	93.49	95.46	99.08	-	98.92	98.40
Infant Mortality Rate (per 1,000 live births) (2021)	23	26	7	6	7	16
Life expectancy at birth, 2021 (SDG 3)	72.4	67.2	74.9	76.4	78.7	73.6
Maternal mortality ratio, 2017 (SDG 3.1) (deaths per 100,000 live births)	173	133	29	36	37	43
Gross national income (GNI) per capita, 2021 (2017 PPP)	5,472	6,590	26,658	12,578	17,030	7,867
Human Development Index (HDI) Rank, 2021	129	132	62	73	66	115

Source: World Bank; UNDP

Bangladesh aims for LDC graduation by 2026 through social and economic progress

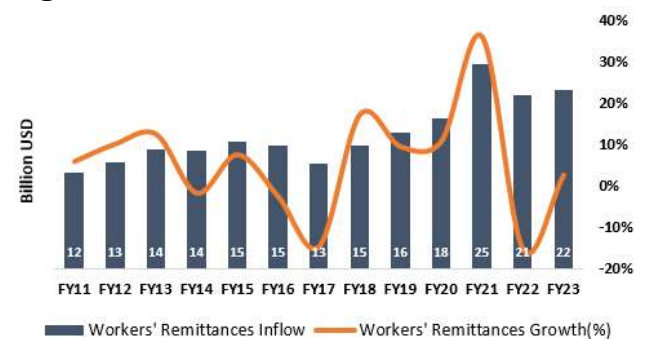
Bangladesh has made impressive progress in social development over recent decades. According to the Human Development Report 2021-22, the country's HDI continues to rise, reflecting its goal to graduate from the UN's Least Developed Country (LDC) status by 2026². Despite education and healthcare receiving less than 3% and 4% of GDP in the past five years, Bangladesh has achieved significant improvements in key areas like infant mortality, child mortality, and gender disparity in education. The country aims for upper-middle-income status by 2031 and developed status by 2041 while pursuing the SDGs.

Remittances a key stimulant of consumption and productions

Remittances have played a vital role in Bangladesh's economic growth, helping

balance payments, boost foreign exchange reserves, and strengthen macroeconomic indicators. In FY 2023, remittances rose by 2.75% to \$21.61 billion, from \$21.03 billion in FY 2022³. Remittances nearly doubled from FY17 to FY21 but fell by 15.1% in FY22 before a modest 2.8% rise in FY23. Despite more workers migrating to Saudi, remittances from there declined in both years. However, remittance growth from the UAE, USA, and UK in FY23 was significant, with increases of 46.4%, 2.4%, and 2.0%, respectively. The US surpassed the UAE as the second-largest source of remittances for Bangladesh in FY23.

Figure 4: Workers' Remittance Inflow Growth



Source: Bangladesh Bank

² Human Development Report 2021-22, United Nations Development Programme.

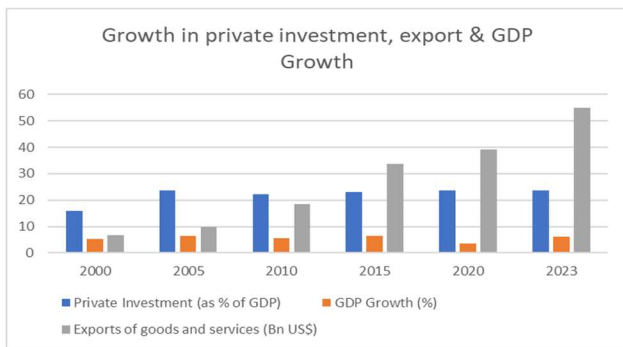
³ Bangladesh Bank Annual Report 2023.

1.2 Private Investment a Key Driver of Bangladesh's Development

Private Investment drives Bangladesh's economic growth

Private investment has been a driving force behind Bangladesh's growth, innovation, and development across various sectors. Over the past five decades, the country has evolved from an agrarian economy to a modern one, with private investment now accounting for 76% of total investment. This influx has fueled economic expansion, sparked innovation, and created jobs, contributing to significant progress in poverty reduction, education, healthcare, and gender equality. It has also supported infrastructure development, boosting trade and economic growth. The private sector's influence spans telecommunications, transport, housing, media, education, and health services.

Figure 5: Private Investment, GDP Growth and Exports in the Last decade

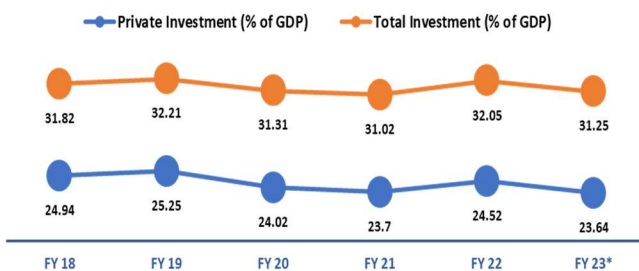


Exports in the Last decade

Source: BBS, World Bank

Private investment plays a vital role in Bangladesh's economic development, driving its rapid growth. With 76% of the country's total investment coming from the private sector, it significantly contributes to job creation, innovation, and attracting foreign direct investment (FDI). This, in turn, fosters a favorable investment climate and accelerates economic growth. In FY 2022-23, total investment represented 31.25% of GDP, though private investment dipped to 23.64% of GDP, down from 24.52% the previous year, according to provisional estimates⁴.

Figure 6: Trends in Private and Total Investment in Bangladesh



⁴ Bangladesh Economic Review 2023, Ministry of Finance.

Source: Bangladesh Bank

Bangladesh has struggled to meet its private investment target for 2023 under the 8th Five Year Plan, hindered by factors such as the ongoing dollar crisis, global uncertainty, rising inflation, and reduced international demand. Despite these setbacks, private investment continues to be crucial for driving economic growth, creating jobs, and reducing poverty. Looking ahead, Vision 2041 aims for private investment to reach 36.36% for Bangladesh to achieve Developed Country status, with an average of 31.23% from FY21 to FY41⁵.

Private sector growth shaped Bangladesh economy in different phases

Bangladesh's private sector has evolved through distinct phases, each shaping the country's economic landscape. During "Private Sector 1.0" in the 1980s and 1990s, growth was driven by three key factors: improved agricultural productivity and supply chains, a steady flow of remittances boosting employment and consumer spending, and the rise of the ready-made garment (RMG) industry, which transformed manufacturing, employment, and services.

Figure 7: How Private Investment in Bangladesh



Helped Stimulate Economic Growth

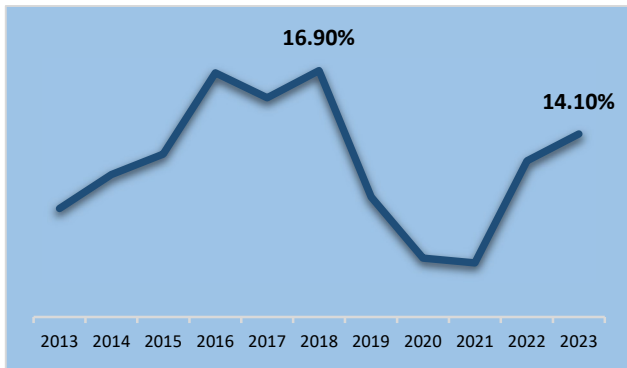
The transition to "Private Sector 2.0" in the early 2000s marked a shift toward modernization and diversification. This phase focused on strengthening industrial and infrastructure development, with growth expanding into sectors like pharmaceuticals, agribusiness, leather, construction, and FMCG. The rise of financial services and technology further transformed the business landscape, with digital infrastructure playing a crucial role in fostering innovation and efficiency. Together, these phases highlight the private sector's vital role in Bangladesh's transformation from an agricultural economy to a modern, diversified growth engine.

Financial reforms in the 80s and 90s propelled private sector expansion in Bangladesh

⁵ Perspective Plan of Bangladesh, 2020, General Economic Division, Ministry of Planning.

The growth of Bangladesh's private sector has also extended to the financial landscape. The liberalization of the banking sector in the late 1980s paved the way for the creation of new banks, creating a favorable environment for private sector expansion. These reforms enabled the efficient handling of substantial remittance inflows, which have averaged around US\$10 billion in recent decades. Additionally, Bangladesh Bank's promotion of private sector credit growth, targeting both industrial and rural sectors, further stimulated investment opportunities.

Figure 8: Private Sector Credit Growth, Despite Some



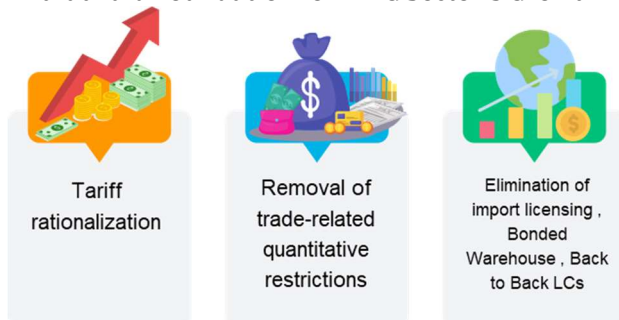
Decline, has Remained Positive in the Last Decade

Source: Bangladesh Bank

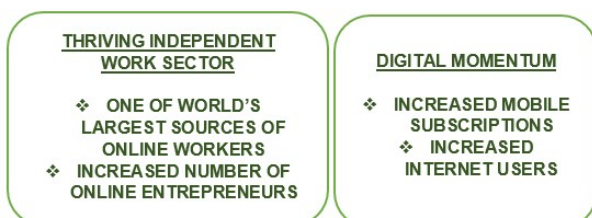
Trade reforms accelerate Bangladesh's private sector growth

Trade liberalization has been instrumental in driving the growth of Bangladesh's private sector, especially in export-oriented industries. Since the 1970s, Bangladesh transitioned from protectionist policies to an open trade regime by the 1990s, implementing reforms like tariff reductions and removing trade restrictions. This shift enabled the ready-made garments sector to thrive, positioning Bangladesh as a key player in the global economy and driving economic growth.

Figure 9: Reforms Undertaken in the Early Years that Laid Foundation for RMG Sector's Growth



Bangladesh seeks FDI with incentives but faces competitive challenges



Bangladesh's government has taken proactive steps to position the country as an FDI-friendly destination, offering a range of incentives like tax holidays, exemptions, and streamlined investment procedures. These include 5 to 10-year tax holidays, full tax exemptions for Public Private Partnership (PPP) projects, and up to 15-year exemptions for priority sectors like Power. Export-oriented businesses benefit from duty exemptions, bonded warehousing, loans against Letters of Credit (LC), and access to international markets such as the EU's Duty-Free Quota-Free (DFQF) scheme. However, despite these advantages, Bangladesh still lags behind regional peers in attracting FDI. To improve its appeal, the country needs to address deterrents by enhancing infrastructure, simplifying regulations, resolving tax rigidity, and removing bureaucratic hurdles.

Figure 10: How Bangladesh Benefitted from FDI

Boosting the RMG Sector	Improving Infrastructure
Enhancing Competitiveness of Local Supply Chain	Increase Regional Integration
High Quality Employment	Technology Transfer and Innovation

FDI is elevating Bangladesh as a global RMG hub

FDI has helped to establish Bangladesh as a global player in the RMG sector, accounting for approximately 84.58% of total exports in 2023. The entry of multinational corporations and global investments in the garment industry, particularly from countries like South Korea, China, and Japan, has been instrumental in transforming Bangladesh into one of the world's largest textile and apparel exporters. Besides RMG, sectors like telecommunications have benefitted from FDI, with improving digital connectivity and helping to modernize Bangladesh's economy. However, Bangladesh has yet to achieve its full FDI potential.

Figure 11: Various Incentives Provided to Boost Foreign Investment

Tax Incentives

- Tax holidays for up to 10 years along with reduced tax rates based on the investment's geographical area,
- 100% tax exemption on certain projects and priority sectors (Projects under the Public Private Partnership (PPP) framework)
- Export-oriented businesses receive customs and import duty exemptions on capital machinery
- Power can benefit from tax exemptions for up to 15 years.
- Import duty waivers on raw materials for exports
- Refund of paid tariffs on imported raw materials

Other Incentives

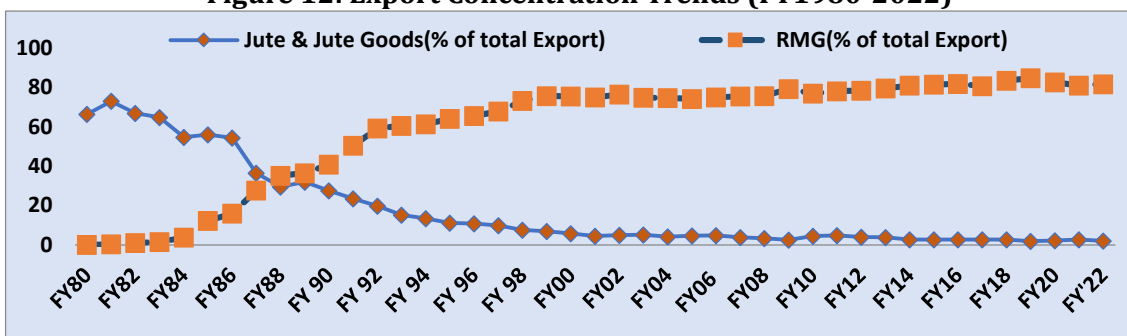
- Export credit guarantee schemes
- Preferential access to international markets
- Bonded warehousing facilities are accessible, while exporters can secure loans against Letters of Credit (LC)
- Cash incentives, export credit guarantee schemes, and preferential access to international markets, including the DFQF (Duty-Free Quota-Free) benefits with the EU and other countries,
- Exemptions on export-related income, royalties, technical fees, and interest on foreign loans

1.3 Economic Diversification, Boosting Productivity Forms Top Priorities

Bangladesh Needs to Urgently Diversify beyond RMG for Sustained Growth

Bangladesh's export-led growth, driven largely by the garment sector, is vulnerable and in urgent need of diversification to ensure sustained development. While the Ready-Made Garments (RMG) sector has been central to Bangladesh's success, accounting for about 84% of its exports, this heavy reliance leaves the economy exposed to external shocks. As the country prepares to graduate from LDC status in 2024 and lose preferential trade benefits, it faces a critical juncture. Although some diversification efforts have been made, they fall short of reducing this over-dependence. To truly diversify, Bangladesh must leverage its competitive strengths, invest in innovation, and strategically move into higher-value markets and industries.

Figure 12: Export Concentration Trends (FY1980-2022)



Source: PRI estimates based on EPB data

Bangladesh must enhance manufacturing productivity and embrace technology to stay competitive

Bangladesh urgently needs to boost productivity in manufacturing to maintain global competitiveness. Manufacturing exports have driven economic growth, with exports rising from USD 6 billion in 2001 to USD 52 billion, growing at an average of 10.3% annually. While the RMG sector plays a major role, contributing 43.1% to manufacturing value, other industries like textiles, food products, and leather also play a part. However, much of the sector remains low-tech and low-skilled, leading to lower labor productivity. With the rise of automation, robotics, and AI in the 4th Industrial Revolution, Bangladesh must embrace modern technology to stay competitive and achieve Vision 2041.

Figure 13: Economic Complexity of Bangladesh and Vietnam Over the Years

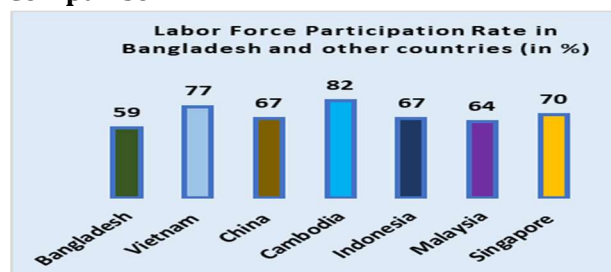


Source: Atlas of Economic Complexity

Demographic Dividend present an advantage, but job creation is essential

Bangladesh's growing youth population presents a key demographic advantage, but without adequate job creation, it could become a challenge. The private sector struggles to keep up with employment demand, worsened by the impact of COVID-19. To fully harness this demographic dividend, Bangladesh must focus on skill development, encourage entrepreneurship, attract private investment.

Figure 14: Labor Force Participation Rate Comparison

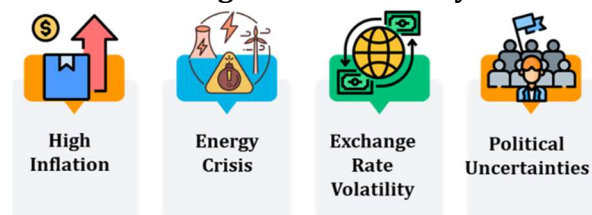


Source: LFS 2016, World Bank

1.4 Ongoing Macroeconomic Perils and Political Developments Make Focus on Business Environment Reforms Crucial

Bangladesh's macroeconomic landscape is significantly shaped by persistent global challenges, notably the aftershocks of the COVID-19 pandemic and the ongoing fallout from the Russia-Ukraine conflict. While the country's output is estimated to have grown by 5.2 percent in FY24; however, projections indicate a slowdown to 4 percent in FY25⁶. Rising inflation, diminishing foreign reserves, exchange rate pressures, and high import costs are pressing issues, further compounded by an energy crisis and banking irregularities. The political turmoil following the resignation of the former Prime Minister on August 8, 2024, in response to widespread protests, has led to significant disruptions in industrial and service sector activities, export shipments, and remittance inflows. According to the World Bank, economic growth may drop to as low as 3.2% if the situation does not improve. The four current frontier challenges facing Bangladesh's economy are high inflation, diminishing foreign reserves, an energy crisis, and political instability.

Figure 15: Frontier Challenges Facing Bangladesh's Economy



Bangladesh faces high inflation, driven by food prices and supply chain issues

a) Inflation in Bangladesh remains a significant concern, with the point-to-point rate peaking at 11.66% in July 2024, driven primarily by food inflation, which reached 14.1%. This surge is attributed to disruptions in global supply chains, increased import costs, and internal production challenges. Additionally, recent floods in the eastern and northern regions have exacerbated food supply issues, further inflating prices. Though inflation moderated slightly to 10.49% in August, it remains elevated due to persistent food price pressures, rising non-food costs, and the recent political instability caused by protests and leadership transitions.

