A European Community Initiative

Guidebook for European Investors in Bangladesh

European Commission
Asia Investment Facility

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Asia-Invest
unlocks partnership
opportunities for
European and Asian companies

The Asia-Invest programme is a European Community initiative that provides financial support to facilitate mutually beneficial business co-operation between companies from the European Union and Asia. The programme aims at promoting linkages between European and Asian economic operators and at boosting trade and cross investment.

As a market driven programme, it funds studies, training in language and business culture and sector driven business-to-business encounters, proposed by organisations representing companies. The programme also provides technical assistance to enhance the role of intermediary organisations and to upgrade the skills and organisational know-how of entrepreneurs, from the less developed countries in Asia.

PREFACE

The Asia Investment Facility

This investment guide on Bangladesh is part of a series of guides that are being funded under the Asia Investment Facility, which is part of the Asia-Invest programme. The Facility can be used to highlight investment opportunities in selected emerging and developing countries in Asia where there is relatively little information on the market.

The Facility covers studies to identify, evaluate and promote focused market opportunities. The studies cover a variety of issues like the countries' business and investment environments, the legal and institutional framework including analysis of sectors that offer the greatest potential for European companies. Detailed sources of information and contact points are part of the final reports.

For information on investment studies coming up, visit the Asia-Invest Web Site and click on 'Support', then follow the links to the Asia Investment Facility.

So as a maximum number of companies can share in the studies findings, reports are published and are accessible on the Asia-Invest web site.

Any organisation in Europe, especially intermediary bodies like chambers of commerce or sector associations that is interested in hosting a workshop to promote the reports' findings should contact the Secretariat.

To help develop the content and quality of the studies funded under the Asia Investment Facility, we would appreciate if readers took a couple of minutes to complete the 'Feedback Form' at the end of this guidebook and return it to the Secretariat.

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GLOSSARY OF ACRONYMS

ADB	Asian Development Bank
AES	A US power company
AFL-CIO	American Federation for Labour and Congress for Industrial Organisations
AMPS	Analogue Mobile Phone System
ASEAN	Association of South East Asian Nations
BAS	Bangladesh Accounting Standards
BCIC	Bangladesh Chemicals Industry Corporation
BEPZA	Bangladesh Export Processing Zones Authority
BGFCL	Bangladesh Gas Fields Company Limited
BIDS	Bangladesh Institute for Development Study
BIMSTEC	Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Co-operation
BMPP	Barge-Mounted Power Plants
BMRE	Balancing, Modernisation, Rehabilitation and Expansion
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
BNP	Bangladesh National Party
BOI	Board of Investment
BOT	Build-Operate-Transfer
BPDB	Bangladesh Power Development Board
BRE	Bureau de Rapprochement des Entreprises
BSCIC	Bangladesh Small and Cottage Industries Corporation
BTTB	Bangladesh Telegraph and Telephone Board
BTV	Bangladesh Television
C&F	Cost and Freight
CBI	Confederation of British Industry
CDC	Commonwealth Development Corporation
CDMA	Code Division Multiplex Access
CDS	Central Depository System
CeBIT	Europe's largest annual information technology trade fair, held every March in Hannover, Germany
CEPZ	Chittagong Export Processing Zone
CESCE	Compania Espanola de Seguros de Credito a la Exportacion SA
CIF	Cost-Insurance-Freight
COFIDES	Compania Espanola de Financiacion del Desarrollo, S.A.
CP	Clearance Permit
CPA	Chittagong Port Authority
CRF	Clean Report of Findings
CSE	Chittagong Stock Exchange
DA	Documentary Acceptance
DEG	Deutsche Investitions und Entwicklungsgesllschaft G. m. b. H. (German Investment Bank)
DEPZ	Dahka Export Processing Zone
DESA	Dahka Electricity Supply Agency
DFID	United Kingdom Department for International Development
DSE	Dhaka Stock Exchange
DTA	Domestic Tariff Area
EBIC	European Business Information Centre
ECAs	Export Credit Agencies
ECIP	European Community Investment Programme
ECGD	Export Credit Guarantee Department
EDFI	European Development Finance Institutions
EIB	European Investment Bank
EIC	Euro Information Centre
EIU	Economist Intelligence Unit
EMIC	Export Market Information Centre
EPB	Export Promotion Bureaux
EPZs	Export Processing Zones
EXIPs	Export Insurance Policies
FDI	Foreign Direct Investment
FINPRO	Suomen Ulkomaankauppaliitto
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
GDP	Gross Domestic Product
GEPCI	Groupement Européen de Promotion du Commerce International (European Group for International Trade Promotion)
GIS	Geographical Information System
GNP	Gross National Product
GOB	Government of Bangladesh
GSM	Global System for Mobile
GSP	Generalised System of Preferences
GTZ GmbH	Deutsche Gesellschaft fuer technische Zusammenarbeit
IPDC	Industrial Promotion and Development Company
ICAB	Institute of Chartered Accountants Bangladesh
ICC	International Chamber of Commerce
ICEX	Instituto Espanol de Comercio Exterior
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Agency
IDCOL	Infrastructure Development Company Limited
IFC	International Finance Corporation
IFCCI	International Foreign Chamber of Commerce and Industry
IFU	Institut fuer Fabrikbetriebslehre und Unternehmenforschung
IIFC	Infrastructure Investment Facilitation Centre
ILO	International Labour Organisation
IMF	International Monetary Fund
INFODEV	World Bank Information Technology Development Fund
IP	Import Permit
IPDC	Industrial Promotion and Development Company
IPOs	Initial Public Offerings
IPPs	Independent Power Producers
IPR	Intellectual Property Rights
IRC	Import Registration Certificate
IT	Information Technology
ISO	International Standards Organisation
JBC	Jiban Bima Corporation
JICA	Japanese International Agency for Co-operation
Km	Kilometre
JV	Joint Venture
KfW	Kreditanstalt für Wiederaufbau
L/C	Letter of Credit
LCA	Letter of Credit Authorisation
LCAF	Letter of Credit Authorisation Form
LIBOR	London Interbank Offered Rate
MFA	Multi-Fibre Agreement
MIGA	Multilateral Investment Guarantee Agency
MNCs	Multinational Companies
MOPTs	Ministry of Post and Telecommunications

MOU	Memorandum of Understanding
NCBs	Nationalised Commercial Banks
NBR	National Board of Revenue
NEMAP	National Environment Management Action Plan
OECF	Overseas Economic Co-operation Fund
OPIC	Overseas Private Investment Corporation
PCs	Personal Computers
PDBs	Private Domestic Banks
PPIAF	Public-Private Infrastructure Advisory Facility
PSCs	Production Sharing Contracts
PSI	Pre-Shipment Inspection
PSIDP	Private Sector Infrastructure Development Project
PSIDF	Private Sector Infrastructure Development Fund
REB	Rural Electrification Board
RMG	Ready Made Garments
ROI	Return on Investment
ROO	Rules Of Origin
SAARC	South Asian Association for Regional Co-operation
SAFTA	South Asian Free Trade Association
SAPTA	South Asian Preferential Trading Arrangement
SBC	Sadharan Bima Corporation
SBI	Société Belge d'Investissement International
SBW	Special Bonded Warehouses
SCE	Standard Chartered Equitor
SEC	Securities and Exchange Commission
SEK	Swedish Krona
SGFCL	Sylhet Gas Field Company Limited
SIJORI	Singapore, Johor State of Malaysia and Rio Island of Indonesia
SOE	State Owned Enterprise
SRO	Statutory Regulatory Order
TEUs	Twenty Foot Equivalent Units
TIN	Tax Identification Number
TIPs	Technology Information Promotion Systems
Tk	Taka
TRIPs	Trade Related Aspects of Intellectual Property Rights
TWs	Technology Windows
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Scientific and Cultural Organisation
UNICE	Union of Industries and Employer's Confederation of Europe
UNICEF	United Nations Children's Fund
URLs	Universal Resource Locators
USPC	United Summit Power Company
VAT	Value Added Tax
VSAT	Very Small Aperture Terminals
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

INTRODUCTION

This Guidebook for European Investors in Bangladesh has been prepared under contract for the European Commission, with funding for both the research and production of the guidebook financed by the Asia-Invest programme.

The guidebook, and the research behind it, is the work of the GRUPPO SOGES S.p.A. based in Turin, in consortium with DMI & Associés, the SEMA Group and the Bangladesh Institute of Development Studies (BIDS).

In the course of their research, the consultants had discussions in many key business centres of the EU Member States and Bangladesh in order to collect current and factual information, and to gain an insight into the perceptions, motivations and experiences surrounding European investment in Bangladesh, from both viewpoints.

The guidebook covers most aspects of European investment in a fairly general way, while individual reports on the priority sectors, which are available as separate publications, provide more detailed technical information on each sector.

The guidebook attempts to deal with the various topics which are likely to be relevant to potential investors and also includes useful Internet addresses in order to allow investors to update their information.

The material in this guidebook is solely provided for the guidance of those contemplating investment, but is no substitute for professional advice, which should be sought before taking any specific actions. The information in this document is believed to be correct as at April 2000, but no responsibility is taken for its accuracy.

This text has been drafted with financial assistance from the Commission of the European Communities. The views expressed herein are those of the Consultant and therefore in no way reflect the official opinion of the Commission

THE ASIA-INVEST PROGRAMME

The Asia-Invest Programme is one of a range of initiatives that has been developed by the European Commission to promote and support mutually beneficial economic co-operation between the European Union and South and South East Asia.

The objective of the five year Euro 45mn Asia-Invest Programme, which was launched in 1997, is to promote business co-operation between companies in the European Union and Asia by providing a range of instruments to help companies research new markets, organise business in different unfamiliar cultural environments, to meet and evaluate new potential partners and to identify investment opportunities. Asia Invest offers several instruments of support, namely:

BUSINESS PRIMING FUND

The Business Priming Fund, which is one of the major instruments under the Asia-Invest Programme, provides support and partial financing to groups of EU and /or Asian companies to allow them to prepare themselves for business co-operation.

The Business Priming Fund provides the following technical support for:

a) Research and monitoring of Asian markets

Partial financial support of up to 50% of the eligible cost, to a maximum of Euro 160,000, is available for groups of European companies from preferably two EU Member States represented by trade associations or chambers of commerce. Their role is to research and monitor activities related to markets, conditions for doing business, non-EU competitor analysis, etc. in participating Asian countries covered by the programme and for effective dissemination of findings.

b) Practical training courses

Financing of up to 50% of eligible costs, to a maximum of Euro 60,000, is available for practical training courses/ seminars for acquiring international business and language skills for groups of European and/or Asian companies.

c) Technical assistance

Technical assistance is provided to groups of companies or business associations in less developed Asian countries in economic sectors such as training and technology transfer, particularly where opportunities for EU-Asia economic co-operation exist.

ASIA-INTERPRISE AND ASIA-PARTENARIAT

This instrument provides partial financing for matchmaking workshops/seminars that facilitate contacts between potential partners from the European Union and Asian countries.

Asia-Interprise events are business to business meetings that bring together a minimum of 45 companies from EU Member States and one Asian Partner country, such as Bangladesh. Generally these events cover one or two business sectors.

Asia-Partenariat is an annual multi-sectoral event that is held either in an Asian country or in an EU Member State to bring together managers from companies from all over the European Union and Asian partner countries into direct

BOX 1

HOW ASIA-INTERPRISE & ASIA-PARTENARIAT EVENTS WORK

- At these business-matching events, direct contacts between business managers are arranged in the form of bilateral meetings. Asia-Interprise events focus on one sector only, while Asia-Partenariats, on a larger scale, will bring together companies from a wider range of sectors.

- The great advantage of Partenariats and Interprises over conventional trade fairs is that in the space of only two days, a participant can have introductory but focussed private discussions with up to 20 pre-selected companies - something which otherwise would take at least a month to plan and a month to achieve.

- In broad principle, the organisation of both types of event follows the same route.

Five Phases	Detail
Selection of Host Companies	The selection of host companies is based on their reliability and the quality of the desired co-operation projects. Through a promotional campaign at national or regional level, host region companies are informed of the opportunities arising from this partnership event.
Production of the Catalogue	The catalogue gives a description of the co-operation profiles of each of the host companies selected. The catalogue is distributed throughout the relevant industry sectors in the EU and/or Asia.
Promotional Campaign in EU	The promotion of the event is undertaken by appointed National Counsellors or Partners. It involves distributing the catalogue to interested companies, organising information seminars and initiating direct contacts with potential visiting companies.
The Meeting Days	Each host company has its own stand to welcome and to hold discussions with the visiting companies. Business managers of the visiting companies can choose with which host companies they want to have business meetings.
Evaluation	Surveys are done immediately after the event, and 6-9 months afterwards, to evaluate the results.

THE ASIA INVESTMENT FACILITY

The Asia Investment Facility provides financial and technical support for identifying, evaluating and promoting focused business opportunities in eligible Asian countries.

As a focus for studies, a number of the Asian countries are selected annually. Specifically, the Asia Investment Facility provides for:

i. conducting studies, by country and by sector, into opportunities for business co-operation between European and Asian economic operators.
ii. disseminating the findings of the above studies through workshops and publications, providing assistance to European operators who demonstrate proven interest in exploring investments in Asian countries.
iii. disseminating information to Asian operators with respect to investment opportunities in the European Union and advice to organisations in the European Union to attract investments from Asia.

This guidebook is a good example of the type of information that is collected and disseminated.

THE ASIA-INVEST NETWORK

In addition to the above instruments, Asia-Invest also offers a range of networking opportunities which supports the structure of the programme by bringing together European and Asian business organisations interested in strengthening relationships. Such components include:

- **Asia-Invest Antennae in the EU**
  (www.asia-invest.com - Click on 'links') comprises of qualified European organisations with close links to SMEs and business relations with Asia, while the Asia based European Business Information Centres (EBICs) and Technology Information Promotion System (TIPS) make up the **Asia-Invest Antennae in Asia** whose member organisations are listed on (www.asia-invest - Click on 'links'). The task of the Asia-Invest Antennae is to promote the Asia-Invest Programme in both continents and to assist the Secretariat in disseminating information to target organisations and companies.
- **Annual Asia-Invest Conference** which serves to disseminate information regarding Asia-Invest to members and potential members.
- **Asia-Invest Membership Scheme** was set up to strengthen Euro-Asian Business links by bringing into contact intermediary organisations such as chambers of commerce, professional organisations and sector associations across Europe and Asia. It allows member organisations automatically to receive the Asia-Invest newsletter highlighting the most recent developments and activities relating to European-Asian business relations and a free listing on the Asia-Invest Partner Search database.

EXECUTIVE SUMMARY

1. Bangladesh, which is one of the world's poorest and most densely populated countries, has a large low cost workforce, which although poorly trained, has been found to be hard-working and trainable, making Bangladesh a good base for any labour-intensive manufacturing operation.

2. Bangladesh is a country that although poor in non-energy natural resources, has abundant supplies of natural gas from some 20 gas fields discovered to date, with reserves that are estimated to lie between 15 and 45 trillion cubic feet of which some 13.7 trillion feet are known to be recoverable.

3. Successive government reforms to open up the economy by transforming Bangladesh into a market-based economy, have seen the average annual GDP growth rate to average 5% between 1995-99 and foreign trade to grow at an average of 16% per year during the same time period, with the majority of export growth coming from the ready-made-garments sector.

4. The government would like to reduce the role of the public sector in industry and increase the role of private sector, on account of constant consolidated losses of non-financial state owned enterprises, which rose from Taka 4.9 billion in 1997/98 to Taka 8.1 billion in 1998/99. However, progress in privatisation has been very slow on account of insufficient government efforts, lack of professional ability and labour union resistance, with very few of the 50 enterprises identified for privatisation in 1998/99 being privatised.

5. Bangladesh suffers from a very weak trade balance, on account of the high level of imports that are needed to sustain the manufacture of the key items for export, such as ready made garments, which account for some 73% of all exports. The European Union and the United States are the main destinations of Bangladesh's exports, accounting for some 80% of all exports in 1997/98.

6. The majority of viable investment in Bangladesh, apart from the export processing zones, has been in non-tradable sectors, such as energy and infrastructure services, which also includes the telecommunications and engineering services. This is the opposite to other South Asian countries, where the majority of foreign direct investment is usually in export-oriented sectors.

7. The levels of foreign investment flowing into Bangladesh have been estimated by the World Bank to have increased from US$ 89 million in 1994/95 to US$ 807 million in 1998/99, they have also estimated that foreign investment outflows will increase from US$ 96 million in 1997/98 to US$ 848 million in 2004/5.

8. Hence, the Bangladesh economy must also find ways to generate sufficient foreign exchange in order to finance the constantly increasing capital outflows resulting from foreign investment in the non-tradable sectors such as gas, power and telecommunications.

9. Firms from EU Member States are only minor investors in Bangladesh, with the majority of foreign investment coming from the United States and other Asian countries, according to the Bangladesh Board of Investment. However, a significant level of investment is provided by several governments of European Member States, namely: Denmark, France, Germany, Netherlands and the United Kingdom, particularly from bilateral funds and financial institutions to fund infrastructural development.

10. Currently the energy sector is the major recipient of foreign direct investment into Bangladesh, especially the gas and power sub-sectors, which are both dominated by North American international energy companies, though several European controlled firms are significant investors. The gas sector, which has been by far the largest recipient of foreign investment within the energy sector, has already attracted over US$ 400 million of foreign investment, mostly from American multinational oil and gas companies such as Unocal, as well as Shell and Cairns Energy PLC from Europe. Currently a considerable portion of projected foreign investment in this sector is on hold, as the Bangladesh government does not permit gas to be exported, with recovered gas having to be sold back to the Bangladesh State through Petrobangla. The decision to export gas is totally dominated by politics, domestic and international, and is dependent on accurate estimates of national energy consumption during the next fifty years.

11. Telecommunications has also been a sector that has attracted considerable foreign investment and since private sector investment has been allowed in the telecommunications sector, private firms and investors now operate in cellular mobile services, rural telephone exchanges, Internet, e-mail services and paging and trunking services.

12. Most investment in the textile and ready made garments (RMG) sectors has originated from other Asian countries, who have stood to benefit from Bangladesh's preferential treatment with respect to exports of RMG to the United States, Canada and the European Union. Although export earnings from the ready made garments sector is one of the largest sources of foreign exchange, it is largely offset by the large import bills, since most components must be imported. Hence the government is trying to develop a large programme of backward linkages to make the whole sector more profitable and thus allowing it to be able to compete more effectively with other Asian countries after 2005 when the Multi-Fibre Agreement (MFA) has finally been phased out. Hence, any backward linkage programme would create business opportunities for European companies in both the export and investment sectors.

13. Bangladesh has some of the most liberal investment incentives in Asia, with an absence of any prior approval requirements or limits on any foreign equity participation, except registration with the Bangladesh Board of Investment (BOI). The government actively seeks to attract European investors by reducing bureaucratic control over private investment and opening up many areas that were previously reserved for the public sector. The government, in order to streamline bureaucratic procedures and controls, have restructured the BOI to facilitate investment, rather than regulate it, offering investors a variety of different services under a single umbrella and within a prescribed time period.

14. While all foreign investors are well protected by the Foreign Investment Act, which includes a guarantee of national treatment, some 20 countries, including many EU Member States, have concluded bilateral treaties on investment promotion and protection, as well as bilateral treaties for the avoidance of double taxation with Bangladesh.

15. Investors wishing to invest in export industries are encouraged to locate in export processing zones, where they can enjoy attractive tax concessions, reduced bureaucratic regulation and special bonded warehouses. The Bangladesh Export Processing Zones Authority (BEPZA) has been set up to provide infrastructure facilities for new investors and to attract foreign investment in export based industries.

16. Although the government is seen to be actively encouraging foreign investment in Bangladesh, there are still some difficulties that face new investors, which could affect the financial or economic viability of new investments. Such difficulties include: poor infrastructure for transportation, roads, and telecommunications and poor availability of power supply. The legal system, in general, is largely outdated, especially regarding land ownership, where the law only provides for the registration of deeds, but not the registration of property ownership. The extent to which foreign judgements are enforceable in Bangladesh is also uncertain. The country has high levels of bureaucracy and non-transparency as well as shortages of skilled people in most sectors. Potential investors are also concerned by the large numbers of political strikes or "hartels", which are regularly called by whichever political party is in opposition; by trade union militancy and by the slow progress of the government in implementing their policies for improvement.

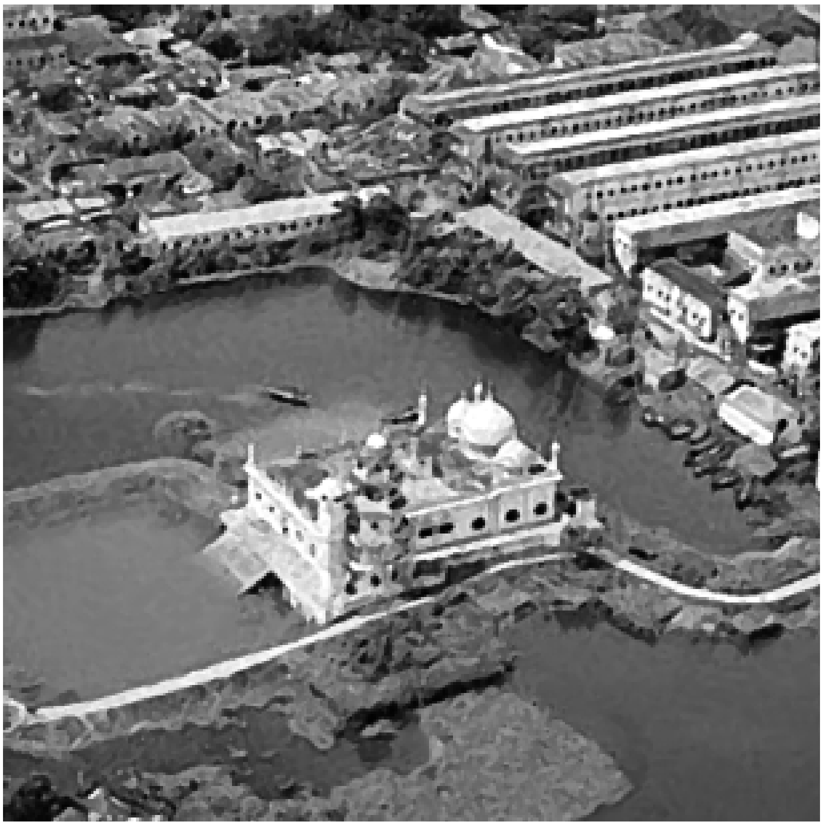
17. Although portfolio investment in Bangladesh remains insignificant, and is not now even listed in the IMF financial data for Bangladesh, considerable efforts continue to be made by the Bangladesh government, with assistance from the International Finance Corporation, to improve investor confidence that stems from the serious governance problems, as well as taking steps to improve settlement procedures and enhance the supervisory powers of the Securities and Exchange Commission, in order to improve market capitalisation to the levels it reached in the middle 1990's, when market capitalisation reached US$ 6 billion, representing some 17% of GDP.

18. The financial system is dominated by the nationalised commercial banks (NBCs) which account for 70 per cent of all deposits. But with a weak institutional capacity and a high level of non-performing loans, the system propagates a default culture, which represents a major-obstacle when trying to modernise the sector. Although infrastructure development is the major source of financial flows into Bangladesh, the manufacturing and industry sector have been the main targets for FDI, with ready made garments and knitwear attracting 70% of investment. A major source of European FDI was found to come from European Development Finance Institutions (EDFIs), such as the CDC, FMO, IFU and DEG. These financial institutions have also invested in both investment development corporations, such as the Industrial Promotion and Development Company (IPDC), which is supported by DEG, CDC, and the Aga Khan Fund for Economic Development, while the FMO has invested in the Dutch Bangla Bank. The institutions have also invested in leasing companies such as the Industrial Development Leasing Company of Bangladesh, often in collaboration with the International Finance Corporation (IFC).

19. The prime sources of finance for infrastructure development in the public sector were found to be multilateral agencies such as the World Bank, the Asia Development Bank, the European Union and bilateral institutional investors such as Danida, KfW, DEG, CDC and the Dutch Ministry of Foreign Affairs. In the private sector, the World Bank has recently funded the Private Sector Infrastructure Development Project (PSIDP) which is intended to provide mechanisms for mobilising commercial equity and debt financing for infrastructure projects, while creating an appropriate framework for the sustained and efficient operation of private infrastructure projects.

20. Many expatriate staff living in Bangladesh, claim it to be an affordable, safe and comfortable place to live, with easily affordable accommodation and readily available education for their children at several international schools. A number of foreign communities were found to be present in the Dhaka region, each with their own social club.

A European Community Initiative



GENERAL INFORMATION ABOUT THE COUNTRY

1. GENERAL COUNTRY INFORMATION

1.1 HISTORY

After becoming part of the Mogul Empire in the 16th century, East Bengal gradually fell under the influence of Portuguese, Dutch, French and British trading companies until the British Crown in 1859 took over the administration of the area from the British East India Company.

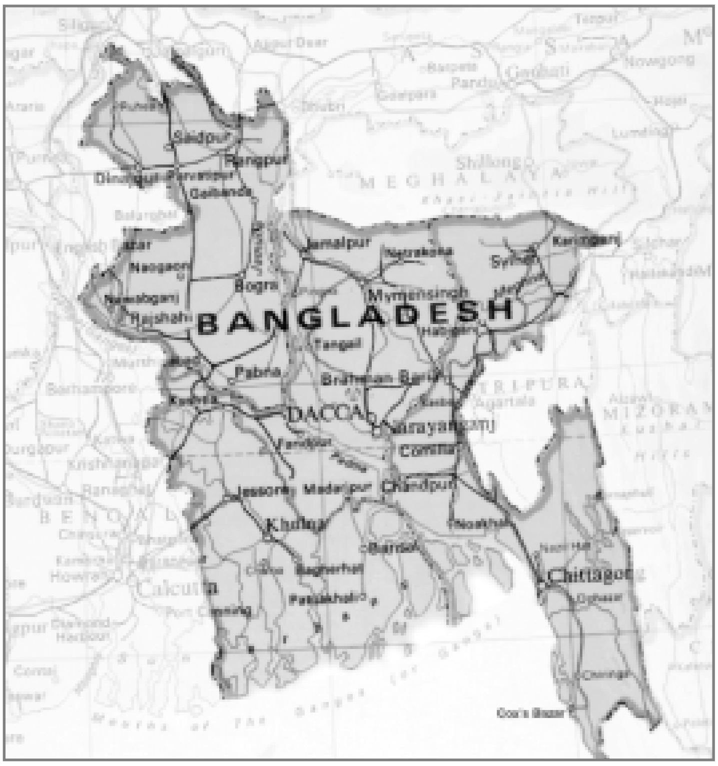
After Britain granted India independence in 1947, religious strife led to the partition of the subcontinent between India and Pakistan, which itself was subdivided into East and West Pakistan, with East Bengal becoming East Pakistan. Then, in December 1971 after breaking away from Pakistan to claim independence, the People's Republic of Bangladesh was finally formed.

1.2 GEOGRAPHY AND CLIMATE

The People's Republic of Bangladesh, with a land area of 147,570 square kilometres, is a delta, criss-crossed by thousands of rivers and their tributaries, with a terrain comprising mainly of flat alluvial plains broken up by two major areas of hills in the Northeast and the Southeast. It is densely populated and lies between the Himalayas to the North and the Bay of Bengal to the South. It is bordered by India on three sides (West, Northwest and East) and shares a Southeast border with Myanmar for 283 kilometres. The country, which occupies most of the delta of the River Ganges, is strategically located to connect South and Southeast Asia.

Dhaka, which is situated in the centre of the country, just below the junction of the two major rivers of the sub-continent, is the capital of Bangladesh and is the major commercial centre, while Chittagong, the only other large city in Bangladesh, is located in the Southeast of the country and is the main port, through which most of Bangladesh's foreign trade passes.

The highly humid climate is both tropical and subtropical, with temperatures rising from a daytime low of 21°C in the cold season to a daytime high of 35°C in the hot season. Bangladesh has the world's highest level of rainfall that can exceed 1000 mm in the West to 2500mm in the Southeast and up to 5000mm in the North near the hills of Assam during the rainy season, between June and September. Bangladesh has three main seasons: the monsoon or wet season from late May to early October; the cold season from October to February and the hot season from March to May.



1.3 DEMOGRAPHICS

BOX 1.1

BANGLADESH'S KEY DEMOGRAPHIC FIGURES

Population (EX 'Population') (1999 estimate):	128,100,000 (cf. South Asia = 1,305 Million)
Land Area:	147,570 sq. km. (cf. EU = 3.23 sq.km.)
Population Density (1999 estimate):	868 people/sq. km (cf. EU = 113/sq.km.)
Number of Households:	22,894,000 (in 1998)
Rural: Urban Population, Ratio:	77%:23%
Life Expectancy:	58 years (cf. South Asia 62 years)
Illiteracy (% population age 15+)	Approx. 45% (cf. South Asia 49%)
Religion:	Islam is the State religion and the major religion for 88 % of the population, with Hindus accounting for about 11% and the Remainder being Buddhists, Christians and Anamists.
Language:	Bangla (Bengali) is the official language, with Urdu and Hindi being minority languages. English is widely spoken, especially in government and commerce.
Population Growth:	Bangladesh is one of the world's most densely populated countries, with an annual growth rate averaging 1.5%, with the urban population growing at roughly twice the overall population growth rate.