⁶ South Asia Development Update October 2024
Women, Jobs, and Growth

Bangladesh's declining reserves reveal vulnerabilities amid rising imports

b) Bangladesh's foreign exchange reserves have steadily declined by 5.71% from \$21.79 billion in June to \$20.54 billion, driven by higher import payments and a persistent current account deficit. The Taka's depreciation has led Bangladesh Bank to intervene, further depleting reserves. However, the country's geopolitical pivot toward advanced economies has reduced the geoeconomic vulnerability of key foreign exchange sources, including exports, FDI, and portfolio investment.

BDT weakens against USD amid rising import costs and foreign reserve pressures

c) In 2024, the Bangladeshi Taka (BDT) continued to weaken against the USD, with the exchange rate rising from 117.5 in June to 120 in August and September. This depreciation is largely due to mounting pressure on foreign reserves, driven by higher import costs and a widening balance of payments deficit. The devaluation has been a deliberate strategy by Bangladesh Bank to manage the inflationary impact of a weaker currency while attempting to stabilize the exchange rate amid ongoing global economic uncertainties.

Social unrest and stabilization impact fluctuating remittance inflows

d) Remittance inflows have fluctuated throughout 2024, with a significant dip from \$2.54 billion in June to \$1.91 billion in July, before rising again to \$2.22 billion in August. This volatility can be attributed to social unrest and disruptions to the internet and banking services. However, inflows rebounded to \$2.22 billion in August, possibly driven by stabilization in overseas employment markets and policy incentives to attract more remittance flows.

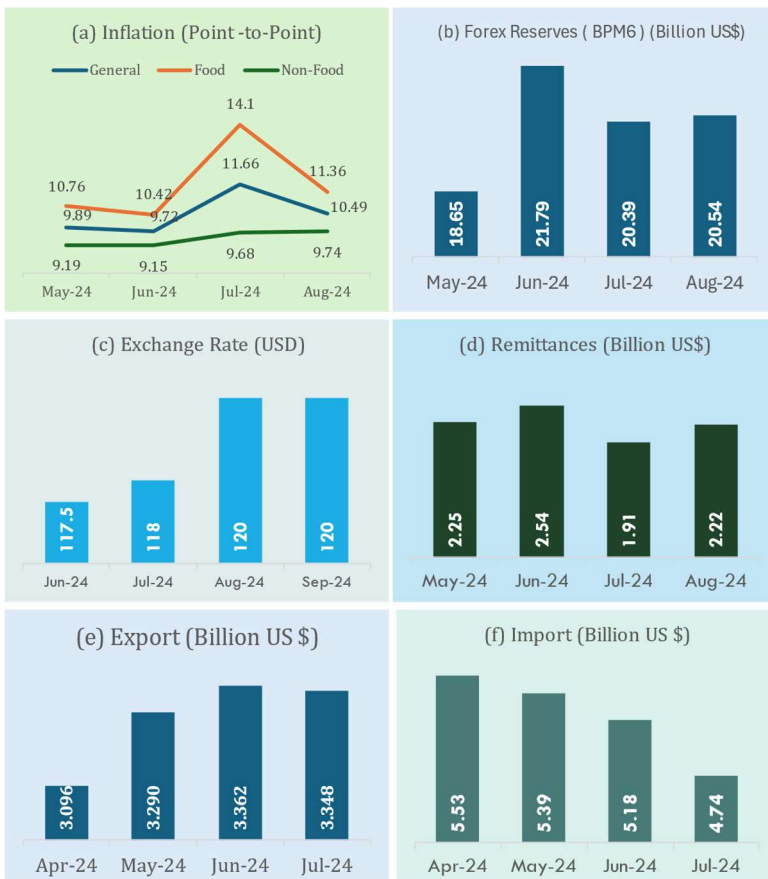
Bangladesh's exports waver as EU apparel demand falls amidst intermittent protests

e) Bangladesh's overall export situation is marked by fluctuations, with recent data showing shipments of \$3.096 billion in April, \$3.290 billion in May, \$3.362 billion in June, and \$3.348 billion in July. Amid this, apparel exports to the European Union have declined by 3.53% to \$12.91 billion, mirroring a broader 3.63% drop in EU apparel imports. This decline raises concerns about shifting global supply chain dynamics, as key competitors also report reduced exports, while some countries, like Cambodia and Pakistan, are experiencing growth.

Imports drop amid tight controls and rising costs

f) Imports have been declining in 2024, with payments dropping from \$5.18 billion in June to \$4.74 billion in July, a 16.35% year-on-year

Figure 16: Snapshot of Bangladesh's Macroeconomic Situation



Source: Bangladesh Bank

decrease from July 2023. This reflects tighter import controls due to falling foreign reserves and reduced demand amid rising inflation and political

tension. The weakening Taka has further raised import costs, leading to lower import volumes as the country manages its growing trade imbalance.

1.5 Objective of The Report

The primary objective of this study is to thoroughly assess the needs of private investment in Bangladesh and evaluate the current investment climate. The study aims to identify key constraints and challenges that hinder private investments and FDI, such as policy and regulatory barriers, infrastructure limitations, technology adoption, and cross-border trade compliance. Additionally, it seeks to highlight global best practices for boosting investments and analyze ongoing initiatives that promote investment in the country. Ultimately, this study will provide actionable recommendations and strategic action plans to facilitate private investment and enhance FDI inflows.

Figure 17: Broad Objectives of The Report



1.6 Approach & Methodology

This study adopts a comprehensive, multi-faceted approach to thoroughly investigate the key factors influencing private investment and FDI in Bangladesh. The methodology is designed to explore the intricate relationship between policy frameworks, investment climate, and

economic outcomes, leveraging both qualitative and quantitative techniques.

Figure 18: Key Approach



Methodology Applied in the Report

- 1. Desk Research:** A thorough review of secondary literature, reports, and public data on Bangladesh's investment trends and regulatory environment.
- 2. Key Informant Interviews (KIIs):** Interviews with government officials and relevant stakeholders offered insights into investment policies, regulatory challenges, and current private investment conditions.
- 3. Focus Group Discussions (FGDs):** FGDs with business leaders and industry practitioners highlighted practical challenges like trade compliance that investors face.
- 4. Global Best Practices:** Global strategies for promoting private investment and FDI were reviewed for adaptable solutions to Bangladesh.
- 5. Action Plan Development:** Actionable recommendations and strategies focusing on policy reforms and regulatory improvements.

Chapter 2: Unlocking Bangladesh's Growth Potential through Catalyzing Private Investment

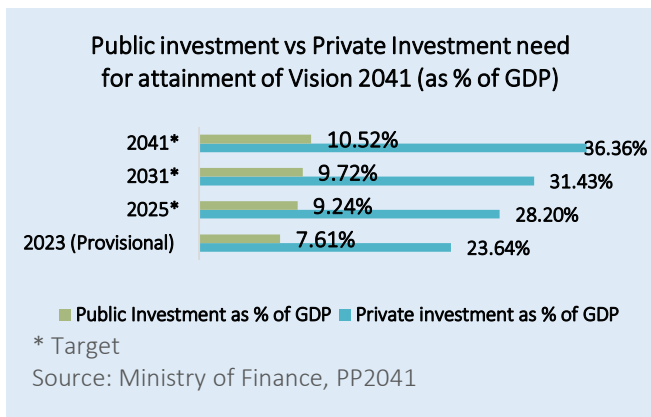
2.1 Private Investment Paving the Path to a High-Income Bangladesh

Private investment critical for vision 2041

Bangladesh's Vision 2041 sets a bold path toward becoming a prosperous, technologically advanced economy. Private investment has been crucial in the country's transformation from an agrarian economy to a modern, diversified growth engine, supported by trade liberalization and strategic financial policies. As Bangladesh advances toward its goals, private

investment remains a key driver of development. Collaboration between the public and private sectors, along with innovation-focused policies, will be vital for sustained economic growth, poverty reduction, and achieving the ambitions of Vision 2041.

Figure 19: The Perspective Plan Emphasizes on the Criticality of Private Sector for Attainment of Vision 2041



Aligning private and foreign investment with Vision 2041 aspirations

Vision 2041’s strategic focus on private sector engagement offers a clear path toward building a prosperous, advanced economy. The framework within PP2041 highlights the critical role of private and foreign investments in driving growth, innovation, and sustainable development, ensuring long-lasting economic progress for future generations.

Boosting Growth Across Vital Sectors: Private investment has been key to the growth of Bangladesh's pharmaceutical industry, and PP2041 aims to build on this by enhancing investment in the sector. The strategy focuses on improving quality control in drug manufacturing and distribution, ensuring that private sector contributions continue to thrive and align with Vision 2041’s goals.

education will concentrate on areas lacking private investment. It also seeks to close the gender gap and enhance STEM disciplines in tertiary education.

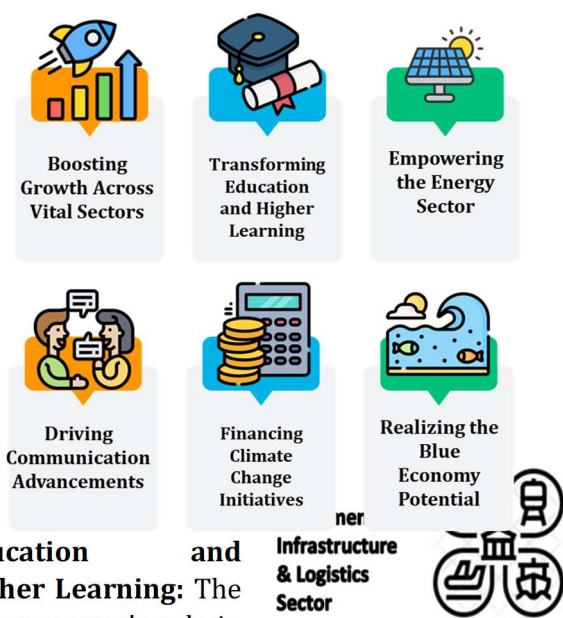
Empowering the Energy Sector: PP2041 aims to further involve private investors in power generation by promoting large-scale, fuel-efficient plants and encouraging renewable energy production. It also explores private electricity distribution, deregulation of oil and gas markets, and incentives for green technology adoption through a carbon tax.

Driving Communication Advancements: PP2041 emphasizes the role of private investment in modernizing Bangladesh’s telecommunications and media sectors. The strategy encourages expansion of communication networks and services while promoting a competitive environment for media and information services.

Financing Climate Change Initiatives: The strategy outlines private investment’s role in financing environmental sustainability initiatives like eco-tourism and fisheries, supported by clear regulatory frameworks. Public-private partnerships will co-finance environmental services, aligning with the green growth objectives of Vision 2041.

Realizing the Blue Economy Potential: Private investment will be crucial for developing Bangladesh's blue economy, with FDI encouraged to bring in new technology and financing. PP2041 also ensures that small-scale fishers gain access to marine resources, contributing to the socio-economic development of coastal communities.

Figure 20: Private Investment Powering Bangladesh's Vision 2041



Education and Higher Learning: The private sector's role in education, especially in higher education, is set to expand under Vision 2041. The strategy emphasizes private sector-led innovation in higher learning, while public

Current	Required
2-3% of GDP	6-7% of GDP

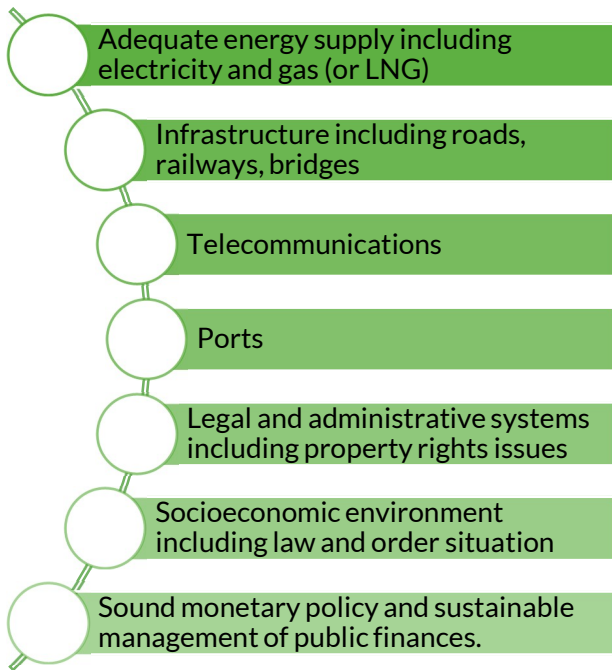
Private investment drives Bangladesh's innovation and growth for Vision 2041

Private investment is a key driver of innovation, pushing Bangladesh towards tech-driven growth, entrepreneurship, and global competitiveness as outlined in Vision 2041. It fosters research and development, accelerates the adoption of new technologies, and nurtures a startup ecosystem that attracts talent and fuels emerging industries. This innovation enhances the global competitiveness of Bangladesh's industries, positioning the country as a technology hub.

Private investment, including FDI, is key to driving modern infrastructure development in Bangladesh, fostering innovation and sustainable growth. Vision 2041 envisions advanced infrastructure to boost economic activity and improve citizens' quality of life. Private sector involvement accelerates progress in critical areas like energy, transport, telecom, and urban housing. Public-private partnerships (PPPs) harness private sector expertise and efficiency, ensuring long-term success in achieving and

sustaining infrastructure goals outlined in Vision 2041.

Figure 21: Key Areas of Supporting Infrastructure and Appropriate Political and Structural Reforms



that will Drive Private Investment in the Future

Source: Vision 2041

Enhancing private investment is key to realizing Vision 2041

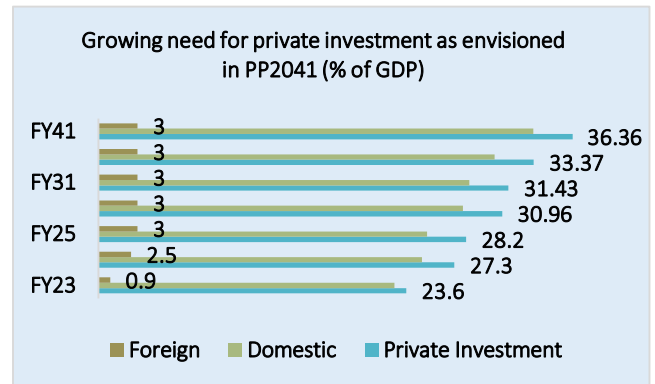
The success of HIC depends on cultivating private investment through strategic policy reforms and fostering collaboration for shared prosperity. Achieving PP41's transformative goals requires Bangladesh to create a business-friendly environment that encourages sustained private investment. This involves implementing policies that simplify business processes, ensure regulatory transparency, incentivize innovation, and improve access to finance. Active government collaboration with the private sector will be crucial in building this supportive framework. By

FDI drives job creation and innovation for Bangladesh's Vision 2041

FDI contributes to human capital development by creating jobs and fostering skill-building. Also vital for future growth as it enhances value creation in Global Value Chains (GVCs) and fosters innovation across industries. The international scope of FDI introduces varied business practices, management techniques, and cultural perspectives, all of which can fuel sustainable economic growth. Vision 2041's goals of improving living standards, ensuring inclusive development, and establishing modern infrastructure are closely linked to the role of FDI. Embracing FDI as a key partner in this transformative process allows Bangladesh to leverage global resources and expertise to achieve its ambitious vision, ensuring a prosperous, competitive future on the world stage.

placing private investment, including FDI, at the heart of HIC, Bangladesh can secure a future marked by growth, prosperity, and global influence.

Figure 22: Growing Need for Private Investment and FDI as Envisioned in PP2041



FDI fuels Bangladesh's tech-driven transformation for Vision 2041

FDI is central to achieving Vision 2041, acting as a key driver in Bangladesh's transformation into a technological and economic leader. As the country aims to become a global center for innovation, FDI brings not only significant financial investments but also expertise, technology, and access to international markets. Bangladesh's impressive growth and strategic location make it an appealing FDI destination, with the potential to strengthen essential sectors. By promoting knowledge transfer and the spread of new technologies, FDI aligns perfectly with Vision 2041's focus on innovation-led growth.

Figure 23: Why FDI Critical for Bangladesh's Future Aspirations



Chapter 3: Current Landscape and Comparative Position in Bangladesh's Investment Climate

3.1 The Investment Landscape: Current State of Private Investment and FDI in Bangladesh

FDI fuels Bangladesh's growth, especially in the RMG sector

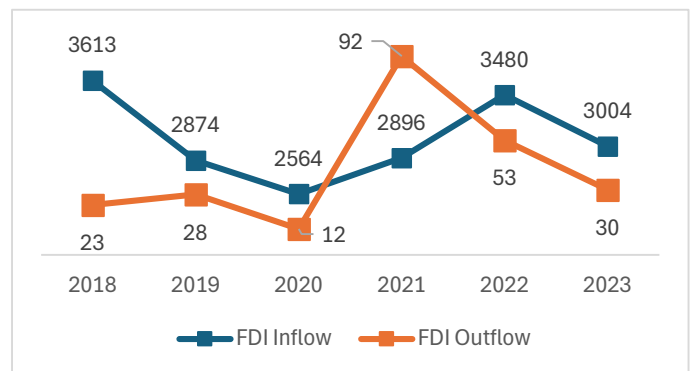
Bangladesh's investment climate has demonstrated resilience, particularly in private investment and foreign direct investment (FDI). FDI has significantly contributed to Bangladesh's growth and development, especially through impactful joint ventures. It has been essential in advancing the Ready-Made Garments (RMG) sector, establishing the country as a global leader in this industry. The strategic deployment of FDI has spurred considerable growth and cultivated transformative partnerships throughout Bangladesh.

FDI inflows to Bangladesh peaked at \$3.4 billion in 2022 but declined to \$3.0 billion in 2023, reflecting changing investor dynamics.

Bangladesh's policies and location helped attract FDI in Some Important Sectors

Bangladesh's favorable investment policies and geographic benefits make it an appealing destination for Foreign Direct Investment (FDI), leading to significant inflows. The country's strategic initiatives to cultivate an investor-friendly atmosphere, combined with its advantageous location and dynamic young workforce, have established it as an attractive hub for foreign investments. The notable increase in FDI, hitting a record \$3.4 billion in 2022, reflects global confidence in Bangladesh's potential⁷. This influx of investment has bolstered the economy, generated employment, and improved infrastructure, laying a strong groundwork for the nation's development objectives.

Figure 24: Bangladesh FDI Flows (In Million USD)



Source: Bangladesh Bank

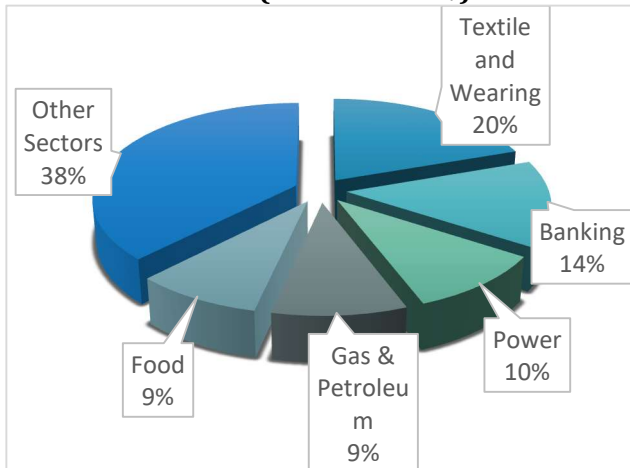
Bangladesh's FDI trends have shown variability in recent years. Inflows dropped to \$2.9 billion in 2019 and further decreased to \$2.6 billion in 2020, likely influenced by global economic uncertainties and the COVID-19 pandemic. However, inflows rebounded to \$2.9 billion in 2021 and surged to \$3.48 billion in 2022, before declining once more to \$3.0 billion in 2023.

Manufacturing paves in FDI, enhancing capacity and infrastructure

The manufacturing sector was the primary recipient of FDI inflows in Bangladesh, drawing in \$1.256 billion, or 41.8% of the total. Notably, textiles and apparel led this segment with investments of \$591.47 million. The power, gas, and petroleum sectors also attracted significant capital, amassing \$581.27 million, which underscores strong investor interest in the country's energy infrastructure. Additionally, the trade, commerce, and banking sectors were prominent, with banking alone receiving \$434.13 million. These investments have enhanced industrial capacity and driven infrastructure development, both critical components for sustainable economic growth.

⁷ Foreign Direct Investment and External Debt

Figure 25: Net FDI Inflows by Major Sectors 2023 (In million US\$)

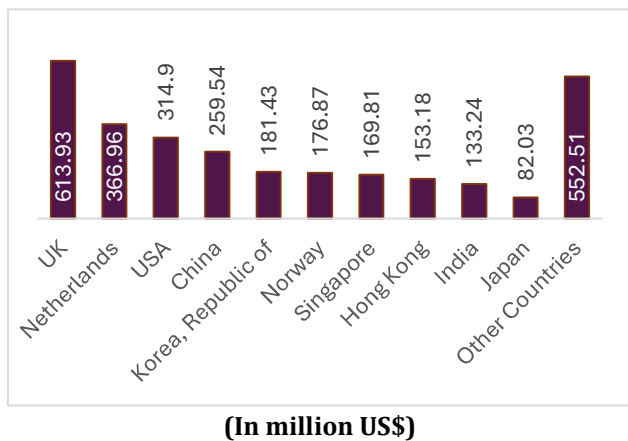


Source: Bangladesh Bank.

FDI Flows from a host of diverse countries

Bangladesh attracted significant FDI inflows, with the United Kingdom leading the way, contributing \$613.93 million or 20.4% of the total. Other major contributors included the Netherlands (\$366.96 million), the United States (\$314.9 million), and China (\$259.54 million), collectively accounting for 63.6% of the total net FDI inflows. These figures highlight Bangladesh's growing appeal to investors from diverse global markets, reflecting their confidence in the country's economic potential.

Figure 26: Net FDI Inflows by Major Countries 2023



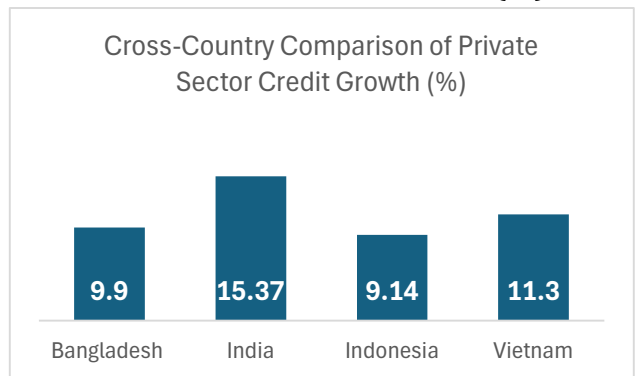
Source: Bangladesh Bank

Weak credit growth signals the need for a stronger investment climate

Bangladesh's private sector credit growth stands at 9.9%, which is lower than that of its regional peers. India leads with a robust growth rate of 15.37%, followed by Vietnam at 11.3%, and Indonesia at 9.14%. This disparity underscores the need for Bangladesh to enhance its investment climate and attract more credit to stimulate economic growth, especially as it navigates

challenges such as inflation and external pressures on its economy.

Figure 27: Cross-Country Comparison of Private Sector Credit Growth (%)

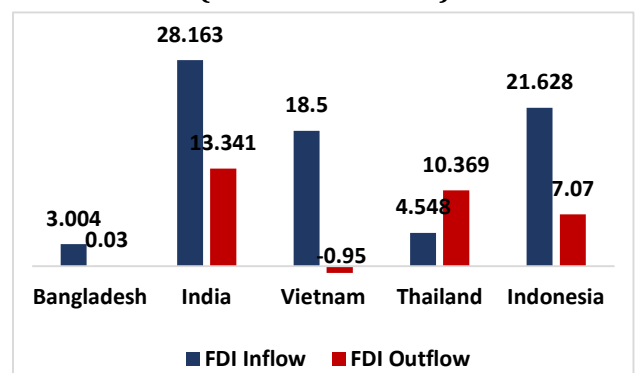


Source: Bangladesh Bank

FDI growth lags behind regional peers

Bangladesh has made significant progress in attracting FDI, but its achievements remain relatively modest compared to regional counterparts like India and Vietnam, which received \$28.16 billion and \$18.5 billion, respectively. In FY 2022-23, Bangladesh attracted \$3.25 billion in FDI, reflecting a 5.52% decline from the previous fiscal year. This figure places Bangladesh behind countries such as Thailand (\$4.55 billion) and Indonesia (\$21.63 billion), highlighting the need for more effective policies and infrastructure enhancements to draw in foreign capital⁸. Although Bangladesh is a net recipient of FDI, with minimal outflows of \$0.03 billion.

Figure 28: FDI Flows with Comparator 2023 (In Billion Dollars)



Source: World Investment Report 2024

⁸ World Investment Report 2024

3.2 Competitive Advantage to Garner FDI: A Quick Analysis

Proactive policies are vital for attracting foreign direct investment amid economic challenges

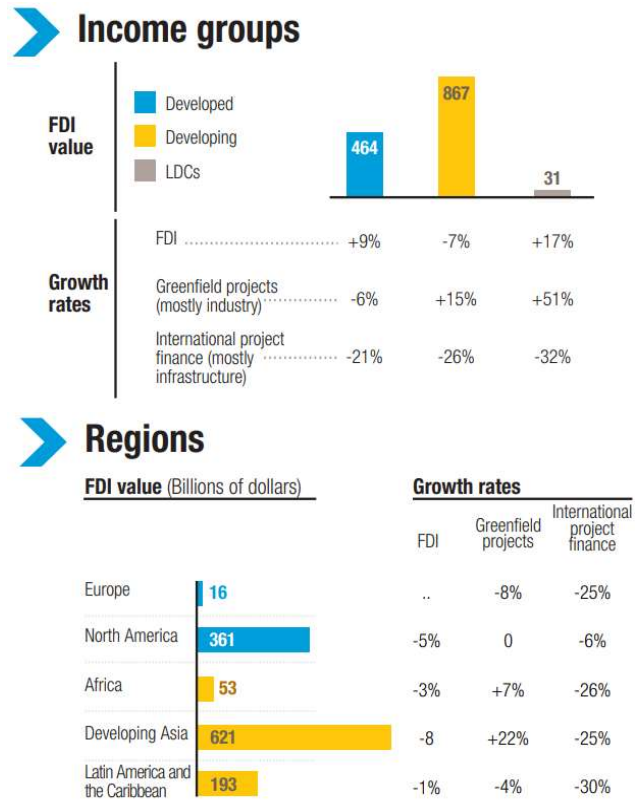
In today's ever-changing global economy, attracting foreign direct investment (FDI) goes beyond mere growth; it is a strategic initiative aimed at fostering innovation and resilience through well-designed policies. In 2022, in response to economic uncertainties, there was a significant uptick in investment-friendly measures, demonstrating a renewed dedication to establishing a favorable environment for FDI. A noteworthy increase occurred as 66 countries introduced 146 policy initiatives impacting foreign investment, representing a 35% rise from the previous year. This indicates a proactive approach to emerging economic challenges. Both developed and developing countries contributed to this effort, implementing 102 policies aimed at attracting investment, underscoring the pressing need for economic revitalization.

66 countries enacted 146 policy measures designed to impact foreign investment, and these measures marked a 35% surge from the previous year.

Bangladesh struggles to attract FDI amid regional competition, despite strong manufacturing gains

Despite these global trends, Bangladesh's foreign direct investment (FDI) inflows remain relatively low compared to its regional counterparts. Although the manufacturing sector, particularly textiles and apparel, attracted \$1.256 billion (41.8% of total FDI), the country still falls short of nations like India and Vietnam, which received \$28.16 billion and \$18.5 billion in FDI, respectively⁹. The energy sector, encompassing power, gas, and petroleum, garnered \$581.27 million, indicating significant interest in infrastructure development. Nonetheless, obstacles such as regulatory complexities, infrastructural challenges, and economic instability continue to limit Bangladesh's competitiveness in attracting foreign investment, especially in areas like trade, commerce, and banking.

Figure 29: Investment Project Activity in Developing Countries Continue to Grow, as they Account for 64% of Global FDI



Source: World Investment Report 2024

Bangladesh is a top FDI recipient among LDCs, enhancing its role in global investment

Bangladesh's status as one of the leading recipients of FDI among Least Developed Countries (LDCs) in 2023 highlights its strategic significance in global investment trends. The country, along with nations like Cambodia and Ethiopia, contributed to approximately 50% of the total FDI directed toward LDCs, reinforcing its position as a vital hub for investment focused on productive capacity and infrastructure growth. This surge in FDI, particularly in sectors such as ready-made garments (RMG), telecommunications, and energy, has had a transformative impact, spurred industrial expansion and increased Bangladesh's involvement in global value chains (GVCs). With ongoing FDI inflows into these key sectors, Bangladesh is well-positioned to advance its economic development and deepen its integration into the global economy.

⁹ World Investment Report 2024

Advantageous geopolitical location, imp business environment, and infrastructure enhancements make it an attractive investment destination.

Bangladesh is expected to be the ninth-largest consumer market worldwide by 2030, driven by economic growth, demographic shifts, and a growing middle and affluent class (MAC). Key drivers include consumer optimism, innovation, a youthful workforce, and economic resilience. The MAC population is projected to rise from 12 million in 2015 to 34 million by 2025.

Figure 30: Consumer Market country Comparison

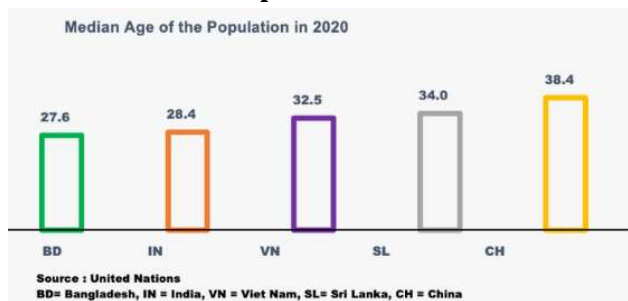


Source: BCG analysis

Bangladesh's young population offers a strong foundation for economic growth

Bangladesh's youthful population of 170 million, with a median age of 27.6, is a significant asset for sustained economic growth, especially compared to countries like China, Sri Lanka, Vietnam, and India. With 68.4% of its citizens in the working age group, the country has ample opportunities for efficiency-driven and market-seeking investments. However, to fully capitalize on this demographic dividend, investments in education and skills development are essential.

Figure 31: Median age Population Country Comparison 2020



Source: United Nation

Bangladesh offers a competitive edge with low labor costs

Bangladesh's GDP per hour worked stood at \$7, the lowest among its regional peers in 2023

including India (\$8), Vietnam (\$10) Thailand (\$15), and Indonesia (\$14). While this figure highlights a current gap in productivity compared to these countries, it underscores Bangladesh's competitive advantage in offering cost-effective labor. The nation's ability to provide skilled labor at lower wage rates positions it as an attractive destination for businesses seeking to optimize operational costs. This affordability, combined with the country's growing workforce and potential for skill development, creates significant opportunities for investment and economic growth. By focusing on enhancing productivity through targeted training and education initiatives, Bangladesh can leverage its labor cost advantage to boost its competitiveness in the global market.

Figure 32: GDP Per Hour Worked (GDP constant 2017 international \$ at PPP) in 2023)



Source: International Labour Organization

Strategic location and infrastructure projects boost the country's appeal as a key investment destination in South Asia

Bangladesh's advantageous geopolitical position, along with enhancements to its business climate and infrastructure, makes it an attractive investment hub. The government is initiating several major infrastructure initiatives, including the Rooppur Nuclear Power Plant, the Rampal Coal Power Project, and the Dhaka Metro Rail, while also planning the establishment of 100 economic zones over the next 15 years. The World Bank estimates that additional trade within South Asia could generate \$11 billion, highlighting Bangladesh's vital role in the region.

Figure 33: Mega Projects in Bangladesh

Padma Bridge - US\$ 3.9 Billion

- VITAL TRANSPORTATION LINK, CONNECTING 21 SOUTHWESTERN DISTRICTS TO THE CAPITAL CITY OF DHAKA AND IMPROVING ACCESS TO AND FROM THE SOUTHWEST, ESPECIALLY DURING THE RAINY SEASON WHEN RIVER VESSELS FACE DIFFICULTIES NAVIGATING THE PADMA RIVER.

Dhaka MRT Line-6 - US\$ 2.8 Billion

- ENHANCE CONNECTIVITY, REDUCE TRAVEL TIME, AND ACCOMMODATE A LARGE NUMBER OF PASSENGERS, WITH THE CAPACITY TO TRANSPORT APPROXIMATELY 60,000 PEOPLE PER HOUR AND SERVE AROUND 0.7 MILLION PASSENGERS EACH DAY.

Karnaphuli Tunnel - US\$ 1.2 Billion

- VITAL TRANSPORTATION LINK - ALLEVIATE TRAFFIC CONGESTION IN THE CHATTOGRAM REGION
- SIGNIFICANTLY IMPROVE THE DHAKA-CHITTAGONG-COX'S BAZAR HIGHWAY NETWORK, PROVIDING A BYPASS ROUTE FOR CHATTOGRAM TRAFFIC AND REDUCING TRAVEL TIMES FOR COMMUTERS AND CARGO TRANSPORT.

Payra Thermal Power plant - US\$ 2.48 Billion

- ADDRESS THE GROWING ENERGY DEMAND IN THE COUNTRY AND CONTRIBUTE TO ITS POWER GENERATION CAPACITY - ENSURE A RELIABLE AND STABLE POWER SUPPLY, SUPPORTING INDUSTRIAL GROWTH, AND MEETING THE ELECTRICITY NEEDS OF THE COUNTRY.

Chapter 4: Barriers to Private Investment and FDI: Key Issues

4.1 State of the Overall Business Climate: Where does Bangladesh Stand?

The business climate faces persistent challenges despite growth potential

Bangladesh's business climate currently reflects a complex mixture of growth potential and structural challenges. The Bangladesh Business Climate Index (BBX) score of 58.75 for 2023-24 marks a deterioration and paints a picture of a challenging business landscape in the country, with no significant reform measures implemented in the past year. Highlights a challenging environment for businesses, marked by several persistent issues. Pressure from tax authorities, inefficient revenue collection systems, rising inflation, and the impact of global economic uncertainties like the Russia-Ukraine conflict have all contributed to a tough operating landscape. Despite improvements in access to land, trade facilitation, and technology adoption, access to finance remains a major hurdle.

Figure 34: Bangladesh Business Climate Index Score

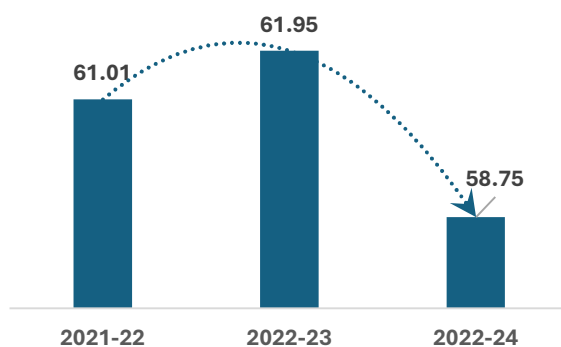


Table 2: Bangladesh Business Climate Index – Performance by Pillar

Pillars	BBX Scores in 2021-22	BBX Scores in 2022-23	BBX Scores in 2023-24	% Change in Scores between 2022-23 & 2023-24	Improvement/Deterioration Compared to BBX 2022-23
Starting a Business	68.91	70.78	62.74	-11.35%	Deterioration
Access to Land	58.90	53.07	53.11	0.07%	Improvement
Availability of Regulatory Information	59.83	72.85	68.04	-6.60%	Deterioration
Infrastructure	72.02	74.49	71.08	-4.58%	Deterioration
Labour Regulation	66.25	74.40	70.04	-5.86%	Deterioration
Dispute Resolution	57.48	64.24	62.38	-2.89%	Deterioration
Trade Facilitation	49.43	58.61	60.87	3.86%	Improvement
Paying Taxes	68.72	55.21	54.74	-0.86%	Deterioration
Technology Adoption	57.70	60.60	63.50	4.79%	Improvement
Access to Finance	50.78	35.22	28.11	-20.18%	Deterioration
Environmental Regulation and Standards			51.59		

Source: MCCI & Policy Exchange Bangladesh

Bangladesh faces significant challenges in innovation, hampered by weaknesses in human capital and institutional support

The Global Innovation Index (GII) 2024 reflects a challenging business environment in Bangladesh, which has slipped to 106th position among 133 economies. Despite strengths in infrastructure (ranking 86th), creative outputs (88th), and market sophistication (92nd), the country struggles in human capital and research (128th), business sophistication (126th), and institutions (108th). These weaknesses indicate a lack of skilled workforce, insufficient business support, and institutional barriers. Although Bangladesh produces

more innovation outputs relative to its investments, it still lags the lower-middle-income group average in key areas.