1.4 POPULATION AND LANGUAGE

Bangladesh is one of the poorest and most densely populated countries in the world, with a population of 128.1 million, in 1999, growing at a rate of 1.5% per year and has a population density of 868 people/sq.km. according to the World Bank's 'World Development Indicators, 2000.' Over 40% of the population is estimated to be aged under 15 years and about 77% living in rural areas.

Bangla or Bengali is the official language, though Urdu and Hindi are minority languages, while English is widely spoken in business and government circles.

1.5 POLITICAL ENVIRONMENT AND GOVERNMENT

Bangladesh, which is an independent member of the Commonwealth, is a constitutional republic with a multi-party parliamentary democracy in which elections are held on the basis of universal suffrage. The role of The President, who is elected by members of the Jatiya Sangsad (Parliament) for a five year term, is essentially that of a titular Head of State. While the President appoints the Prime Minister, and on the latter's recommendation, other ministers, executive power is exercised by the cabinet, which is headed by the Prime Minister. The President also appoints members of the judiciary and on the advice of the Prime Minister, has the power to dissolve Parliament.

After Bangladesh's independence in 1971, the country was ruled by a series of military regimes for the first 20 years of its existence.

The national parliament has 330 members, with 300 members elected from single territorial constituencies, and serves a 5-year term, subject to dissolution. In addition thirty extra seats are reserved for women members, who are elected by the parliamentarians.

There are three main political parties, plus many smaller groups that usually join forces with the larger parties. The three main parties are the Awami League who are currently in power, the Bangladesh National Party (BNP), the main opposition party and the Jatiya Party.

1.6 LOCAL GOVERNMENT

Bangladesh has a four-tier system of local government. The country is divided up into five divisions, namely the Barisal, Chittagong, Khulna, Rajshahi Dhaka and Sylhet Divisions. The Dhaka Division is by far the most densely populated division of the country, while the Rajshahi Division is the largest, with 16 districts and 25% of the country's population. Each division, which is headed by a Divisional Commissioner, is then subdivided into regions, each of which is headed by a Deputy Commissioner. Each region is then subdivided into zilas or districts, which in turn are subdivided into thanas and unions. At the lowest level, there are villages in the rural areas and mohallahs in urban areas. The lowest level of revenue collection, i.e., the primary revenue units, are Mouzas in both rural and urban administrations. Some Mouzas and villages have the same boundaries, though many Mouzas may be larger than villages. Table 1.1 below gives a breakdown of administrative institutions including Mouzas:

TABLE 1.1

BANGLADESHI ADMINISTRATIVE ORGANISATIONAL STRUCTURE

Divisions	5
Regions	21
Zilas (Districts)	64
Rural Areas:	
Thanas	489
Unions	4,451
Mouzas	59,990
Villages:	
1. Less than 50 households	20,163
2. 50 Households or more	65,487
Urban Areas:	
Pourashavas	25
Wards	514
Mohallahs	3,666

Source: Bangladesh Bureau of Statistics Annual Report 1999

Each Zilas consists of several Thanas which were formerly known as police stations. There are 489 Thanas including river and railway police stations. The administrative set-up of the Thanas has been thoroughly re-organised and expanded taking the administration to the door-step of the people and making it more responsive to their needs and capable of providing quick decisions in solving local problems. Under the re-organised set-up, the Thanas is the focal point of public administration in the country. The administration of each Thanas is headed by an elected Chairman who is assisted by the Thana Nirbahi Officer (chief executive officer) within the department.

Local government in urban and rural areas is entrusted to bodies, which are elected by the people. Such bodies in the urban areas are called Municipalities or Pourashavas and in rural areas these are called Union Parishads (Union Councils). There are also Zila Parishads and Thana Parishads at the Zila and Thana levels respectively.

Gaining an appropriately practical understanding of the functioning of such an administrative/power structure is considered to be important for those investors that are interested in the public decision making process and its actual implementation.

1.7 FOREIGN POLICY

Relations with India have always been one of the central issues of foreign policy and remain the substantive factor that separates the two political parties which have ruled Bangladesh, since its creation in 1971.

When the Bangladesh National Party (BNP) were in office, they took a more sceptical attitude towards India and had failed to come to any agreements on a range of important issues such as water sharing rights over the Ganges River or trade and transit rights for Indian Railways, meanwhile they have tried to improve their relations with Pakistan.

In contrast, the Awani League, the current government, have actively sought closer relations with India. Since coming to power they have concluded the 'Ganges Agreement,' and have been actively negotiating transit rights, which was the result of a visit in June 1999, by the Indian Prime Minister to inaugurate the first passenger bus service between Bangladesh and India. During this visit the Indian Prime Minister also promised Bangladesh a greater access to Indian markets plus financial credits over 3 years to develop transport and industrial infrastructure.

Another aspect of Bangladesh foreign policy is to improve relations and mutually beneficial co-operative ties with the bordering states through accelerated trade and commerce, investment, transit, transhipment and tourism.

1.8 NATURAL RESOURCES

Natural gas is the main energy resource available in Bangladesh, with some 20 gas fields having been discovered to date containing possible reserves that were estimated in mid 2000, to lie between 15 and 45 of trillion cubic feet, of which up to 13.7 trillion cubic feet may be recoverable. Gas is providing critical inputs to power generation, fertiliser production and the chemical industry, with the gas sector being open to foreign investment under production sharing contracts.

Bangladesh is generally poor in non-energy resources, with known reserves of limestone, glass sand and various minerals, including thorium and uranium. There are also considerable coal deposits, much of which are not commercially viable, however in the mid 1990s, large amounts of high quality bituminous coal were discovered in Dinajpur, and the Barapukuria mine to produce an annual output of 1 million tons is under construction.

Forested land in Bangladesh covers some 12.7% of total land area, with much of the soil being rich and fertile, and a growing proportion of the land is now available for double cropping. Bangladesh has considerable potential for the development of agricultural resources.

1.9 EDUCATION

Considerable progress has been made in recent years in Bangladesh to improve literacy and primary education. Primary education was declared compulsory in 1991, but due to the lack of adequate support there is still a chronic shortage of classrooms and teachers. Those facilities that do exist are overcrowded and suffer from shortages of textbooks and other resources.

Adult literacy in Bangladesh has continued to grow, rising from 47.3% in 1997 to 56% by January 1999, and rising considerably from under 25% in the early 1990's. However there is still a wide variation from rural and urban areas and between males and females, though both gaps are narrowing.

The Government provides free schooling for children of both sexes for eight years. Primary education, which is compulsory, begins at six years of age and lasts for five years. Secondary education, which begins at the age of 11 years, lasts for up to 7 years.

Gross enrolment in primary schools has increased from 76% to 95% between 1990 to 1996. The number of primary school children being educated has now increased from 12 million in 1990 to 18.3 million in 1998, while female primary school enrolment has increased from 44.7% to 47.8% during the same period, according to government statistics. Despite all of this only half of all children ever complete five years of primary education. However, private schools still predominate at the secondary school level, while university students are able to receive generous government subsidies, only 30% of students are women, which is far lower than in other South Asian countries.

There are also seven state universities, including one for agriculture, one for Islamic studies and another for engineering.

1.10 HEALTH

Basic health services in Bangladesh remain relatively undeveloped, with the public sector providing about 90% of all health services in the country, and total expenditure for healthcare and planning being less than 2% of GDP. Health programmes give priority to increasing the popularity of birth control, where in 1997/98 some 4.2% of the health budget was allocated to family planning. Government health development expenditure in 1998/99 totaled some Taka 13.700 million, which is equivalent to 10.1% of the total public sector development budget.

A European Community Initiative

ECONOMIC AND BUSINESS INFORMATION

2. ECONOMIC AND BUSINESS INFORMATION

2.1 ECONOMIC PERFORMANCE

The GDP per capita level for Bangladesh during 1998 reached US$341 a year when calculated using the Atlas method, where GDP per capita is converted from national currencies into US dollars at prevailing exchange rates or US$1,361 at Purchasing Power Parity. If this method is calculated using current international dollars, it reflects a basket of goods and services from that country, thus comparing their cost of living. In terms of GDP, Bangladesh lags way behind its South Asian regional neighbours - India, Pakistan and Sri Lanka, as can be seen in table 2.1.

TABLE 2.1

REGIONAL SOUTH ASIAN COMPARATIVE ECONOMIC INDICATORS IN 1998

	Bangladesh	India	Pakistan	Sri Lanka
GDP (US$ billion)	43	430	63	16
GDP per capita (US$)	341	439	477	842
GDP per capita (PPP) (US$)	1,361	2,077	1,714	2,978
GDP Annual Growth (%)	5.1	6.1	3.1	4.7

Source: World Bank, World Development Indicators 2000

Between 1995-99 the average GDP growth rate in Bangladesh, averaged 5%, compared with 4.7 %, between 1990-94, according to 'Asian Development Outlook 2000' of the Asian Development Bank, which is seen in table 2.2 below. However, this strong growth in GDP, slowed considerably when major floods hit Bangladesh in the third quarter of 1998. During the 1995-99 period, growth in the industry sector averaged 6%, on account of a strong manufacturing performance, while the service sector also grew at 6% and the agriculture sector at only 3%.

Successive governments have been opening up the economy by reducing tariff and non-tariff barriers and trying to promote exports. The growth of Bangladesh's foreign trade, which showed an average annual growth rate of 16%, because of the strong trade in ready-made-garments, represents some 40% of the GNP. However Bangladesh's exports are not broad based but mostly restricted to a small number of products, namely: ready made garments, fisheries products, jute goods, leather and raw jute. The ready made garments sector is by far the most successful, mostly in the private sector, and has been able to access the required technology and mobilise the necessary financial resources. The Bangladesh Government must also take considerable credit for facilitating growth in this sector through some effective policy interventions and an effective array of incentive packages which they were able to offer.

Bangladesh, in recent years has started attracting direct foreign investment (FDI), which increased from about US$80 million to about US$400 million per year from 1996 through to 1999.

Gross domestic investment has also shown strong growth because of the high levels of reconstruction and rehabilitation following the floods, while gross national savings have increased to 21.1% because of the increases in remittances for overseas workers.

As can be seen in table 2.2 and in the graph 2.3, export growth slowed considerably in 1999 to 2.8% from 17.1% in 1998, because of a slow down in the ready made garments sector which only registered a 4.8% growth, because the floods affected export shipments and production, while devaluation of South East Asian currencies weakened the competitivety of Bangladesh's exports. This demonstrates the vulnerability of the export sector, where the ready made garments sector represents in excess of 70% of total exports. Imports also grew 6.6% in the same period, higher than the two preceding years, due to the high food grain imports caused by flood loses, resulting in increases of the current account deficit to 1.4% from 1.2% the preceding year. This in turn put pressure on balance of payments, causing lower levels of foreign exchange reserves to US$1.5 billion by the end of 1999.
The flood recovery programme increased money supply (M2) to 12.8% in 1999 from 10.4% in 1998. Macroeconomic forecasts are very positive with a high predicted GDP growth of 5% expected.

TABLE 2.2

MAJOR ECONOMIC INDICATORS: BANGLADESH 1997-2000 (BY %)

Item	1997	1998	1999	2000*
GDP Growth	5.4	5.2	4.4	5.0
Gross domestic investment/GDP	20.8	21.6	22.5	22.8
Gross national savings/GDP	18.6	20.4	21.1	21.8
Inflation index (consumer price index)	2.6	7.0	9.0	6.0
Money supply (M2) growth	10.8	10.4	12.8	14.0
Fiscal balance/GDP	-4.5	-4.2	-5.3	-4.2
Merchandise exports growth	13.3	17.1	2.8	7.0
Merchandise import growth	3.3	5.1	6.6	7.0
Current account balance/GDP	-2.2	-1.2	-1.4	-1.0
Debt service/exports	11.4	11.7	12.0	12.1

Source: Bangladesh Bank; Bureau of Statistics, World Bank; Asian Development Bank *(Estimates)

MAJOR ECONOMIC INDICATORS IN BANGLADESH 1997-2000

CHART 2.1

GDP growth

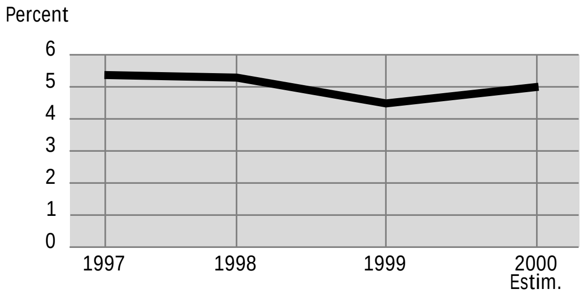


CHART 2.2

Inflation index

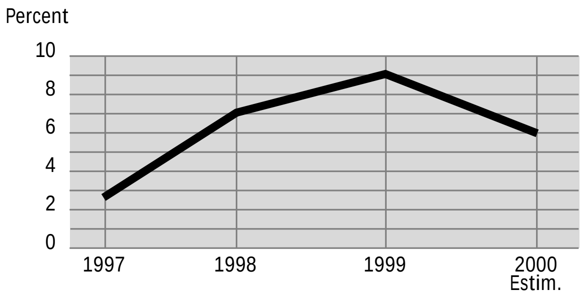
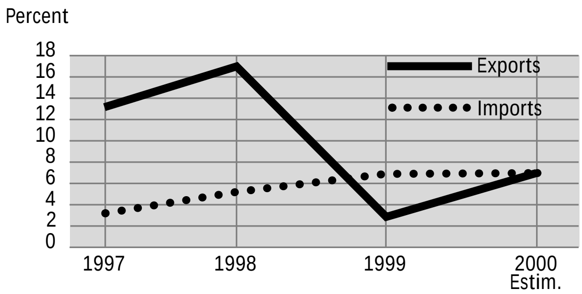


CHART 2.3

Merchandise imports - Export growth



Source: Bangladesh Bank; Bureau of Statistics, World Bank; Asian Development Bank (2000 = estimates)

2.1.1 Monetary Policy and Public Finance

The Bangladesh Government is currently pursuing an expansionary monetary policy, as seen above in table 2.2 by the substantial growth in money supply (M2) between 1997-99 and an even larger growth of 14%, during the first half of 2000. However the increase in monetary growth was accompanied by an almost 39% increase in government borrowing during the same period according to IMF Monthly Statistics.
Despite export growth, Bangladesh has consistently run a high trade balance deficit in recent years, which can be seen in table 2.3, (and shown graphically in chart 2.4) though some of this deficit is offset by remittances from Banglades his working abroad, direct foreign investment and foreign aid grants. This has still resulted in a regular deficit on the current account in recent years, which can be seen in table 2.3. The current account deficit is funded largely by borrowing, with the total external debt in 1999 reaching an estimated US$ 17.1 billion. However a large portion of this external debt is long term at concessional interest rates, making the debt service ratio manageable at around 9.8% of exports.

Never-the-less, the balance of payments situation is likely to deteriorate if exports and the in-flow of FDI are not diversified, as growth in the world demand for ready made garments slows and competition increases, while payments necessary to service outflows of foreign direct investment in the power and telecommunications sector increases.

TABLE 2.3

FISCAL ECONOMIC INDICATORS BETWEEN 1995-1999 (US$ MILLION UNLESS OTHERWISE INDICATED)

	1995	1996	1997	1998	1999
Exports	3,733	4,009	4,839	5,141	5,458
Imports	-6,057	-6,284	-6,587	-6,715	-7,420
Trade balance	-2,324.1	-2,275	-1,748	-1,574	-1,962
Current account	-824	-991	-327	-35.0	-291.4
Reserves	2,340	1,835	1,582	1,905	1,604
Total external debt (US$ billion)	16.3	16.0	15.1	16.4	17.1
Debt-service ratio %	13.8	11.7	9.9	9.1	9.8
Exchange rate Tk/$	40.28	41.79	43.89	46.91	49.09
GDP ($ billion)	29.1	31.9	32.9	34.1	36.6
Consumer Price Inflation av %	8.5	4.1	5.2	8.3	6.3

Source: IMF International Financial Statistics

Part of the information shown in table 2.3, is also displayed in the charts 2.4 to 2.7.

FISCAL ECONOMIC INDICATORS 1995-1999

CHART 2.4

Exports & Imports

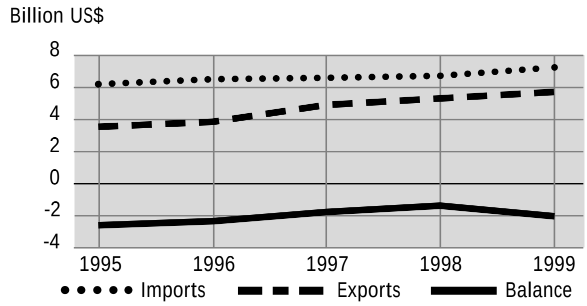


CHART 2.5

Exchange rate Taka vs US$

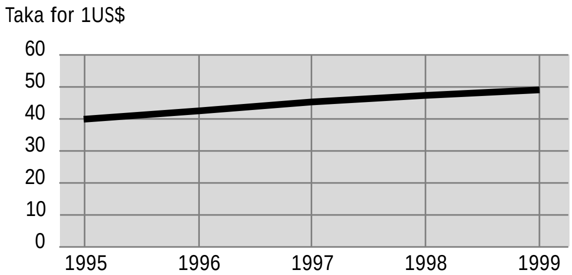


CHART 2.6

GDP

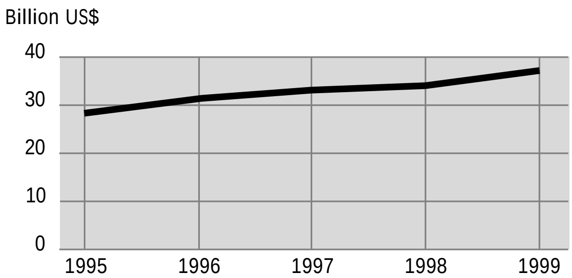
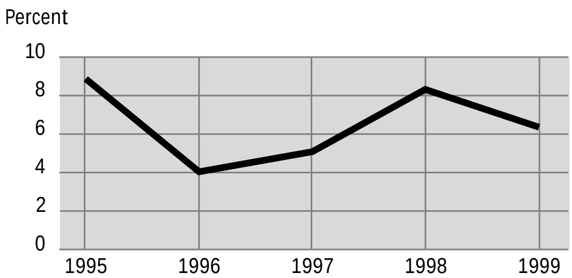


CHART 2.7

Consumer price inflation



Source: IMF International Financial Statistics

The Taka is a managed currency, following a policy by the Bangladesh Bank of frequent devaluations. However several investors commented that the currency still remains overvalued and the devaluations were often too small. Table 2.4 lists Taka/Euro and Table 2.5 listsTaka/US dollar exchange rates between 1996 and 2000.

TABLE 2.4

EXCHANGE RATES: TAKA PER EURO

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2000	50.26	47.09	-	-
1999	55.16	51.42	52.21	51.43
1998	50.03	50.67	51.71	55.19
1997	50.96	49.84	48.56	50.59
1996	52.52	52.39	53.73	53.75

Source: http://europa.eu.int/cgi-bin/make_infoeuro_page/en/BDT

TABLE 2.5

EXCHANGE RATES: TAKA PER US DOLLAR

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2000	51.00	51.00	-	-
1999	48.50	48.50	49.31	50.03
1998	46.02	46.30	47.06	48.25
1997	42.69	43.61	44.23	45.04
1996	40.98	41.65	42.10	42.45

Source: IMF International Financial Statistics, period averages December 1998/ August 2000

2.2 ECONOMIC POLICY AND INDUSTRIALISATION

2.2.1 Economic Policy in Recent Years

The major problem for the last two governments in Bangladesh has been, how to achieve a sustained economic growth that will lead to employment, income growth and reduction in poverty, in a country where a large segment of the population live below the subsistence level. Since Bangladesh continues to be highly dependent on foreign aid flows, for both capital projects and for food aid, in order to feed the poor, the foreign aid donors have been able to persuade the government to follow economic policies that will encourage GDP growth, increase agricultural production and reduce Bangladesh's reliance on foreign aid.

At the beginning of the 1990's, the government implemented a number of structural reform policies to strengthen fiscal and monetary management, to promote private sector development, to downsize the role of government and to liberalise the external trade and foreign exchange regimes, thus encouraging foreign investment. These policies have helped create a relatively stable macroeconomic environment, which has improved economic growth, savings and investment, which in turn helped to decrease poverty and has improved the social fabric of the country. All economic policies are packaged in five year plans, which have mostly failed in the past, due to their over-ambitious and often unrealistic objectives. Though in all fairness, it must be said that many external circumstances outside of government control, such as floods, political disorder, changes in global commodity and oil prices etc, coupled with poor economic management, have made the objectives difficult if not impossible to achieve.

During the 1990s, most governments have promoted liberalisation and encouraged market-based policies to raise growth, to encourage the private sector, down-size the role of government and encourage foreign investment.

2.2.2 Privatisation Programme

After independence in 1971, all major industries, such as jute, textiles, chemicals etc., were nationalised, as were most financial services institutions, such as commercial banks and insurance companies. Also power, telecommunications, gas, water and other infrastructure sector entities were placed under direct government control. However, the performance of most of these government-controlled entities was very poor, from both a financial as well as the management point of view, which has caused a continuing and growing financial deficit, and has resulted in considerable pressure from the international/multilateral donor agencies to force the Government to encourage private sector development and address the issues of privatisation.

A Privatisation Board was set up in 1993 and entrusted with the overall responsibility of privatising State Owned Enterprises (SOEs) that have been identified for privatisation, whether small or large in size, profitable or loss making.

However, progress in privatisation has been very slow on account of inefficient government efforts, lack of professional ability, labour union resistance etc, which has continuously hindered the process. Although, between 1976 and 1992, about 500 State-Owned Enterprises (SOEs) were sold out or returned to their former owners.

In 1998, the Privatisation Board prepared a list of 82 SOEs to be privatised during the 1998-99 fiscal year, including 17 jute mills, 17 textile mills, 20 steel, engineering and related units, 10 sugar mills and 7 chemical processing units. In addition, shares of 11 SOEs had been earmarked for sale to the public. The Board failed to meet any of its targets, with not one SOE privatised in 1998 and only two SOEs privatised in 1999. Now the list has been reduced to 50 SOEs.

Of the 50 enterprises identified for privatisation by the Privatisation Board during 1998/99, very few were privatised due to the lack of commitment by the political leadership, as the scheduled elections in 2001, and the general resistance from the bureaucracy and the labour unions of the SOEs.
Industrial activity is still dominated by a large number of inefficient public sector enterprises, which stifle the potential for greater economic performance, with particularly poor performances of state owned enterprises (SOEs) in the jute, textile, power and fertiliser sectors.

The Privatisation Board has so far handed over only 11 state-owned enterprises, with seven others at various stages of the process. Unofficially, many sectors are reserved at least in part for the government. Although occasionally the government has given way to the private sector, such as those for wheat and fertiliser imports and fertiliser distribution, parastatals have often stifled private sector initiatives and undermined legal and policy reforms. Often the licenses that are required for those businesses which compete with parastatals, such as banking and insurance, are very difficult to obtain.

One particular negative effect that the SOEs continue to have on the private sector concerns wage settlements, where the private sector is forced to match the ever increasing wage settlements of the SOEs, if they are to keep their staff. For further information on privatisation, see the sector profiles on energy and textiles.

According to the IMF, the consolidated losses of non-financial SOEs rose from Taka 4.9 billion in 1997/98 to Taka 8.1 billion in 1998/99. So in recent years the government has attempted to reduce its involvement in industry and increase the role of the more efficient private sector. Hence the government's privatisation efforts are regarded as a barometer of the official attitude towards the private sector.

Although on paper, the Bangladesh Government has sold off a significant number of companies and shares, including about 38% of the country's jute milling capacity, 70% in textiles, 12% in sugar and food, 10% in chemicals, and 4% in steel and engineering, in practice it has still retained control of many firms. Privatised firms in these sectors continue to behave as if they were state run and are heavily regulated, with management still not being able to reduce employment payrolls. In several cases where the joint venture partners of foreign firms were originally nationalised at independence, those foreign firms have still been unable to persuade the government to sell them its shares at a fair market value.

When privatisation slowed to a virtual standstill in 1998, the Government then appointed a prominent businessman as Privatisation Board Chairman. The lack of progress according to the most recent study by the IMF in March 2000, reflects the deep-seated inefficiencies and governance problems, including political interference, lack of managerial accountability and budget constraints. Vested interests, and technical difficulties with respect to the valuation of the enterprises' assets and trade union militancy have also been important factors in slowing the privatisation process. Hence at this time, no interest whatsoever could be found from any European or foreign investor in investing in this sector.

However the annual status of privatisation in Bangladesh is regularly monitored in the World Privatisation Report, with a section on the status of privatisation in Bangladesh being produced by Pangaea Partners, an American multinational licensed merchant bank, with offices in Bangladesh. The Bangladesh status report may be downloaded directly from their web site at www.pangaeapartners.com/banglipri.htm.

2.2.3 Liberalisation of the infrastructure

The Government of Bangladesh in recent years has become fully aware that the infrastructure facilities of the country are seriously inadequate after many years of under investment in the energy, power, transport, roads, bridges and telecommunications sectors, and that considerable levels of new investment are now required. The government has also realised that they will only be able to achieve the necessary levels of investment through private sector capital, which would be necessary to supplement the limited funds that could be made available from domestic capital markets, funds from international finance institutions and aid agencies as well as internally generated funds.

In order to support this policy of liberalisation of infrastructure ownership, the Infrastructure Investment Facilitation Centre (IIFC) has been created to assist facilitation and realisation of private sector participation. The IIFC, which has now been established as a private sector company, is supported by the Bangladesh Government and financially assisted by the World Bank with bilateral funding from Canada and the United Kingdom. The key objectives of the IIFC will be to introduce, facilitate and assist in any part of private sector participation which improves the infrastructure of Bangladesh.

2.2.4 Trade Liberalisation

Following independence in 1971, the Bangladesh Government initially adopted an inward looking growth strategy that relied on import bans, high tariffs, unrealistic exchange rates and quantitative restrictions, a policy which emphasised the promotion of import substituting industries to support domestic markets. However since the mid-1980s, Bangladesh has been opening up its economy by reducing tariff and non-tariff barriers. This current policy of trade liberalisation has already significantly eliminated a large number of quantitative restrictions as well as substantially reducing tariff rates, with maximum tariff rates being lowered from 40% in 1998/99 to 37_% in 1999/2000 and the number of tariff bands from 6 to 5. Also under the 1999/2000 budget, the structure of tariff rates will be simplified.

One result of the trade liberalisation has been the dramatic growth in exports of ready made garments, which in part, has been facilitated through several effective policy interventions by the Bangladesh Government as well as by preferential treatment offered to least developing countries, such as Bangladesh, by both the European Union through the Generalised System of Preferences (GSP) and the United States through the Multi-fibre agreement (MFA).

2.2.5 Banking Reforms

The financial services sector which remains underdeveloped, only contributing about 2% to GDP in 1997/98, with growth consistently lagging behind GDP growth throughout the 1990s, is dominated by Nationalised Commercial Banks (NCBs). However, the major programme to reform this sector, the Financial Sector Reform Programme, which was carried out between 1990 to 1996 has had only limited success as the whole sector is still plagued with lack of credit discipline, poor loan recovery procedures, corruption and inefficiency as well as chronic overstaffing, with the limited availability of credit and high costs constraining business expansion.

Changes in the legal framework of the financial services sector during the 1990s, including amendments to the Financial Loan Courts Act 1990, the Bankruptcy Act 1997 and the Company Act 1997, are now expected to improve the loan recovery rate of the banks.

Moreover, the reform programme, since April 1999, has given the Bangladesh Bank (Central Bank), more authority to supervise the management of both the private and public sector commercial banks and financial institutions, while the Government is now required to obtain advice and recommendations of the Central Bank before approving the appointment, dismissal or promotion of any chairman or director of any public sector bank or financial institution.

2.3 MAJOR SECTORS OF THE ECONOMY

2.3.1 Agriculture

Agriculture, which now accounts for about 30% of GDP, down from 40% in the 1980's, is the primary occupation of about 70% of the population, who are mostly farmers or rural labourers.

Given the sector's importance, the policy of successive governments has been to target agriculture in order to boost overall GDP growth, but with only limited success. The Bangladesh Government continues to support the agricultural sector through a number of policy interventions, with the ultimate view to promoting food self-sufficiency as they envisaged in the Fifth, Five Year Plan (1997-2002). To help meet the objectives of their plan, they continue to take steps to ensure adequate supplies of fertiliser at subsidised prices, as well as setting prices for the domestic procurement of rice, all at a cost to the economy.