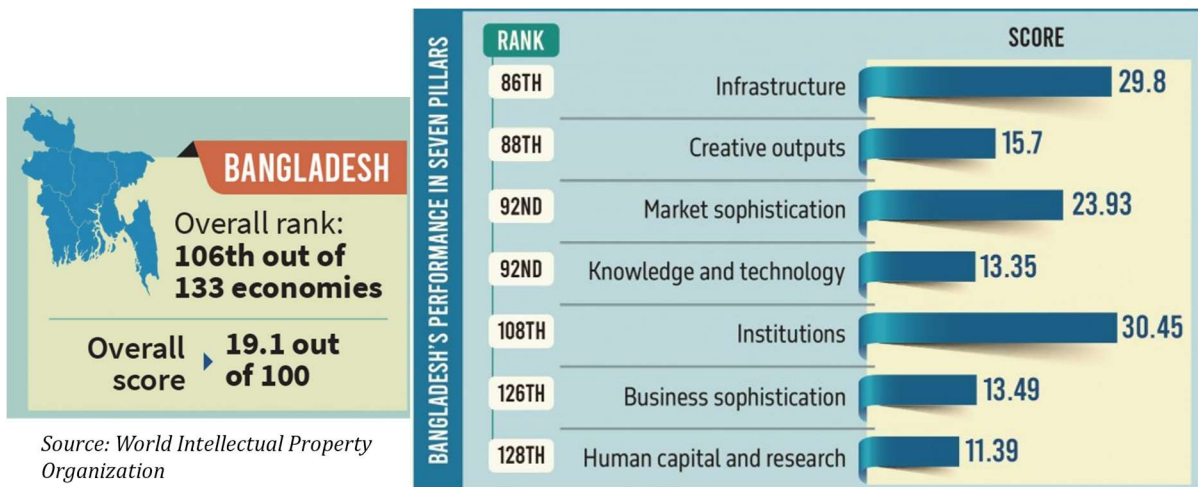
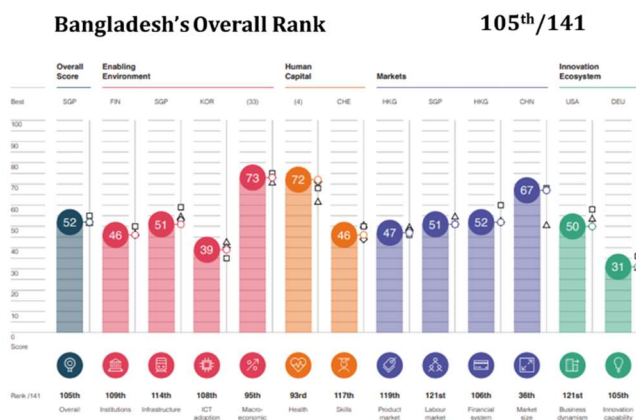


Figure 35: Global Innovation Index 2024

Bangladesh's competitiveness has slipped to 105th globally, reflecting declines across key economic pillars

The Global Competitiveness Index (GCI) report indicates a slight decline in Bangladesh's business environment, with the country now ranked 105th among 141 countries, down from 103rd the previous year. Although the overall score remained at 52.1, declines in 10 of



the 12 pillars of competitiveness, such as macroeconomic stability, labor market, ICT adoption, and infrastructure, have negatively impacted the business climate.

Figure 36: Global Competitiveness Index 2019

Source: World Economic Forum

Impending LDC graduation offers several Challenges

As Bangladesh transitions to Developing Country status in 2026, it faces key challenges that will impact its investment landscape and FDI. The loss of duty-free market access for 80% of its exports may hurt competitiveness, while the removal of export subsidies could reduce exports by up to 14%,

affecting GDP and deterring investors. Additionally, the end of concessional interest rates will raise borrowing costs, complicating development projects and prompting a reevaluation of economic strategies.

Figure 37: LDC Graduation and Forthcoming Challenges



Loss of Preferential Market Access: A major challenge following graduation is the loss of duty-free market access. Currently, around 80% of Bangladesh's exports benefit from tariff-free entry into global markets, a privilege that will end after the transition. This change could negatively impact the competitiveness of Bangladeshi products, increasing export costs and potentially disrupting established trade patterns.

Export Subsidies and Incentives: The withdrawal of export subsidies and incentives is another key issue. These benefits have been crucial in enhancing the competitiveness of Bangladeshi goods. Post-graduation, these incentives will be phased out, potentially causing a decline in exports of up to 14%, according to the World Trade Organization (WTO). The ripple effects of this decline could include reduced investment, lower employment rates, and a slowdown in GDP growth, making Bangladesh less attractive to investors.

Changes in Financing Conditions: The loss of concessional interest rates on development financing poses an additional challenge. Bangladesh has long benefited from low-interest loans for development projects, but post-graduation, it will face higher interest rates. This change will increase borrowing costs for development projects, affecting investment decisions and forcing the country to reevaluate its economic strategies.

4.2 Investment Challenges in Bangladesh: Where does Shoe Pinches

Bangladesh encounters several obstacles that reduce its appeal for domestic and foreign investors. Key challenges include trade facilitation bottlenecks, inefficient regulations, infrastructure gaps, protectionist trade policies, limited access to finance, and political and economic instability. These issues create a complex and challenging investment environment, especially for non-RMG sectors, SMEs, and foreign direct investors (FDIs).

Figure 38: Investment Challenges in Bangladesh

Inefficient Trade Facilitation	Regulatory Predictability
Regulatory Complexities	Infrastructure Inadequacy
Burdensome Taxation Policies	Productivity Gap
Limited Access to Diversified and Long-term Financial Products	

4.2.1 Inefficient Trade Facilitation

Corruption and inefficiencies cripple trade facilitation in Bangladesh

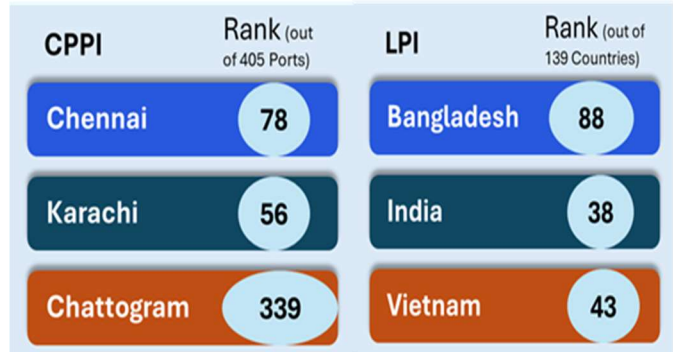
Bangladesh's trade facilitation faces major inefficiencies, particularly at Chattogram Port, ranked 337th out of 405 in the World Bank's Container Port Performance Index. Export clearance averages 3 days, while imports take 11 days, with border compliance for exports taking 36 hours and imports twice as long. Corruption further complicates the process, with over 90% of firms reporting informal payments for customs clearance.

Figure 39: Container Port Performance & Logistics Performance Index 2023

Source: World Bank

Lack of an efficient NSW system and port delays raise costs and hurt competitiveness

The absence of a fully operational National Single Window (NSW) system adds to delays



and costs, as transactions are not streamlined electronically. Hard infrastructure issues, such as inefficient port mechanization, exacerbate logistics challenges. For instance, ship turnaround time at Chattogram Port is 3.23 days, compared to 0.86 days at Colombo Port¹⁰. These delays increase business costs and hinder competitiveness.

High tariffs and limited facilities raise production costs

Bangladesh's protectionist trade regime, with high tariffs and para-tariffs on raw materials and intermediate goods, raises production costs. Non-RMG sectors, lacking pre-shipment facilities like back-to-back letters of credit, face higher transactional costs. To attract more FDI, a shift in trade policies and improvements in trade infrastructure are essential.

4.2.2 Regulatory Complexities & Predictability

Bangladesh's opaque and inconsistent regulatory environment hinders investment

A transparent, fair, and predictable regulatory framework is crucial for attracting investment and fostering sustainable development. According to the World Bank's Global Investment Competitiveness Survey, 82% of investors consider transparency and the predictability of public institutions as key factors when deciding on an investment location¹¹. However, Bangladesh's regulatory environment is often described as opaque and inconsistent. The World Bank identified the country's regulatory governance as non-transparent and subject to discretion.

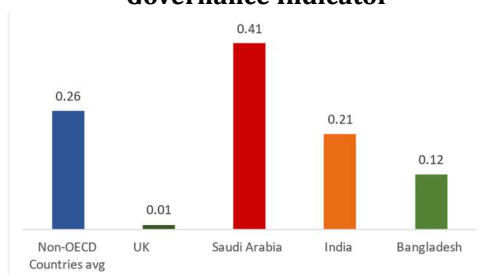
Protectionist trade policies and investment barriers

¹⁰ Container Port Performance Index 2023, World Bank

¹¹ Global Investment Competitiveness 2018, World Bank

Bangladesh's protectionist trade policies, including high tariffs and para-tariffs, present significant barriers for potential investors. While these policies protect domestic industries, they also raise the cost of imported raw materials and intermediate goods, making it difficult for non-RMG sectors to integrate into global value chains (GVCs). The OECD FDI Regulatory Restrictiveness Index score of 0.12 further highlights the regulatory hurdles to foreign investment¹². Moreover, Bangladesh's regulatory quality score of (-0.9), as compared to India (-0.1) and Vietnam (-0.4), reflects its weaker regulatory effectiveness¹³.

Figure 40: OECD FDI Regulatory Restrictiveness Index 2021 (open=0; closed=1) and Worldwide Governance Indicator



Worldwide Governance Indicators 2022 (-2.5 to +2.5)			
Regulatory Quality	Bangladesh	India	Vietnam
	-0.9	-0.1	-0.4

Economic Freedom and Stability

Regulatory systems and economic stability are crucial in shaping investment decisions. In the 2023 Index of Economic Freedom, Bangladesh scored 54.4, placing it 123rd out of 176 countries, classifying the economy as "mostly unfree." This is below both the global and regional averages, underscoring the challenges faced in fostering a business-friendly environment.

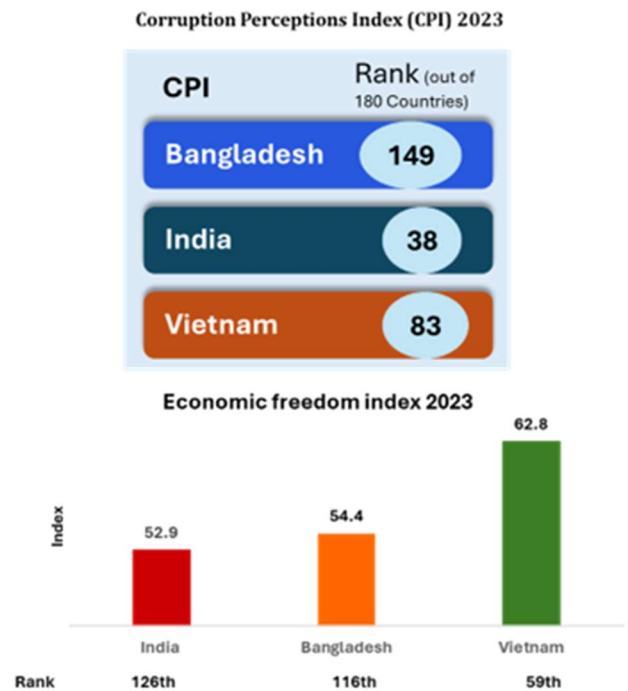
Corruption weakens investor confidence

The 2024 Corruption Perceptions Index ranked Bangladesh 149th out of 180 countries, further highlighting widespread public sector corruption. In comparison, India and Vietnam performed better, ranked 93rd and 83rd, respectively. Such factors add to the complexity of Bangladesh's investment climate, further dampening investor confidence. Corruption is particularly prevalent in customs processes, with 75% of firms required to pay bribes to obtain import licenses.

Limited transparency hampers Bangladesh's investment environment

Efforts to improve transparency, such as the Right to Information Act (2009), have been hampered by low response rates and limited public awareness. Similarly, the Open Government Data Strategy 2016, which aimed to increase public data access, has not been widely implemented due to a lack of awareness. These regulatory weaknesses contribute to an unpredictable business environment, discouraging both local and foreign investments.

Figure 41: CPI & Economic Freedom Index 2023



4.2.3 Infrastructure Inadequacy

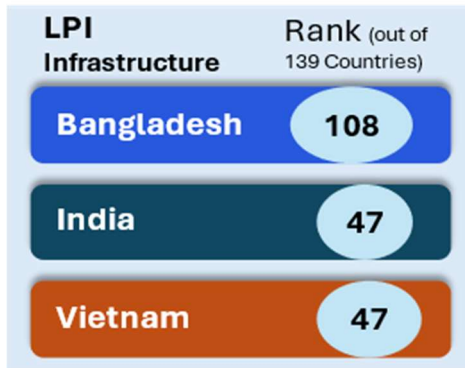
Bangladesh's investment is constrained by inadequate infrastructure despite some progress in logistics

Investment in Bangladesh is significantly hindered by inadequate infrastructure, both physical and digital. While the country has made some progress, moving from 100th to 88th in the World Bank's 2023 Logistics Performance Index (LPI), it still faces severe deficiencies. In the LPI's Infrastructure subindex, Bangladesh ranked 108th out of 139 countries, falling far behind regional competitors like India and Vietnam, both of which ranked 47th.

¹² OECD FDI Regulatory Restrictiveness Index 2021

¹³ World Bank Database

Figure 42: LPI Infrastructure Subindices 2023



Power Sector: Excess capacity and inefficient management

Bangladesh's power sector, despite significant investment, suffers from inefficiencies and overcapacity. In 2010, the government introduced 32 quick rental power plants to tackle load shedding, but over time, these plants have become a financial burden. The government continues to pay capacity charges and other operational costs to Independent Power Producers (IPPs) and rental plants, amounting to over BDT 1,59,063 crore from 2007 to 2020. Despite the "No Electricity, No Payment" law, around BDT 9 billion is paid annually, even when electricity isn't utilized. This overcapacity and inefficient management divert critical resources that could be used in more essential sectors like healthcare and education. The high costs associated with capacity charges point to a misallocation of public funds, which exacerbates economic constraints.

Bangladesh's land tenure, titling, and administration challenges

Bangladesh's land management system, characterized by unclear land titles and cumbersome administrative processes, is a major obstacle for infrastructure projects and potential investors. Complex regulations, frequent legal disputes over land ownership, and a lack of clear titles make land acquisition time-consuming and expensive. Corruption and inefficiencies further delay development projects. To improve the land administration system, the government has begun digitalizing land records, but significant challenges remain.

Connectivity: Weak trade infrastructure and global integration challenges

Bangladesh's inadequate trade and logistics infrastructure is a significant barrier to global economic integration. The World Bank's "Trade Across Borders" report ranked Bangladesh 176th out of 190 countries, revealing the slow and costly

nature of cross-border transactions. The country's underperforming customs and transport systems, along with bureaucratic hurdles, limit its ability to compete on a global scale. In contrast, regional competitors like Vietnam and China have implemented more efficient trade processes, which have helped them secure a competitive edge in global value chains.

Digital Infrastructure: Lagging in urban technological capabilities

Bangladesh's digital infrastructure, especially in its urban centers, remains underdeveloped, limiting the ability of municipalities to provide essential services and respond to crises effectively. An ICT baseline survey revealed that nearly one-third of municipalities lack the necessary digital skills to operate modern platforms, and remote access to government systems is challenging for both employees and citizens. This technological gap undermines municipal governments' ability to coordinate emergency responses, deliver public services efficiently, and manage revenue collection systems. To address these challenges, there is an urgent need for investment in IT infrastructure, capacity-building programs, and digital platforms to enhance urban resilience, improve service delivery, and boost overall economic recovery efforts in the post-pandemic era.

4.2.4 Productivity and Availability of Skills

Challenges of poverty, informal employment, and gender disparity

Despite impressive economic growth, Bangladesh faces deep-rooted issues related to poverty and job creation. The Vision 2041 plan and various World Bank reports point to a deceleration in job creation, even before the COVID-19 pandemic. Currently, 40 million people live below the poverty line, and an additional 80 million are at risk of falling into poverty. Approximately 90% of employment remains informal, resulting in unpaid labor, underemployment, and poor working conditions.

Stagnant jobs risk Bangladesh's demographic dividend

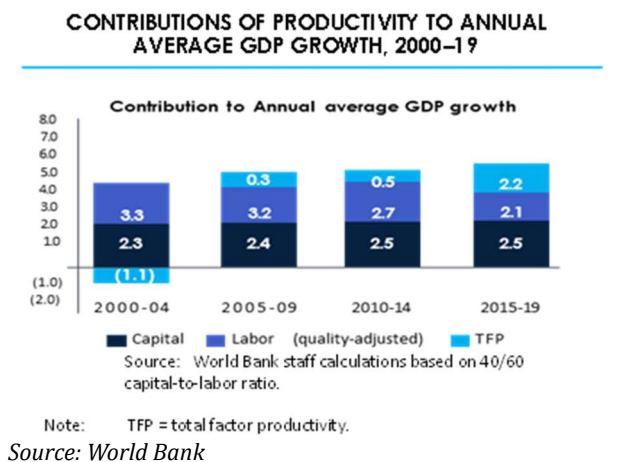
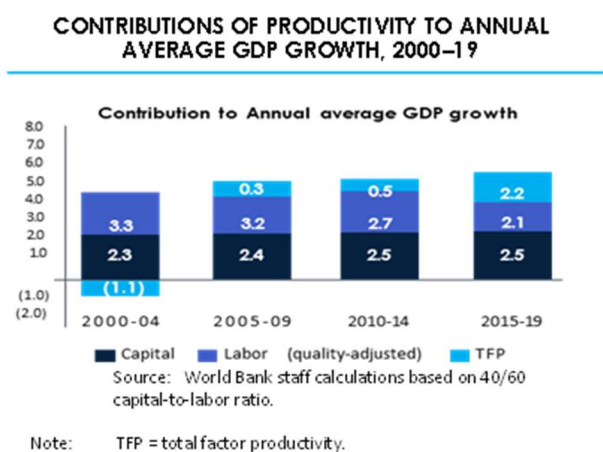
The crucial readymade garments (RMG) sector has seen a slowdown in job creation since 2013, further affecting employment prospects. Women and youth are particularly vulnerable; female labor force participation is stagnating at 35%, and nearly 30% of youth are neither

employed nor engaged in education or training programs. Addressing these challenges is critical to ensuring that the demographic dividend is not wasted.