However the non-crop sector, which includes livestock and fisheries, seems to have performed much better, on account of private sector initiatives.

2.3.2 Industry

Since 1991, the Government of Bangladesh has tried to purse an industrial strategy, which has been defined in The Industrial Policy, 1991, which was subsequently revised in 1992 and is based on the philosophy of market economy. The objectives of the Policy are:

- To expand industries by putting more emphasis on the development of the private sector and to make the role of the government more promotional than regulatory.
- To develop the industrial sector in order to increase its contribution to the gross domestic products, income, resources and employment;
- To expedite development of labour intensive industries through acquisition and improvement of appropriate technology;
- To encourage the development of both agro-based and agro-supportive industries;
- To stimulate development of industries based on indigenous raw materials and indigenous technology;
- To motivate investment in the intermediate and basic industries;
- To confine the role of the Government particularly in establishing strategic and heavy industries and to improve efficiency of the public sector;
- To create possible opportunities for revitalising and rehabilitating sick industries;
- To make effective arrangements for improving standard and controlling the quality of the products; and
- To take appropriate measures for preventing environmental pollution and maintaining ecological balance.

Source: Industrial Policy 1991

Hence the government is seeking to encourage both domestic and foreign investment in their overall industrial development, particularly in the following categories of industries:

- Export-oriented industries;
- Industries in export processing zones;
- High technology products, that are either export-oriented or for import substitution;
- Industries that can take advantage of indigenous natural resources or raw materials;
- Investment for the improvement of the quality and marketing of goods manufactured in Bangladesh, and/or for increasing the production capacities of existing industries;
- Labour intensive, technology oriented, capital intensive industries.

The industrial environment is discussed more fully in section 5.4, with sub-sections covering the manufacturing sector in Bangladesh, including ready made garments, jute, food processing, the chemical industry and other industrial production; environmental legislation; registration under the factories act; local content requirements and the reserved sectors of the economy.

A full review of four priority sectors is given in section 7.1 to cover the energy, including gas and power; engineering services for infrastructure development; telecommunications and information technology and ready made garments and textiles.

These four priority sectors are then each reviewed in full in four separate individual sector profiles.

2.3.3 Energy

The key objective of the energy policy is to increase the availability of sustainable sources of commercial energy. Meeting this objective requires both increased efficiency in the use of existing energy sources, and large investment in new sources. The key sector issues are: restructuring the power and gas sub-sectors with the government as the regulator rather than service provider; unbundling of the existing integrated public utilities into functional units, organised on a commercial basis; revising the relevant legislation to reflect these changes, including the establishment of independent regulators; rationalising tariffs and improving debt collection; reducing system losses and establishing a transparent framework to encourage private sector participation.

2.3.4. Financial Services

2.3.4.1 Banking

The financial services sector in Bangladesh has been in distress for a number of years now, remaining under-developed and only contributing about 2% to GDP in

1997/98, with growth consistently lagging behind GDP growth throughout the 1990s.

The banking system dominates the financial sector in Bangladesh, accounting for about 97% of the market in terms of assets, according to the International Monetary Fund. The sector is dominated by four nationalised commercial banks (NCBs) which account for over 60% of assets, private domestic banks (PDBs), which account for about 32% of assets and foreign banks accounting for the remaining 6-7% of assets.
The Government has tried to take a number of important steps to improve the regulatory and legal environment for banks over the years, starting with the Financial Sector Reform Programme, as mentioned under chapter 2.2.5 "Banking Reforms."

The poor performance of the banking industry is still a particular concern to both the Government and the World Bank, since most of the NCBs and all of the domestic banks are under-capitalised, under-provisioned and weighed down by non-performing loans, many of which were forced upon them by the Government to loss-making state-owned-enterprises. In addition a number of the large private sector defaulters have considerable political influence, often making loan recovery complicated.

The four major NCBs, which all suffer from political interference, poor management, lax credit discipline, and all had an estimated 90% of their loans in default in 1997.

2.3.4.2 Development Finance Institutions

In order to support industrialisation and private sector infrastructure development, several specialist development finance institutions have been set up to provide long-term debt, equity financing and leasing. The Industrial Promotion and Development Company of Bangladesh (IPDC) provides project financing, while the Infrastructure Development Company Limited (IDCOL) supports private sector infrastructure projects that are being developed on a build-own-operate or and build-own-transfer basis, while the Industrial Development Leasing Company of Bangladesh is the major leasing company.

These institutions have been set up as private companies with technical and financial support from the International Finance Corporation and selected institutional investors. IPDC, which was incorporated in Bangladesh in 1981 is 30% owned by the Bangladesh Government, together with: IFC (17.5%), DEG (17.5%), CDC Group (17.5%) and the Aga Khan Fund for Economic Development (17.5%). Shareholders of the Industrial Development Leasing Company of Bangladesh include: the IFC, DEG, Aga Khan Fund for Economic Development and the Korean Development Leasing Corporation, which is active throughout South Asia.

2.3.4.3 Insurance

Shortly after independence, the Bangladesh Government nationalised all of the insurance companies and set up two state controlled companies, Sadharan Bima Corporation (SBC) to deal with general insurance, and Jiban Bima Corporation (JBC) to handle all life insurance, but allowed one previously established life insurance company, the American Life Insurance Company to continue.

Then in 1984, the Insurance (Amendment) Ordinance was passed to allow private companies established by Bangladeshi nationals to re-enter the market, allowing some 16 non-life insurance and 3 new life insurance companies to be formed. Then in 1996, licenses were given to a further 8 non-life and 2 life insurance companies to be established. Applications from a further 50 companies are said to be under consideration.

The Insurance Act 1990 was modified to allow private non-life companies to write 50% of public sector business, but required them to reinsure 50% of all of their business with SBC. The current data on the exact size of the market could not be found, but figures published in 1998 by the Controller of Insurance listed non-life premiums to be US$ 83.5 million and life insurance premiums to be US$90 million. The market for non-life insurance was broken down into 6 components: property (34.43%), motor (13.90%), marine aviation and transport (43.14%), construction and engineering (4.5%), workmen's composition and employers liability (0.02%) and miscellaneous (4.01%).

The Bangladesh market is a very small market, with SBC writing about US$ 14.71 million, about 18% of total non-life premiums and 24 joint stock companies operating in the market, with a possible further 10 companies soon to be licensed. SBC handles all reinsurance arrangements of private companies. Currently foreign ownership is not allowed, as ownership is restricted to Bangladeshi nationals. But a recent consultancy report, commissioned by the Government, recommends that foreign investors be permitted to own up to 40% of an insurance company's equity.

2.3.5 Tourism

The tourism sector in Bangladesh remains very small, since most visitors come to Bangladesh for business purposes, with 44% of recorded arrivals coming from India and 20% from the United Kingdom. Since 1993, the Government of Bangladesh has targeted the development of tourism, initially by improving the whole tourism infrastructure, particularly by attracting foreign investment for new international hotels. There are several hotel projects that have been registered by the Board of Investment, notably from one group in the United Kingdom and another from Italy, with an Italian entrepreneur creating a hotel in Dhaka, in collaboration with local partners.

2.3.6 Transport and Communications

Improving transportation and communications is a major goal of the Bangladesh Government, in order to improve economic development and to upgrade the infrastructure necessary to attract more foreign investment, with both of these sectors receiving considerable funding from both multilateral and bilateral agencies.

The transport infrastructure is principally the responsibility of the public sector under the Ministry of Communications, which is responsible for the operations of roads and railways. The whole transport sector is very poor and the state of disrepair of what there is, tends to hinder economic development. Major expansion and a vast programme of rehabilitation is needed. The current trend appears to be towards an increased use of road transport against a decline in rail traffic, with waterways providing a possible alternative.

There are two major seaports at Chittagong and Mongla, and inland ports at Dhaka, Chandpur, Barisal and Khulna, with around 80% of all imports and 75% of all exports passing through Chittagong, which is well connected by road, rail, river and air routes. Chittagong, which has already received considerable public sector investment, is now expected to attract most private sector investment which will double its capacity.

The current "Fifth Development Plan" calls for increased private sector participation in cargo handling and undertaking joint ventures with the Chittagong Port Authority. Operations to be improved, include maintenance of dredgers, construction of more container terminals and specialised berths, leasing equipment for port handling, and the creation of container freight services.

The Chittagong Port Authority (CPA) has already begun work on a new container port alongside the main port, which has been designed to double the port's capacity. As part of the governments policy of attracting private sector participation in the sector, an American firm SSA, is building a private container terminal some 15 km from Chittagong. This private port proposal is vehemently being opposed by the workers, labour unions and some politicians, who have regularly organised strikes to prevent its construction. Opposition politicians are also raising objections in Parliament concerning the way in which the contract was awarded, without going to a tender.

The sectoral strategy in the telecommunications sector is much more straightforward and successful. The policy of the government has been to encourage private sector investment in the sector and have currently licensed seven operators to operate telecommunications services in Bangladesh in addition to the Bangladesh Telephone and Telegraph Board. These private sector operators have all entered the market by way of joint ventures with local firms, even though the investment guidelines of the government would allow 100% foreign equity participation.

2.4 INTERNATIONAL TRADE

Bangladesh suffers from a very weak trade balance, reflecting a high level of dependence on imports for many essential goods, particularly raw materials needed for the production of textiles and ready made garments, whilst receiving much lower prices for many of their traditional exports such as jute, jute manufactured products and tea. Table 2.6 gives Bangladesh's trade balance between 1995 and 1999.

TABLE 2.6

BANGLADESH TRADE BALANCE BETWEEN 1995-99

(US$ million)

	1995	1996	1997	1998	1999
Goods: exports f.o.b.	3,733.3	4,009.3	4,839.9	5,141.4	5,458.3
Goods: imports f.o.b.	-6,057.4	-6,284.6	-6,587.6	-6,715.7	-7,420.4
Trade balance	-2,324.1	-2,275.3	-1,747.7	-1,574.3	-1,962.1

Source: IMF International Financial Statistics

2.4.1 Major Trading Partners

The European Union and the United States are the two main destinations of Bangladesh's exports, accounting for some 80% of all exports in 1997/98, as can be seen in table 2.7, and are shown in charts 2.8 and 2.9, while inter-regional exports to SAARC countries have only represented levels of between 2-3% of total exports between 1994-98.

TABLE 2.7

DESTINATION OF BANGLADESHI EXPORTS BETWEEN 1993/94 AND 1997/98

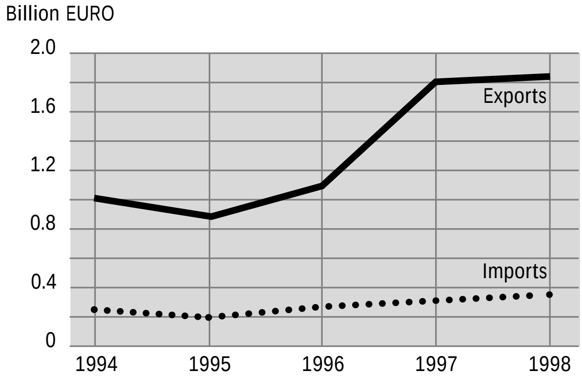
(By %)

Destination	93/94	94/95	95/96	96/97	97/98
European Union	45	40	47	45	43
United States	29	34	31	32	37
Japan	2	3	3	3	2
SAARC	2	3	3	3	2
Other Countries	21	20	2	17	16
Total	100	100	100	100	100

Source: Bangladesh Export Promotion Bureau, various issues.

CHART 2.8

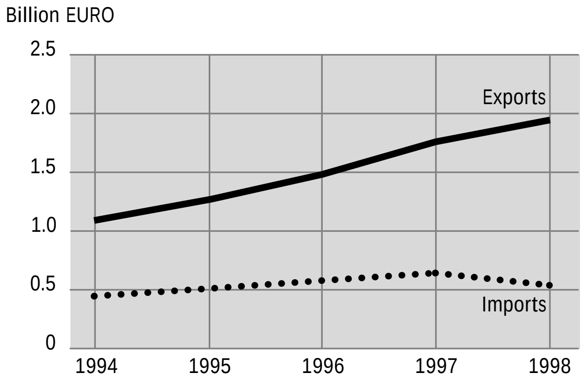
Bangladesh trade with the USA



Source: Bangladesh Bureau of Statistics, Monthly Statistical Bulletin March 2000

CHART 2.9

Bangladesh trade with the EU



Source: Bangladesh Bureau of Statistics, Monthly Statistical Bulletin March 2000

However the majority of all imports to Bangladesh during 1997/98, came from other Asian countries, namely India, China, as can be seen in tables 2.8 and 2.9 and are also shown in a four year graph in charts 2.10 and 2.11.

TABLE 2.8

BANGLADESH FOREIGN TRADE BY SELECTED COUNTRIES

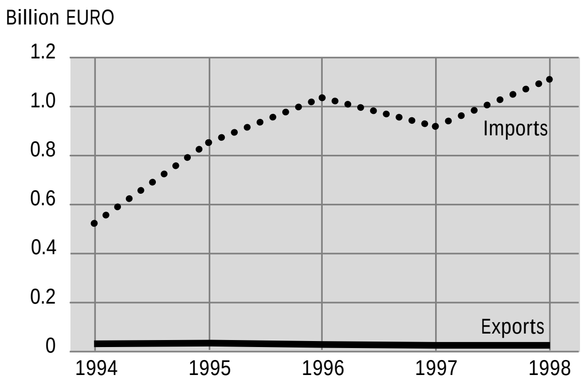
(Million Taka)

Country	Imports 1997/98	Imports 1998/99	Exports 1997/98	Exports 1998/99
Australia	8,820	9,865	1,502	1,488
Austria	488	327	612	1,109
Belgium	1,570	1,181	8,830	10,256
Denmark	1,608	1,910	2,452	2,697
China	33,009	31,767	2,243	631
France	4,385	6,512	20,293	17,328
Germany	8,267	7,585	20,370	25,186
Hong Kong	18,101	16,263	2,553	3,166
India	47,276	59,277	470	390
Indonesia	9,997	13,056	221	396
Italy	3,431	2,658	12,406	13,489
Japan	21,744	27,056	5,602	3,838
Malaysia	8,349	7,108	821	158
Netherlands	3,318	3,410	10,304	12,034
Pakistan	3,586	4,690	1,512	2,249
Saudi Arabia	4,963	5,549	597	240
Singapore	20,693	23,711	2,141	2,385
S. Korea	19,309	726	756	653
Spain	1,175	953	2,723	3,394
Sweden	2,210	1,595	2,398	2,815
Switzerland	1,831	2,421	706	1,046
Taiwan	18,822	17,022	364	522
Thailand	6,064	7,196	786	2,091
UK	11,626	8,188	16,837	19,963
USA	13,750	16,669	90,398	96,244
TOTAL TRADE	318,916	341,016	229,408	245,619

Source: Bangladesh Bureau of Statistics, Monthly Statistical Bulletin March 2000

CHART 2.10

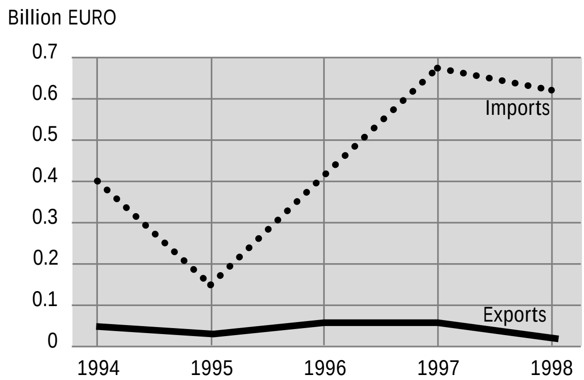
Bangladesh trade with India



Source: Bangladesh Bureau of Statistics, Monthly Statistical Bulletin March 2000

CHART 2.11

Bangladesh trade with China



Source: Bangladesh Bureau of Statistics, Monthly Statistical Bulletin March 2000

TABLE 2.9

BANGLADESH: MAIN TRADING PARTNERS IN 1998/99

Main Export Destinations	% Total	Main Origins of imports	% Total
United States	39.18	India	17.38
Germany	10.25	China	9.30
United Kingdom	8.02	Japan	7.93
France	7.05	Singapore	6.95
Italy	5.49	Taiwan	4.99
Netherlands	4.90	United States	4.89
Belgium	4.18	Hong Kong	4.87
Japan	1.56	Indonesia	3.83

Source: Bangladesh Bureau of Statistics, Monthly Statistical Bulletin March 2000

2.4.2 Principal Commodities

Five major commodity exports, which are listed in table 2.10 below, have dominated Bangladeshi foreign trade during the 1990s, namely: ready made garments; jute goods; frozen foods, which include fisheries products and leather and leather products. Ready made garments now account for some 73.14% of all exports. By contrast, the export share of traditional products such as jute and tea has declined significantly over the past decade. In the 1980s, jute and jute products accounted for some 50% of all exports, as opposed to 8% today.

TABLE 2.10

BANGLADESH: PRINCIPAL EXPORTS DURING 1997-1998 (BY COMMODITIES)

Principal Exports during 1997/98	US$ million
Ready made garments	3,783
Frozen foods	294
Jute goods	281
Leather	190
Raw jute	108
Tea	47
Chemical products	74
Other manufactured commodities	305
Total, including others	5172

Source: Bangladesh Economic Survey 1999

The imports into Bangladesh of capital goods that support the growing private sector infrastructure development in the power, gas and telecommunications sectors have now become significant, as can be seen in table 2.11 below. The high levels of imports of principal industrial goods is related to the production of garments, whose import contents appear to be very high.

TABLE 2.11

BANGLADESH PRINCIPAL IMPORTS DURING 1997/98 BY COMMODITIES

Principal Imports during 1997/98	US$ million
Principal primary goods,	**809**
which include:	
rice	247
wheat	122
oil seeds	93
crude petroleum	140
cotton	207
Principal industrial goods,	**1,146**
which include:	
oil	216
petroleum products	295
fertiliser	108
cement	152
textile fibres	375
Capital commodities	**2,072**
Other commodities	**3,497**
Total imports	**7,524**

Source: Bangladesh Economic Survey 1999

2.4.3 Bangladesh's Trade with the European Union

EU Member States taken collectively, are Bangladesh's main trading partner, accounting for 40% of all exports, as was seen above in table 2.9. Bangladesh has maintained a positive trade balance with EU Member States, as can be seen in table 2.12 below, with the majority of Bangladeshi exports to Europe going to: Belgium (9.41%), France (15.30%), Germany (21.20%), Italy (12.45%), Netherlands (10.55%) and the United Kingdom (20.62%). While the majority Bangladesh imports from Europe coming from: France (21.90%), Germany (17.57%), Italy (12.02%) and the United Kingdom (22.84%). Table 2.13 shows that ready made garments and knitwear constitute the majority of imports by individual EU Member States.

TABLE 2.12

DIRECTION OF BANGLADESH TRADE WITH EUROPE IN 1997 AND 1998 (1000 EURO)

To/from:	1998 Exports	1998 Imports	1998 Trade balance	1997 Exports	1997 Imports	1997 Trade balance
Austria	17,273	6,198	11,075	18,525,	6,448	12,077
Belgium/Lux	183,582	32,055	151,527	166,174	24,877	141,297
Denmark	54,930	28,282	17,648	41,879	30,379	11,500
Finland	15,314	11,909	3,405	17,258	4,553	12,705
France	298,590	123,150	175,440	267,689	131,449	136,240
Germany	413,793	98,840	314,953	374,875	143,001	231,874
Greece	5,551	2,529	3,022	6,981	4,968	2,013
Ireland	8,152	2,719	5,433	5,284	4,343	941
Italy	242,916	67,612	175,304	225,812	100,365	125,447
Netherlands	205,948	31,653	174,296	182,739	53,516	129,223
Portugal	4,802	161	4,641	4,235	1,03	3,197
Spain	53,978	15,381	38,597	53,112	13,203	39,909
Sweden	53,526	13,344	40,182	42,123	33,690	8,433
UK	402,425	128,653	273,772	354,795	117,185	237,610
Total EU	**1,951,779**	**562,482**	**1,389,297**	**1,761,481**	**669,013**	**1,092,468**

Source : Eurostat 1999

TABLE 2.13

MAJOR EXPORTS FROM BANGLADESH INTO THE EUROPEAN UNION IN 1998

EU Member State	Total US$ Million	Major Product Group
Austria	20	Woven garments (60.67%), knitwear (29.03%), leather (3%)
Belgium	211	Woven garments (37.5%), knitwear (28.7%), jute yarn (14.29%)
Denmark	43.76	Knitwear (54%), woven garments (38.19%)
Finland	12	Woven garments (66.57%), knitwear (29.67%)
France	369	Woven garments (58.08%), knitwear (37.30%)
Germany	510	Woven garments (69.01%), knitwear (25.52%)
Greece	7	Woven garments (33.36%), knitwear (19.79%) jute manufactured (17.87%)
Ireland	9	Woven garments (58.35%), knitwear (37.53%)
Italy	270	Woven garments (63.3%), knitwear (17.12%), Leather (14.11%)
Netherlands	236	Woven garments (54.13%), knitwear (32.04%), Shrimps (4.77%)
Portugal	4.5	Woven garments (42.96%), leather (19.6%), knitwear (16.28%)
Spain	60.5	Woven garments (53.08%), knitwear (17.72%), leather (17.21%)
Sweden	48	Woven garments (64.77%), knitwear (30.52%)
United Kingdom	440	Woven garments (51.41%), knitwear (32.85%), Shrimps 7.18%
Total EU Member States	**2,246**	**Woven garments, knitwear, shrimps**

Source : Bangladesh Export Promotion Bureau Trade Statistics 1997/98

2.4.4 Trading Agreements (Multilateral, Preferential, Regional and Bilateral)

2.4.4.1 Multilateral Agreements

Bangladesh is a founding member of the World Trade Organisation (WTO) and is thus committed to a free and fair multilateral trading regime.

Bangladesh is a signatory of MIGA (Multilateral Investment Guarantee Agency), OPIC (Overseas Private Investment Corporation) of the USA, ICSID (International Centre for Settlement of Investment Disputes), and a member of WIPO (World Intellectual Property Organisation) the permanent committee on development co-operation related to industrial property.

It is also a member of International Finance Corporation (IFC) and has received both debt and equity financing from IFC for a number of private sector projects.

2.4.4.2 MFA and GSP Preferential Trade Agreements

Bangladesh has two key preferential arrangements that are the cornerstone of their export policy, namely the Multi-fibre Agreement (MFA) and the Generalised System of Preference (GSP).

The MFA was created in 1974 to allow the world trade in textiles and clothing to be expanded in an orderly way through the reduction of trade barriers and progressive liberalisation of textile products. Under the MFA, bilateral agreements were negotiated between importing and exporting countries, stipulating the products for which trade is restricted to a mutually agreed quota, and to which an annual growth rate is applied. Under this agreement the export of ready made garments has shown a very large growth rate. With the United States, there are specific limits on some 21 items in the ready made garment sector, which is permitted to grow at a rate of 7% per year.

The European Union's GSP is the mechanism by which EU Member States offer preferential market access to certain products from developing countries. Under GSP, Bangladesh has unrestricted duty entry into EU Member States providing they meet certain criteria set by EU. The two most important criteria for GSP are "Rules of Origin (ROO)" and "Process Criteria." Under the ROO requirements, the product item must originate in Bangladesh and be exported directly to an EU Member State and not via a third country. Under the Process Criteria requirement, the product exported, must be substantially produced in Bangladesh.

However, the ready made garments sector has not been able to fully utilise the GSP scheme, until 1997, because of the rule that requires a two-stage conversion, since it is required that the cloth used to manufacture ready made garments must be manufactured within Bangladesh. However most ready made garments produced in Bangladesh are manufactured from imported fabrics. The European Union however, substantially relaxed this rule in 1997, to allow ready made garments to use yarn or fabrics imported from SAARC/ASEAN or Lomè Convention countries.

The GSP scheme has not only benefited the textile sector but also the fisheries and leather sectors.

2.4.4.3 Regional and Bilateral Trade Agreements

Bangladesh is involved in a number of regional trade initiatives with a view to deepen intra-regional trade and promote investment co-operation. For foreign investors, any successful regional free trade agreement could create a much larger market and an opportunity to cut costs by locating their production facilities in the country within the region with the lowest import tariffs. If these production facilities were to then set up in export processing zones, they could export their finished products duty free to the other countries in the regional agreement, which in the case of Bangladesh exporting to Northern India, could make substantial savings. However, this has not happened to date.

Bangladesh is a member of the South Asian Association for Regional Co-operation (SAARC), which was formerly constituted in 1985, with Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. Intra-regional trade according to the World Trade Organisation (WTO), only accounts for some 4.3% of member nations' total trade, which is a far smaller proportion than in other regional groupings such ASEAN (23.2%) or Mercosur (22.8%).

Bangladesh is also a member of the South Asian Preferential Trading Arrangement (SAPTA), which was signed by the members of SAARC in 1993 and ratified by all member countries in 1995. The main objective to SAPTA being to design trade related concessions in a way that are considered to be equitable and beneficial to all participating nations. To date, some two rounds of negotiations have been completed and implemented under SAPTA. The first round was limited to tariff concessions, has already resulted in the lowering of tariff rates on a number of goods manufactured within the region. In the second round of trade negotiations under SAPTA, India granted Bangladesh additional tariff concessions, increasing the number of items covered from 106 items to over 500 items.

The ultimate objective of the seven SAARC countries that entered into the SAPTA agreement was to develop a South Asian Free Trade Association (SAFTA). Initially, at the SAARC summit meeting in Male in 1997, it had been agreed to try to establish the free trade zone by the year 2001, but later decided it to be more practical and only to complete the regulatory framework by 2001. However negotiations were put on hold following the cancellation of the 1999 SAARC summit on account of the military take-over in Pakistan in 1999. Hence until Indo-Pakistani relations improve, ratification of any free trade agreement is unlikely.

Hence India is now focussing its efforts on developing bilateral trade agreements. The most liberal of these is its treaty with Nepal in 1996, which has boosted Nepal's export sector and caused a number of multinational firms to invest in Nepal as a base for exporting to India. According to the Nepal Department of Industry, firms such as Indian healthcare company Dabur, Colgate Palmolive, Nepal Lever and Kodak have all invested in Nepal in recent years and are exporting to India. In order to boost trade in North East India, a similar treaty is expected to be signed with Bangladesh, after the next election in Bangladesh, possibly to be concluded in 2001. Hence foreign investors targeting markets in India, would gain a competitive advantage by manufacturing in Bangladesh.

On a note of caution, it must also be reported that India is currently in dispute with Kodak in Nepal, claiming that their plant is not a genuine manufacturing plant, but merely a repackaging operation, giving them reason to reject their certificate of origin which is necessary to export to India.

Bangladesh is also looking for sub-regional opportunities by involving itself with the "Development Quadrangle" which includes Nepal, Bhutan, East and North Eastern India and Bangladesh. Such 'Growth Zones' have proven to be very successful in other regions of Asia, such as the SIJORI Growth Zone, which includes Singapore, Johor State of Malaysia and Rio Island of Indonesia.

Bangladesh also enjoys membership in both BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Co-operation) and D-8 (Bangladesh, Pakistan, Egypt, Malaysia, Indonesia, Turkey, Nigeria, and Iran) regional groups.

2.4.5 Market Access

Successive Bangladesh Governments throughout the 1990's, have made concerted efforts to dismantle non-tariff barriers, reduce and rationalise tariffs and relax and streamline import procedures to bring about a fairly liberalised trade environment. Given below are several aspects of market access that are considered to be correct for those investors seeking to find more detailed information about the subject however they are recommended to consult the Bangladesh section in either the current edition of the Exporters' Encyclopaedia, published by Dun & Bradstreet, Inc. or the Croner's Reference Book for the Exporter, both of which are usually available in trade libraries in many EU Member States. Also large amounts of current relevant market access information is now freely available online, either directly from sources in Bangladesh or from outside. The National Board of Revenue web site at www.nbr-bd.org carries the customs schedules in full, as well as the Customs Act. However, it is difficult to download on account of the large size of the data files and slow data transmission speeds for Bangladesh. Also available is the official "Investment Guide of Bangladesh" which is published by the Bangladesh Government at www.bangladeshgov.org/pmo/investment/invest.htm#p and is far more user friendly. Outside Bangladesh, there are a number of both regional and country databases that have been set up to support national firms accessing Bangladeshi markets, which include: the European Commission's Market Access Sectoral and Trade Barriers Database at www.mkaccdb.eu.int: the Trade Partners database of the British Trade International at www.tradepartners.gov.uk and the US Embassy web site at http://usembassy-dhaka.org/.

2.4.5.1 Import Documentation

Accurate documentation is essential when exporting to Bangladesh, since any deviations from customs authority regulations is likely to result in long delays and additional expenses. All invoices must give full details of packing, specifications, weights and measurements of individual packages and a declaration of the country of origin. Though it should be noted that imports from South Africa and Israel were still prohibited in March 2000. If the manufacturer's or shipper's invoices are not prepared on cost and freight terms, a freight memorandum should be sent. Facsimile signatures are not acceptable to Bangladesh customs. All import documentation should be received two working days before arrival of the ship to avoid possible demurrage.

All imports, except those made by Bangladeshi government departments require the completion of a letter of credit authorisation form (LCAF). These forms then allow registered commercial importers to import under a letter of credit without the need of any import license.

All imports should be covered by a letter of credit that has been administered by the Bangladesh Bank in accordance with Ministry of Finance policy, through an authorised bank or financial institution.

Special certificates may be required for certain goods. For example a health certificate is required for all plants, seeds and livestock, while various foodstuffs and pharmaceuticals must be covered by a certificate of analysis. Pre-shipment certificate requirements are discussed in section 2.4.5.3.

All insurance must be effected through the Sadharan Bima Corporation or any Bangladeshi insurance company approved by the Ministry of Commerce, unless an exemption has been granted by the Controller of Insurance.

2.4.5.2 Customs Tariff on Import/Export Items

Bangladesh is a contracting party to the Harmonised Commodity and Description System. Import duties are designed to strengthen domestic production, to provide new opportunities for industrialisation, to discourage the consumption of luxury goods and to ensure a supply of essential goods for common consumers. The customs valuation of imported goods for the purpose of assessment and realisation of customs duty is based on the normal value concept. Ad valorem duties are generally assessed on the basis of the CIF (cost, insurance, freight) cost of goods. Duties are collected in Bangladesh currency by Customs authorities under the Bangladesh Customs and Excise Departments of the Ministry of Finance's National Board of Revenue.

There are seven tariff bands: zero, 2.5 per cent, 7.5 percent, 15 per cent, 22.5 per cent, 30 per cent and 42.5 per cent. In 1997, a 2.5 per cent infrastructure development fee was added to most items, making the highest effective rate 45 per cent.

Customs duties are levied on all imports, except raw cotton, textile machinery, certain machinery used in irrigation and agriculture, fertilisers, life saving drugs and medical equipment. There is also a system of low concessionary duty that is payable on capital machinery and a limited amount of spares, where duty rates vary between 0-10%. The rates are determined by such factors, which include areas where the machinery will be installed and whether or not the machinery will be used in export driven industries.

General duty rates are as follows:

Basic raw materials	1-22.5%
Intermediate products	22.5-30%
Finished products	30-45%

A supplementary duty ranging from 15 to 350 per cent may also be levied on certain luxury items such as cars with an engine capacity greater than 1000 cc and cigarettes.
A table of customs tariffs is available on the National Revenue Board web site at www.nbr-bd.org .

2.4.5.3 Pre-shipment Inspection Services (PSI)

The reintroduction of pre-shipment inspection services from mid- February 2000 as a means improving revenue collection and simplifying importation appears to have created more problems than they have solved, with many manufacturers complaining of production disruption due to long delays in clearing the essential imported items they may need for production.

All exports to Bangladesh with a CIF value of more than US$5,000 are now subject to pre-shipment inspection, though there is an exemption for certain categories of goods. Three main problems have already been identified. Firstly the banks that are issuing letters of credit, insist on sending them by courier to the local companies responsible for PSI, often taking 3-12 days, which results in delays in the issuance of the PSI certificates, as PSI companies are not allowed to issue the certificates without copies of the letters of credit. A second problem that has now arisen is the official requirement that the PSI company needs to verify that value-added tax (VAT) and tax payer's identification number (TIN) registrations are genuine before they are permitted to issue the certificates. It is claimed that PSI agents have already found that some 70% of registrations numbers are not genuine. Another delay that is being experienced by importers comes from long delays in receiving a clean report of findings (CRF) certificates from the PSI companies in the country of product origin, without which importers are not permitted to release their goods. While most countries are exchanging CRF by coded email, the Bangladesh system requires the CRF to be delivered by courier, which increases the time required, since copies are needed by customs, importers and the bank issuing the letter of credit as well as the PSI agent.

The Bangladesh Government has appointed two companies to be responsible for PSI certification for Bangladesh: Bureau Veritas, which has offices in most EU Member States that can be contacted via www.bureauveritas.com and Intertek Testing Services, Academy Place, 1-9 Brook Street, Brentwood, Essex CM14 5NQ, telephone: 44 1277 2233255, fax: 44 1277 220127. Web site www.itsglobal.com

2.4.6. Public Sector Procurement

The Bangladesh Government is the largest importer in Bangladesh, with most government agencies, autonomous organisations and public sector corporations importing directly through public tenders or direct purchase, with all public tenders being publicly announced as well as being issued to registered suppliers.

Government procurement accounts for over half of all Bangladeshi’s imports. Currently Bangladesh is not a signatory to the World Trade Organisation plurilateral agreement on government procurment.

It is understood that most government agencies prefer to deal with local firms acting as exclusive agents or distributors of foreign manufacturers or suppliers. It should be noted that public sector agencies will only permit one bid to be made through only one agent or distributor.

Most public sector procurement takes place through projects and it is important for exporters and their agents or representatives to follow project development and approval, since the majority of bids are won by those firms that have been involved in projects from their inception.
The Bangladesh Government follows written procedures for the procurement of both goods and services which is often in the context of aid funded projects where the government follow the procurement rules of the concerned donor. These rules, which are published in English are available from the economic Relations Division of the Government.

Pre-qualification is usually required for a large complex project. Procurement is usually done in a "one envelope" procedure where both the technical and price bids are submitted together.

The Bangladesh Government also requires all exporters to post performance bonds. The procedures for public tenders depends on the origin of finance.

2.5 MEDIA

2.5.1 Advertising

While newspapers, television and radio all accept advertising, Radio Bangladesh only accepts advertising in Bangla, while Bangladesh Television (BTV) now carries some advertising in English as well as Bangla. English language newspapers of course accept advertising in English. Although there are also some billboards in larger towns, direct marketing is still somewhat limited, due to high illiteracy rates as well as very limited and inadequate local media services. Trade promotion agencies in several EU Member States have advised their exporters to seek advice in their own countries about advertising in Bangladesh, before attempting market development there.

2.5.2 Print Media

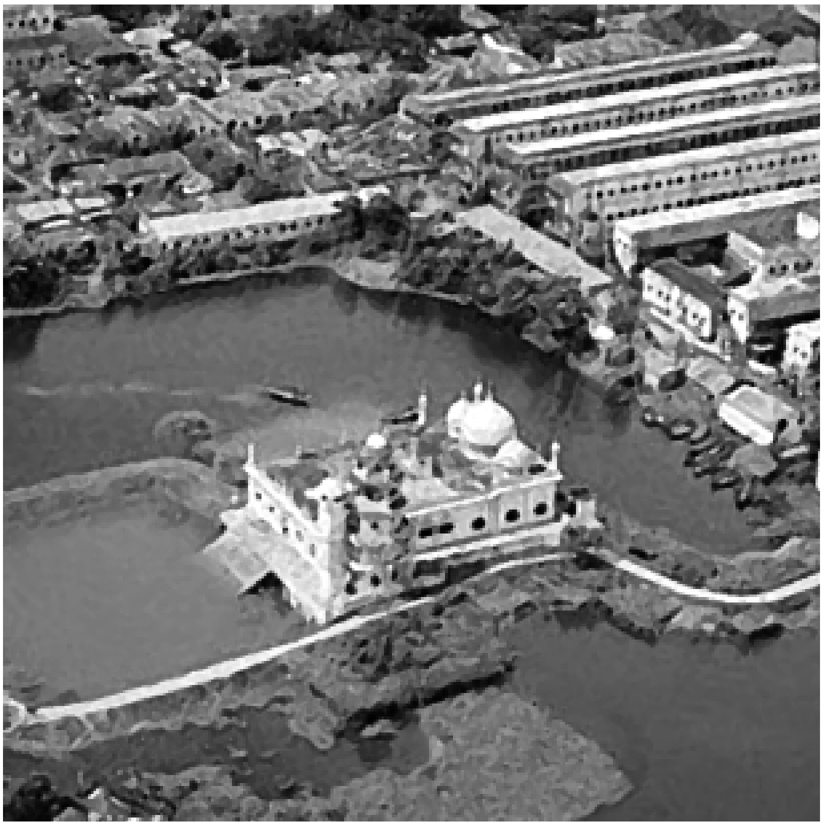
In Bangladesh there are at least 100 national daily newspapers, of which 9 are published in English. The most widely read of these is the "Ittefaq." Also with these newspapers there are a few trade publications in circulation, in area's such as Information Technology, Engineering etc.. Some of these newspapers are also available on line, providing the most up-to-date information, with those written in English including the Bangladesh Observer, the Bangladesh Times, Daily Star, the New Nation, the Independent and the Financial Times.

2.5.3 Broadcasting

The state controlled Bangladesh Television has wide coverage of Bangladesh through a series of relay stations broadcasting in Bangla, at Chittagong, Natore, Mymensing, Rangpur, Noakhali, Satkhira, Cox's Bazar and Rangamati. An increasing number of English language satellite and cable television are also appearing, mainly coming from India and Hong Kong.

Radio Bangladesh is also state controlled, with some 9 stations in Dhaka, Chittagong, Khulna, Rajshahi, Rangpur, Sylhet, Rangamati, Comilla and Thakurgaon. They also run an external service broadcasting in seven languages to Europe, the Middle East, India and Nepal.

A European Community Initiative



INVESTMENT REVIEWED

3. INVESTMENT REVIEWED

3.1 BANGLADESH IN THE ASIAN CONTEXT

Foreign direct investment flows into Bangladesh appear small compared to flows into a number of emerging markets in Asia, as can be seen in table 3.1 below. Financial flows into China, India and all ASEAN countries have all outperformed Bangladesh by a wide margin, with China being by far the largest recipient of FDI among all developing countries. In South Asia, India has been by far the largest recipient of FDI, attracting US$ 2,258 billion in 1998, compared to US$497 million in Pakistan, US$345 million in Sri Lanka and US$317 million in Bangladesh. During the period 1992/95, Bangladesh only received 0.6% of total FDI inflow to South Asia, compared to India (53.9%), Pakistan (35.1%) and Sri Lanka (10.4%). Recent World Bank studies have indicated that the vast size of the Indian domestic market has been a particular attractive element for investor consideration, which has resulted in substantial foreign investment in manufacturing and services, while the majority of foreign investment in Bangladesh has been in the energy and telecommunications sectors.

TABLE 3.1

ASIAN FDI INFLOWS, BY COUNTRY BETWEEN 1997-1998 (US$ MILLION)

Economy	1987-1992	1993	1994	1995	1996	1997	1998
Asia (S, E, S-E)	18,569	49,798	61,386	67,065	79,397	87,835	77,277
Afghanistan	-	-	-	-	-	-	-
Bangladesh	**2**	**14**	**11**	**2**	**14**	**141**	**317**
Brunei-Darussalam	1	14	6	13	11	5	4
Cambodia	-	54	69	151	294	204	140
China	4,652	27,515	33,787	35,849	40,180	44,236	45,460
Hong Kong (SAR)	1,886	3,657	4,131	3,279	5,521	6,000	1,600
India	58	550	973	2,144	2,426	3,351	2,258
Indonesia	999	2,004	2,109	4,346	6,194	4,673	-356
Korea Democratic People's Republic (DPR)	102	6	7	14	-	-	-
Republic of Korea	907	588	809	1,776	2,325	2,844	5,143
Lao, People's Democratic Republic (PDR)	4	36	59	88	128	86	45
Macau	-	-4	4	2	6	3	-
Malaysia	2,387	5,006	4,342	4,178	5,078	5,106	3,727
Maldives	5	7	9	7	8	8	7
Mongolia	-	8	7	10	16	25	19
Myanmar	96	149	91	115	38	124	40
Nepal	2	4	6	5	19	23	9
Pakistan	227	347	419	720	919	714	497
Philippines	518	1,238	1,591	1,478	1,517	1,222	1,713
Singapore	3,674	4,686	8,550	7,206	7,884	9,710	7,218
Sri Lanka	57	194	166	56	120	430	345
Taiwan	1,127	917	1,375	1,559	1,864	2,248	222
Thailand	1, 656	1,805	1,364	2,068	2,336	3,733	6,969
Vietnam	206	1,002	1,500	2,000	2,500	2,950	1,900

Source : UNCTAD, World Investment Report 1999 (1987-92 Annual Average)

3.1.1 Foreign Direct Investment into Bangladesh

Exact figures for foreign direct investment flows into Bangladesh are difficult to confirm and vary considerably. A recent study of FDI inflows into Bangladesh between 1994 and 1999, was published by the World Bank in October 1999 and is given in Table 3.2.

TABLE 3.2

FOREIGN DIRECT INVESTMENT INFLOWS BETWEEN 1994 AND 1999 (IN US$ MILLION)

Sector	1994/95	1995/96	1996/97	1997/98	1998/99
Gas	14	40	170	217	194
Power	0	0	0	60	321
Telecom	0	4	31	26	13
FDI in EPZ	31	26	46	59	73
Other FDI	38	171	50	25	206
Total FDI	83	241	296	387	807

Source: World Bank Foreign Direct Investment in Bangladesh: Issues of Long-run sustainability October 1999.

According to the World Bank study "Foreign Direct Investment: Issues of Long-run Sustainability" made by the World Bank in October 1999, one feature of FDI in Bangladesh, is that by far the largest part of investment, apart from that in the export processing zones, has been in non-tradable sectors, such as energy and infrastructure services, which they claim is the opposite of other South Asian countries such as Sri Lanka, where the major part of FDI is export-oriented. Hence the Bangladesh government has to find increasing sources of foreign exchange to service the increasing capital outflows. Hence it is important to project capital outflows, which are given in table 3.3.

Bangladesh is considered to have the most liberal investment regime in Asia, with an absence of any prior approval requirements or limits on foreign equity participation. There are no limits on repatriation of profits or income, though in line with other South Asian countries, have licensing regulations for private participation in both energy and telecommunications.
World Bank projections show that annual FDI inflows will average US$620 million between 1992-2000 and about US$900 million annually through 2010.

3.1.2 European Experience and Interest in Investing in Bangladesh

A number of trade associations and individual companies that were visited in Europe, indicated that the main European investment interest in Bangladesh is more in the form of non-equity type of investments, such as joint ventures and business collaborations to take advantage of multilateral and bilateral finance that have been available to support infrastructure development, rather than in foreign direct investment.

Currently, the majority of the investment is made by firms from the EU Member States, particularly from Denmark, France, Germany, Italy, the Netherlands, Sweden and the United Kingdom. Moreover, foreign portfolio investment has become insignificant and has even created negative flows as people move their money outside the country, following regulatory problems which occurred in 1996.

In the energy sector, firms and institutions, which include: Shell, Cairns Energy and the United Kingdom Energy Industry Council, have all indicated their belief, that should the Government of Bangladesh allow natural gas to be exported, it would create an international market for their gas, and would allow considerable cash flows to be generated, that would be attractive to many smaller firms in Europe, seeking to invest in operations that support the energy industry.

TABLE 3.3

BANGLADESH: PROJECTED CAPITAL OUTFLOWS BETWEEN 1998 AND 2005 (IN US$ MILLION)

Sector	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Gas	2	55	111	111	111	111	111	111
Power	0	35	30	86	114	160	188	241
Telecom	0	0	1	9	15	20	25	32
Other	41	61	71	75	125	209	241	299
Total FDI outflows	43	151	212	270	365	499	564	683
Outflows from Private debt	53	56	544	35	101	135	149	165
Total capital outflows	96	207	267	305	466	634	713	848

Source: World Bank Foreign Direct Investment in Bangladesh: Issues of Long-run sustainability October 1999.

3.1..3 Levels of European Investment in Bangladesh Compared to Levels of Investment in Other Asian Countries

The levels of European Foreign Direct Investment (FDI) in Bangladesh have been very limited compared to levels of FDI in other Asian countries, with the majority of European FDI going to China, India and ASEAN countries such as Indonesia, Malaysia, Singapore and Thailand.

Until relatively recently, the majority of FDI in Bangladesh has been in the manufacturing or industrial sectors, mostly in the textile and ready made garment sectors, with the largest proportion of investment coming from other Asian countries seeking to benefit from Bangladesh's Generalised System of Preference (GSP) status.

The majority of European investment in Bangladesh is going to the energy, telecommunications and infrastructure engineering sectors. Particularly in those areas that are financed by multilateral and bilateral funding agencies, where European and North American firms, according to the Web site of the American Embassy in Dhaka, are often more competitive than Asian firms. In the power sector, although considerable investment comes from North America and Japan, there are still significant levels of investment being provided by several European Member States, namely Germany, Denmark, the Netherlands and the United Kingdom.

Although there is no official data on foreign direct investment in Bangladesh by investors from EU Member States, the diplomatic missions of the various EU Member States present in Bangladesh, namely Denmark, France, Germany, Italy, the Netherlands, Sweden and the United Kingdom all maintain lists of the activities of their national companies that are operating in Bangladesh, which are given in table 3.4 below. However few of the national sources consulted were able to distinguish between investment, joint ventures, purchasing agents or representatives of national companies.

The lists were compiled by the Embassies and High Commissions of the various EU Member States resident in Bangladesh, each country often using different criteria to list their national investors. Hence some companies are operating in Bangladesh as FDI investors, while others are joint venture companies, agencies, distributors or operating under licence. Hence it was not possible to make any breakdown by type of investment on a country-by-country basis.

TABLE 3.4

PRESENCE OF COMPANIES FROM EU MEMBER STATES IN BANGLADESH

Member State	Companies with 100% foreign ownership	Number of Joint ventures	Main sectors activity
DENMARK	1	1	Fertiliser
FRANCE	15	3	Telecom; Banking; Water, Exploration; Cement, Paper Power Generation; Pharmaceutical, Railways; Veterinary products Aviation; Electrical goods Garments
GERMANY	15	6	Electrical Goods Electronics Chemicals Pharmaceuticals Machines Leather Garments
ITALY	No data available	No data available	Apparel distribution, apparel machinery; tractors for agriculture, elevators, automobiles, tyres, consulting, detergents, paper, ceramics, earth moving machines, gas turbines, gas measurement systems, energy transmission, fertiliser plants, gas plants, packaging, machine tools, leather, chemical products for leather processing, pumps, sanitary, telecommu-nications, television, transport.
NETHERLANDS	12	11	Petroleum and gas, Garments Consumer goods Water sector & dredging Pharmaceuticals Consultancy & Services Chemicals, Logistics & Storage Agriculture, Electrical and Electronics Textiles
SWEDEN	10	5	Power, printing and security papers, pharmaceuticals, dairy products, military equipment, machinery, electronics, garments, sanitary equipment, consulting engineer, drilling equipment.
UNITED KINGDOM	23	No data available	Pharmaceuticals, chemcals, tobacco, agrofood industries, oil and gas, tea, paints, fertilisers, seafood, 10 companies in the consulting engineering sector, banking, import and export, airlines, shipping
TOTAL	80	26	

Source: Common Report on European Direct Foreign Investment in Bangladesh prepared by the Delegation of the European Commission in Bangladesh. June 1999

3.2 ACTUAL EXPERIENCES

Given below are several brief case studies concerning investment in Bangladesh which may be used to demonstrate various opportunities that exist in specific sectors.

3.2.1 Investment in the Energy Sector

Currently the energy sector, especially power and gas is the major recipient of foreign direct investment in Bangladesh at this time and for the foreseeable future. This has been an attractive area for several European firms, such as Shell Bangladesh, Cairns Energy and Wartsila NSD from Finland, plus a number of their suppliers, who have also made investments or business collaborations in order to support their activities.

3.2.1.1 Gas sub-sector

The gas sub-sector, which has attracted the largest percentage of foreign direct investment for exploration, production and distribution is dominated by a small number of international energy firms. These firms, which are mostly from the United States, also includes two European companies, namely Shell Bangladesh and Cairn Energy. There is also a substantial number of small to medium sized foreign services companies that are necessary to support the sector but whose success will depend on the larger companies. A brief discussion is made in Box 3.1 of some of the constraints that Shell has been forced to overcome, as their success determines the future of all of the smaller companies that are trying to invest in the services that support this sub-sector.

This unwillingness to export gas from Bangladesh, particularly to India, is one area in which both political parties are agreed. However, this is expected to change following the next election, since Petrobangla's finances cannot absorb any substantial increases in the level of gas purchases and unless a hard-currency market can be found for increased production, oil companies will be no longer interested in investing in further exploration, and move their investments into other geographical markets.

BOX 3.1

SHELL BANGLADESH A LEADING INVESTOR IN GAS EXPLORATION AND PRODUCTION

The Shell Oil Company, which is currently represented in 140 countries, has been working in Bangladesh for the past 50 years. The potential to develop the gas reserves of Bangladesh on a commercial basis is the main reason why the Shell Exploration Company is presently investing in Bangladesh at this time. Shell discovered the original Bangladeshi gas fields, which have been in production since 1960's. Currently Shell is involved in a joint venture with Cairn Energy to operate the Stangu field and is now exploring for gas offshore. Under the production sharing agreement with the Bangladesh Government, Shell is required to sell their entire gas production to Petrobangla, the state oil and gas company at a fixed price. However, there is now a limit on how much gas Petrobangla is capable of purchasing. Since exports of gas are not permitted and there is no clear consensus on how the gas market is to be developed, this level of indecision by the government has caused many potential investors to leave Bangladesh. Of the 22 companies that originally bid for new exploration acreage in Bangladesh in 1997, only 3 companies are still there. The main reason for this exodus, apart from a lack of transparency of government practices and high levels of bureaucracy in many dealings, is that any company investing in Bangladesh will need to be assured of an acceptable return on their investment, and if they are not able to determine the value of the future market, then they will have considerable problems justifying the investment. Shell has already invested millions of dollars in gas exploration in Bangladesh, but is now having considerable difficulty justifying any further large investments, when they are unsure of how the market will develop, and even more important, how it is to be funded.

Source: Gruppo Soges S.p.A. field research in Bangladesh March 2000.

3.2.1.2 Power sub-sector

Since the Government of Bangladesh found that it was not able to provide the capital investment necessary to meet the projected power demand from their own resources, they approached both international agencies and private sector investors to participate in the development of the power sector. The Government sought to attract private sector investment for power generation, which would allow those foreign companies generating power, to sell electricity directly to local power distributors, and to be paid in hard currency. In November 1996, the Bangladesh Power Development Board requested bids from Independent Power Producers (IPPs) for the supply, installation and operation of barge-mounted generating facilities that would operate for a period of 15 years. Although many companies responded to the invitation to tender, only contracts for four Barge-Mounted Power Plants (BMPPs) with a total capacity of 470MW, were actually signed due to financing difficulties encountered by the signatory companies, according to the World Bank who have been monitoring this particular sector. Other potential investors were also believed to have withdrawn on account of bureaucratic and delays encountered when trying to develop power purchase agreements, implementation agreements, fuel supply agreements and land lease agreements.

3.2.2 Investment in the Telecommunications Sector

Since private sector investment has been allowed in the telecommunications sector since 1992, a number of investors, both local and foreign, now operate in cellular mobile services, rural telephone exchanges, Internet and e-mail services, and paging and trunking services.

The Bangladesh Government who are hoping to increase the number of telephone lines to 1.3 million by the year 2002, and to 1.6 million by 2005, have already allowed private operators to install approximately 90,000 telephone lines in rural and urban areas in Bangladesh, about 90% of which are cellular mobile and radio trunking phones, with about 85,000 connections being divided among 4 mobile operators: Pacific Bangladesh, the analogue cellular operator; GrameenPhone (launched its GSM services in the second quarter of 1997); TMIB (launched its services in the summer of 1997), and Sheba Telecom (launched its services in the middle of 1998).

However this sector, which has the ability to generate good returns on investment has rapidly become highly competitive, attracting a number of potential investors from North America, Japan and other Asian countries as well as from Europe.

Given in Box 3.3 is a brief case study of GrameenPhone, the largest cellular phone operator in Bangladesh, whose investment programme to expand and upgrade its infrastructure, can be useful as a guide to other potential investors in the sector wishing to own and operate cellular networks.

BOX 3.2

WÄRTSILÄ NSD INVESTING IN BARGE-MOUNTED POWER PLANTS

In November 1997, Wärtsilä NSD signed a Power Purchase Agreement with the Bangladesh Power Development Board for the construction, operation and financing of the first independent power project in Bangladesh.

This prefabricated 110 MW build own operate barge-mounted facility at Khulna was designed to be run on heavy fuel oil until natural gas could be made available at the site, when the units could be converted to operate on gas. The plant, which was constructed in Singapore, was then towed to Bangladesh and came into operation in September 1998.

Like all other potential investors Wärtsilä NSD had first to secure the necessary financing for the project, which they were able to develop in co-operation with the International Finance Corporation (IFC), who wanted to use the first independent power plant project in Bangladesh as a catalyst for private sector investment in power generation, providing both equity and debt financing. Additional sources of finance were provided by the two local partners, namely Summit Industrial and Mercantile Corporation (Pvt) Ltd and United Enterprises & Co Ltd, two firms active in the fuel storage and transportation industries, a measure that greatly helped them solve the problems of fuel supply agreements.

Following their successful implementation of the Khulna Plant, Wärtsilä NSD were invited to join the NEPC Consortium Power Ltd, which included the US-based El Paso Energy and the Ogden Energy Group to construct a similar barge-mounted power project at Haripur. This plant, which was produced by Wärtsilä NSD in Singapore at a cost US$120 million, became functional in May 1999.

Source: IFC Summary of Project Information Sheet 27 April 1998

BOX 3.3

GRAMEEN PHONE: VEHICLE FOR TELECOMMUNICATION INVESTMENT

GrameenPhone, which was offered a cellular license to operate in Bangladesh in November 1996, was able to launch their first mobile phone service in March 1997 to provide high-quality GSM cellular services throughout the country. The company, which now has 50% share of the cellular phone market in Bangladesh, is a consortium of foreign and local investors, which include: Telenor (51%) for Norway, Grameen Telecom (35%) a subsidiary of the Grameen Bank, Marubeni Corporation (9.5%) from Japan, Gonofone (4.5%) from US plus three international financial institutions, the International Finance Corporation, Asian Development Bank and the Commonwealth Development Corporation Group, which each hold 3% of preferred shares.

The company is working on a number of projects with a number of other investors, including one to install payphones in over 40,000 villages over 7 years. Under this project, the Grameen Bank allows a local woman in a rural village to borrow money to purchase a mobile phone and operate a ‘pay-once’ phone service for the whole village.

This programme will then allow her to generate a substantial livelihood by selling telephone services locally, thus creating some 40,000 jobs and improving access to market information in rural areas.

Source: IFC Summary of Project Information Sheet 12 November 1997

3.2.3 Investment in the Textile Sector

The textile and ready made garments sector, which has mostly attracted foreign direct investment for Asia, has had only limited investment from Europe, mostly from Germany, Italy, Sweden and the United Kingdom. However non-equity forms of investment such as sub-contracting are far more popular with a number European firms, as they continue to outsource their production away from Europe. Given below in Box 3.4, is a brief description of the activities of Hennes & Mauritz (H&M) a major European clothing retailer. Although H&M however were prepared to provide some basic information, their office in Dhaka were not prepared to provide any detailed commercial information about their activities, such as details of turnover, profit etc., in what they believe is a highly competitive market.

BOX 3.4

HENNES & MAURITZ (H & M) MAJOR EUROPEAN RMG SUB-CONTRACTOR

Hennes & Mauritz is a major international store chain, with sales of SEK 32.9 billion in 1999. The company, which is based in Sweden, sells clothes and cosmetics in around 633 stores in 14 countries. H&M, with no factories of their own, is selling over 400 million garments a year that are sourced from some 900 suppliers, through 20 production offices world-wide, one of which is in Bangladesh. They placed their first order in Bangladesh in 1981, buying shirts from a supplier in Chittagong.

Then as business continued to expand, they opened a branch office in Bangladesh in 1986.

Since that time business has continued to expand, and they out-sourced about US$60 million of garments from Bangladesh in 1999.

Since 1997, all suppliers are required to sign an agreement in which they commit themselves to adhere to a Code of Conduct, which makes very specific demands on suppliers, especially in respect of:

- Working environment
- Child labour
- Fire safety
- Minimum wages
- Environment

The code of conduct sets requirements concerning compliance with local labour legislation and safe workplaces.

H&M claim to be attracted to Bangladesh because of the absence of quotas for exports to the European Union, whereas many of their other supplying countries have only limited access though the quota system.

While on the positive side, H&M have found their suppliers to be co-operative, hard working and interested in improving their product.

On the negative side, H&M claim that their business is highly dependent upon making deliveries on time. They continue to be hampered by constantly re-occurring strikes, slow bureaucracy and an inadequate infrastructure.