Underinvestment in Human Capital: Education and Healthcare

A significant obstacle to improving productivity is Bangladesh's underinvestment in human capital. Although school enrollment rates are rising, the quality of education remains subpar, and access to healthcare is insufficient. Around 80 million people lack adequate healthcare coverage, and the total public expenditure on education and healthcare is just 2.5% of GDP, far below the 10% seen in upper-middle-income countries. The Vision 2041 plan and World Bank reports stress the urgency of addressing these gaps through better investment in education, healthcare, and skill development to ensure that Bangladesh can transition to a more knowledge-based economy.

Figure 43: Contributions of Productivity and Expenditure Components to Growth

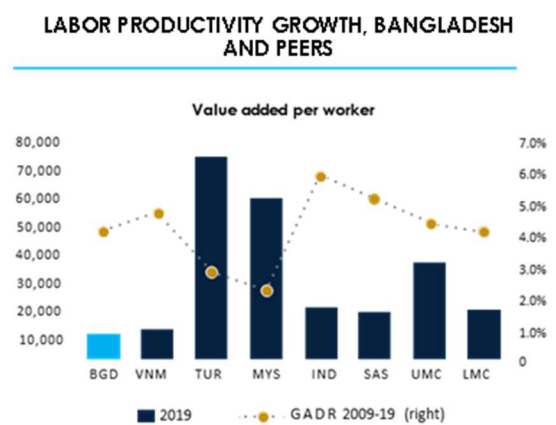


Agriculture and Manufacturing: Low productivity levels

Bangladesh's economic productivity lags behind that of its peers, with the country's value-added per worker standing at just 80% of Vietnam's, half of India's, and a mere quarter

of upper-middle-income countries (UMICs). Critical sectors like agriculture and manufacturing continue to grapple with low productivity. In agriculture, productivity is only one-fourth of that in other sectors, making it imperative to increase efficiency. Although agricultural productivity is slowly improving, challenges such as climate change, inefficient transport and storage infrastructure, high wastage, and weak market linkages hinder growth. Elevating agricultural productivity is crucial for sustaining the rural economy and supporting the broader structural transformation needed to boost national economic performance.

Figure 44: Labor and Productivity Growth

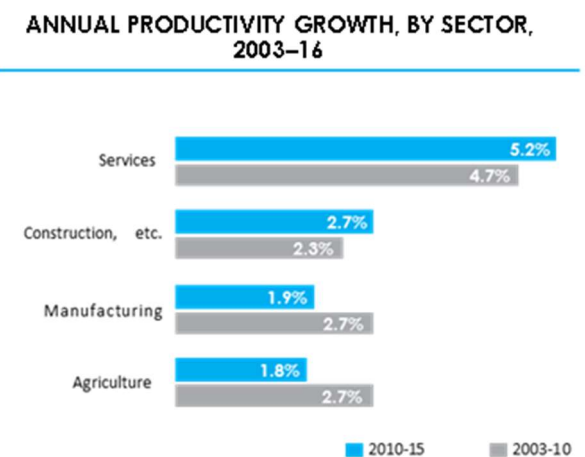


Source: World Development Indicators.
 Note: CAGR = compound annual growth rate.
 Countries are BGD = Bangladesh; VNM = Vietnam; TUR = Turkey; MYS = Malaysia; IND = India;

Source: World Bank

Skills Shortage: Bridging the gap for modern industries

One of the main drivers of Bangladesh's



Source: National accounts and Labor Force Surveys in Farole and others 2017.

Note: Productivity gap is calculated in taka per worker.

productivity gap is the shortage of skilled labor. The Global Skills Report 2024 ranks Bangladesh 94th out of 109 countries in terms of global skill ratings, lagging behind Vietnam (54th) and India (87th). Only a small percentage of firms are investing in essential areas such as data science (16%), technology (12%), and business

skills development (22%). This lack of investment in skill-building limits the country's ability to attract investment and modernize industries. Without a skilled workforce, Bangladesh will struggle to compete globally and elevate its industries to a more competitive and technologically advanced level.

Figure 45: Global Skill Ranking 2023

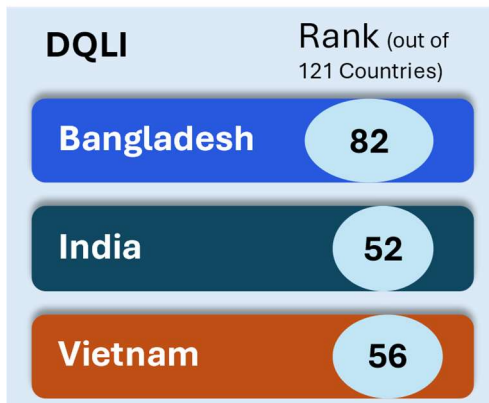


Source: Coursera

Digital Infrastructure: Uneven technological progress

Technology adoption remains inconsistent across sectors in Bangladesh, exacerbating the productivity gap. According to the 2023 Digital Quality of Life Index, Bangladesh ranked 82nd out of 121 countries, with a low index score of 0.41, reflecting a decline from the previous year. The country struggles particularly in areas like internet quality and electronic infrastructure, where it ranks poorly compared to its regional peers. These shortcomings in digital infrastructure discourage potential investors and limit the ability of businesses to compete in the global market.

Figure 46: Digital Quality of Life Index 2023



Source: DQL World Map

4.2.5 Limited Access to Diversified and Long-term Financial Products

Access to finance worsens, pushing businesses to NBFIs

Access to finance remains the most significant hurdle for businesses in Bangladesh, according to recent survey respondents. The situation has worsened since the last survey in 2021, as many

businesses reported encountering difficulties in securing loans from banks, largely due to stringent credit appraisal processes, documentary requirements, and high collateral demands. Non-banking financial institutions (NBFIs) have become a preferred option for loans, as they offer relatively more lenient terms compared to traditional banks.

The wider economic impact of MSME financing challenges

MSMEs are the backbone of Bangladesh's economy, contributing 23% of the GDP, providing 80% of jobs in the industrial sector, and employing 25% of the country's total labor force. The financing difficulties these enterprises face significantly hinder economic activity, with ripple effects throughout the broader economy. The lack of access to affordable credit undermines their ability to grow, modernize, and contribute more effectively to the country's development.

External Commercial Borrowing: Barriers to corporate financing

For larger companies, particularly foreign firms, the situation is also challenging due to strict controls on external commercial borrowing. The application process for private sector access to foreign loans is cumbersome, involving multiple, often uncoordinated, agencies and the imposition of arbitrary cost caps. These hurdles make it difficult for businesses to secure lower-cost foreign credit, leaving Bangladesh less competitive compared to other countries. Even when companies are allowed to import capital goods for modernization or new projects, the approval process can take more than a year, stifling potential growth and innovation.

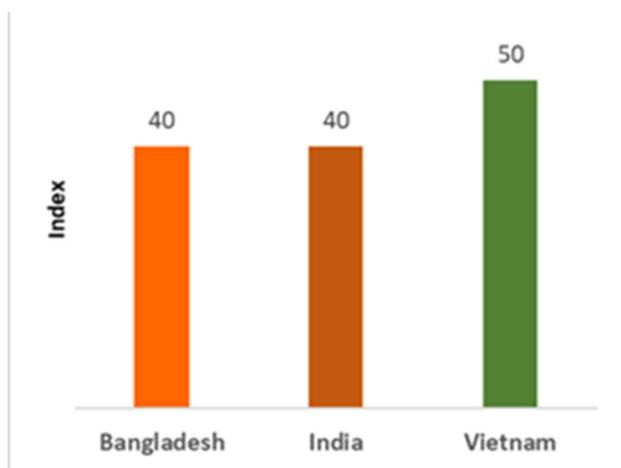
Insolvency law and business financing

Further complicating access to finance is the inadequacy of Bangladesh's insolvency laws. The Bankruptcy Act of 1997, though the primary statute for insolvency, is rarely used. Instead, most banks and financial institutions opt for alternative legal frameworks like the Money Loan Courts Act of 2003, rendering the Bankruptcy Act largely ineffective. The lack of a specialized cadre of bankruptcy professionals and the absence of modern insolvency practices contribute to a less business-friendly environment, deterring both private investment and foreign direct investment (FDI).

Financial freedom and the restrictive nature of Bangladesh's financial environment

Bangladesh's Financial Freedom Index score of 40, though on par with India, falls behind Vietnam's score of 50, highlighting the restrictive financial environment in the country. These constraints limit businesses' ability to secure necessary financing, stifling innovation, growth, and the overall economic dynamism required for Bangladesh to reach its full economic potential. Addressing these financing challenges will be critical to unlocking the country's economic opportunities and fostering a more inclusive and sustainable business environment.

Figure 47: Financial Freedom Index 2023



Source: The Heritage Foundation

4.2.6 Burdensome Taxation Policies

Taxation system yet to be business friendly

Tax compliance poses a significant challenge for businesses in Bangladesh, with more than 70% of respondents voicing dissatisfaction with the current system, particularly in relation to income tax and VAT filing. This frustration is particularly acute among companies in sectors like real estate, electronics, light engineering, and construction. These industries also appear more vulnerable to corruption, as firms in these fields often resort to informal payments to meet tax requirements. The tax system's complexity, paired with inefficient administrative processes, further burdens companies, making compliance a cumbersome task.

Taxation and foreign investment disincentives

Tax policies in Bangladesh act as a barrier to foreign investment. The country's top corporate tax rate of 32.5% is higher than many of its

regional competitors, making Bangladesh a less attractive destination for foreign investors. Furthermore, the complex tax system and bureaucratic inefficiencies further deter potential investors. Despite these challenges, the tax burden is relatively low, amounting to just 8.8% of GDP. However, government spending and public debt remain notable, with the public debt at 37.9% of GDP and government expenditure averaging 13.1% of GDP over the past three years, while the budget deficit has averaged -4.2% of GDP. These fiscal challenges add to the need for a more efficient and investor-friendly tax system to drive sustainable economic growth.

Table 3: Corporate Income tax & FDI Relation

Country	2021 Tax Rate	2022 Tax Rate	Change from 2021 to 2022	Net FDI inflow (million USD)		
				2021	2022	% Change
France	28%	25.80%	-2.6 ppt	88427.62	96241.67	9%
Turkey	20%	23%	+3 ppt	13325	13094	-2%
Greece	24%	22%	-2 ppt	6132.476	6846.333	12%
Bangladesh	32.5	30	-2.5 ppt	1723.86	1555.41	-10%

4.2.7 Dispute Resolution

Absence of commercial court causing case backlogs

Bangladesh's judiciary, governed by the 1972 Constitution, is structured around the Supreme Court, which includes the High Court Division and the Appellate Division, along with 61 district-level courts across 64 districts. The Joint District Judge Courts handle original civil suits, while the District Judge Civil Courts manage appeals for matters up to 50 million Bangladeshi Taka (approximately USD 470,000). Despite this framework, the absence of specialized commercial courts has led to significant case backlogs, prompting calls for their establishment. Article 22 of the Constitution affirms judicial independence, yet concerns about executive interference remain.

Judiciary struggles with delays and enforcement inefficiencies

The World Justice Project (WJP) Rule of Law Index highlights the challenges facing Bangladesh's judicial system, ranking the country 127th out of 140 jurisdictions in 2022, with a declining score from 0.40 in 2021 to 0.39. The index indicates severe issues in "Civil Justice," with Bangladesh scoring the lowest in judicial delays (136th) and judgment enforcement effectiveness (130th). Contributing factors include a shortage of judges and inadequate staffing, which lead to rising case backlogs, exemplified by the 16,172 civil cases pending in the Appellate Division as of December 31, 2021.

4.3 Reasons for the Failure of Previous Investment Efforts

Despite various initiatives to attract FDI into Bangladesh, past efforts have largely failed to meet their targets. Several institutional, regulatory, and strategic weaknesses have hindered the country from fostering a favorable investment climate. The absence of a cohesive strategy, bureaucratic inefficiencies, and insufficient collaboration between the public and private sectors have been major contributors to these shortcomings.

Figure 48: Key Factors Behind Bangladesh's Failure to Attract FDI

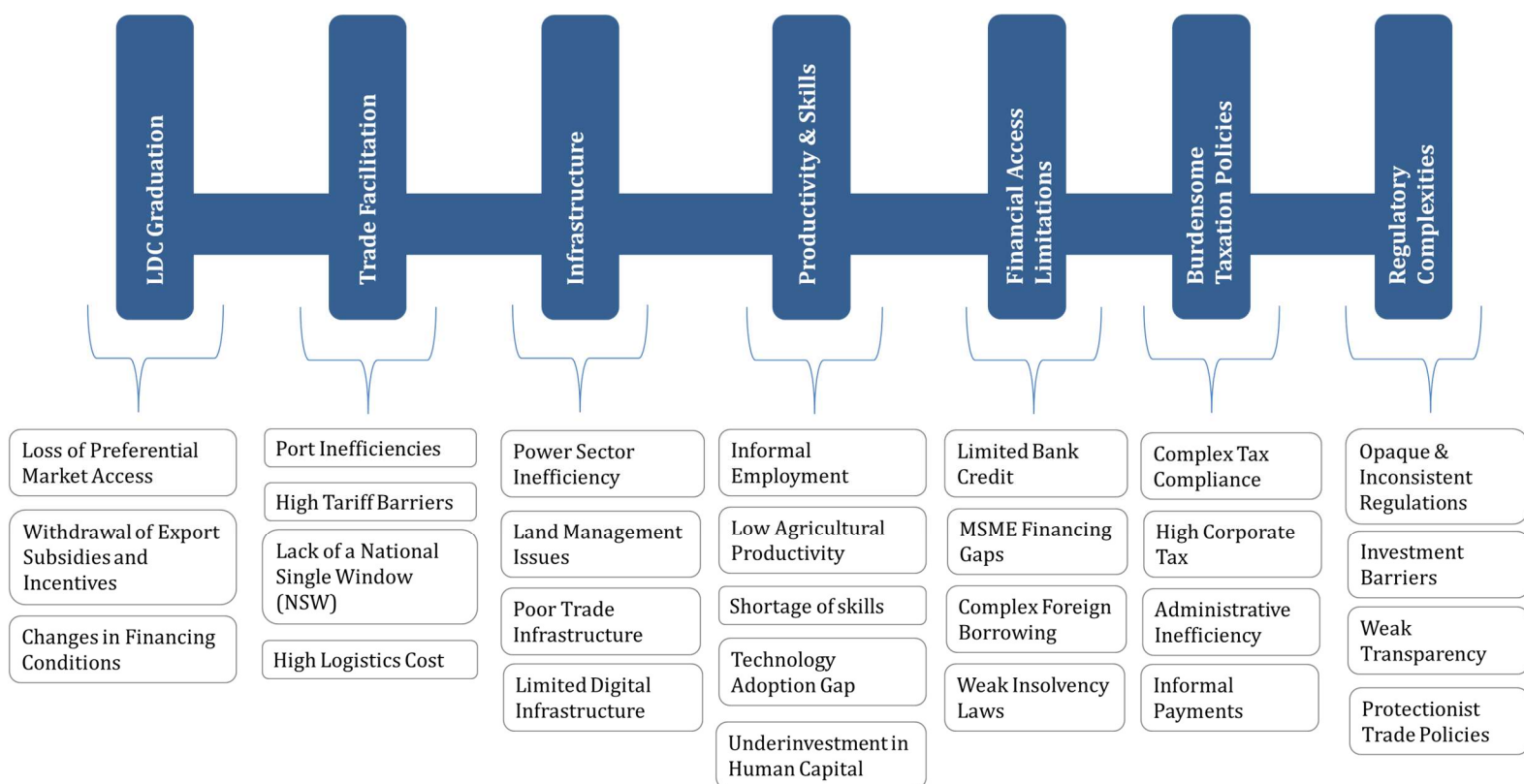
Absence of Systematic Investment Promotion	Complex Regulatory Framework and Red Tape
No Comprehensive National FDI/Private Investment Strategy	Limited Cooperation from PMO and Ministries
Gap Between Political Rhetoric and Implementation	Weak Public-Private Dialogue
Limited Competitive Sectors for Investment	Inadequate Investment Aftercare

- 1. Absence of Systematic Investment Promotion Efforts:** Investment promotion activities in Bangladesh have been fragmented and lacked coordination across government agencies. This ad-hoc approach failed to present a cohesive case for why foreign investors should choose Bangladesh as a destination.
- 2. Lack of an Overarching National FDI/Private Investment Strategy:** The absence of a national comprehensive strategy meant that efforts to attract FDI were not aligned with broader economic goals. Without clear long-term objectives, individual initiatives were often disjointed and lacked continuity across political cycles.
- 3. Disconnect Between Political Rhetoric and Implementation:** While political leaders frequently emphasized the importance of foreign investment, these statements were not consistently backed by actionable programs or reforms. This created frustration among investors who

saw little follow-through at the implementation level, eroding confidence in Bangladesh's commitment to FDI.

- 4. Limited Number of Competitive Sectors for Investment:** Bangladesh's focus on a few key sectors, particularly the ready-made garment (RMG) industry, limited its ability to attract investment in other competitive areas. Without diversifying into more sectors, the country missed out on opportunities to anchor efficiency-seeking and market-seeking investments.
- 5. Complex Regulatory Framework and Red Tape:** The country's regulatory framework is notorious for being overly complex, with numerous layers of bureaucracy and excessive red tape. This not only delayed investment decisions but also deterred many potential investors who viewed the system as cumbersome and opaque.
- 6. Limited Cooperation from PMO and Line Ministries:** Efforts to improve the investment climate were hampered by insufficient cooperation from key government entities such as the Prime Minister's Office (PMO) and various line ministries. These agencies often did not align their policies and lacked the collective will to support investment promotion initiatives effectively.
- 7. Weak Public-Private Dialogue:** The dialogue between the public and private sectors in Bangladesh has been limited and unstructured, leaving the private sector with few opportunities to voice concerns or influence policy. This weakened collaboration reduced the ability to tailor reforms that address real-world business challenges and investor needs.
- 8. Inadequate Investment Aftercare:** Investment aftercare, a critical element in retaining and expanding existing FDI, was insufficient due to limited institutional capacity and a lack of proactive support. This led to dissatisfaction among existing investors, many of whom faced bureaucratic hurdles when trying to expand or resolve operational issues.