Source: Swedish Embassy in Bangladesh, March 2000

Although no European investors were prepared to discuss their investment experiences in detail, one Italian manufacturer of denim products was prepared to discuss its experiences, on the condition that their firm was not named.

BOX 3.5

JOINT VENTURE TEXTILE, DYEING, PRINTING AND FINISHING PRODUCTION PROJECT

Following a period of extensive research in Asia, an Italian denim manufacturer chose Bangladesh to build a new production facility on account of cheap labour, low energy costs and tax free entry into the European Union. After a number of extended visits to locations in both Dhaka and Chittagong, the company was introduced to a prospective partner by another joint venture partner of the Bangladeshi firm, and they attempted to create a joint venture company seeking financing from abroad to develop the project in the Sagarica industrial area in Chittagong. It took them a full year to go through the investment process, once the partnership had been agreed, with a full six month period required to receive final approval from the Board of Investment.

The original project had envisaged rehabilitating a large textile, dyeing, printing and finishing production facility in Chittagong, that was no longer in production. The Bangladesh company owning it, had been seeking a partner to provide foreign direct investment finance, management, new technology and marketing. They would then set up a joint venture company, to which the Bangladeshi partner would sell the land, while the Italian firm would relocate second hand machinery from their plant in Italy, as their share of the foreign equity. Local financing would then be sought to finance the land, utilities and building costs. The full cost of the project, including project costs, investment and financing was estimated at US$7.5 million. The foreign firm would also provide management staff to start up the plant, who would all stay in Bangladesh until the plant was running and producing quality products of an acceptable standard. It was also intended that 50% of the production would be exported directly to Italy.

Initially the Italian firm made application to the European Commission for ECIP funding, which was presented through the Instituto San Paolo di Torino, but later rejected.

Initially the firm thought their best strategy would be to develop a joint venture partnership in order to be able to secure the necessary land, since land transfer in Bangladesh is very complicated. However after all of the long delays in getting the joint venture started, they finally pulled out of the partnership and built a new facility, covering some 12,000 sq. metres and costing US$7 million, in the Export Processing Zone at Savar, near Dhaka, where land ownership no longer represents a problem.

Source: Gruppo Soges S.p.A field research in Bangladesh, March 2000

This brief scenario illustrates a number of points of interest to potential investors in the manufacturing sector. The first, land ownership and transfer is a major issue, if one decides to invest outside the export processing zones. Secondly, while there may be considerable merit in working in a joint venture partnership, it may not always be necessary or even desirable, considering the circumstances. It also illustrates the time delays that may be encountered when trying to establish a manufacturing facility outside export processing zones.

3.3 EUROPEAN PERCEPTION OF INVESTING IN BANGLADESH

Although Bangladesh has some of the most liberal investment incentives in Asia, the overall European perception of the performance of the Government of Bangladesh is poor. The Government has difficulty in attracting foreign investment on account of Bangladesh's image as an impoverished and undeveloped country, subject to frequent and devastating natural disasters, with poor implementation of new, liberal investment policies. Europeans often find that the implementing ministries still require licenses and authorisations that were abolished. Added to these difficulties are such problems as slow government decision making, corruption, labour militancy, a sometimes uncertain law and order situation, poor infrastructure, inadequate commercial laws and courts, and policy instability. Policies are often altered at the behest of special interests, and the Board of Investment (BOI) is slow to implement such policies due to its limited co-ordinating abilities, and thus fails to provide potential investors with relevant services. The BOI still lacks an official mandate, while many other boards of investment in Asia enjoy the authority to give final decisions with regard to support services.

However it would appear that many European firms that have established themselves in Bangladesh, have had favourable experiences and are now making acceptable returns on their investment. Nevertheless of all the firms who were interviewed, not one was willing to discuss any fiscal matter whatsoever, usually refusing to discuss sales volume, profits or return on investment.

3.4 BANGLADESHI PERCEPTIONS OF FOREIGN INVESTORS

The overall Bangladeshi perception of foreign investors is mixed. On one hand the stated policy of the Government of Bangladesh is to pursue foreign direct investment actively by providing an open environment and attractive incentives, with many professional businessmen realising the need for foreign investment for the economic development of their country.

On the other hand many Bangladeshi civil servants, worry about their jobs and often take measures to frustrate investment. For example, the private sector investment in port development in Chittagong is constantly being halted and frustrated by labour unrest as the labour unions try to stop it, worried that if a new private port is created, it could cause the closure of the old inefficient port. The Bangladeshi consulting engineers interviewed were all upset at the amount of work awarded to foreign consultants, which they believed they could do themselves at a much cheaper rate, and would like the government to take measures to reduce the use of foreign consultants. There is often a lack of understanding by many Bangladeshis about the nature of investment and the fact that foreign investors require a return on their investments, otherwise they will invest elsewhere. This has been brought about because Bangladesh, as one of the world's poorest countries is one of the world's largest recipient of foreign grant aid, which does not have to be paid back. Hence there is often considerable confusion in the minds of many people in the public sector, who do not often understand the urgency of getting things done to a time schedule, in order to be profitable.

3.5 PORTFOLIO INVESTMENT

Portfolio investment is regarded by the World Bank as investment assets, which include: corporate securities, bonds, notes and financial derivatives other than those included in foreign direct investment. However, they exclude exceptional financing and reserve assets. Currently portfolio investment in Bangladesh remains insignificant, and is not even listed in the IMF financial data for Bangladesh.

Although in the mid 1990's, there was some interest in portfolio investment where in 1996 market capitalisation reached US$6 billion (17% of GDP), with the following collapse of share prices in late 1996, foreign investors have subsequently repatriated their funds. This subject is discussed more fully in section 5.10 Bangladesh Capital Markets.

Market research in Europe, which included discussions with several major stockbroking houses, who had been active in Bangladesh prior to 1996, were unable to identify any European or international brokers that had any interest in portfolio investment in Bangladesh.

However the Bangladesh Government, with assistance from the International Finance Corporation is trying to make a concerted effort to improve investor confidence that has stemmed from the serious governance problems mentioned above, as well as taking steps to improve settlement procedures and enhance the supervisory powers of the Securities and Exchange Commission.

A European Community Initiative

INVESTMENT CLIMATE, INCENTIVES AND PROCEDURES

4. INVESTMENT CLIMATE, INCENTIVES AND PROCEDURES

4.1 INVESTMENT CLIMATE

Foreign investment is actively encouraged and promoted in Bangladesh with the Bangladesh Government implementing a number of liberal investment policies, which are believed by many to be some of the most liberal in Asia. There are no distinctions between foreign and domestic private investors regarding investment incentives or export and import policies. Incentives being offered to investors, include: 100% ownership in most sectors; tax holidays; reduced import duties on capital machinery and spares; duty-free imports for 100% exporters; and tax exemptions on technology remittance fees, on interest on foreign loans, and on capital gains by portfolio investors. There are performance requirements, which do not generally present problems for foreign investors. Trade has been liberalised and duties reduced, with customs bonded warehouses available to assist exporters. There are no limits either on the repatriation of profits or income and the local currency is almost fully convertible on the current account. No prior approval is required for foreign direct investment, except registration with the Board of Investment. However, as in other South Asian countries, licensing regulations apply to private sector activities in both the energy and telecommunications sectors. In recent years, both the Government of Bangladesh and the private sector, mostly through the Federation of Bangladesh Chambers of Commerce and individual trade associations, have worked to attract foreign investment into Bangladesh in a number of ways and often in collaboration with international and bilateral agencies and overseas chambers of commerce. The Federation of Bangladesh Chambers of Commerce, strategically recognises its importance in the country's future prosperity, and is genuinely welcoming direct foreign investment.

Investment in Bangladesh is reasonably well protected (by law and by practice). It is a reasonably uncomplicated process to make an investment, and the level of corrupt practice which could be encountered on the way is not bothersome. The returns made on one's investment may be transferred abroad without problem.

In those senses the climate is good, though no different from many other locations where an investor may consider.

There are incentives given for foreign investment in most areas, which are more attractive for export-oriented manufacturing projects provided that the employment levels are maintained.

4.1.1 Bilateral Investment Agreements

The Foreign Investment Act includes a guarantee of national treatment. National treatment is also provided in bilateral investment treaties for the promotion and protection of foreign investment, which have been concluded with 14 countries: the United States, Belgium, China, France, Germany, Italy, Malaysia, the Netherlands, Pakistan, Romania, South Korea, Thailand, Turkey, and the United Kingdom. Bangladesh has also concluded tax treaties, assuring investors of fair treatment and the reduction or elimination of double taxation, with some countries, and generally adheres to the principal of national treatment with respect to tax policies.

Separate bilateral agreements for the avoidance of double taxation have already been signed with 20 countries, which include: Belgium, Canada, China, Denmark, France, Germany, India, Italy, Japan, Malaysia, Pakistan, Poland, Romania, Singapore, South Korea, Sri Lanka, Sweden, Thailand, the Netherlands, and the United Kingdom (including Northern Ireland). Double taxation avoidance negotiations are also being held with USA, Iran, the Philippines, Qatar, Australia, Nepal, Turkey, Indonesia, Cyprus, Norway, Finland and Spain .

4.1.2 Legal Framework for Foreign Investment

The whole legal system in general, particularly with respect to commercial laws is largely outdated. This is especially true regarding land ownership, where the law only provides for the registration of deeds, but not the registration of property ownership. One major concern for many foreign private investors concerns the Bangladesh Arbitration Act 1940, under which foreign arbitration awards are not enforceable under the Civil Procedure Code of Bangladesh. Hence if any foreign investors require arbitration to address disputed resolution issues that may have arisen out of an agreement that had been entered into in Bangladesh, it must effectively be submitted to an arbitration procedure in Bangladesh. Which given the considerable judicial back-log of all arbitration proceedings in Bangladesh will inevitably be subject to long delays and could take many months, if not years to resolve.

Even then the extent to which foreign judgements are enforceable in Bangladesh is uncertain, since under the Bangladesh Code of Civil Procedure and subject to certain filing formalities, any judgement of a foreign court may be executed in Bangladesh as if it had been executed by a District Court. However, this judgement may be appealed by a lower court in Bangladesh, even if it had been a final judgement from a higher court in a European Member State.

Although a Privatisation Law has been agreed to by the Cabinet, it still has not yet been passed by the Parliament. Capital market development is constrained by the Securities and Exchange Act 1993, which accords too much regulatory authority to the State.

Major laws affecting foreign investment are the Foreign Private Investment Act of 1980, the Industrial Policy of 1991, the Bangladesh Export Processing Zones Authority Act of 1980, and the Companies Act, 1994. Bangladesh has signed bilateral investment treaties with 11 countries, including the United States. In addition, foreign investors are also affected by regulations of the Bangladesh Bank (central bank), the National Board of Revenue (for taxation and customs matters), among others. Although discrimination against foreign investors is not widespread, some discriminatory policies and regulations exist. For example, manufacturing and import controls imposed by the national drug policy and the Drugs (Control) Ordinance of 1982 discriminate against foreign drug companies. In addition, imported products must pay a 60% advertising surcharge for television commercials.

In addition to constraints in the legal framework, the judiciary system is entirely overloaded cases, lack of qualified manpower, an outdated physical infrastructure, cumbersome procedures and unattractive salaries, which all together, contribute to the very long time period it takes to settle cases, or even to go to court.

4.1.3 Credit Rating of Bangladesh

The creditworthiness of Bangladesh is regularly quantified on a monthly basis by the various Export Credit Agencies (ECAs) in the various EU Member States. Since these ECAs are members of the Berne Union, details about their activities are readily available via the Berne Union web site at www.berneunion.org.uk/members.html or from their individual web sites. Given below is a listing of ECA's in EU Member States with their relevant web sites. Their full addresses can be found in appendix 3.

Austria	Oesterreichische Kontrollbank (OeKB) www.oekb.co.at
Belgium	Office National du Ducroire (OND) www.ducroire.be or www.delcredere.be
Denmark	Eksport Kredit Fonden (EKF) www.ekf.dk
Finland	Finnvera Plc (FINNVERA) www.finnvera.fi
France	Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) www.coface.com
Germany	Hermes Kreditversicherungs-Aktiengesellschaft (HERMES) www.hermes-kredit.com
Italy	Instituto per I Servizi Assicurativi del Credito all'Esportazione (SACE) www.isace.it
Netherlands	Nederandsche Creditverzerkering Maatschappij (NCM) www.ncmgroup.com
Norway	Garanti-Instituttet for Eksportkreditt (GIEK) www.giek.no
Portugal	Companhia de Seguro de Créditos, S.A. (COSEC) www.cosec.com
Spain	Compania Espanola de Seguros de Credito a la Exportacion, S.A. (CESCE) www.cesce.com
Sweden	Exportkreditnämnden (EKN) www.ekn.se
United Kingdom	Export Credits Guarantee Department (ECGD) www.ecgd.gov.uk

Export Credit cover is available for Bangladesh from most European ECAs, but only on a limited basis, with the availability of medium term financing linked to ECA cover. The credit rating for Bangladesh and other Asian countries is given in Table 4.1,

TABLE 4.1

UK-EXPORT CREDIT GUARANTEE DEPARTMENT (ECGD) COUNTRY COVER LISTING FOR ASIA

Country	Medium Term Cover Availability	Cover Availability For Cash Export Insurance Policies (EXIPs)	Consensus Category
Bangladesh	**R**	**Y**	**2**
Cambodia	R	R	2
China	4H	Y	2
Hong Kong	4	Y	1
India	4H	Y	2
Indonesia	R	R	2
Japan	4	Y	1
Laos	R	R	2
Malaysia	3	Y	2
Myanmar	0	N	2
Nepal	2	Y	2
Pakistan	R	R	2
Philippines	4	Y	2
Singapore	4	Y	1
South Korea	4	Y	1
Sri Lanka	3	Y	2
Taiwan Province	4	Y	1
Thailand	3	Y	2
Vietnam	3	Y	2

Source: Export Credit Guarantee Department Online www.ecgd.gov.uk

Legend

Medium Term Coverage Availability:

4 = All facilities generally available. Cover may be limited, but at least £200 m is currently available, to be allocated on a first-come first served basis.
3 = All facilities generally available. Cover may be limited, but at least £50m is currently available, to be allocated on a first come-first served basis.
2 = All facilities generally available, within a market limit, currently with less than £50m available.
1 = Cover available for good projects only, but considering making cover more widely available.
0 = No cover available.
H = High demand for cover.
R = Refer to Underwriter.

Cover Availability of Cash EXIPs (Export Insurance Policies) for projects or one-off services contracts.

Y = Yes N = No R = Refer to Underwriter

Consensus Category

1 = Eligible for officially supported financing at Commercial International Rates. Max. 8.5 years.
2 = Eligible for officially supported financing at Commercial international rates. Max 10 years.

4.2 INCENTIVES AND BARRIERS

4.2.1 Incentives and facilities for investors

The Bangladesh Government have liberalised their industrial and investment policies in recent years by reducing bureaucratic control over private investment and opening up many areas that were previously reserved for the public sector. Exchange controls for private manufacturing firms have been liberalised for current-account transactions; the Board of Investment (BOI) has now been restructured to facilitate investment rather than regulate it; import controls have been reduced and import permits abolished. Import sales taxes and most exercise duties have been replaced by added value taxes (VAT), and tariff rates have been reduced and simplified. Investors wishing to invest in export industries have been encouraged to locate in export processing zones where they can enjoy tax concessions and reduced bureaucratic regulation; with duty-drawback schemes and Special Bonded Warehouse (SBW) facilities. A full transcript of the various incentives available to foreign investors can be downloaded directly from the Bangladesh Board of Investment web site at www.bangladesh-boi.org/incentive.html and is summarised in Box 4.1.

4.3 PROCEDURES FOR INVESTING

The Bangladesh authority responsible for dealing with foreign investment proposals is divided between a number of parties, which includes the Bangladesh Board of Investment (BOI), the Bangladesh Export Processing Zones Authority (BEPZA) and the Ministry of Finance. The BOI was set up as a one-stop shop for all investors to allow them to register for all industrial projects outside the export processing zones (EPZ) by assisting them on taxation matters, land acquisition, utility connection, and incorporation. The Bangladesh Export Processing Zones Authority is responsible for the regulation of all investment in export processing zones. Registration with BOI is necessary to obtain benefits such as importing machinery at concessionary duty rates or importing items on the "restricted list."

Since 1994, the BOI has been using a much quicker process and has been providing automatic registration. The BOI also administers the approval of foreign loans and technology remittances on behalf of the Bangladesh Bank. Investments in power, mineral resources and telecommunications must be approved by the corresponding responsible Bangladesh utilities and ministry, while garment makers must seek production allocations for quota exports from the Export Promotion Bureau at the Ministry of Commerce.

BOX 4.1

SUMMARY OF INCENTIVES AVAILABLE TO FOREIGN INVESTORS

- Tax holidays for periods between five and seven years depending on the location of the project, and for fifteen years for power generation projects. Dhaka, Sylhet and Chittagong Division is eligible for five years, while all other Divisions and the three Chittagong Hill Tracts Districts are eligible for 7 years;
- 80% to 100% accelerated depreciation of the actual cost of plant and machinery, in lieu of tax holidays;
- concessionary import duty at the rate of 7.5% ad valorem on capital machinery and spare parts for initial installation of balancing, modernisation, rehabilitation and expansion (BMR/BMRE) of existing industry;
- no import duty for imported capital machinery and raw materials for 100% export oriented industries;
- Value Added Tax (VAT) is not payable for imported capital machinery and spares;
- Tax exemption on royalties and technical know-how fees received by any foreign company or employee;
- Tax exemption on the interest on foreign loans under certain conditions;
- Exemption from income tax for up to three years only for foreign technicians employed in industries specified in the relevant schedule of the Income Tax Ordinance;
- Re-investment of repatriable capital gains tax are treated as new investment;
- Tax exemption on dividend income of non-resident shareholders during tax exemption period of an industry set up in an export processing zone, and also after the expiry of the tax exemption period, if the dividend is re-invested in the same project;
- Tax exemption on capital gains from the transfer of shares of public limited companies listed with the stock exchange.

Source: Bangladesh Board of Investment (BOI) www.bangladesh-boi.org/incentive.html

4.3.1 The working of the BOI and the approval system

The BOI was established in 1989 by the Government of Bangladesh in order to facilitate the growth of private investment in Bangladesh. The Board, which is headed by the Prime Minister and includes various ministers and ministry secretaries, is vested with the necessary powers to take decisions for the speedy implementation of new industrial projects and to provide operational support services to existing projects.

The major functions of the BOI are:

- Promoting investment
- Providing all types of facilities for capital investment and rapid industrialisation;
- Registering of industrial projects, foreign loan agreements, royalties, technical know-how and technical assistance agreement wherever required;
- Providing assistance to make infrastructure facilities available to industries;
- Issuing work permits to expatriate personnel working in the private sector industrial enterprises;
- Supplying import facilities to industrial units in the private sector;
- Approving terms and conditions of foreign private loan and suppliers` credit beyond the prescribed limit;
- Approval of payment of royalties, technical know-how and technical assistance fees to foreign nationals/ organisations beyond the prescribed limits and;
- Recommending for the allotment of land in the industrial areas/estates for industrial purposes.

In addition, BOI assists inventors in obtaining the necessary approval for the following services:

- Electricity, gas and water connection;
- Sewerage connection;
- A range of necessary telecommunication facilities;
- Customs clearance for imported machinery, spare parts and raw materials;
- Clearance regarding environment pollution, (certification of anti-pollution and safety measures is required from the Dept. of Environment before setting up an industry)
- Other facilities and services that may be required for the swift setting up of industries.

The Executive Council of the BOI is entrusted with the responsibility of creating a congenial climate for industrial investment in Bangladesh by simplifying procedures and providing the necessary facilities and services to investors.
Any decision by the Board of Investment is deemed as a decision of the Government and is required to be implemented by all concerned agencies.

However many of the foreign investors interviewed, felt the performance of the BOI to be weak, often with long delays in obtaining the necessary approvals. Although BOI officials may have the responsibility for obtaining approvals for a number of services, they usually do not possess the necessary authority to implement them in a speedy manner. It was also felt necessary for the government to strengthen the BOI and the law under which it operates.

4.3.2 Export Processing Zones (EPZs)

The Bangladesh Export Processing Zones Authority (BEPZA), was created in 1980 by Parliament, along with the Bangladesh Export Processing Zones Authority Act to empower them to create, develop, operate, manage and control the Export Processing Zones (EPZs). BEPZA is the official organ of the Government to promote, attract and facilitate foreign investment in the Export Processing Zones.

There are two Export Processing Zones currently operating in Bangladesh, one in Chittagong (CEPZ), which came into operation in 1983 and another at Savar, some 35km north of Dhaka (DEPZ), which was established in 1993. There are also three other EPZs, currently under construction at Comilla, Ishurdi and Mongla. The new EPZ at Comilla, will be well connected with both the Chittagong sea port and the Zia international airport by road and railway; while the EPZ at Mongla which is only a few kilometres away from the country's second seaport, is well connected with Dhaka by road. The third EPZ at Ishurdi, which is situated in the northern part of Bangladesh has excellent railway and road connections with both Dhaka and Chittagong.

The Bangladesh Private Export Processing Zones Act was passed by Parliament in 1996 to allow Export Processing Zones to be set up by the private sector in order to attract more direct foreign investment. This act has already permitted Youngone, a garment manufacturer from South Korea to develop a zone on a site of 2,600 acres on the Southern bank of the Karnaphuli River, near the Chittagong Port. The primary objective of an EPZ is to provide special areas where potential investors would find a congenial investment climate, free from cumbersome time consuming local bureaucratic procedures. BEPZA is also vested with the responsibility to administer labour matters for all enterprises inEPZs. Bangladeshi law states that labour unions and strikes are prohibited in EPZs.

All of these zones, which provide necessary fiscal and infrastructure facilities for export-oriented enterprises, offer investors fully developed and serviced industrial plots and factory buildings for rental. Land is available for rent at prices starting from US$ 2.00 per sq. m. per year on 30 year leases, which are renewable, while rent for factory buildings start at US$ 2.50 per sq. m. per month. The Bangladesh Export Processing Zones Authority must approve any project to be located in the EPZs, with all customs procedures being carried out at the factory gate and permission for imports and exports being given on the same day. Current data regarding all of the Export Processing Zones can be found on the Bangladesh Export Processing Zones Authority web site at www.bangladesh-epz.com/index.htm

The BEPZA, which will normally sanction a project within one week, is authorised to issue permits for both imports and exports, issue work permits for all foreign nationals, and provide required infrastructure facilities. A range of facilities available to investors in EPZs is given in Box 4.2.

BOX 4.2

FACILITIES AVAILABLE TO INVESTORS IN EPZs

- 30 year leases for land and buildings;
- Provision of electricity, gas, telephone and water;
- Issuance of import and export permits within 24 hours;
- Issuance by BEPZA of work permits for foreign staff;
- A secure and protected area;
- Range of internal support services within zone to include customs facilities, post office, medical and health services, fire station and police station.

Source: Bangladesh Export Processing Zones Authority, 2000

A wide range of fiscal and non-fiscal incentives are available for investors and are given in boxes 4.3 and 4.4.

BOX 4.3

FISCAL INCENTIVES

- Ten year tax holiday;
- Exemption on income tax on interest on borrowed capital;
- Duty free import of machinery, equipment and raw materials;
- Duty free export of goods produced within the EPZ;
- Exemption of duties and taxes on up to three imported motor vehicles for use by the company registered with the relevant EPZ;
- Subject to bilateral agreement, relief from double taxation;
- Subject to certain conditions, exemption of income tax on salaries paid to foreign staff for three years;
- Exemption from dividend tax for the tax holiday period for foreign nationals.

Source: Bangladesh Export Processing Zones Authority, 2000

BOX 4.4

INCENTIVES OF A NON-FISCAL NATURE

- Foreign investment secured by law;
- No ceiling on extent of foreign investment;
- Full repatriation of profit and capital;
- Employment of foreign staff allowed;
- Freedom from import policy restrictions;
- Customs formalities carried out within the EPZ;
- Subcontracting within the EPZ allowed;
- Intra and inter-zone export permitted;
- Repairing and maintenance of machinery and capital equipment from domestic tariff area allowed;
- Re-location of existing industries from abroad allowed;
- Re-location of existing industries from one zone to another permissible;
- Import of raw materials allowed on Documentary Acceptance basis;
- Availability of off-shore banking facilities.

Source: Bangladesh Export Processing Zones Authority, 2000

Table 4.2 details some key comparative data to allow investors to compare facilities being offered at the Dhaka Export Processing Zone with that offered in Chittagong. This information, which was taken from the respective web-sites is regularly updated and can be viewed by interested investors directly.

4.4 LOCATION

Determination of the best location for any potential investment in the four priority sectors is usually fairly straightforward, since often there are only limited options available in most sectors. For example, in the energy sector, the location of the gas fields open to investment are well defined and identified, hence the location is already established. Similarly the options open for investment in the power sector are also very specific. Since the majority of Bangladesh engineering and information technology firms are located in Dhaka, there is also little scope for collaboration with firms based outside this area.

On account of serious difficulties of land acquisition outside export processing zones (see section 5.3 Land Ownership and Property), many investors in manufacturing sectors find it much easier to locate in EPZs. This usually means having to choose between EPZ locations in Dhaka or Chittagong, the comparative advantages and disadvantages of which are listed in table 4.3.

TABLE 4.2

COMPARATIVE DATA ON EXPORT PROCESSING ZONES IN DHAKA AND CHITTAGONG

Dhaka Export Processing Zone (DEPZ) (www.bangladesh-epz.com/chittago.htm)		Chittagong Export Processing Zone (www.bangladesh-epz.com/dhaka.htm)	
Location		Location	
Savar 35 km from Dhaka City Centre 25 km from the Zia International Airport, Dhaka		2.40 km from Chittagong Sea Port 5.63 km from the main business centre of Chittagong 7.24 km from the Chittagong International Airport	
Zone area		Zone area	
144 hectares (355 acres)		255 hectares (630 acres)	
Land		Land	
Total number of plots(planned)	375	Total number of plots(planned)	432
Size of each plot	2,000 sq.m	Size of each plot	2,000 sq.m
Tariff US	$2.00/sq.m/month	Tariff US	$2.00/sq.m/month
Standard Factory Building		Standard Factory Building	
Space	150,000 sq.m.	Space	39,000 sq.m
Tariff	US $ 2.50/sq.m/month	Tariff	US $2.50/sq.m/month
Warehouse		Warehouse	
Space	2,300 sq.m.	Space	2,873 sq.m.
Tariff	US $ 2.50/sq.m/month	Tariff	US $2.50/sq.m/month
Utility service		Utility Services	
Water available is available from DEPZ's own water supply system		Water is supplied from the Chittagong Water Supply Authority, which has a storage capacity of 7,260,845 lit/day	
Power supply: 11 kV, 3 phase, 50 cycles Gas is supplied directly from the Titas Gas Field		Power Supply 11 kV, 3 phase, 50 cycles Gas is supplied directly by the Bakhrabad Gas System Ltd.	

Source: Bangladesh Export Processing Zones Authority, 2000.

TABLE 4.3

COMPARATIVE ADVANTAGES OF DHAKA AND CHITTAKONG

DHAKA

Advantages

1. All government ministries and the head-offices of the government functionaries such as BOI, BEPZA, Bangladesh Bank, Bangladesh Small and Cottage Industry Corporation (BSCIC), public Corporations, etc. are located in Dhaka, the Capital of Bangladesh.
2. Foreign embassies, international agencies and head offices of major foreign firms including the Foreign Chambers of Commerce and Industry are located in Dhaka.
3. Head-offices of most financial institutions, foreign banks, leasing companies etc are also located in Dhaka.
4. The Dhaka Stock Exchange is the largest stock market in the country.
5. Dhaka is the most cosmopolitan area in the country, with more civic amenities, hotels and restaurants, clubs, shopping centres, recreation facilities, medical centres etc than other cities.
6. Dhaka is centrally located with better communication links with the rest of the country than any other city.
7. The main international airport is located at Dhaka.
8. Physical and institutional infrastructures are better developed in Dhaka.
9. As a capital city Dhaka, has better access to the National Power Grid and Gas Distribution Network
10. There is a better concentration of professional support services, skilled workers, information and databases etc in Dhaka.
11. Dhaka is usually the venue for international trade fairs, seminars, workshops etc.

Disadvantages

1. Dhaka lacks seaport facilities.
2. The road link with the port city of Chittagong needs significant improvements in terms of width, township diversions, elimination of slow moving traffic etc.
3. The road link between Dhaka and Chittagong often remains disrupted due to political problems, labour unrest and law and order situations.
4. Dhaka is the hub of national politics and hence remains more vulnerable to political activities and agitation.
5. Traffic congestion is extremely high in Dhaka and becomes unbearable whenever there is any dislocation caused by political disturbance or big public gathering caused by any events.
6. Level of both air and noise pollution are extremely high in Dhaka.
7. Dhaka city has been expanding at a very slow pace because of low-lying areas surrounding it on most sides. As a result, land prices have been rising at a much faster rate in Dhaka than in the rest of the country.

TABLE 4.3 (continued)

COMPARATIVE ADVANTAGES OF DHAKA AND CHITTAKONG

CHITTAGONG

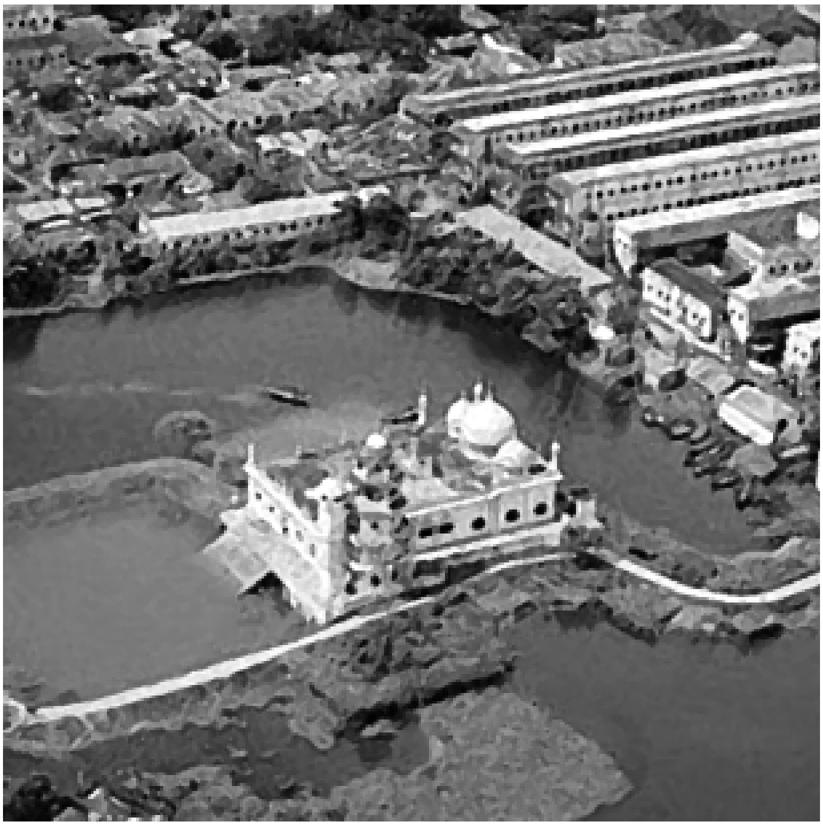
Advantages	Disadvantages
1. The main advantage of Chittagong is the proximity of the seaport, which is the main seaport of the country.	1. Chittagong is more vulnerable to natural calamities such as cyclone and tidal waves etc.
2. Chittagong has a high concentration of entrepreneurs involved in industrial and commercial activities.	2. Physical and institutional infrastructures are weaker in Chittagong compared to Dhaka.
3. The levels of both air and noise pollution as well as traffic congestion is far less in Chittagong than in Dhaka.	3. Chittagong is a major centre of political activities. Opposition politicians always try to use the port-workers to dislocate the economic life of the country.
4. The only private sector EPZ in Bangladesh is located at Chittagong.	4. Chittagong has been a major point of smuggling and drug trafficking because of its proximity to the sea, and Myanmar.
5. The Japanese International Agency for Co-operation (JICA) has proposed the setting up of an industrial park in Chittagong.	5. Civic amenities are badly developed in Chittagong.
6. Chittagong is adjacent to several major new oil and gas blocks scheduled for exploration.	6. Chittagong is located at one extreme edge of the country and has poor communication links with most parts of the country except Dhaka.
7. Chittagong port is likely to be developed into a regional port facility through regional co-operation (SAARC).	

4.5 EXISTING INVESTORS

It was estimated by the consultants and others, that about 200 foreign firms have already invested in Bangladesh, of which 26 operated there prior to independence in 1971. Levels of European foreign direct investment (FDI) in Bangladesh have been very limited compared to levels of European FDI in other Asian countries, with the majority of European FDI going to China, India and ASEAN countries such as Indonesia, Malaysia, Singapore and Thailand.

Recently there has been a sharp increase in investment in the oil and gas, energy, and telecommunications sectors and currently the majority of European investment in Bangladesh is going to the infrastructure sector, mostly in the oil, gas and energy sectors, on account of the availability of project finance from multilateral and bilateral funding agencies. Considerable investment, particularly in the power sector, comes from North America and Japan, with significant levels of investment being provided by several European Member States, namely Germany, Denmark, Netherlands and the United Kingdom, particularly from bilateral funds and financial institutions. The World Bank, International Finance Corporation, Asian Development Bank, Commonwealth Development Corporation Group and NORAD, from Norway have been the main source of finance for the telecommunications sector.

A European Community Initiative



SETTING UP AND OPERATING A BUSINESS

5. SETTING UP AND OPERATING A BUSINESS

5.1 COMPANY LAW

The Bangladeshi legal system was originally based on English common law. However the Companies Act 1994, the basis of company law in Bangladesh, is now considered by many, to be outdated and is often found to be unevenly implemented.

There are often doubts over the enforceability of contracts, on account of a perceived weak judiciary system, low levels of legal efficiency and poor implementation, often resulting in unacceptable delays in commercial judgements, which can take up to 10 years before reaching a conclusion. Which in turn has resulted in corrupt practices and regular uses of inside connections.

Although the system provides for international arbitration, the possibility of having any arbitration award enforced is considered unlikely.

5.2 FORMING A COMPANY

Business in Bangladesh may be carried out by a company incorporated locally or a company incorporated outside Bangladesh, but registered in Bangladesh. The incorporation or registration is done by the Registrar of Joint Stock Companies and Firms.

The Companies are incorporated and registered under the provisions of the Companies Act, 1994. The basic objective of the Companies Act is to safeguard the interest of the investors. The Companies Act provides the Directors with overall power to manage and run the company. There are three types of companies:

A: Companies limited by shares
(Private and Public Limited Companies).
B. Companies limited by guarantees.
C: Unlimited companies

There are two broad categories of companies limited by shares, Public and Private.

5.2.1 Private Companies

A Private Company is a company, which by its articles,

a) Restricts the right to transfer shares, if any;
b) Limits the number of its members from 2 to 50 excluding persons who are in the employment of the company;
c) Prohibits invitation to the public to subscribe for the shares or debentures of the company.

5.2.2 Public Companies

A public company offers shares and debentures to the members of public through a prospectus which complies with the requirements of the Companies Act 1994 and Securities & Exchange Commission 1993 as amended from time to time. The minimum number of members for a public company is 7 and there is no maximum limit. A company can be formed directly as a public company or alternatively, it can be incorporated as a private company and then converted into a public company.

The Memorandum of Association requires that a company states its name and whether it is a public limited company or a private limited company and the location of its registered office. The Memorandum requires that a company outlines clearly its main objectives, its authorised capital, and the division of this capital into shares of fixed amount and the liability of its members.

The company is further required to draw up its "Articles of Association," which are the regulations which govern the internal management of affairs of the company and the conduct of its business.

Forms to incorporate and register the company may be obtained from the office of the Registrar of Joint Stock Companies and Firms.

5.3 LAND OWNERSHIP AND PROPERTY

As stated above, commercial law in Bangladesh, is largely outdated, particularly regarding land ownership, where the property law, which only provides for the registration of deeds, rather than ownership and therefore, a chain of titles must be traced through the deeds and non-documentary dispositions such as inheritances. This can be a highly complicated and time consuming process, often resulting in considerable time delays when registering change of land ownership.

Land ownership has been found to create many problems for investors. Ownership of land, whether for purchase or for lease, which may be a critical decision for an investor who may need it as security for a loan, is often unclear. Existing property laws are perceived by foreign investors as being complex and confusing, while land registration records are often totally unreliable. This is one reason why most industrial investors are attracted to invest in export processing zones, where such problems have been minimised.

Those investors requiring industrial plots for setting up industries in any industrial areas or estates, apart from in export processing zones, may approach the Board of Investment requesting the size of plot required by them, together with copies of sanction/registration letter and industrial layout plan for justifying the actual requirement. After receiving the application, the BOI, have the mandate to provide assistance in obtaining the industrial plot. Though in practice this does not always work, according to the investors interviewed.

Most of the industrial plots are either owned or controlled by city development authorities in three divisional head quarters, in Dhaka, Chittagong and Khulna, with a few industrial estates owned and controlled by some other government agencies, such as the Public Works Department and the Housing and Settlement Directorate.

The BOI will first make a formal request for acquisition of land to the relevant authorities if requested by an investor. The investor will then be required to submit relevant documentation supporting the request, to the concerned authority.

5.4 THE INDUSTRIAL ENVIRONMENT

5.4.1 Manufacturing

The manufacturing sector in Bangladesh, which accounts for some 18% of GDP, is mostly concerned with the processing of domestically produced agricultural raw materials, such as jute and tea and non-traditional products such as ready made garments and fertiliser production.

State owned enterprises, which still dominate the manufacturing sector, are considered to be the worst performers in terms of investment, management, growth and profitability with estimated losses of some 38 state owned non-financial corporations estimated at US$81 million. These companies also owe in excess of US$800 million to the state owned banks, of which some 42% are classified as non-performing loans according to the statistics of the Bangladesh Bank.

5.4.1.1 Ready made garments

The ready made garments industry in Bangladesh, which consists of some 2,600 factories employing a workforce of 1.4 million, has grown dramatically during the last decade, with ready made garments and knitwear jointly accounting for more than 70% of total investment in the manufacturing sector during the first half of the 1990's. The industry has created millions of jobs in various support industries such as garment accessories, spinning, weaving, dying, printing, finishing etc.

The industry has greatly benefited to date, from both the Generalised System of Preferences (GSP) and from the Multi-fibre Agreement (MFA) to increase exports to Europe and North America respectively.

5.4.1.2 Leather

Since Bangladesh is an important producer of hides and skins, the basic raw materials for leather production, leather manufacturing in Bangladesh has now become an important export-oriented sector and contributes significantly towards the economy in terms of gross output, employment and export earnings. The export earnings of leather was valued at being $190 million in 1997/98. Leather manufacturing is also becoming an area of considerable interest for European foreign investors, particularly from Germany and Italy, especially after the closure of a number of tanneries in Europe for environmental reasons.

Of the 248 leather manufacturing units registered in Bangladesh, almost 94% are located in the Dhaka area, mostly in the Hazaribagh Industrial Estate, with only 4 firms situated in Chittagong. The industry, which is mostly a cottage industry, has 12 units with an annual production capacity of 9 million square feet and 9 units with an installed capacity between 5 and 9 million square feet.

Leather manufacturing in Bangladesh, which is divided into four categories (mechanised finished, mechanised crust, semi-mechanised crust and non-mechanised) has an estimated annual capacity of about 330 million square feet, including an estimated annual production capacity of about 100 million square feet for finished leather. However, capacity utilisation in the four sectors only averages between 40-50%.

The Fifth Development Plan (1997-2000), which proposes to move the entire leather processing industry away from Dhaka, could create major investment opportunities for foreign investment to upgrade technology, increase human capability through training and increase production. This will be of particular interest to investors from Belgium, Denmark, Germany and Italy.

Investment in the leather goods industry in the export processing zones, mostly in Dhaka, is claimed to have reached $41.76 million by June 1999.

5.4.1.3 Jute

Bangladesh is the second largest manufacturer of jute goods in the world, after India, which contributes to some 12% to GDP and about 8% of export earnings. This is a considerable change from the 1970's, when jute and jute products accounted for almost 80% of all Bangladeshi exports. Currently this sub-sector represents about 30% of the manufacturing sector and provides 10% of employment in the country.

The long term future of the industry is in serious doubt on account of mounting competition from synthetic substitutes and incompetent management and inefficient production. Currently jute is used in the manufacture of carpet backing, twine and sacking.

Although in the middle 1980's, some 35 of the 66 operating jute mills were privatised, the government maintained some controlling share through the Bangladesh Jute Mills Corporation, which oversees the sector. Large losses in both the private and public sectors are a considerable drain on the economy.

5.4.1.4 Food Processing

In general this part of the industrial sector, which mainly serves the domestic market, includes, sugar milling, sugar refining; edible oil production and fruit juice production. There is also a fish processing industry that was mainly set up to export shrimp, prawns and frogs legs. However, the industry faced serious set backs following a ban by European Member States on the processed shrimp exports from a number of Asian countries on account of unsafe and unsanitary production facilities. However, following technical assistance from Europe to upgrade the processing facilities the ban has now been lifted.

5.4.1.5 Chemical Industry

The availability of large amounts of natural gas has led to the creation of a viable chemicals industry in Bangladesh, the major product being fertiliser for which there is a large domestic market. Currently the state owned Bangladesh Chemical Industries Corporation (BCIC) manages some six fertiliser plants plus the Karnaphuli Fertiliser Company at Chittagong, which is a joint venture between the government and investors from Italy and Japan.

5.4.1.6 Other industrial production

There are also a number of small manufacturing and assembly facilities in the country to produce a wide range of products, which include bicycles, cigarettes, pumps, motors/engines, radios and television sets, tyres and tubes and various electrical and electronic items. The electronics assembly sector has shown some growth in recent years as a number of Asian investors have set up light assembly facilities in the two export processing zones, to take advantage of the much lower wage rates in Bangladesh as compared to many Asian countries, particularly South Korea and Taiwan.

5.4.2 Environmental Legislation

In recent years Bangladesh has implemented environmental legislation which requires that no industrial project can be established or undertaken without obtaining environmental clearance from the Department of the Environment under the 'Environment Conservation Act 1995'. The main criteria for obtaining clearance are set out in the Environment Conservation Rules 1997 which was established under the Act, which requires a project sponsor to carry out an Environmental Impact Assessment, which is reviewed by the Department of the Environment and which is used to examine the environmental consequences of the proposed development. Different levels of assessment are required depending on the particular industry concerned. For example more information may be required if the project is in the chemical sector than if it would be in software sector. However the Environmental Impact Assessment guidelines do not give an indicative time-scale for the grant of clearance, which islikely to depend on the nature of the project.

5.4.3 Registration under the Factories Act

Any manufacturing company that employs ten or more workers is required to be registered under the Factories Act, 1965 (Act IV of 1965) with the office of the Chief Inspector of Factories and Establishment. The Act is primarily to regulate working conditions and to ensure safety measures in the factory.

5.4.4 Local Content Requirements

Although the Bangladesh Government prefers investment in manufacturing which maximises the use of local inputs, it has now shifted its preference for high technology products and more labour-intensive industries. Ready made garment manufacturers are now encouraged, though not required, to use a minimum of 15% locally produced fabric. However, at present nearly all manufacturers are unable to source sufficient local fabric of sufficient quality to do so. Similarly, garment manufacturers are encouraged to achieve a total local value added content in their garments of 30% or higher. The 1991 Industrial Policy requires that all food materials, sugar, cement, fertiliser etc., are packaged in jute bags. However, this also cannot often be followed in practice because of inadequate packaging supplies.

5.4.5 Reserved Sectors

The Industrial Policy, 1991 (revised in 1992) lists selected reserved sectors, where only public sector investment is allowed. These sectors include:

- Arms, ammunitions and other defence equipment's and machinery;
- Production of nuclear energy;
- Forest plantation and mechanised extraction within the bounds of reserved forests;
- Security printing (currency notes) and minting; and
- Railways and air transportation (except air cargo & domestic air transportation).

All sectors except those reserved industries listed above, are open for private sector investment.

5.5 RAW MATERIAL AVAILABILITY

Since Bangladesh is very short of natural resources, apart from an abundance of natural gas, most of the raw materials needed in the industrial sector have to be imported. For example, the ready made garments sector, is one of the largest sources of foreign exchange, yet most components must be imported, with almost 75% of the export value being spent on importing fabrics from abroad.

Outside of the textile and ready made garments sectors, where industry is more reliant on the availability of raw materials, there is very little investment, with most foreign investment attracted into the energy sector where there is an abundance of natural gas, and into the service sectors where raw materials are not required.

5.6 LABOUR

5.6.1 Skilled and unskilled workers

Bangladesh, with a population of 128.1 million people, has a large and cheap labour force of around 60 million, comprised of 40 million agricultural jobs (growing at one percent a year) and 20 million non-agricultural jobs (growing at six percent a year). Low official unemployment statistics obscure a huge and growing under-employment problem in Bangladesh. While Bangladesh's comparative advantage in cheap labour costs is partly offset by low productivity, due to low skills, poor management, inefficient infrastructure and old machinery, employees are reported as being flexible and open to training. Technically trained personnel often seek and find employment in the Middle East at substantially higher wages than they would receive in Bangladesh. Over the past eighteen years, more than 1.25 million Bangladeshi have worked abroad, officially bringing in over seven billion dollars in foreign exchange. Those remittances have become an important source of foreign exchange in recent years.

All employers are expected to comply with the government's labour laws, which specify employment conditions, working hours, wage levels, leave policies, health and sanitary conditions, and compensation for injured workers. Freedom of association and the right to join unions is guaranteed in the Bangladesh Constitution. The right to form a union, subject to government approval, is also guaranteed. However, unions are not yet permitted to form in the export processing zones. Approximately 3.5% of Bangladesh's work force is unionised. Labour unions remain strongest in the jute, textile, and transportation sectors.

However, growing fears were expressed that labour unionism may now be growing in the export processing zones, despite the theoretical bans mentioned above. During 2000, there had been an increasing number of strikes and sit-ins to protest redundancies and back wage claims, even though the government has always backed the employers, and been prepared to end the strikes with force.

Considerable concern has been expressed by many foreign investors in the export processing zones that the Bangladesh Government would give in to demands of the American Federation for Labour and Congress for Industrial Organisations (AFL-CIO) to allow unions into the zones. The AFL-CIO have been actively lobbying the American Government to seek to have Bangladesh suspended from receiving preferential access to the American market, until it accedes.

Already labour problems are reported to have caused a reduction in both foreign and local new investment flows into the export processing zones by some 52% between 1998/99 and 1999/2000, with flows decreasing from US$71.6 million to US$35 million, according to the Bangladesh Export Processing Zones Authority.

Bangladesh's labour unions, most of which are associated with political parties, have a reputation for militancy. In early 1995, clashes between jute mill labour groups and the police resulted in numerous injuries and a few deaths. Violence and the threat of violence by trade unions have produced wage increases in excess of productivity increases, raising unit labour costs. Worker layoffs, or the mere threat of reductions-in-force, can be expected to cause some of the most serious and confrontational labour disputes. Labour disputes do not necessarily need to be heard before a legal court. Many companies have found it effective to resolve issues before a Labour Tribunal. Labour in private sector enterprises is mostly non unionised and comparatively more productive. Productivity in Bangladesh has been affected by hartals (general strikes) called by political parties and movements, which take their toll in downtime by intimidating people from leaving their homes.

On July 4, 1995, Bangladesh's garment exporters association signed a memorandum of understanding (MOU) with the United Nations Children's Fund (UNICEF) and the International Labour Organisation (ILO) under which child labour in the ready-made garment industry was eliminated, and children who formerly laboured in the factories are provided with education. Implementation of the MOU continues. ILO-assisted monitoring teams now find fewer child labourers during random visits to garment factories.

5.6.2 Supervisory and Managerial Staff

The lack of availability of supervisory, technical and managerial staff often remains a major constraint in many sectors, with many foreign investors complaining about the slowness of the government in issuing visas and work permits to overseas managers, when it becomes necessary to fill vacancies, when qualified local managerial or supervisory staff are not available.

However there are now an increasing number of training institutes that have been set up and often financed by the foreign aid donors in order to make up for this deficiency.

TABLE 5.1

LABOUR COST COMPARISONS IN TEXTILE INDUSTRY IN SELECTED ASIAN COUNTRIES IN 1998

Country	Average cost per operator hour US$	Overtime premium over normal pay: Weekdays %	Overtime premium over normal pay: Holidays %
Bangladesh	**0.43**	**61**	**63**
China	0.62	150	200
India	0.60	164	54
Pakistan	0.40	20	20
Philippines	1.12	45	170
Sri Lanka	0.49	25	50

Source: Werner International, Labour Cost Comparisons, 1998

5.6.3 Labour Costs

The low cost of labour remains a major attraction for investing in Bangladesh, even if some of this advantage is offset by low productivity. Table 5.1 gives a regional comparison of hourly labour costs in the textile and apparel industry in 1998, including social benefits and fringes.

The Monthly Statistical Bulletin of the Bangladesh Bureau of Statistics, publishes a monthly table of average wage rates for industrial workers at selected centres, which lists a sample of wage rates in various industry groups and is given in table 5.2.

TABLE 5.2

AVERAGE DAILY WAGE RATES FOR INDUSTRIAL WORKERS IN FEBRUARY 2000

Industry Group	Type of Labour	Dhaka US$	Chittagong US$	Khulna US$
Cotton Textile	skilled	2.15	2.15	2.15
	unskilled	1.70	1.70	1.70
Jute Textile	skilled	2.15	2.15	2.15
	unskilled	1.70	1.70	1.70
Match making	skilled	2.15	2.15	2.15
	unskilled	1.70	1.70	1.70
Engineering	skilled	2.89	2.79	2.79
Fitter	unskilled	2.19	1.89	1.89
Edible oil	skilled	1.99	1.79	1.79
Production worker	unskilled	1.89	1.89	1.89
Industry average	skilled	2.28	2.20	2.20
	unskilled	1.84	1.74	1.74

Source: Monthly Statistical Bulletin, Bangladesh Bureau of Statistics March 2000. Converted at the February 2000 rate of US$1 = 50.2346 Taka

5.7 UTILITIES

The availability of utilities in Bangladesh will vary according to location. While in the various Export Promotion Zones, the supply of gas, water and utilities at fixed prices may be guaranteed, (see table 4.2, section 4.3.2.), outside these zones, the supply of utilities varies widely with location. One major problem being the uncertain supply of electricity, since most industrial areas suffer from frequent power failures and constant load shedding. Throughout the summer, Dhaka often faces disruption of power supplies twice a day and even throughout the day or night, therefore the majority of manufacturing plants usually have auxiliary back-up generators. The supply of gas is also very inconsistent, with a lack of availability in many areas.

5.8 COMMUNICATIONS

5.8.1 Telecommunications

With only 460,000 telephones in Bangladesh in 1998/99 or four telephones per 1,000 inhabitants, Bangladesh has one of the lowest telephone densities in Asia, if not the world, with the government planning to increase the density to seven per 1,000 by 2000. Many old analogue microwave links are being replaced by digital telephone lines, to provide some 20,695 nation-wide dialling circuits, compared to 11,410 in 1997/98. In addition the number of international dialling circuits has now been increased from 1,645 in 1997/98 to 2,100 in 1989/99. However access to international telecommunications is still poor and remains inadequate to meet the demands of industry.

Since the private sector investment is now allowed in telecommunications, there has been considerable development in cellular mobile services, rural telephone exchanges, Internet and electronic mail services, paging and trunking services. Over 40 private companies are now offering Internet and e-mail services as the monopoly position of the Bangladesh Telegraph and Telephone Board (BTTB) has been eliminated with its regulatory function being transferred to an independent regulatory commission.

5.8.2 Postal Services

Postal services in Bangladesh are very poor and need upgrading. The postal service has about 9,245 postal stations throughout the country, about 793 of which are in urban areas and 8,452 are in rural areas. There are only 163 postal stations, most of which are in urban areas, that can provide guaranteed express post. Bangladesh has agreements for express mail services with some 45 countries, and for money order services with 13 countries. Bangladesh has recently concluded a courier service agreement with several major courier service companies.

5.8.3 Courier Services

Courier services are widely used in Bangladesh for international deliveries as well as both within and between cities. A wide choice of couriers are available and include such international known firms as:

- DHL
  Homebound Packers and Shippers Limited
  26 Gulshan Avenue
  Gulshan 1
  Dhaka 1212
  Tel: 880 2 988 1703 – Fax: 880 2 883 248

- Federal Express
  95 Motijheel Commercial Area
  Dhaka 1000
  Tel: 880 2 956 5114 – Fax: 880 2 956 5112

- UPS
  North Bilquis Tower
  Gulshan Circle 2
  Dhaka 1212
  Tel: 880 2 886429 – Fax: 880 2 886241

5.9 FINANCE

The Bangladesh banking sector is made up of nine government-owned banks, 21 domestic private banks, and 13 foreign banks. The government banks and many local private banks have a very high percentage of non-performing loans, which has been estimated at 33%, generally from direct lending to parastatal bodies. Hence the banking system is impaired by a web of weak balance sheets, weak demand from creditworthy borrowers, and heavy reliance on liquid asset-based lending. Despite market reforms, such as the liberalisation of interest rates, the government continues to encourage its own banks to lend to "sick" industries, both parastatal and privatised bodies, and all banks to increase term lending. Reform of the banking system is high on the uptake. Currently most donor institutions are providing aid for financial sector reforms, to attempt to raise both regulations and accounting standards to international standards as far as possible.

The Bangladesh Bank, which acts as the central bank, regulates all banking institutions, including the nationalised commercial banks (NCB's), other government banks (development finance institutions and agricultural banks), domestic private banks and foreign banks. The Bangladesh Bank, which is controlled by the Ministry of Finance is not independent, and is headed by a Governor, who reports to the Secretary, Finance Division of the Ministry of Finance.

In Bangladesh, overall banking activity is dominated by the four NCBs--Sonali Bank, Janata Bank, Agrani Bank, and Rupali Bank and six financial institutions: Bangladesh Krishi Bank, Bangladesh Shilpa Bank, Rajshahi Krishi Unnyan Bank, Bangladesh Shilpa Rin Sangstha, House Building Finance Corporation and the Investment Corporation of Bangladesh.

Local private banks are forced to offer higher rates than private foreign banks and the NCB's in order to attract depositors. Local private banks include Pubali Bank, Uttara Bank, Arab Bangladesh Bank, Islami Bank, Eastern Bank, National Bank, National Credit and Commerce Bank, City Bank, IFIC Bank, United Commercial Bank, Bank of Small Industries and Commerce, Prime Bank, South East Bank, Dhaka Bank, Al-Arafa Bank, Social Investment Bank, and Al-Baraka Bank, Dutch Bangla Bank, One Bank, Standard Bank, and Mercantile Bank.

There are thirteen branches of private foreign banks operating in Bangladesh, namely: American Express Bank, Citibank, ANZ Grindlays Bank, Credit Agricole Indosuez, Standard Chartered Bank, State Bank of India, Muslim Commercial Bank, Hanvit Bank, National Bank of Pakistan, Societe Generale, Hong Kong Shanghai Bank, Al Faisal Islamic Bank and Habib Bank. However, the share of private domestic banks in deposits and lending is small compared to the government banks.

Trade finance, working capital, and term loans are generally available from local banks, particularly to multinational companies. Foreign companies involved in manufacturing, commonly obtain their trade financing and working capital loans from branches of the foreign bank resident in Bangladesh, who are also interested in trade and project lending for foreign investments in Bangladesh and can arrange offshore syndicated loans.

There are no effective sources of long-term finance in Bangladesh. There is also a limited amount of debt financing through foreign commercial banks in Bangladesh, namely the Standard Chartered Bank, Grindlays Bank and the Dutch Bangla Bank, with the availability of medium term financing linked to Export Credit Agency guarantees and capital adequacy/risk diversification issues constraining the level of exposures on individual bank customers. Limited export credit insurance coverage can be available from many European Export Credit Agencies (ECAs) for Bangladesh, on a case by case basis (see section 4.1.3 above).

5.9.1 Foreign Exchange Controls

Provided a local importer can obtain trade financing, whichis widely available and competitive, foreign exchange availability has not been an issue. The Taka is almost without exception freely convertible for current account transactions. Foreign exchange availability, however could become a major issue in the future, if projected investment outflows in the oil/gas and power sectors become greater than export growth.

5.9.2 Sources and Conditions of Investment Finance in Bangladesh

Sources of investment finance in Bangladesh are fairly sector specific, and are discussed below, under three headings, namely sources of finance for private sector infrastructure development, gas exploration and development and for industrial development.

5.9.2.1 Sources of finance for private sector infrastructure development

Traditionally all infrastructure development in Bangladesh was managed by the public sector and funded by multilateral funding agencies such as the World Bank, the Asia Development Bank and the European Union. However, in recent years, since the State is no longer the monopoly provider of infrastructure, the Government of Bangladesh has started to promote the private sector participation in the development of ports, roads, bridges, power, telecommunications and water, which also involves institutional lenders such as Danida, KfW, DEG, CDC and FMO who have increasingly become involved, supporting telecommunication, port development and power station development or rehabilitation.

To date, the majority of infrastructure private sector development projects has been in the power and telecommunications sectors, with the International Finance Corporation (IFC), according to their Web page "IFC and Bangladesh" in January 2000, taking a leading role in promoting private sector foreign investment by providing assurance to direct foreign investors and to encourage local entrepreneurs, while working on selected model projects, which have a demonstrational effect, acting as a catalyst for private sector investment and to be a matchmaker between local and foreign sponsors.