Figure 49: Constraints Along the Investment Climate in Bangladesh



Source: Policy Exchange Analysis

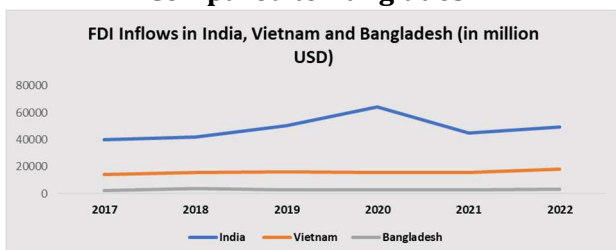
Chapter 5: Global Best Practices for Enhancing Investment

5.1 The Case of Vietnam and India: Effective Mix of Investment and Tax Policies to Attract Investment

Vietnam and India use tailored tax incentives to attract foreign investment

Vietnam exemplifies a careful and strategic framework in its approach to foreign investment. The country has developed a well-defined tax incentives strategy, which includes lowered corporate income tax (CIT) rates and strategically timed tax holidays for companies in specific sectors. This thoughtful arrangement appeals to potential investors and highlights Vietnam's commitment to creating a favorable investment environment. In contrast, India has effectively crafted its own strategy to attract foreign investment by introducing customized tax incentives aimed at enticing overseas investors. This tailored approach enhances India's reputation as a destination for foreign direct investment (FDI) and emphasizes its commitment to promoting sustainable economic growth.

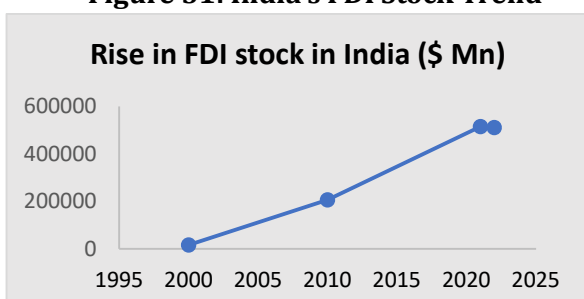
Figure 50: FDI Inflow in India and Vietnam Compared to Bangladesh



5.1.1 Incentives Offered by India to Attract Foreign Investments

The Indian government has rolled out an extensive array of strategies to stimulate foreign investment, aiming to enhance the country's economic growth and global competitiveness. These initiatives include various measures designed to improve business continuity, sectoral recovery, and the overall ease of conducting business. This reflects India's commitment to becoming an attractive destination for global investors.

Figure 51: India's FDI Stock Trend



A significant driver of this initiative is the Budget for 2020-21, which introduced several measures focused on improving the ease of doing business in India. This proactive strategy is particularly aimed at attracting more foreign direct investment (FDI), especially from countries like the United States. The key changes introduced to foster FDI include:

Figure 52: The key changes introduced to foster FDI



Special Tax Incentives for Foreign Investors: The budget provides specific tax breaks for foreign investors, particularly targeting sovereign wealth funds that are willing to invest long-term. This incentive aims to draw in patient capital that supports sustained economic growth and stability.

Boost for Digital Industry and Infrastructure: Initiatives aimed at enhancing the digital industry and increasing infrastructure investments highlight India's commitment to modernization and growth. Despite a global economic downturn, India's focus on these areas positions it as a strong contender for foreign investments.

GST Simplification: Efforts to streamline the Goods and Services Tax (GST) system are intended to create a more business-friendly atmosphere. This simplification is expected to reduce bureaucratic hurdles, facilitating operations for both domestic and foreign businesses in India.

Support for MSMEs: Micro, Small, and Medium Enterprises (MSMEs) are vital to India's economy. The budget includes provisions such as the removal of audit requirements for MSMEs with a

turnover of up to Rs. 5 crores, which simplifies compliance and nurtures a favorable business environment.

Abolition of Dividend Distribution Tax (DDT): The elimination of DDT has been well-received by foreign investors, as it removes a significant barrier that previously hindered foreign companies and enhances India's appeal as a location for expanding business activities.

Promotion of Manufacturing and Export Expansion: The budget outlines plan to develop schemes aimed at increasing the production of electronics and medical devices. These initiatives are anticipated to enhance domestic manufacturing, boost exports, and attract investment in these essential sectors.

The Indian government is also promoting foreign investment on a sector-specific basis, reinforcing its dedication to cultivating a positive investment climate:

Figure 53: Sector specific promotion for Investment



Pharmaceutical Industry: The government has expedited environmental clearances for pharmaceutical projects, streamlining processes to encourage investments in this vital sector.

Medical Devices: To support the medical devices sector, exemptions from basic customs duty and health cases have been granted on the import of essential items, including ventilators, masks, PPE, and test kits, as well as inputs for their production.

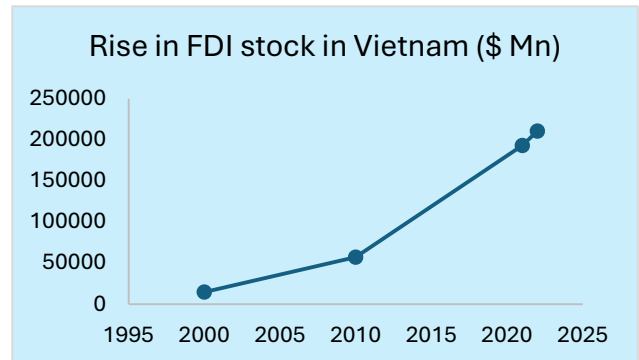
Electronics Sector (ESDM): The Ministry of Electronics and Information Technology (MEITY) has introduced several schemes, including the Production Linked Incentive Scheme (PLI) and the Modified Electronics Manufacturing Clusters Scheme (EMC 2.0), aimed at boosting India's position in the global ESDM sector and attracting significant foreign investment.

Overall, the Indian government's comprehensive approach spans multiple sectors and initiatives, showcasing its commitment to building a conducive investment ecosystem. Through these measures, India aims to attract foreign investments, stimulate economic growth, and establish itself as a resilient and dynamic player in the global investment landscape.

5.1.2 Incentives Offered by Vietnam to attract foreign investments

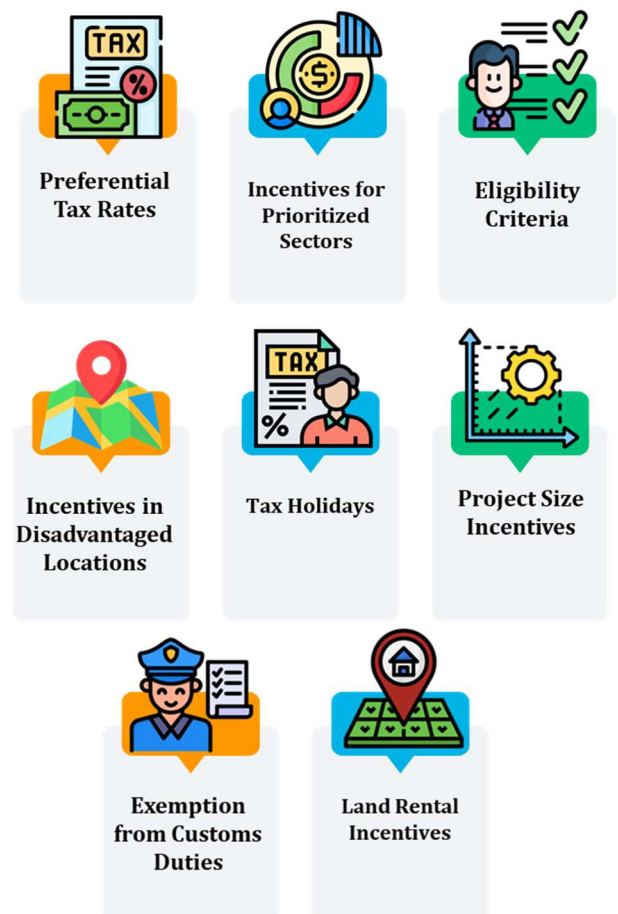
Vietnam has effectively established itself as an attractive investment destination for foreign investors looking to diversify their portfolios. This appeal is bolstered by its advantageous geographic location, competitive labor force, and cost-effective operational factors. The Vietnamese government has continuously improved the business environment by implementing reforms and enhancing investment incentives to boost its global investment attractiveness.

Figure 54: FDI Stock Trend in Vietnam



A significant aspect of Vietnam's investment framework is its tax incentives. The government has enacted various measures to provide corporate income tax (CIT) incentives to both foreign and domestic investors in line with national development strategies.

Figure 55: Key elements of Vietnam's tax incentive strategy



Preferential Tax Rates: Vietnam offers several preferential tax rates that allow companies to pay CIT below the standard rate of 20%. These rates can be as low as 10%, 15%, or 17%, applying either for the project's entire duration or for a specific period, depending on certain conditions.

Tax Holidays: The incentive strategy also includes tax holidays, permitting companies to be exempt from CIT for a set period, typically around four years. After this initial exemption, firms may qualify for a partial tax holiday, allowing them to pay only 50% of the due tax. This tax holiday generally begins in the first year of profit or the fourth year of revenue, whichever comes first.

Additionally, Vietnam has implemented customs duty incentives and land rental exemptions, further alleviating financial pressures on businesses. Key components of Vietnam's tax incentives include:

Eligibility Criteria: Tax incentives are granted based on factors like sector, location, and investment scale, ensuring that specific industries and areas receive customized incentives.

Incentives for Prioritized Sectors: Industries such as high-tech, software, research and development, renewable energy, education, and healthcare are designated for tax incentives. Companies in these sectors enjoy preferential tax rates, applicable either for limited periods or throughout their project's lifetime.

Incentives in Disadvantaged Locations: Vietnam categorizes regions based on socio-economic conditions, offering tax incentives to businesses operating in challenging or extremely challenging areas. Special Economic Zones (SEZs), High-Tech Zones (HTZs), and Information Technology Parks (ITPs) also qualify for these incentives.

Project Size Incentives: Large manufacturing projects that meet specific criteria, such as significant investment capital allocated within a specified timeframe or substantial revenue generation, can access tax incentives, including a 10% tax rate for 15 years along with tax holidays and reduced CIT rates.

Exemption from Customs Duties: Businesses can receive import duty exemptions for various scenarios, such as importing materials for fixed assets, export processing contracts, software production, scientific research, and technological development.

Land Rental Incentives: Investment projects that meet certain conditions, such as being in encouraged sectors or specific geographical locations, can receive exemptions from land rental fees. These exemptions vary depending on the project's nature and its socio-economic impact.

Vietnam's strategic emphasis on tax incentives has made it a favorable destination for foreign investors seeking beneficial tax conditions, operational efficiencies, and growth prospects. By tailoring its incentives to specific sectors, locations, and project sizes, Vietnam has developed a comprehensive tax framework that encourages investment, supports economic growth, and enhances its competitiveness in the global investment arena.

5.2 Key Takeaways for Bangladesh

As Bangladesh aims to enhance its appeal to FDI, valuable lessons can be drawn from the strategies and practices of other nations. These experiences offer a framework for developing an effective investment ecosystem, with a focus on tax policies and regulatory reforms.

Figure 56: Key Lessons for Bangladesh from Vietnam and India Example



Comprehensive Tax Strategy for Investment Support: Many countries have demonstrated that a well-structured tax policy, focused on fostering investments, can significantly drive FDI. Vietnam, for instance, aligns tax incentives with its economic strengths by tailoring them to specific industries, while India customizes tax breaks to meet the needs of various sectors and investors. Bangladesh could adopt similar strategies, offering targeted tax incentives that attract FDI while maintaining a stable investment climate.

Promoting Green Investments for Sustainable Growth: Developed countries are increasingly encouraging investments in renewable energy and environmentally friendly projects. Bangladesh can follow this trend by introducing tax incentives for sustainable energy projects. Emulating Italy's tax benefits for renewable energy or Spain's depreciation benefits can help Bangladesh accelerate its development in the green energy sector, promoting both economic progress and sustainability.

Sector-Specific Tax Benefits: Algeria and Argentina have successfully attracted FDI through sector-specific tax exemptions. Bangladesh can replicate this model to draw foreign investment into key sectors of its economy, creating a win-win situation for both the country and investors.

Streamlining the Regulatory Environment: Fiji's transformation from a regulatory authority to an investment promotion agency highlights the benefits of streamlining investment-related processes. Bangladesh can enhance its efficiency and create a more investor-friendly environment by simplifying its regulatory framework, thus encouraging greater FDI.

Openness to Foreign Ownership and Investment Facilitation: Mexico's "Invest in Mexico Business Center" serves as a valuable model for Bangladesh. By establishing similar centers that offer vital information and assistance to foreign investors, Bangladesh could reduce

administrative hurdles and improve the investment experience. Simplifying rules for foreign ownership, as seen in the Philippines, would further signal that Bangladesh is open to global investments.

Gradual FDI Liberalization: Taking inspiration from countries like China, Ethiopia, India, and the UAE, Bangladesh can gradually liberalize its FDI policies by progressively opening sectors to foreign investment. This approach would diversify FDI while safeguarding strategic sectors.

Multifaceted Tax Incentives: Countries around the world use diverse tax incentives, including profit-based incentives, VAT exemptions, and import duty reductions, to attract a broad range of investors. Bangladesh can adopt this multifaceted strategy to appeal to a wider spectrum of foreign investors.

Harmonizing Investment Regulations: Establishing dedicated ministries or agencies to oversee investment promotion, as seen in Saudi Arabia and Sri Lanka, could help Bangladesh streamline its investment regulations, providing clarity and confidence to investors.

By learning from global best practices in tax policy and regulatory reform, Bangladesh has the potential to significantly boost its FDI inflows, while fostering an environment conducive to sustainable economic growth and development.

Chapter 6: Strategic, Policy Priorities and Action Plans for Improving Investment Landscape

6.1 Immediate Action Required to Overcome Bangladesh's Business Bottlenecks

To address the significant business bottlenecks currently hindering economic growth in Bangladesh, immediate and targeted actions across multiple sectors are crucial. These actions should focus on stabilizing the financial environment, ensuring political and regulatory stability, addressing energy and infrastructure challenges, and fostering growth in key sectors such as manufacturing and SMEs. Strengthening the banking sector, managing inflation, and providing long-term support for businesses are key priorities that require urgent attention. By tackling these challenges, Bangladesh can improve its business climate, restore investor confidence, and pave the way for sustained economic development.

Figure 57: Current Business Environment Requiring Immediate Reforms

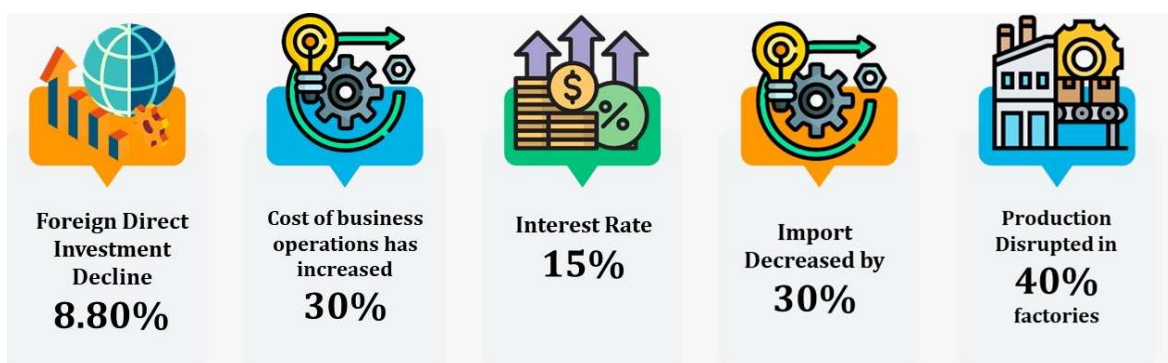


Figure 58: Immediate Action to Overcome Bangladesh's Business Bottlenecks



6.1.1 Priority Reforms by Strategic Focus Areas

1. Monetary and Financial Sector Reforms

- **Stabilize Interest Rates:** The current interest rates of 14-15% are limiting investment. Reduce interest rates to stimulate investment and relieve financial pressures on businesses.
- **Address Banking Sector Weaknesses:** Bangladesh Bank has identified 38 weak banks, including 12 in critical condition. Restructure or liquidate troubled banks and strengthen capital reserves in the banking sector.
- **Tackle Non-Performing Loans (NPLs):** The NPL ratio stands at 27%, representing approximately TK 1.56 trillion. Develop strategies to reduce NPLs through improved loan recovery and surveillance.
- **Increase Financial Assets:** The asset-to-GDP ratio in June 2023 was 51.53%. Diversify investment portfolios and promote attractive savings and investment programs to increase financial assets.
- **Implement Willful Defaulter Policy:** A willful defaulter policy is needed to address persistent loan defaults. Establish and enforce a willful defaulter policy with Bangladesh Bank as the ombudsman.

2. Political, Regulatory Stability and Inflation Management

- **Stabilize Currency and Inflation:** Inflation and currency devaluation are impacting business stability. Use a combination of exchange rate and interest rate adjustments to stabilize the currency and reduce inflation. Consider adopting a floating crawling peg system, as recommended by the IMF.
- **Enhance Law and Order:** Political instability and unrest in industrial zones have undermined investor confidence. Strengthen law enforcement to ensure security and stability in business areas.
- **Facilitate Policy Reforms:** Unstable regulations, particularly in foreign exchange and imports, are deterring investment. Implement consistent policies and regulatory reforms to reduce uncertainty.

3. Energy and Infrastructure Development

- **Resolve Energy and Fuel Shortages:** Energy and fuel shortages are causing 25-40% production declines in key industries. Ensure consistent energy supply and invest in long-term energy solutions.
- **Improve Infrastructure for Investment:** Poor infrastructure is a major barrier to foreign direct investment (FDI). Enhance transport, logistics, and industrial parks to meet international standards and attract foreign investors.