Hence when the Government of Bangladesh, short-listed Wartsila NSD Power Development, an independent power producer to develop a barge-mounted power plant at Khulna to be developed under a build-own-operate scheme, they approached the IFC to participate in financing the project and to help mobilise debt-financing from capital markets. Box 3.2 in section 3.2.1.2. describes how the contractor could take advantage of the IFC support to co-finance its specific project in Bangladesh.

This model was subsequently used to develop financing for two other barge mounted power plants that are now in operation at Harpur and Baghabari.

In a similar way the IFC has developed a similar model for private sector participation in private sector development in the telecommunications sector (see Box 3.3, section 3.2.2), following a request for project financing from Telenor of Norway, the project sponsor. The involvement of IFC in the project, then attracted institutional investors such as the Asian Development Bank and the Commonwealth Development Corporation (CDC) and non-institutional investors such as the Marubeni Corporation from Japan and Gonofone from the United States. Subsequently other operators have adapted this model.

In order to increase further private sector participation in infrastructure development, the World Bank funded a Private Sector Infrastructure Development Project (PSIDP), to facilitate private sector financing, construction and operation of infrastructure facilities. The project first established Private Sector Infrastructure Development Fund (PSIDF), to provide limited long term debt financing to selected energy and infrastructure sub-projects, as well as providing technical assistance to the Bangladesh Government for transaction development and facilitation, capacity building, institutional development and for conducting feasibility studies, sub-project procurement and undertaking sectoral reform initiatives. The project first created two institutional windows for implementing the programme, namely: The Infrastructure Development Company Limited (IDCOL) to administer project financing on behalf of the government and the Infrastructure Investment Facilitation Centre (IIFC) to promote development and facilitate implementation of privately sponsored infrastructure projects. Assistance from the Centre, will cover power generation and transmission, gas and gas related infrastructure, toll roads, water supply, urban environmental services, ports, telecommunications, and other basic infrastructure.

Both the IDCOL and IIFC, who share an office in the IDB Bhaban were created as private companies in 1998. The first meeting of IIFC Board took place in November 1999, which was followed by a meeting in December 1999 to review their draft business plan, which identified six project sectors to be developed in bus transport, port development, water, power and gas utilisation. Subsequently the IIFC has received requests to proceed with the water projects in Dhaka and Chittagong.

IDCOL is already operational and is providing project financing for three small power plants in Savar, Comilla and Narshingdi that are being developed by the United Summit Power Company (USPC), who have already signed power purchase agreements with the Rural Electrification Board (REB) to develop three 11 MW plants by December 2000. USPC, a local independent power producer, are investing 30% of the project cost of the three plants, which is estimated to be US$20 million from their own resources, with the rest coming from IDCOL, the IFC and local banks.

A number of other much larger power projects are being developed by American and Japanese firms on a build-own-operate basis, in order to raise private sector power generation capacity to 1,200 MW by 2002, that will be funded by loans from the IFC and a range of commercial lenders, which include: ANZ Investment Bank, Citibank, Credit Agricole Indosuez, Dresdner Kleinwort Benson and Hypoverinsbank.

On account of the increasing complexity of project financing for the larger power plants, various project sponsors developing new power projects, find it necessary to request specialised banks to arrange their project finance.

AES Power appointed the ANZ Investment Bank to act as sole arranger and underwriter of a US$90 million cross-border, non-recourse bank debt package that has to be raised for the 450 MW Meghnaghat power project, which they are developing on a build, operate and own basis. AES Power is also using ANZ Investment Bank as leader arranger to develop the necessary financing for a similar 360MW power plant at Haripur.

On account of the increasing complexities of raising even minimum levels of project finance that the Bangladesh Government may believe necessary for private sector infrastructure development, many European SME investors, usually find it necessary to seek collaboration with larger and stronger international firms in order to pre-qualify for participation. One way that is often used by SMEs, to identify partners for specific projects is from those companies that are short-listed by the multilateral or bilateral funding agencies. Most major funding agencies now publish lists of short listed companies for a specific project on their Web sites. At that point, many potential investors, will approach these short-listed firms to offer specific components. Hence it is most important for potential SME investors to have a detailed knowledge of the various sources of finance that are being used to finance projects in this sector.

5.9.2.2 Sources of finance for gas exploration and development

Most of the FDI inflows in the gas sector to date have been used to finance imports of machinery and equipment through special permits issued by the Chief Controller of Exports and Imports and not through letters of credit. Generally the international oil and gas companies involved in these activities have financed their development from their own resources via offshore capital markets.

5.9.2.3 Sources of finance for industrial development

Since the Bangladesh Government in 1994, relaxed capital controls to permit private firms to borrow abroad without permission from either the Bangladesh Bank or from the BOI, provided that interest rates are within LIBOR plus 4% and the repayment period is less than 7 years, foreign currency loans in the private sector have more than trebled. Local manufacturing enterprises in the textiles, cement, leather goods and telecommunications sectors are financing equipment and machinery purchases with financing from abroad, with an average repayment period of 6.6 years at a repayment rate of LIBOR plus 3.6%, according to the World Bank's study, Foreign Direct Investment in Bangladesh: Issues of Long-run Sustainability. October 1999.

Most non-institutional lending has been in the form of supplier's credits from the vendors, with very little lending by the major international commercial banks.

Debt financing, which is a relatively liquid market can usually be available to foreign subsidiaries/joint ventures, at the Prime Lending Rate (currently around 12% for major multinational corporation's). However, the rising interest rate scenario is due to the scarcity of local capital and the Bangladesh Government borrowing, as well as capital adequacy/risk diversification issues that constrain large exposures on individual customers by commercial banks.

Leasing has also become a major source of finance for those firms that have invested in Export Promotion Zones in the ready made garments and knitwear sectors to offer sub-contracting services to Europe. Many "so called investors", were found to have set up their operations under a lease back scheme and had rarely invested their own money.

5.9.3 Repatriation of Profits and Currency Convertibility

The Taka is almost fully convertible for current account transactions, but not for capital account transactions. At the end of April 1997, the Government of Bangladesh's foreign exchange reserves stood at about $1.7 billion, representing less than three months of import cover. Foreign exchange is generally available for permissible private sector transactions.

The interbank market for foreign exchange appears to be restricted solely to US dollar transactions. Owing to shortages of dollars, two parallel foreign exchange markets continue to exist in Bangladesh: the interbank market and the informal market. Exchange rates are regularly reported online in various editions of the Financial Express (www.financial-express.com) and always in the Monday edition. In times of high demand and a shortage of dollars, the informal market sells at a significant premium.

The Foreign Investment Act guarantees the right of repatriation of invested capital, profits, capital gains, post-tax dividends, and approved royalties and fees, with the Bangladesh Bank exchange control regulations providing similar investment transfer guarantees. In practice, foreign firms are able to repatriate funds with little difficulty, provided the appropriate documentation is in order. Foreign firms in joint ventures, which are only able to remit profits in the form of dividends, also report no difficulties. However, in some cases, foreign firms' profit remittances have been delayed for over one year pending tax clearance from the National Board of Revenue.

Where tax disputes are causing delays, firms may have to choose between timely profit remittance and sacrificing legitimate positions of tax issues. Although the law generally provides for capital transfers, there are still some significant restrictions in practice. For example, repatriating capital gains, other than from the sale of publicly listed shares, is limited to 10% of the capital gain, and is difficult to accomplish. The BOI also issues passbooks limiting repatriation of royalties and other technology transfer fees. However, no permission is required for remitting fees amounting to less than 6% of sales.

5.10 BANGLADESH CAPITAL MARKETS

Bangladesh has two stock exchanges: the Dhaka Stock Exchange (DSE), which was established in 1954 and the Chittagong Stock Exchange (CSE), which opened in 1995. Trading is carried out in both exchanges by a Computerised Automated Trading System. All exchanges are self regulated, private sector entities with their operating rules approved by the Securities and Exchange Commission. Both exchanges, which are among the world's smallest share markets, are privately owned and list 237 companies. On an average day, shares of around 130 companies are traded.

Demand for shares has been particularly weak on account of the availability of low-risk high-yield government bonds and savings schemes, and as a result, the market remains poorly developed, with poor liquidity. The market capitalisation relative to GDP of about 0.5% is very low compared to other South Asian countries.

As highlighted in section 3.5, the Bangladesh equity markets then went into rapid decline following the all time high reached in 1996 after the June 1996 election, when market capitalisation reached US$6 billion or 17% of the GDP by November of the same year, fuelled by widespread market manipulation. The Dhaka Stock Exchange (DSE) all-share price index, which stood at 3,600 in November 1996, then went into to rapid decline through 1997/98, as can be seen in table 5.3, and has remained on a declining trend thereafter, reaching the 500 level by the end of December 1999.

While the sustained weakening of the stock prices may partly be the result of poor performance of many of the quoted firms, it may also be the result of political unrest and an uncertain business climate, as well as lack of investor confidence stemming from serious problems of governance, such as insider trading and inadequate settlement procedures. The Government of Bangladesh, keen to improve the performance of the markets, has already taken some measures to boost the capital market in recent years, such as improving settlement procedures and enhancing the supervisory powers of the Securities and Exchange Commission. However, this has only had limited success. Also, in an attempt to attract foreign investors, in 1997 the government withdrew the lock-in system for initial public offerings (IPOs), waived taxes on capital gains from bonus shares and increased ceilings for credit against shares from 40% to 50% of the market value, as well as developing controls to prevent abnormal market swings.

A central depository system (CDS) became operational in early 2000 that will allow the ownership records of investors to be maintained electronically and allow electronic transfer of ownership. However these measures are intended to prevent forgery and ensure transparency by removing many aberrations from the current paper-based ownership system and poor book-keeping. It is also hoped that the system will prevent manipulation of initial public offerings (IPOs) to restore confidence of foreign investors.

The Bangladesh Securities and Exchange Commission (SEC) was formed in 1994 to regulate the Bangladesh capital markets and protect investors. The SEC and the Institute of Chartered Accountants of Bangladesh (ICAB) have just begun the task of rigorously enforcing reporting and audit requirements, and bringing those requirements up to international standards. The country's single credit rating agency, ‘Credit Rating Information and Services,’ provides credit rating information across the whole of the country.

However in 1997, the SEC imposed new restrictions on the involvement of foreign investors in the Bangladesh capital market, issuing new guidelines that stipulate that 10% of primary issues are reserved for Non-Resident Bangladeshis (NRB). Major foreign investors have protested against these measures, pointing out that such measures exacerbate the Bangladesh markets greatest drawback: the difficulty of buying or selling in volume over a reasonably short period.

Several major donors are currently working with the government to improve capital markets in Bangladesh. The World Bank funded a financial institutions development project in February 2000, with a US$47 million credit, to stimulate the financial markets and allow them to develop a range of financial instruments such as bond issuance and other commercial instruments. At this time, no bond market exists in Bangladesh. However, the International Finance Corporation is also actively working with the government to assist them in creating conditions which would allow one to be developed in the future. Also the International Monrtary Fund (IMF) reports that the Asian Development Bank is assisting the government in establishing a more modern capital market infrastructure that would include increasing the supply of securities and developing institutional sources of capital.

TABLE 5.3

DHAKA STOCK EXCHANGE DATA

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
No. of listed companies	188	201	222	224	244	237
Market capitalisation (Taka million)	49,998	25,841	107,827	62,264	44,739	61,236
DSE Share index high	903	3,648	2,450	760	546	645
DSE Share index low	698	751	711	573	462	503

Source: Press reports, Financial Express and Independent 2000

5.11 TRANSPORTATION AND WAREHOUSING

5.11.1 Railways

Bangladesh Railways is a state owned monopoly that operated over 2,733 km of track in 1998/99 compared to 2,706 km of track in 1997/98. The system maintains some 489 stations to link towns, with the mainline running between Dhaka and Chittagong, with regular daily passenger services.

The railway carried 4.1 billion passenger-km in 1998/99, compared with 3.9 billion passenger-km in 1997/98. The system also carried a load of 1 billion tonnes/km of freight in 1998/99, compared with 800 million tonnes/km in 1997/98. Despite this slight increase in capacity, the system is in long-term decline as it needs large subsidies from the government, owing to a lack of efficiency and failure to control costs or collect fares.

There are two gauges in use, with a broad gauge in the west of the country and a narrow gauge in the east, with ferry linkages across the rivers.

5.11.2 Roads

The total length of roads in use in Bangladesh is about 223,390 km, which includes 16,000 km of paved highways. The highways are particularly vulnerable to weather, namely storms and floods, with almost 16,000 km of road being damaged by floods in 1998.

The road system is supported by an increasing number of bridges, the latest being the 4.8 km Jamuna multi-purpose bridge, now renamed the Bangabandhu Bridge. It was opened in mid 1998, and now, for the first time, links the East and West of the country with a road and rail network.

Despite the problems of road transport, 65% of all freight and 75% of all passengers travelled by road in 1998, up from 35% and 54% respectively in 1975

5.11.3 Air

The country has some 14 operational airports, including two international, seven domestic and two more under construction. The main international airport is Zia International Airport, with a capacity to handle some 5 million passengers annually it is located some 15 km North of Dhaka. The airport, which is currently being modernised, is used by 15 airlines to connect Dhaka to Europe, the Middle East and South, Southeast and East Asia.

The state owned Bangladesh Biman Airlines, which serves 25 overseas and 7 domestic locations, runs a fleet of ten aircraft. The airline, which provides international services to Europe, North America, the Middle East and Asia carried 600,000 passengers and handled some 16,415 tonnes of cargo in 1998/99.

The second international airport is at Chittagong, while there are plans to upgrade the airport at Sylhet to international standards by 2000.

5.11.4 Waterways

Bangladesh has 8,433 km of navigable waterway, which can drop to as little as 3,800 km in the dry season, depending on the extent of flooding. This network of waterways is particularly important as it is one of the few transport links to some of the remotest parts of the country and transports a significant percentage of total domestic and foreign cargo traffic between the main river ports of Dhaka, Narayanganj, Chandpur, Barisal and Kulna via a river service which connects these ports several times a week.

This well-developed water transport network, which carries both passengers and domestic freight, with over 273 ferries and launches of the Waterways Transport Corporation, is one of the cheapest methods of domestic transport, though it badly needs investment for many improvements, such as dredging and improved safety.

Many of the south coast towns in the Ganges Delta are connected by ferries and launches.

5.11.5 Seaports

The two main ports are at Chittagong and Mongla, with smaller inland ports at Dhaka, Narayanganj, Chandpur, Barisal and Kulna.

Chittagong, which is by far the largest port handling around 80% of all imports and 75% of all exports, is well connected by road, rail, river and air routes. Chittagong port has increased its container handling capacity from 170,000 TEUs (twenty foot equivalent units) in 1993/94 to 380,000 TEUs in 1998/99, which is forecast to increase to 1 million TEUs by 2005. The Port Authority is also adding additional berth facilities for increased container service and is planning to build a new container yard.

Trade Unions, however, are totally opposed to private sector plans to set up two modern container terminals at Patenga in Chittagong and Pangaon in Dhaka.
Although Mongla port handles about 25% of all foreign trade, significant investment will have to be made to improve its navigability for ocean-going vessels before it will be commercially viable.

5.12 WAREHOUSING

Extensive warehousing facilities are available in the two export processing zones in Chittagong and Dhaka. Chittagong port has some 116,375 square meters of covered warehouse space, with a capacity to hold 50,000 metric tons. The port also has a warehouse for hazardous cargoes (102 metric tons) and for cold storage (500 tons). Mongla port near Khulna (Southwest Bangladesh) also has warehouse facilities. For industries outside the EPZ, the National Board of Revenue provides bonded warehouse facilities to 100% export oriented industries or to industries whose raw materials/components are mainly imported. Production within bonded areas is free of import duties, with a minimum amount of customs formalities.

5.13 STANDARDS AND QUALITY

Quality standards are set and monitored by the Bangladesh Standards and Testing Institute, who will recognise and accept any goods bearing certification from standard institutions of other countries. Standards for pharmaceuticals are controlled by the Department of Drugs Administration under the Ministry of Health and Family Welfare. The Bangladesh Atomic Energy Commission tests all imported food items to ensure that the prescribed standard for radioactivity is maintained.

Lack of quality standards has been of special concern to the Government of Bangladesh for some time in many sectors, particularly in the textiles, information technology or fisheries sectors, with very few, if any companies receiving any certification from the international standards organisation (ISO)

Even official government publications admit that the lack of quality standards in the textile industry is forcing the ready made garments industry to import a very large part of the necessary fabrics needed for export markets, spending over 70% of all textile export earnings on importing fabrics. This is due to lack of quality standards as required by international buyers.

For some time, there has been considerable interest by both European firms and international quality assurance bodies, to provide training and technical assistance to allow exporters to obtain quality assurance certification. However, business potential has not been realised on account of the lack of finance to support such activities from either the companies, the government or international agencies.

The Bangladesh Government is committed to ensuring that quality problems in the textile industry are solved and urged all factory owners and exporters to improve quality in order to allow the manufacturers in Bangladesh to be able to compete in international markets. It also urges factory owners to acquire the expertise for producing quality goods in order to face competition in the future when special facilities, such as GSP, will be withdrawn.

Following inspections throughout a number of Asian countries by fisheries inspectors from the European Commission, many fisheries producers in Asian countries, including Bangladesh were found to be below acceptable standards, and then banned from exporting their products.

5.14 INTELLECTUAL PROPERTY RIGHTS (IPR)

Bangladesh has been a member of the World Intellectual Property Organisation (WIPO) since 1985, and adhered to the Paris Convention on Intellectual Property in 1991. While its intellectual property laws are outdated and enforcement of existing regulations is weak, the Bangladesh Government is working to generate awareness and update old laws. Bangladesh's intellectual property law dates from the pre-independence era. The Patent and Design Act of 1911, as amended by the Patent and Design Rule of 1933, the Trade Mark Act of 1940, and the Copyright Ordinance of 1962, governs patents, trademarks and copyrights. As a founder member of the World Trade Organisation (WTO), Bangladesh is bound by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The Government is currently examining drafts of Patent, Designs and Trademark Acts which if legislated, would bring them into conformity with the TRIPs Agreement, which the Government has already signed. Hence Bangladesh has 10 years from January 1, 1995 to implement TRIPs.

Currently the enforcement of patents, copyrights or trademarks in Bangladesh is insufficient. There is a substantial problem with the counterfeiting of goods of all categories, both Bangladeshi and foreign, but most significantly in the sectors of food, pharmaceuticals and cosmetics, where there are reports of the substitution of genuine (recycled) packaging of any similar looking substance, some actually found harmful to the consumer. Copyright piracy is also prevalent, in particular in respect of books, music and computer software. Not only the legislation relating to intellectual property is in urgent need of modernisation, but also the system for registering patents and trademarks.

The Government is currently trying to overcome such constraints through legislation that is reported to be currently before Parliament. This follows discussions in Bangladesh that were organised in 1999 by the American-Bangladesh Chamber of Commerce to expedite such legislation following the visit of a major delegation from the United States representing members of the Software Publishers Association, who made it clear that future IT investment in Bangladesh very much depended on such legislation being passed.

In the new Co-operation agreement between Bangladesh and the European Community, Bangladesh, without prejudice to its commitments under the TRIPs Agreement, has taken on to accede until 1 January 2006 to six major international conventions on intellectual, industrial and commercial property protection, as well as committing themselves to accede to five more specialised international conventions on the protection of intellectual, industrial and commercial property. However the incentive to proceed with this updating has already been signed by the European Union in order to allow Bangladesh to prepare new IPR legislation.

The Government of Bangladesh is currently updating existing legislation, to match the IPR standards legislated in India, which have recently been implemented and have now made the country, a far more attractive venue for software development investment.

5.15 ACCOUNTING AND AUDITING

Bangladesh company law is based upon English law and in particular the Bangladesh Companies Act, is similar to the English equivalent. The Act states that every Bangladeshi company is required to keep books of account and statutory registers, etc., which must provide a true and fair view of the company's affairs.

The Board of Directors is required to put the company's financial statements before the shareholders at an Annual General Meeting. Also each company has a statutory requirement to appoint a qualified auditor to audit the company's accounts annually. The main Audit points are summarised in the Box 5.1.

'Bangladesh Accounting Standards' which was published by The Institute of Chartered Accountants of Bangladesh in March 1999 can be purchased from the Institute for Tk.150, and is the main authority for accounting standards in Bangladesh. It can be purchased directly from:

The Institute of Chartered Accountants of Bangladesh
Chartered Accountant Bhaban
Tel: 9112672, 9117521
Fax: 880-2-8119399
E-mail: icab@bangla.net

5.16 TAXATION

The tax year runs from 1 July to 30 June, with the deadline for filing income tax returns being 15 September following the end of the tax year. All new tax payers are required to make advance quarterly payments.

Corporate tax rates in Bangladesh are high, with taxes for publicly traded industrial companies being assessed at 35% of taxable income and taxes for non-publicly traded companies at 40% of taxable income, which includes banks, financial institutions, insurance companies and local authorities. However it was noted that in the 1999/2000 budget, that the taxation levels for the financial services firms would be reduced from 40% to 35%, though this does not yet appear to have happened at the time of writing the guidebook.

Those companies that enjoy a tax holiday are required to invest 30% of their exempted income within two years from the end of the tax exemption period, either into their present operations or new industrial facilities or into stocks and shares of a publicly traded company or government bonds and securities. Salary received, or due to be received by foreign technicians under service contracts that have been approved by the National Board of Revenue are fully exempted from paying tax for a period of 3 years from the date of their arrival in Bangladesh. Any expenditure incurred by an employer in respect of the remuneration of foreign technicians, is exempted from income tax. Any remuneration paid to foreign technicians by Bangladeshi consulting and engineering firms carrying out the business of consulting and engineering are also fully exempted from tax .

It is recommended that all interested investors should look at two official government web sites which report on the status of r evenue collection, namely: Guide to investment in Bangladesh that is published by the government and can be found at www.bangladeshgov.org/pmo/investment/invest.htm#p and the National Board of Revenue web site at www.nbr-bd.org which lists the current year's Finance Act and income tax schedules with related information.

BOX 5.1

COMPANY AUDITING REQUIREMENTS

Minimum Requirement
Annual submission of audited accounts (profit and loss account, and balance sheet) and a Directors' report.

Accounting Practices
Drawn up by the Institute of Chartered Accountants of Bangladesh basically following International Accounting Standards (issued by International Accounting Standards Committee of UK), wherever possible.

Year-end Date
At the discretion of the company

Inventory Valuations
The lower cost and net realisable value, or any other recognised method is consistently applied.

R & D Expenditure
The R&D costs of the project should be recognised as an expense in the period in which they are incurred unless the criteria for asset recognition identified in Paragraph 7 of the Bangladesh Accounting Standards (BAS) are met. R&D costs initially recognised as an expense should not be recognised as an asset in a subsequent period.

Leases
In case of finance (capital outlay) leases, which is the predominant type of lease business being conducted in Bangladesh, capital outlay is to be accounted for as receivables of the lessors and depreciation on the outlay ought to be charged in the books of the lessees. In case of operating leases, the capital outlay is to be accounted for as fixed assets of the lessors.

Depreciation
Depreciation rates: normally limited for corporation tax purposes to:
- 12% building (general)
- 24% factory building
- 10% furniture and fittings
- 18% most plant and machinery

Auditors
Accounts must be audited by a Chartered Accountant within the meaning of the Chartered Accountants Order 1973.

Source: Bangladesh Accounting Standards published by The Institute of Chartered Accountants of Bangladesh. March 1999.

BOX 5.2

SUMMARY OF MAIN TAXES

- Corporate Income Tax Rate: 35% for publicly traded companies, 40% for non-publicly trade companies.
- Capital Gains Tax: 25%.
- Branch Tax Rate: 40%.
- Non-resident Withholding Tax Rate: 15% Dividends, 40% Interest, Zero % Royalties.
- Value Added Tax (VAT): 15%.
- Personal Income Tax Rate: 25%.

Source: Guide to investment in Bangladesh published online by the government

The system of taxation in Bangladesh is often confusing to new investors. Revenue collection is reported to be very low due to the narrowness of the tax bands, high levels of evasion, too many exemptions and high levels of tax arrears from many state owned enterprises and even worse, the cumbersome bureaucracy. There is also a negative perception by some foreign firms, that the high level corporation tax may be levied disproportionately on foreign investors by the Bangladesh Government. It has been noted that 300 or so members of the Foreign Investors Chamber of Commerce and Industry pay about 60% of the total revenue collected by the tax authorities. Widespread tax evasion by domestic corporations means that foreign investors who pay their taxes, can be at a disadvantage in the domestic market against their local competitors who may not be paying any taxes at all.

The government is believed to be well aware of the problems of revenue collection and tax evasion, and although successive budgets in 1998/1999 and 1999/2000 have introduced a number of tax reforms to simplify things, they have not taken any steps to reform the tax collection system or prosecute any companies for tax evasion.

Income tax rates for individual tax payers:

On the first Taka. 60,000 of total income	Nil
On the next Taka. 40,000 of total income	10%
On the next Taka. 50,000 of total income	15%
On the next Taka. 150,000 of total income	20%
On the balance of total income	25%

(1 Euro = 48.51 Taka, July 2000)

5.17 MAJOR COST FACTORS

A summary is given below in Box 5.3 of major cost factors. No data was made available by the BOI on the cost of land, however the Bangladesh Export Processing Zones Authority provided details on the cost of leasing land plots and standard factory buildings. Current details on the cost of installation of utilities is best obtained directly from the BOI, a more detailed version of which is provided in their publication BOI "One Stop Shop".

BOX 5.3

INDUSTRIAL COST FACTORS

Capital costs

Land plots of 2,000 sq.m. in both Dhaka and Chittagong EPZs are available for lease,	US $2.00/sq.m./Month
as well as Standard Factory Buildings of 150,000 sq.m.	US $ 2.50/sq.m./Month
In Dhaka and Space 39,000 sq.m	
In Chittagong	

Connections to Utilities

Electricity (Permanent connection charge)		Taka 55,000
Telephone installation charge	Taka 8,400 (Analogue)	Taka 18,400 (DIGITAL ISD)

Water connection fee by size of connection

3/4” diameter pipe	Taka 300 + Taka 1,251 per Metre	
1" diameter pipe		Taka 1,000 + Taka 1,507 per Metre
1 1/2" diameter pipe	Taka 3,500 + Taka 6,500 per Metre	

Sewage Connection (depends on size of connection)

4" diameter	Taka 300	
6" diameter	Taka 500	
8" and 9" diameter		Taka 1,000

Operating costs

Water:		Taka 57.88 per 1,000 gallons
Electricity:	Commercial Flat rate	Taka 4.45 per kW
	Peak rate	Taka 7.10 per kW
	Off-peak rate Taka 3.10 per kW	
Gas:	Industrial rate including supplementary duty and VAT	Taka 3.64 per cubic metre
	To power stations	US$ 2.40 per 1000 cu feet
Telephone (Annual rental):	Per unit tariff	Taka 1.70
Motor fuel:	Unleaded petrol	0.49 Euro/lit

Source: BOI "One Stop Shop" November 1998, updates from Bangladesh Bureau of Statistics Monthly Bulletin March 2000 and BEPZA.

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LIVING AND WORKING IN BANGLADESH

6. LIVING AND WORKING IN BANGLADESH

6.1. VISAS AND RESIDENCE REQUIREMENTS

All European visitors are required to have visas for entry into Bangladesh. Business travellers should request visas with a year duration and multiple entries. Should a business traveller be unable to arrange for a visa in advance, immigration officials at Zia International Airport in Dhaka are authorised to issue limited visas for up to 90 days for a fee. Visa extensions are possible, for which an additional fee must be paid to the Department of Immigration and Passports, 127 New Iskaton Dhaka. Generally, extensions are granted for 3-6 months (short-term) with a single entry. For one year or more (long-term) extensions for an expatriate working on a government project, a letter from the relevant ministry and security clearance from the Ministry of Home Affairs in favour of him/her through the related ministry are required, along with the prescribed visa extension application form. A single passport size photograph is also required.

Bangladesh issues five categories of business visas: a single-entry for three months; a multiple-entry visa for three months; a multiple-entry visa for six months and a year-long visa, which permits four entries. Extensions for each can be done in Dhaka.

6.1.1 Work Permits

In theory work permits are issued by the Board of Investment for foreign nationals in Bangladesh, in industrial enterprises that are sanctioned and registered by the appropriate authorities. Employment is normally restricted to areas for which local experts and technicians are not available. The term of employment is usually for two years, after which an extension is possible upon application.

In practice, many members of the expatriate community living and working in Bangladesh are reported to have experienced long delays and faced serious problems in obtaining multiple entry visas because of the restricted number of entries and have encountered long delays in receiving their working permits, either for first time applicants or when they are renewed.