4. Manufacturing and Export Growth

- **Revitalize Manufacturing and Export Sectors:** Industrial output growth has slowed from 10.16% to 3.98%. Focus on revitalizing the manufacturing sector by improving machinery imports and enhancing export incentives.
- **Support SMEs:** SMEs face difficulties accessing loans due to high interest rates and liquidity issues. Provide targeted support through subsidized loans and capacity-building programs.
- **Address Raw Material and Import Issues:** Rising raw material costs and import restrictions are affecting production. Action: Ease import restrictions and improve access to raw materials and machinery.

6.1.2 Sector Specific Priority Reform

1. Manufacturing Sector

Business Climate Stability

- **Strengthen Law and Order:** Address recent political disruptions, including curfews, internet blackouts, and civil unrest, by deploying adequate security forces and possibly enlisting the

Bangladesh Army to stabilize key industrial areas, ensuring business continuity and investor confidence.

- **Facilitate Industry-Friendly Policies:** Collaborate with political parties and labor unions to reduce politically motivated disruptions, such as property damage, and establish a structured platform for grievances to minimize industrial disturbances.

Mitigate Supply-Side Shocks

- **Energy and Logistics Improvements:** Allocate resources to reduce power outages and gas shortages affecting factories. Invest in sustainable energy sources and efficient logistics to mitigate high transportation costs that strain manufacturing competitiveness.
- **Price Stabilization Measures:** Address inflation by monitoring and controlling the rising cost of raw materials. Consider price control measures and alternative sources to help manufacturers manage input costs.

Enhanced Access to Finance

- **Develop SME-Focused Financial Products:** Work with banks to create financial products tailored for SMEs, such as trade finance solutions, lower interest rates, and flexible collateral requirements, enhancing credit access.
- **Boost Liquidity in Banking Sector:** Take action to improve liquidity in banks, addressing high non-performing loans and introducing financial policies that facilitate affordable access to funds for manufacturing sector growth.

Regulatory Reforms

- **Streamline License and Permit Processes:** Simplify and expedite the process of obtaining and renewing business permits to reduce operational delays and compliance costs.
- **Anti-Corruption Measures:** Combat rent-seeking behaviors and unofficial fees by implementing transparent processes within regulatory bodies, enabling businesses to operate without the burden of unofficial expenses.

2. Export Sector

i) Stabilize Export Climate Amid Political Instability

- **Immediate Law and Order Stabilization:** Work with law enforcement and industry stakeholders to protect export-oriented facilities, including export processing zones, from politically motivated disruptions like arson and curfews that risk export timelines and investor confidence.

ii) Address Supply-Side Challenges for Exporters

- **Ensure Supply Chain Connectivity:** Resolve internet outages and other disruptions impeding raw material procurement, both domestically and internationally, through resilient communication and transport networks.
- **Reduce Cost of Production:** Develop policies to control inflation in raw material costs, ensuring competitive pricing for export goods in the international market.

iii) Enhance Access to Finance for Exporters

- **Provide Short-Term Financial Relief:** Offer targeted short-term financial products for export firms facing liquidity issues, including easier access to Letters of Credit (LCs) to smooth import-export financing amid ongoing banking sector challenges.

iv) Facilitate Customs and Port Efficiency

- **Streamline Port Operations:** Establish contingencies to keep ports open and operating during periods of political unrest. Implement a transparent customs system to eliminate delays and reduce the impact of misclassification and extra tariffs.
- **Enhance Communication at Customs:** Set up efficient internal communication systems within customs to resolve categorization errors and minimize clearance delays, supporting timely product exports.

2. Service Sector

i) Stabilize Service Sector Amid Business Climate Disruptions

- **Promote Stability for Digital Sectors:** Develop contingency plans to reduce the impact of internet blackouts and politically motivated disruptions on digital sectors, such as freelancing and e-commerce, to protect this critical economic segment.

ii) Address Workforce Skill Deficit

- **Expand Youth Development and Training Centers:** Invest in digital and soft-skills training facilities that prepare the workforce to meet the service sector's evolving demands, fostering a skilled labor market for sustainable service industry growth.

iii) Improved Financial Support for Service Startups

- **Enhance Access to Startup Capital:** Introduce short- and medium-term loan facilities, government-backed incentives, and reduced tariffs for new startups, providing essential capital and boosting the service sector's economic contribution.

iv) Promote Technology Adoption

- **Digitalize Logistics and Service Sub-Sectors:** Facilitate the adoption of digital technologies across the service sector, especially logistics, to reduce costs, improve efficiency, and enhance GDP contribution.

3. Agriculture Sector

i) Enhance Access to Finance

- **Simplify Loan Processes for Agribusiness:** Partner with banks and non-banking financial institutions to streamline loan application procedures and offer agricultural-specific financial products with lower interest rates, tailored to support agribusiness growth.
- **Expand Government Support for Agriculture Financing:** Improve government policies and provide incentives to expand access to formal finance, especially for smallholders and emerging agribusinesses that lack adequate capital.

ii) Improve Logistics and Cold Chain Infrastructure

- **Invest in Temperature-Controlled Logistics (TCL):** Develop more efficient TCL facilities to prevent spoilage of perishable goods and improve the competitiveness of agricultural exports.
- **Modernize Cold Chain Facilities:** Implement policies that support private-sector investment in cold chain infrastructure, enhancing the quality and quantity of refrigerated storage and transport options.

iii) Strengthen Infrastructure and Market Connectivity

- **Establish Standardized Testing and Packaging Facilities:** Introduce modern testing labs and standardized packaging systems to align with global standards, enabling agribusinesses to access new markets and maintain product quality.
- **Upgrade Road and Transport Networks:** Improve Road infrastructure and transport services to facilitate efficient movement of agricultural products to local and international markets, reducing time and cost to market.

iv) Reform Customs and Port Clearance Processes







- **Reduce Clearance Costs and Informal Payments:** Streamline customs procedures to reduce high clearance costs, procedural delays, and informal payments, ensuring faster export lead times and smoother trade flows.
- **Enhance Transparency and Efficiency:** Increase transparency in port and customs operations through automation and training to minimize delays, helping exporters reduce time and costs associated with customs clearance.

v) Mitigate Rising Input Costs

- **Implement Inflation Control Measures:** Introduce policies to stabilize input costs, providing subsidies or support for key agricultural inputs affected by inflation to improve profitability.
- **Enhance Domestic Input Production:** Invest in local production capabilities for key agricultural inputs, reducing dependence on imports and lowering overall input costs for the agribusiness sector.

6.2 Strategic Options

Figure 59: Overarching Recommendations

 Enhance Investment Establishment Processes	 Refine Investment Incentives
 Promote Coherence Between Trade and Investment Policies	 Strengthen Domestic and FDI Linkages
 Support SMEs and Exporting Industries	 Enhance Country Branding

1. Enhance Investment Establishment Processes

- Streamline approval processes to reduce bureaucratic delays, ensuring a faster pathway for new investments.
- Improve access to industrial land to facilitate the timely establishment of manufacturing and service facilities.

2. Promote Coherence Between Trade and Investment Policies

- Align trade and investment policies to create a unified framework that encourages foreign and domestic investments.
- Ensure the availability of preferential trade and investment agreements that meet the needs of potential investors and protect against unilateral measures.

3. Refine Investment Incentives

- Design a focused investment promotion and retention strategy that targets key sectors and potential investors based on their unique needs.
- Provide clarity and certainty regarding conditions of access to international markets to enhance investor confidence.

4. Strengthen Domestic and FDI Linkages

- Promote competition in input markets to lower costs and improve efficiency for both domestic and foreign investors.
- Facilitate the movement of capital to support business operations and expansion, ensuring that local firms can benefit from FDI inflows.

5. Support Small and Medium Enterprises (SMEs) and Exporting Industries



- Develop a policy and strategy to encourage greater SME participation in supply chains, maximizing local benefits from foreign investments.
- Implement priority reforms quickly within the next year, creating a demonstration effect that boosts investor confidence and supports nascent exporting industries while preventing enclaves.

6. Enhance Country Branding

- Invest in a comprehensive country branding strategy to promote Bangladesh as an attractive destination for investment, highlighting its potential and opportunities in various sectors.
- Leverage success stories and showcase positive reforms to build confidence among potential investors.

6.3 Policy & Regulatory Priorities

Figure 60: Policy & Regulatory Recommendations

 Enhancing Trade Facilitation	 Streamlining Regulatory Frameworks
 Improving Access to Finance	 Investing in Infrastructure
 Reforming Taxation Policies	 Export Diversification

1. Enhancing Trade Facilitation

- **Introduce e-payment for customs duties, fees, and charges related to import/export:** Simplify the payment process by allowing electronic payment for all customs-related transactions, reducing delays and improving efficiency.
- **Improve risk management systems for imports/exports:** Modernize risk management by introducing automated systems and enhancing coordination among agencies to expedite customs clearance.
- **Allow online document submission before ship arrival:** Streamline the import/export process by enabling businesses to submit and process documents online before the arrival of shipments.
- **Implement post-clearance audit systems:** Expedite the import/export process by introducing post-clearance audits, reducing the need for lengthy pre-clearance procedures.
- **Reduce documentary compliance time for imports/exports:** Simplify procedures to cut down on the time required for businesses to comply with documentation requirements.
- **Reduce costs for documentary compliance for imports:** Lower the financial burden on businesses by reducing the cost associated with meeting documentary requirements for importing goods.
- **Offer online issuance of Country of Origin and Membership Certificate by chambers:** Facilitate faster export processes by offering online services for issuing certificates, integrated with the BIDA OSS system.
- **Provide online services for export/import-related visas within 7 working days:** Enhance ease of doing business by ensuring quick visa extensions for foreign employees through an online system.
- **Ensure customs clearance outside port premises for import boxes:** Expedite customs clearance by allowing processing of imports outside port premises, improving efficiency and reducing congestion.
- **Allow the use of empty import containers for export without depot returns:** Reduce transportation costs and delays by permitting empty import containers to be reused for export without returning to depots.
- **Enable exporters' enrollment and certificate issuance online within 2 days:** Simplify the process for exporters by enabling online registration and quick issuance of certificates, integrated with BIDA's OSS system.
- **E-payment for customs duties:** Introduce e-payment methods for customs duties and simplify high-value transactions.
- **National Single Window for trade:** Develop a fully operational National Single Window (NSW) for trade by automating all trade-related procedures.
- **Streamline documentation:** Simplify documentation requirements for imports/exports to reduce compliance time.
- **Reduce para-tariffs:** Implement policy adjustments like reducing para-tariffs to stimulate trade and FDI.

- **Improve trade logistics:** Enhance infrastructure and container handling to reduce domestic transit times.

2. Streamlining Regulatory Frameworks

- **Issue and renew online trade licenses within 1 day by city corporations and municipalities:** Simplify the business registration process by enabling the quick issuance and renewal of trade licenses online.
- **Renew trade licenses every 3-5 years instead of annually:** Reduce bureaucratic burdens on businesses by extending the validity of trade licenses to 3 years, lowering the frequency of renewals.
- **Provide DIFE services (license issuance/renewal) online within 10-15 working days:** Modernize regulatory services by offering online licenses for industrial establishments and reducing processing times.
- **Process RJSC services online in 1-7 days:** Simplify business operations by enabling quick online processing of company registration, share transfers, and amendments through the RJSC platform.
- **Offer online environmental clearance and renewals within specified timeframes:** Streamline the environmental approval process by offering quick online clearance and renewal services through the BIDA OSS system.
- **Streamline fire safety-related services within 15-30 days:** Modernize fire safety approval processes by reducing approval times for safety plans and licenses, offered through an integrated online system.
- **Speed up land use clearances, construction permits, and possession certificates for industrial projects:** Simplify industrial development by reducing approval times for essential permits and clearances, integrated with the BIDA OSS system.
- **Mandate liability and insurance for building structural defects in construction rules:** Modernize construction regulations by introducing liability and compulsory insurance for structural defects to improve safety and accountability.
- **Provide all utility connections through a single application and payment process:** Simplify industrial operations by allowing businesses to apply for and pay for utility connections through a unified online platform.
- **Digitally process land registration, mutation, and cadastral plans:** Modernize land services by fully digitizing land registration and mutation processes, providing efficient online services integrated with the BIDA OSS system.
- **Ensure online provision of high-speed internet and IP phone services within 3 days by BTCL:** Enhance business connectivity by enabling fast online applications for high-speed internet and IP phone services, reducing delays.
- **Revamp OSS framework:** Evaluate and refine the One Stop Service (OSS) framework for optimal performance.
- **Develop SOPs for service delivery:** Create Standard Operating Procedures (SOPs) to enhance predictability and streamline regulations.
- **Regulatory Impact Assessment:** Implement Regulatory Impact Assessment (RIA) to improve regulatory services.
- **Launch online regulatory platform:** Consolidate all regulatory information into an online platform for ease of access.
- **Revise Company's Act:** Revamp the Company's Act and sector-specific licensing rules for key sectors.
- **Incorporate gender considerations:** Ensure gender inclusion in regulatory services.
- **Accommodate innovative ventures:** Establish a system to support startups and innovative business ventures.

3. Improving Access to Finance

- **Amend Bangladesh Bank Order, 1972, to allow private access to Credit Information Bureau data:** Modernize financial access by enabling private entities and individuals to access their own credit information for better financial planning.
- **Permit foreign currency borrowing by private industrial projects within 15 working days:** Simplify access to foreign finance by allowing private industrial projects to obtain foreign currency loans through a streamlined online process.
- **Allow share transfer and profit repatriation services within 10 working days for non-listed companies:** Streamline financial transactions for non-listed companies by offering quick, online services for share transfers and profit repatriation.
- **Review repatriation policies for foreign companies and consider tax adjustment facilities:** Foster a business-friendly environment by revisiting repatriation policies to provide tax adjustment facilities for foreign companies operating in Bangladesh.
- **Provide non-authorized consultancy fee remittance services within 7 working days:** Simplify financial services by allowing quick remittance of non-authorized consultancy fees through an online system.
- **Distressed assets resolution:** Implement a modern resolution framework for distressed assets.
- **NPL resolution mechanism:** Establish a mechanism for early identification and resolution of Non-Performing Loans (NPLs).
- **Address deliberate defaulters:** Tackle NPL inflows by addressing deliberate defaulters and related-party transactions.
- **Develop local capital markets:** Strengthen local capital markets as a source of long-term finance.
- **Stimulate corporate debt market:** Introduce reforms to stimulate the corporate debt market.
- **Develop green bond market:** Create a domestic green bond market to finance climate-related projects.
- **Remove loan limits:** Eliminate existing loan limits to allow market-driven interest rates.

4. Investing in Infrastructure

- **Provide electricity connections at the industrial level within 28 working days:** Modernize industrial infrastructure by ensuring timely provision of electricity connections to industrial customers within 28 days.
- **Track SAIFI and SAIDI indices for electricity interruptions and reduce progressively:** Improve infrastructure reliability by recording and progressively reducing electricity outages using industry-standard indices.
- **Implement SCADA systems to monitor SAIDI/SAIFI:** Modernize electricity infrastructure by introducing SCADA systems for real-time monitoring and management of power interruptions, improving reliability.
- **Digitize water and sewerage connections and gas connection services for industrial establishments:** Streamline utility services for industrial establishments by offering fully digital applications and processing for water, sewerage, and gas connections.
- **Approve factory layout plans and construction permits for industries within 10-20 days:** Simplify industrial expansion by reducing approval times for essential factory layout and construction permits through an online platform.
- **Evaluate PPP legislation:** Enhance institutional capabilities by reviewing PPP legislation for efficient implementation.
- **Finance infrastructure via bonds:** Issue sovereign bonds to finance infrastructure projects.
- **Develop domestic capital markets:** Support infrastructure finance by issuing local currency bonds offshore.

- **Private sector in power transmission:** Enact policies for private sector involvement in power transmission.
- **Feasibility assessments for economic zones:** Select economic zones based on feasibility and competitive analyses.

5. Reforming Taxation Policies

- **Register companies for VAT online within 24 hours:** Simplify taxation processes by enabling businesses to quickly register for VAT online through an integrated system.
- **Introduce compulsory e-filing of tax returns and e-payments to cut tax payment times:** Modernize tax compliance by mandating electronic filing of returns and e-payments, reducing the time needed for companies to meet their tax obligations.
- **Speed up VAT refund processes and reduce correction procedure times from 36 to 16 hours:** Streamline tax refunds by speeding up the VAT refund process and cutting the correction procedure time significantly.
- **Issue bonded warehouse licenses online within 15 days:** Simplify export operations by offering quick online issuance of bonded warehouse licenses, integrated with the BIDA OSS system.
- **Remove tax provision limiting promotional expenses to 0.5% of turnover:** Foster business growth by eliminating the restrictive tax provision on promotional expenses, encouraging more marketing and expansion activities.
- **Integrate online tax return filings with BIDA OSS system:** Modernize tax processes by integrating online tax filings with the BIDA OSS system for simplified compliance.
- **Simplify tax reporting forms:** Make tax reporting easier by simplifying forms and procedures.
- **Educate taxpayers:** Strengthen tax education through manuals, software, and outreach initiatives.
- **Implement VAT Law:** Fully implement the new VAT Law for a more efficient refund process.
- **Digitize tax administration:** Modernize the tax system through digitalization, real-time analytics, and IT solutions.
- **Encourage self-assessment:** Simplify tax payments through self-assessment and segmented tax collection methods.

6. Export Diversification

- **Provide bonded warehouse license issuance online for easier export facilitation:** Simplify export activities by offering quick, online bonded warehouse licenses to promote export diversification.
- **Eliminate barriers to expanding electronics and medical device manufacturing to boost exports:** Encourage export diversification by removing obstacles to the growth of critical sectors like electronics and medical devices.
- **Duty-free clearance for shipments below a defined threshold of Tk. 2000 for SMEs and export units:** Simplify export processes for SMEs by introducing duty-free clearance for low-value shipments, encouraging more export activities.

7. Logistics Infrastructure and Services

- **Multimodal Air Logistics Hubs:** Establish air logistics hubs at key airports like Dhaka, Chittagong, and Cox's Bazar to enhance air cargo handling and reduce costs.
- **Temperature-Controlled Logistics Facilities:** Develop temperature-controlled logistics hubs at ports to support the handling and distribution of perishable goods.
- **Expand National Single Window (NSW):** Implement necessary rules to expand NSW for digitalizing documentation and enhancing inter-agency communication in trade logistics.

- **Private Testing Laboratories:** Encourage the development of private testing labs to reduce logistics delays and implement risk-based testing for faster clearances.
- **Cold Chain Development at Ports:** Establish cold chain facilities at ports to manage perishable goods efficiently and reduce wastage.
- **Air Freight Charges Reduction:** Revise air freight charges to make air transportation more cost-effective for businesses.
- **Off-Dock Cold Chain Logistics:** Set up dedicated off-dock facilities for cold chain and pharmaceutical logistics to expedite critical services.
- **24/7 Digital Payment System:** Introduce a 24/7 digital transaction system for customs duties and tax payments to streamline logistics and avoid delays.
- **ICD Operations for LCL:** Allow Inland Container Depots (ICDs) to handle Less Container Load (LCL) shipments to streamline operations and reduce congestion.
- **Tracking for Bonded Goods:** Implement tracking systems for bonded goods under the Electronic Seal and Lock Service Rules, 2018, to enhance transparency.
- **Increase Importable Product Categories at ICDs: Expand** the list of goods allowed for redemption at private ICDs to reduce port congestion.
- **Faster IGM Amendments: Simplify** the Import General Manifest (IGM) amendment process to correct clerical errors within 1-2 working days.
- **Green Channel for Non-Sensitive Goods:** Implement green channels for the direct release of non-sensitive goods from ships, reducing customs clearance times.
- **Common Bonded Facility for SMEs:** Establish a common bonded facility for SMEs across industries to promote logistics growth beyond the RMG sector.
- **Private Sector in Railway Logistics:** Ensure private sector involvement in railway services and infrastructure through Public-Private Partnerships (PPP).
- **Inland Waterway Transport Incentives:** Introduce incentives for expanding inland waterway transport infrastructure and facilities.
- **Skilled Manpower Development in Logistics:** Implement logistics training programs to address skill shortages and improve service efficiency.
- **Electronic Payment for Customs Duties:** Introduce e-payment methods for customs-related transactions to improve the speed and efficiency of logistics operations.
- **Allow 100% foreign ownership in ICD/OFF-DOCK depot/warehousing:** Encourage foreign investment by permitting full foreign ownership in critical logistics sectors such as depots and warehousing.
- **Increase foreign shareholding in the logistics sector to 100% from 49%:** Foster investment in logistics by raising the foreign shareholding limit to 100%, supporting sector growth and competitiveness.

These expanded recommendations provide more actionable insights for enhancing trade, finance, infrastructure, taxation, and export policies. By adding specific reforms, the recommendations offer a broader and more comprehensive approach to improving Bangladesh's investment climate.

6.4 Action Plan

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
Enhancing Trade Facilitation	Introduce e-payment for customs duties, fees, and charges related to import/export: Simplify the payment process by allowing electronic payment for all customs-related transactions, reducing delays and improving efficiency.	NBR, Customs Department	Short-Term
	Improve risk management systems for imports/exports: Modernize risk management by introducing automated systems and enhancing coordination among agencies to expedite customs clearance.	NBR, Customs Department	Medium-Term
	Allow online document submission before ship arrival: Streamline the import/export process by enabling businesses to submit and process documents online before the arrival of shipments.	NBR, Customs Department	Short-Term
	Implement post-clearance audit systems: Expedite the import/export process by introducing post-clearance audits, reducing the need for lengthy pre-clearance procedures.	NBR, Customs Department	Medium-Term
	Reduce documentary compliance time for imports/exports: Simplify procedures to cut down on the time required for businesses to comply with documentation requirements.	NBR, Customs Department	Short-Term
	Reduce costs for documentary compliance for imports: Lower the financial burden on businesses by reducing the cost associated with meeting documentary requirements for importing goods.	NBR, Customs Department	Short-Term
	Offer online issuance of Country of Origin and Membership Certificate by chambers: Facilitate faster export processes by offering online services for issuing certificates, integrated with the BIDA OSS system.	Ministry of Commerce, Chambers of Commerce	Short-Term
	Provide online services for export/import-related visas within 7 working days: Enhance ease of doing business by ensuring quick visa extensions for foreign employees through an online system.	Ministry of Home Affairs	Short-Term
	Ensure customs clearance outside port premises for import boxes: Expedite customs clearance by allowing processing of imports outside port premises, improving efficiency and reducing congestion.	NBR, Customs Department	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Allow the use of empty import containers for export without depot returns: Reduce transportation costs and delays by permitting empty import containers to be reused for export without returning to depots.	Ministry of Shipping, NBR	Short-Term
	Enable exporters' enrollment and certificate issuance online within 2 days: Simplify the process for exporters by enabling online registration and quick issuance of certificates, integrated with BIDA's OSS system.	BIDA, NBR	Short-Term
	E-payment for customs duties: Introduce e-payment methods for customs duties and simplify high-value transactions.	NBR, Customs Department	Short-Term
	National Single Window for trade: Develop a fully operational National Single Window (NSW) for trade by automating all trade-related procedures.	NBR, Ministry of Commerce	Medium-Term
	Streamline documentation: Simplify documentation requirements for imports/exports to reduce compliance time.	NBR, Ministry of Commerce	Short-Term
	Reduce para-tariffs: Implement policy adjustments like reducing para-tariffs to stimulate trade and FDI.	Ministry of Finance	Medium-Term
	Improve trade logistics: Enhance infrastructure and container handling to reduce domestic transit times.	Ministry of Shipping, BEZA	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
Streamlining Regulatory Frameworks	Issue and renew online trade licenses within 1 day by city corporations and municipalities: Simplify the business registration process by enabling the quick issuance and renewal of trade licenses online.	City Corporations, Municipalities	Short-Term
	Renew trade licenses every 3 years instead of annually: Reduce bureaucratic burdens on businesses by extending the validity of trade licenses to 3 years, lowering the frequency of renewals.	Ministry of Commerce	Short-Term
	Provide DIFE services (license issuance/renewal) online within 10-15 working days: Modernize regulatory services by offering online licenses for industrial establishments and reducing processing times.	DIFE	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Process RJSC services online in 1-7 days: Simplify business operations by enabling quick online processing of company registration, share transfers, and amendments through the RJSC platform.	RJSC	Short-Term
	Offer online environmental clearance and renewals within specified timeframes: Streamline the environmental approval process by offering quick online clearance and renewal services through the BIDA OSS system.	Department of Environment	Medium-Term
	Streamline fire safety-related services within 15-30 days: Modernize fire safety approval processes by reducing approval times for safety plans and licenses, offered through an integrated online system.	Ministry of Home Affairs	Medium-Term
	Speed up land use clearances, construction permits, and possession certificates for industrial projects: Simplify industrial development by reducing approval times for essential permits and clearances, integrated with the BIDA OSS system.	Ministry of Land, BIDA	Medium-Term
	Mandate liability and insurance for building structural defects in construction rules: Modernize construction regulations by introducing liability and compulsory insurance for structural defects to improve safety and accountability.	Ministry of Housing and Public Works	Medium-Term
	Provide all utility connections through a single application and payment process: Simplify industrial operations by allowing businesses to apply for and pay for utility connections through a unified online platform.	Utility Companies, BIDA	Medium-Term
	Digitally process land registration, mutation, and cadastral plans: Modernize land services by fully digitizing land registration and mutation processes, providing efficient online services integrated with the BIDA OSS system.	Ministry of Land	Medium-Term
	Ensure online provision of high-speed internet and IP phone services within 3 days by BTCL: Enhance business connectivity by enabling fast online applications for high-speed internet and IP phone services, reducing delays.	BTCL	Short-Term
	Revamp OSS framework: Evaluate and refine the One Stop Service (OSS) framework for optimal performance.	BIDA	Medium-Term
	Develop SOPs for service delivery: Create Standard Operating Procedures (SOPs) to enhance predictability and streamline regulations.	BIDA	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Regulatory Impact Assessment: Implement Regulatory Impact Assessment (RIA) to improve regulatory services.	Ministry of Finance	Medium-Term
	Launch online regulatory platform: Consolidate all regulatory information into an online platform for ease of access.	BIDA	Medium-Term
	Revise Company's Act: Revamp the Company's Act and sector-specific licensing rules for key sectors.	Ministry of Commerce	Medium-Term
	Incorporate gender considerations: Ensure gender inclusion in regulatory services.	Ministry of Women and Children Affairs	Medium-Term
	Accommodate innovative ventures: Establish a system to support startups and innovative business ventures.	BIDA, Ministry of Commerce	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
Improving Access to Finance	Amend Bangladesh Bank Order, 1972, to allow private access to Credit Information Bureau data: Modernize financial access by enabling private entities and individuals to access their own credit information for better financial planning.	Bangladesh Bank	Short-Term
	Permit foreign currency borrowing by private industrial projects within 15 working days: Simplify access to foreign finance by allowing private industrial projects to obtain foreign currency loans through a streamlined online process.	Bangladesh Bank, Ministry of Finance	Short-Term
	Allow share transfer and profit repatriation services within 10 working days for non-listed companies: Streamline financial transactions for non-listed companies by offering quick, online services for share transfers and profit repatriation.	Ministry of Finance, Bangladesh Bank	Short-Term
	Review repatriation policies for foreign companies and consider tax adjustment facilities: Foster a business-friendly environment by revisiting repatriation policies to provide tax adjustment facilities for foreign companies operating in Bangladesh.	Ministry of Finance	Medium-Term
	Provide non-authorized consultancy fee remittance services within 7 working days: Simplify financial services by allowing quick remittance of non-authorized consultancy fees through an online system.	Bangladesh Bank	Short-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Distressed assets resolution: Implement a modern resolution framework for distressed assets.	Bangladesh Bank, Ministry of Finance	Medium-Term
	NPL resolution mechanism: Establish a mechanism for early identification and resolution of Non-Performing Loans (NPLs).	Bangladesh Bank	Medium-Term
	Address deliberate defaulters: Tackle NPL inflows by addressing deliberate defaulters and related-party transactions.	Bangladesh Bank	Medium-Term
	Develop local capital markets: Strengthen local capital markets as a source of long-term finance.	Bangladesh Bank, Securities and Exchange Commission	Medium-Term
	Stimulate corporate debt market: Introduce reforms to stimulate the corporate debt market.	Bangladesh Bank, Ministry of Finance	Medium-Term
	Develop green bond market: Create a domestic green bond market to finance climate-related projects.	Bangladesh Bank, Ministry of Finance	Medium-Term
	Remove loan limits: Eliminate existing loan limits to allow market-driven interest rates.	Bangladesh Bank	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
Investing in Infrastructure	Provide electricity connections at the industrial level within 28 working days: Modernize industrial infrastructure by ensuring timely provision of electricity connections to industrial customers within 28 days.	Ministry of Power, Energy and Mineral Resources	Short-Term
	Track SAIFI and SAIDI indices for electricity interruptions and reduce progressively: Improve infrastructure reliability by recording and progressively reducing electricity outages using industry-standard indices.	Bangladesh Power Development Board (BPDB)	Medium-Term
	Implement SCADA systems to monitor SAIDI/SAIFI: Modernize electricity infrastructure by introducing SCADA systems for real-time monitoring and management of power interruptions, improving reliability.	BPDB	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Digitize water and sewerage connections and gas connection services for industrial establishments: Streamline utility services for industrial establishments by offering fully digital applications and processing for water, sewerage, and gas connections.	Ministry of Local Government, Rural Development, and Cooperatives	Medium-Term
	Approve factory layout plans and construction permits for industries within 10-20 days: Simplify industrial expansion by reducing approval times for essential factory layout and construction permits through an online platform.	Ministry of Industries	Short-Term
	Evaluate PPP legislation: Enhance institutional capabilities by reviewing PPP legislation for efficient implementation.	Ministry of Finance, Planning Commission	Medium-Term
	Finance infrastructure via bonds: Issue sovereign bonds to finance infrastructure projects.	Ministry of Finance	Medium-Term
	Develop domestic capital markets: Support infrastructure finance by issuing local currency bonds offshore.	Bangladesh Bank, Ministry of Finance	Medium-Term
	Private sector in power transmission: Enact policies for private sector involvement in power transmission.	Ministry of Power, Energy and Mineral Resources	Medium-Term
	Feasibility assessments for economic zones: Select economic zones based on feasibility and competitive analyses.	Bangladesh Economic Zones Authority (BEZA)	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
Reforming Taxation Policies	Register companies for VAT online within 1 day: Simplify taxation processes by enabling businesses to quickly register for VAT online through an integrated system.	National Board of Revenue (NBR)	Short-Term
	Introduce compulsory e-filing of tax returns and e-payments to cut tax payment times: Modernize tax compliance by mandating electronic filing of returns and e-payments, reducing the time needed for companies to meet their tax obligations.	NBR	Short-Term
	Speed up VAT refund processes and reduce correction procedure times from 36 to 16 hours: Streamline tax	NBR	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	refunds by speeding up the VAT refund process and cutting the correction procedure time significantly.		
	Issue bonded warehouse licenses online within 15 days: Simplify export operations by offering quick online issuance of bonded warehouse licenses, integrated with the BIDA OSS system.	NBR, BIDA	Short-Term
	Remove tax provision limiting promotional expenses to 0.5% of turnover: Foster business growth by eliminating the restrictive tax provision on promotional expenses, encouraging more marketing and expansion activities.	NBR	Medium-Term
	Integrate online tax return filings with BIDA OSS system: Modernize tax processes by integrating online tax filings with the BIDA OSS system for simplified compliance.	NBR, BIDA	Medium-Term
	Simplify tax reporting forms: Make tax reporting easier by simplifying forms and procedures.	NBR	Short-Term
	Educate taxpayers: Strengthen tax education through manuals, software, and outreach initiatives.	NBR	Medium-Term
	Implement VAT Law: Fully implement the new VAT Law for a more efficient refund process.	NBR	Medium-Term
	Digitize tax administration: Modernize the tax system through digitalization, real-time analytics, and IT solutions.	NBR	Medium-Term
	Encourage self-assessment: Simplify tax payments through self-assessment and segmented tax collection methods.	NBR	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
Export Diversification	Provide bonded warehouse license issuance online for easier export facilitation: Simplify export activities by offering quick, online bonded warehouse licenses to promote export diversification.	Bangladesh Export Processing Zones Authority (BEPZA), NBR	Short-Term
	Eliminate barriers to expanding electronics and medical device manufacturing to boost exports: Encourage export diversification by removing obstacles to the growth of critical sectors like electronics and medical devices.	Ministry of Industries, Ministry of Commerce	Medium-Term
	Duty-free clearance for shipments below a defined threshold of Tk. 2000 for SMEs and export units: Simplify export processes for SMEs by introducing duty-free clearance for low-value shipments, encouraging more export activities.	NBR, Ministry of Commerce	Short-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
Logistics Infrastructure and Services	Multimodal Air Logistics Hubs: Establish air logistics hubs at key airports like Dhaka, Chittagong, and Cox's Bazar to enhance air cargo handling and reduce costs.	Civil Aviation Authority, Airport Authorities	Short-Term
	Temperature-Controlled Logistics Facilities: Develop temperature-controlled logistics hubs at ports to support the handling and distribution of perishable goods.	Ministry of Commerce, Port Authorities	Medium-Term
	Expand National Single Window (NSW): Implement necessary rules to expand NSW for digitalizing documentation and enhancing inter-agency communication in trade logistics.	NBR, Ministry of Commerce	Medium-Term
	Private Testing Laboratories: Encourage the development of private testing labs to reduce logistics delays and implement risk-based testing for faster clearances.	NBR, Ministry of Health	Short-Term
	Cold Chain Development at Ports: Establish cold chain facilities at ports to manage perishable goods efficiently and reduce wastage.	Port Authorities, Ministry of Commerce	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Air Freight Charges Reduction: Revise air freight charges to make air transportation more cost-effective for businesses.	Civil Aviation Authority, NBR	Short-Term
	Off-Dock Cold Chain Logistics: Set up dedicated off-dock facilities for cold chain and pharmaceutical logistics to expedite critical services.	Ministry of Commerce, Private Sector	Medium-Term
	24/7 Digital Payment System: Introduce a 24/7 digital transaction system for customs duties and tax payments to streamline logistics and avoid delays.	NBR, Ministry of Finance	Short-Term
	ICD Operations for LCL: Allow Inland Container Depots (ICDs) to handle Less Container Load (LCL) shipments to streamline operations and reduce congestion.	NBR, Ministry of Shipping	Medium-Term
	Tracking for Bonded Goods: Implement tracking systems for bonded goods under the Electronic Seal and Lock Service Rules, 2018, to enhance transparency.	NBR, Customs Department	Short-Term
	Increase Importable Product Categories at ICDs: Expand the list of goods allowed for redemption at private ICDs to reduce port congestion.	NBR, Ministry of Commerce	Medium-Term
	Faster IGM Amendments: Simplify the Import General Manifest (IGM) amendment process to correct clerical errors within 1-2 working days.	NBR, Customs Department	Short-Term
	Green Channel for Non-Sensitive Goods: Implement green channels for the direct release of non-sensitive goods from ships, reducing customs clearance times.	NBR, Customs Department	Short-Term
	Common Bonded Facility for SMEs: Establish a common bonded facility for SMEs across industries to promote logistics growth beyond the RMG sector.	Ministry of Commerce, Private Sector	Medium-Term
	Private Sector in Railway Logistics: Ensure private sector involvement in railway services and infrastructure through Public-Private Partnerships (PPP).	Ministry of Railways, Private Sector	Medium-Term
	Inland Waterway Transport Incentives: Introduce incentives for expanding inland waterway transport infrastructure and facilities.	Ministry of Shipping	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Skilled Manpower Development in Logistics: Implement logistics training programs to address skill shortages and improve service efficiency.	Ministry of Education, Private Sector	Long-Term
	Electronic Payment for Customs Duties: Introduce e-payment methods for customs-related transactions to improve the speed and efficiency of logistics operations.	NBR, Ministry of Finance	Short-Term
	Allow 100% foreign ownership in ICD/OFF-DOCK depot/warehousing: Encourage foreign investment by permitting full foreign ownership in critical logistics sectors such as depots and warehousing.	Ministry of Commerce	Medium-Term
	Increase foreign shareholding in the logistics sector to 100% from 49%: Foster investment in logistics by raising the foreign shareholding limit to 100%, supporting sector growth and competitiveness.	Ministry of Commerce	Medium-Term