Recently, the Bangladesh Ministry of Home Affairs issued a circular to all Bangladesh missions abroad to issue only Private Investor visas to expatriates seeking work permits in Bangladesh. An expatriate employee of a foreign company could come to Bangladesh either with a tourist visa or a work permit. The situation has become more difficult since a number of Bangladeshi missions are now putting a stamp on PI visa's saying: "Employment in Bangladesh – Paid or Unpaid Prohibited".

Other foreign investors are also reported to be facing serious problems in obtaining work permits from BOI as desk officials resort to various delaying tactics and procrastination.

6.2 LIVING COSTS AND STANDARDS

Expatriate staff living in Bangladesh have found it to be an affordable, safe and comfortable place to live, with acceptable expatriate housing readily available in centrally located apartments, with several suburbs of Dhaka offering large and quiet secluded houses for rental. For short term expatriate staff, two five star international hotels, located in Dhaka, provide deluxe accommodation, which includes restaurants, a health-club, swimming pool and entertainment.

The American International School, which is located in a residential area of Dhaka provides education for grades 1 to 12 and follows the American School curriculum for all English speaking students and has reasonably priced tuition fees.

For recreation, expatriates have access to several private clubs in Dhaka, for sports, swimming and dining, as well as regular cultural entertainment. Similar facilities are available in Chittagong and Khulna.

Basic healthcare needs are available from American and European trained physicians, who are registered at a number of national hospital and clinics or from international physicians who are available from embassies, such as the American Embassy.

For entertainment, there are plenty of cinemas in Bangladesh, though 99% of the films come from India and are not in English. Availability of English language films is listed in the English language press.

Many of the foreign communities in Bangladesh, including the American, Australian, British, Canadian, Dutch, German and Scandinavian communities, all have social clubs that are located in the Gulshan area of Dhaka. These social clubs are very hospitable to all foreign visitors, with individual clubs usually inviting members from other clubs or visitors to all of their social events. Interested parties wishing to find more detailed information about living in Bangladesh, its culture, travel information, places to visit and security, are recommended to visit the Destination Bangladesh web site at www.lonelyplanet.com/dest/ind/ban.htm . Given in Boxes 6.1 and 6.2 list some cost factors for visiting and living in Bangladesh which were determined during the research phase, that was carried out during February and March in 2000.

BOX 6.1

COST OF SHORT BUSINESS VISIT TO BANGLADESH

Hotels
There are two modern five star hotels in Bangladesh, the Pan Pacific Sonargaon Hotel and the Dhaka Sheraton. Room rates at the Sonargaon range from €172 for a standard room to €230 for a deluxe room. Rooms at the Sheraton range from €188 for a standard room to €223 For the deluxe rooms and suites available prices are from €264-508. Rates for extended stays at both hotels are available on request. However, much cheaper rates are also available in some of the guest houses that are now found in some of the residential suburbs around Dhaka.

Taxis to /from airport
€9.50

Internal Air Fares
Internal fares are cheap, with return fares from Dhaka to Chittagong, Dhaka to Sylhet and Chittagong to Cox's Bazar all quoted by Bangladesh Bimen Airways at €92.

Airport Departure Taxes
International departure tax: €8.6
Domestic departure tax: €1.38

Source: Consultant research during field trip in Bangladesh (1 Euro = Taka 47.346), March 2000

In the Box 6.2 is a summary of some of the cost factors that effect living conditions in Bangladesh. For more detailed information, interested investors are recommended to consult the"World-wide Cost of Living Survey", which is published twice yearly by the Economist Intelligence Unit (EIU) in March and September. The survey, which lists prices of a range of products and services in selected areas of Dhaka then compares prices of a shopping basket of these products with similar prices in London.

6.3 LIVING IN BANGLADESH

6.3.1 Work Days and Business Hours

Bangladesh observes a Friday-Saturday weekend. Business hours are 9:00-17:00. Banks observe the same hours as the Government of Bangladesh, while industry has a 48-hour week. Muslim religious holidays vary with appearance of the moon (they move ahead approximately 11 days every year.)

Bangladesh has 14 official holidays each year, that are observed nationally, when all government offices, banks and most businesses are closed. Each year there are 9 fixed holidays and 5 Islamic religious festivals, where the date varies each year, depending on the sighting of the moon namely:

BOX 6.2

COST OF LIVING IN BANGLADESH

Accomodation
As it would appear impossible to purchase most accommodation in Bangladesh, most expatriates either rent unfurnished apartments or houses through landlords. Rent needs to be paid a year in advance, with up to 2-3 months' rent required as a security deposit.

2-3 Bedroom Unfurnished Apartment (to rent)
Monthly rental rates for 2-3 bedroom unfurnished apartments in good residential areas around Dhaka were found to vary between 640- 1,500 Euro.

3-4 Bedroom Unfurnished Houses (to rent)
Monthly rental rates for 3-4 bedroom unfurnished houses in good residential areas arrange Dhaka were found to vary between 1,160- 1,585 Euro for a 3 bedroom house and 1,260- 2,112 Euro for a 4 bedroom houses.

Domestic help / Maid
Average monthly wages for a full time living in maid, excluding the cost of keep: 80 Euro

Utilities
Monthly average for family of four:

Electricity:	150-340 Euro
Gas:	14-34 Euro
Water:	17-25 Euro

Groceries
Groceries appear to be some 40%-45% cheaper in Bangladesh than in Europe, in a number of supermarkets which are now appearing in Dhaka and Chittagong, while the specialised stores found in major hotel shopping centres, that are used by expatriates because of their quality tend to be more expensive.

Car retail prices

Low priced car (900-1299cc)	11,090-13,200 Euro
Compact car (1300-1799cc)	30,625-32,750 Euro
Family car (2500cc upwards)	39,285-84,500 Euro

Petrol
Regular unleaded 0.49 Euro/ litre

Car operating expenses
Annual road tax: 42 Euro, Annual insurance premiums range from 740 Euro to 1,750 Euro

Alcoholic Beverages
Beer (1 litre bottles): 4.80 Euro Scotch Whisky (700 ml):12.8-15 Euro

Eating out
Formal three course diner at top restaurant for one person, with wine: 50- 75 Euro, while a simple meal at the coffee shop of a five star hotels cost 20-30 Euro.

Source: Consultant research during field trip in Bangladesh (1 Euro=47.346), March 2000

6.3.2 Public Holidays in 2000 and 2001

2000: 1 January (New Year's Day),
8 January *± (Eid al-Fitr, end of Ramadan,
21 February (National Mourning Day),
1 March (Eid-al Adha, Feast of the Sacrifice),
26 March (Independence Day),
6 April* (Muharran, Islamic New Year),
1 May (May Day),
15 June * (Birth of the Prophet),
July* (Jamat-ul-Wida),
7 November (National Revolution Day),
16 December (National Day),
25 December (Christmas Day),
26 December (Boxing Day),
31 December *± Eid-ul-Fitr, end of Ramadan).

2001: 1 January (New Year's Day),
21 February (National Mourning Day),
26 March (Independence Day),
6 March (Eid-ul-Adha, Feast of the Sacrifice),
26 March* Muharran, Islamic New Year),
1 May (May Day),
4 June* (Birth of the Prophet),
July* (Jamat-ul-Wida),
7 November (National Revolution Day),
16 December (National Day),
17 December* (Eid-ul-Fitr, end of Ramadan),
25 December (Christmas Day),
26 December (Boxing Day).

**Dates of some religious holidays are subject to the sighting of the moon, and there are also optional holidays for different religious groups.*
†± This festival will occur twice (in the Islamic years AH 1420 and AH 1421) within the same Gregorian year.

Source: Europa World Year Book 2000

6.3.3 Healthcare

Although medical facilities are often considered inadequate and extremely scarce in Bangladesh, there are foreign-trained doctors in Dhaka and other cities, though hospital and clinic support services may be sub-standard. However, basic healthcare services are available from both American and European trained physicians, that are registered at a number of national hospitals and clinics or from international physicians, whose names are listed at various embassies. There are 890 government hospitals and over 200 private hospitals in Bangladesh and visitors may be treated at military hospitals. All visitors to Bangladesh, are advised to get medical insurance and to establish contact with a doctor upon arrival.

Many diseases are water-borne and all water should be regarded as being potentially contaminated. Water used for drinking, brushing teeth or making ice should first have been boiled or otherwise sterilised, while bottled water is increasingly widely available. Certain vaccinations are essential.

6.3.4 Political Violence and Personal Security

In general, only common sense precautions need to be taken by foreign visitors and expatriates, though some firms may feel it necessary to hire security guards for senior staff. There have been no reported incidents over the past few years of politically directed damage to foreign projects or installations, and violence targeted against business concerns has been isolated and criminal in nature. Programmes called by political parties such as hartals or general strikes and blockades, mostly affect foreign businesses by keeping workers away with the threat of violence and by blocking transport, which usually results in significant productivity losses. Vehicles and other property are at risk from vandalism or arson during such programmes, when the looting of shops will often occur. However the perception of a general deterioration in law and order, often largely due to corruption and politically-sponsored violence, is a matter of widespread concern among the Bangladeshi and has dampened domestic investment. Extortion and illegal toll collections from business executives is also reported as being a regular feature of life in Bangladesh.

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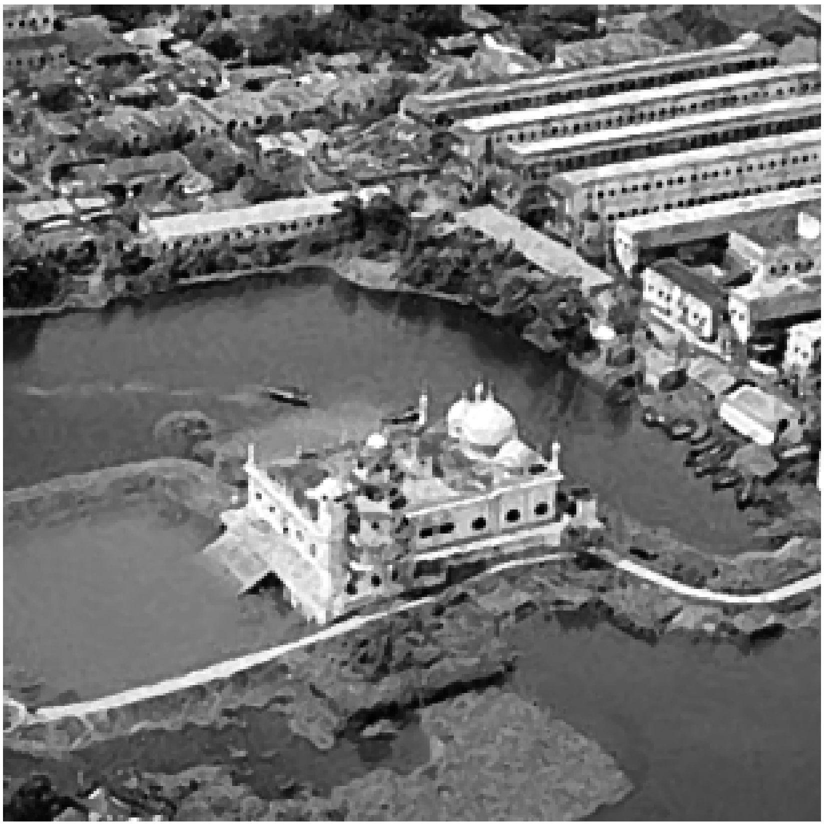

A REVIEW OF
BUSINESS OPPORTUNITIES

7. A REVIEW OF BUSINESS OPPORTUNITIES

7.1 PRIORITY SECTOR REVIEWS

The gas, power, engineering, telecommunications and textile sectors were identified as those most interesting to foreign investors. Table 7.1 below gives a profile of projected private capital inflows by sector between 2000/01 and 2009/10.

7.1.1 Gas

With proven and recoverable gas reserves of 13 trillion cubic feet, and a daily current production of over 900 million cubic feet per day, natural gas, is currently the greatest economic prospect, and remains a major interest for all investors, in terms of exploration, production, support and downstream activities.

To date, the gas sector, has been by far the largest recipient of all foreign investment in the energy sector, attracting over US$400 million of foreign investment, which has mostly come from American and European multinational energy companies, through production sharing contracts with the Bangladesh government. Other sources of foreign investment are used to finance exploration and distribution.

This trend, according to the World Bank is expected to be sustained for at least five years till 2005, with average inflows of between US$200-300 million per year, when it is expected to decline to an average US$ 100 million thereafter.

This level of investment is predicted to offer many opportunities to smaller firms seeking to invest and provide support services. The most important developments and opportunities for major and new contracts in this sector will come from the development of new fields such as the Sangu gas field, with its related processing facilities, pipelines, power generation, support facilities and in downstream markets.

Currently a considerable proportion of potential foreign investment in this sector is on hold, as the Bangladesh government has not yet adopted a clear policy on what should be done with the gas that is produced, which under the production sharing contract must be sold back to the Bangladesh Government through Petrobangla. The Government does not permit gas to be exported, a decision, which is totally dominated by politics.

This level of uncertainty has caused some stagnation in investment, as the annual level of investor repayments, which are foreign exchange payments that the Bangladesh Government must make to the investors for cost recovery and gas profit, continues to rise, and are expected to average US$34 million between 1996 to 2000, and are then estimated to increase even higher to US$111 million between 2001-2005, and then further increase to US$151 million between 2006-2010. This leaves a question of the ability of Petrobangla to fund the purchases of any further production from their own resources. Hence considerable outside international pressure is now being put on Bangladesh to allow gas exports and in particular, gas exports to India.

TABLE 7.1

PROFILE OF PRIVATE CAPITAL INFLOWS (MILLIONS OF DOLLARS)

SECTORS	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GAS	134	441	177	246	92	113	110	107	105	133
POWER	245	214	146	203	158	248	200	203	128	90
TELECOM	23	15	15	16	18	20	25	20	15	5
FDI in EPZ	101	111	122	135	148	163	179	197	217	238
Other FDI	185	217	199	207	217	324	282	190	199	208
To include:										
Ports	0	0	0	0	0	100	100	0	0	0
Airlines	50	100	0	0	0	0	0	0	0	0
Cement	75	50	50	50	50	50	0	0	0	0
Textiles	10	12	15	17	20	20	20	20	20	20
Non-EPZ mfg-Services	50	55	134	140	147	154	162	170	179	188
TOTAL	**688**	**998**	**659**	**807**	**633**	**868**	**796**	**717**	**664**	**674**

Source: World Bank: FDI in Bangladesh: Issues of Long-run Sustainability 1999

The current gas distribution bottleneck, which will be addressed by a number of projects financed by the World Bank and the Asian Development Bank (ADB), could well offer potential for European investors. Through the Gas Sector Development Strategy and Gas Sector Development Program, both the World Bank and ADB are encouraging the government towards more private sector participation in gas transmission and development activities. The Bangladesh Government would like to build a new 82-km pipeline from Rashidpur to Ashugonj, for an approximate cost of $70 million. Under the donor programmes, funding will be provided for gas dehydration facilities, the drilling of new wells, better gas distribution, and other components to modernise and improve the existing gas pipeline network. The plan will require considerable contract technical assistance, including consulting services in project engineering and construction, supervision and institutional development support in gas network management, and environmental and safety management. There are also several pipeline products which need to be completed, for example those old feeder lines. Petrobangla and its subsidiaries regularly publish bid notices for piping and facilities construction, offering potential opportunities for European firms, who have won many such contracts in the past.

7.1.2 Power

Interest by foreign investors in the power sector has increased considerably since it was opened up for private investment,to both foreign and domestic companies. Shortage of funds, has forced the Bangladesh Government to encourage the development of the sector by private enterprises. This development, which includes both European and Asian investors, however is mostly dominated by the American multinational energy firms.

Generation capacity has not kept pace with the growth of capacity, resulting in many power shortages and load shedding, which are perceived to be a major bottleneck to economic and industrial development. As only 15% of the population has access to power, development in this sector is now being given the highest priority by both the government and the international financing institutions that support Bangladesh.

The goal of the Power System Master Plan of the Bangladesh Power Development Board is to raise the national power generation capacity from the current 2,900 MW to 10,000 MW by 2015. In the first part of this plan, the government would like to add some 2,000MW by 2005, at an estimated cost US$1.2 billion, through foreign investment in independent power producers (IPPs). Already since the power sector was opened up to private investment, four contracts for barge mounted power plants (BMPP) with a generating capacity of about 470MW are already operating, and several others are in the pipeline, with plans for additional plants valued at US$ 750 million over three years, currently under consideration.

However there is now some uncertainty in this sector on account of serious mismanagement by the various regulatory authorities and the increasing level of annual investment repayments, which are expected to rise dramatically from US$ 30 million in 2000 to an estimated US$ 241 million by 2005, amounting to an outflow of US$800 million over that period. Hence although there are numerous business opportunities in this sector, they must be assessed against the ability of the Government of Bangladesh to sustain repayment.

Since the power generation sector does not create foreign exchange on its own account, there is some concern about the ability of the Bangladesh Government to meet their future payment obligations and allow them to service their debts and fund future expansion from their own resources. During February 2000, "Power in Asia," the international trade magazine that monitors the power industry in Asia reported that the Bangladesh Power Development Board (BPDB), the regulatory agency responsible for paying the independent power producers, was facing liquidation after its major distributor and marketing agent Dhaka Electric Supply Authority (DESA) failed to collect any revenues during the last quarter of 1999. Currently BPDB is required to pay US$ 11.4 million a month to the various independent power producers in addition to their regular spending on the generation, transmission, distribution and maintenance of their own power stations. While BPDB sends out a monthly bill of around US$19.7 million to DESA, they usually receive less than half of it. Different clients including government offices and state owned enterprises currently owe DESA some US$ 275.3 million for past power consumed. Now, because of DESA's mounting debts, the BPDB is having problems in running its' own power stations and is having problems in maintaining them as well as rehabilitating older ones. It is reported that DESA's unpaid arrears are now over US$354 million. The performance of the sector is characterised by high system losses, poor revenue collections, and high levels of corruption, which is making privatisation very difficult to implement.

Recently the Rural Electrification Board (REB) received several offers from international companies for 14 small power (5-10 MW) plants. The REB is in the final stages of selecting a short list of capable firms. In an earlier attempt, the REB awarded 3 such plant contracts to a local firm. Meanwhile, the Bangladesh Government has delayed the announcement of pre-qualification notices for the 300 MW Siraganj power project. The Asian Development Bank and the World Bank are both involved in promoting necessary policy reforms and in financing plant construction. The World Bank and International Finance Corporation (IFC) are supporting both power and gas exploration projects, while other bilateral donors, including, Overseas Economic Co-operation Fund (OECF) and German KFW are committed to provide over $90 million for rehabilitation of existing power plants.

There is also limited scope for coal-fired power plants; one plant has been planned in the country's Northwest region where coal deposits exist. While prospects for renewable energy technologies are not very bright, the government would like to install several wind and solar energy pilot plants in selected areas. Already some US$313 million worth of energy projects, funded by the Asian Development Bank and the World Bank, are under progress. These projects include, construction of electrical transmission and distribution lines, a national load dispatch centre and communication network, engineering services for the West zone combined-cycle power project and the East zone open-cycle peaking power project. Under the proposed World Bank National Power Development Project, the Bangladesh Government would build a major National Load Dispatch Centre, as well as additional transmission and distribution lines. There is significant scope for providing technical assistance to this project, which could exceed $250 million. The Asian Development Bank has proposed the 10th Power Development Project, which includes provisions for consultancy/feasibility studies. This programme would provide prospects for a number of small to medium sized firms to supply a range of goods and services such as transformers, treated wood poles, insulators, surge protectors, line tools, commercial diesel and gas generator sets, and spare parts for turbines in government-run power plants.

Business opportunities for European investors in the power sector, will be found in many different areas, including:

- New independent power projects in the private sector that are being sought on both a build-own-operate and a build-own-transfer basis;
- Rehabilitation, maintenance and up-grading of a number of existing public sector power generating plants;
- Maintaining and expanding existing power transmission systems;
- Supply of mini-power generation plants to private sector industry, particularly in areas that lack transmission networks;
- Technology transfer through manufacturing/assembly of power equipment;
- Commercialisation of state owned power transmission and distribution agencies.
- Services to support the above opportunities.

7.1.3 Engineering Services for Infrastructure Development

Engineering consultancy for infrastructure development is of major interest to many European firms, with more firms from Europe working in this sector than in any other. Although there may be only limited foreign direct investment flows in this sector, it still remains a major sector of interest, especially in business collaboration for European consulting engineers and to a lesser degree, for contractors, who seek to develop infrastructure projects that are funded by multilateral and bilateral funding sources. Traditionally infrastructure development has been entirely funded by multilateral and bilateral funding agencies, with all projects being put out to international tender. There is now a growing interest by the Bangladesh government and international donor agencies to promote private sector infrastructure development, which is already being seen in the power sector, port development, transportation and telecommunications, which is being supported by a number of bilateral aid agencies and development banks.

A significant number of European consulting engineering firms are already actively involved in areas of infrastructure development, including the energy sector, where they often work in joint venture or in collaboration with local Bangladeshi firms, often providing their business partners with high levels of skills and technology transfer. Since only a small proportion of the workforce has the required level of skills needed in this sector, these strategic alliances fulfil a tremendous potential. Hence, the scope for building the capability of local companies is of critical importance to the Government of Bangladesh and to the economy.

With many new infrastructure projects in the pipeline, potential business opportunities for both European consulting engineers and contractors are likely to remain high for the foreseeable future.

The World Bank have a number of multi-million dollar infrastructure development projects for agricultural sector investment, telecommunication sector reform and water sector improvement in their project pipeline, the Asian Development Bank (ADB) also have infrastructure projects valued at several hundred million dollars in their project pipeline involving project loans for an upgrade of the Dhaka Power Systems; a gas sector development programme; a programme to improve the efficiency of the ports in Bangladesh and an irrigation and rural development programme for the Chittagong Hill Tracts. The ADB have also a large technical assistance advisory programme for irrigation and rural development, electric power, ports, shipping and transportation, which will all provide opportunities for European firms.

While Asian firms may often appear more cost-competitive in construction work, the Bangladesh Government seems to prefer both American and European consultants to do project design and supervision. With new road and bridge construction projects in the works, the high demand for engineering consultants is likely to increase even more.

7.1.4 Telecommunications and information technology

7.1.4.1 Telecommunications

The Bangladesh Telegraph and Telephone Board (BTTB), under the Ministry of Post and Telecommunications, had a monopoly on Bangladesh's telecommunications sector until 1989. At present, BTTB has approximately 460,000 telephone lines to serve 126 million people.

Deregulation of the telecommunications sector has already created considerable interest from overseas firms to run mobile cellular networks, operate rural telephone exchanges, provide paging and trunking facilities and become Internet service providers. At present, there are seven private operators licensed to operate telecommunications services in Bangladesh in addition to BTTB. The Government undertakes to provide basic telecommunications services, transmission services and international services.

These seven private operators are licensed to provide basic telecom services and value added services including paging and cellular services. They include two operators who have licenses to provide basic telephone services in rural Bangladesh; one Analogue Mobile Phone Systems-based (AMPS) cellular operator, who is providing cellular mobile service to subscribers in Dhaka and Chittagong; the same operator, is also providing Code Division Multiplex Access (CDMA) service to both Dhaka and Chittagong. There are also three Global Systems for Mobile-based (GSM) cellular companies that operate in Dhaka, Chittagong, and Khulna, while paging and radio trunking telephone services are provided by a single operator in Dhaka, Chittagong, and Khulna. These private operators to date, have installed approximately 90,000 telephone lines in rural and urban Bangladesh, about 90% of which are cellular mobile and radio trunking phones.

Since there is still a large unmet demand for telephone lines, this sector has a very large potential for expansion and is expected to attract considerable investment from both large and small investors. However, expansion in the sector is still constrained by the abilities of the Bangladesh Telephone and Telegraph Board being able to provide the necessary inter-connectivity.

There are already a number of European companies present in Bangladesh, both as operators and as suppliers of equipment and telecommunication services. Telenor from Norway for example, have made investments in a local cellular firm (see Box 3.3, section 3.2.2) and are gradually expanding their operations through joint ventures with other international operators and investors. There will also be further prospects for expanding operations networks through joint ventures with established operators, for equipment supply, technical know-how and even management, all of which can be exchanged for equity. The private operators have all entered the market by way of joint ventures, even though in accordance with the private investment guidelines of the Bangladesh Government, they could have taken a 100% equity stake in a telecom operating company. Most investors to date believed they needed a local partner to help them through the regulatory process with BTTB. The overall performance of BTTB is acknowledged to be inadequate, though at this time there is no other existing regulatory authority.

Generally the lead investors have been substantial firms such as Telenor or Ericsson, who have sufficient financial resources and backing to be able to sustain the possibly long and tedious efforts that have been needed to obtain the necessary licenses in this sector. However most of these efforts take a consortium approach where the small or medium sized investors that can offer specialised goods and services are often needed to provide specialised equipment, technical know-how, financial services and management, which have been provided, often in exchange for equity.

Several bidders responded to tender by the Ministry of Post and Telecommunications (MOPT) in 1999 for a private operator to develop a 300,000 digital line installation on Build-Own-Operate (BOO) basis. The aim of which is to upgrade the existing transmission network and to support digital exchanges and private rural operators.

BTTB have unsuccessfully proposed several transmission link upgrade projects valued at US$152 million and including fibre optics, digital spur links and digital microwave links However they have not been able to implement these projects themselves due to funding constraints. BTTB has also requested the Government to arrange funds from selected donors including the World Bank, who would prefer that the projects be offered to the private sector.

Recent Government telecommunications policy includes long-term plans to privatise BTTB and to install fibre optic and microwave links. The Bangladesh Government recently announced plans to increase telephone lines to 1.3 million by the year 2002, and to 1.6 million by 2005.

Although there are a number of European investors who may have a significant presence in this sector, the largest part of it appears to be, once again, dominated by investors from North America where investors have done fairly well in supplying equipment and also dominate the more technically-advanced telecommunications services. One American company is one of the equipment suppliers to the first cellular phone licensee; while another American firm is one of the joint venture partners in a rural telephone service company. Several American companies are also supplying telecommunications services and equipment to the two private rural telecommunications providers.

As the private sector expands, prospects for selling AMPS and GSM-based cellular systems look increasingly good. While wireless local loop and CDMA-based technology should offer potential business opportunities to private investors.

7.1.4.2 Information Technology (IT)

The Information Technology (IT) sector in Bangladesh is comparatively small when compared to other South Asian and South East Asian countries, such as India, Pakistan, Philippines and Sri Lanka. However it is believed that this sector has considerable potential to grow, and has increasing potential for small to medium sized investors from Europe.

Following high levels of promotion by the Bangladesh business community, the government of Bangladesh turned it into a new thrust area, which means that it receives the highest level of promotion by the state. Up to now, IT investment in Bangladesh has mostly been confined to information processing, where Bangladeshi firms have developed business alliances with international firms, mostly from America, for data entry, medical forms processing etc.

Several European companies, over the last five years, are known to have considered investment in this sector in Bangladesh, as they seek to source reliable information processors that can offer data processing services at lower prices than those that are offered by their traditional processors in other developing countries. So far investment from Europe in information processing in most cases, has not proved to be viable on account of the poor IT infrastructure in Bangladesh, which includes high costs for data transmission, poor productivity, lack of trained programmers, lack of trained management and poor market promotion by Bangladeshi firms.

Very little investment has been made in software and computing services to date, since software piracy has been a major constraint to investment in this area. Strong pressure is now being put by foreign governments for the final implementation of the strong intellectual property rights (IPR), which are essential before any major firm will develop investment in Bangladesh's information technology sector, particularly in software. These laws, which have been needed for some time, are endlessly debated by the Government of Bangladesh, but as yet, have not been implemented.

The annual domestic market size for information technology, which includes computer hardware, peripherals and software was estimated by the US Embassy in Dhaka to be about US$20 million a year, which is rapidly increasing at a rate of about 25% per year.

There are approximately 190,000 desktop PCs in Bangladesh with sales dominated by locally assembled clones, with many local computer assemblers importing mother boards, with most components coming from either Taiwan and South Korea.

However, since the IT industry has been declared to be a thrust area things are starting to improve. Duties on both computers and components imports have now been eliminated, which has already led to reductions in retail prices of up to 40% on assembled computers. The weak telecommunications infrastructure is starting to be strengthened as the government has lifted restrictions on the installation of Very Small Aperture Terminals (VSATs) in order to make the use of the Internet cheaper and to lower the cost of data transmission allowing Bangladeshi information processors to compete with other Asian countries. Since March 2000, there are no longer any restrictions on receiving licenses from BTTB for the installation of VSATs and the annual license fee has been reduced from US$8,000 to US$3,500. The government are also investing in a digital data network, which will enable Internet service providers to increase transmission speeds from 128 kilobytes per second to two megabytes per second.

Vendors are now targeting small offices and home users. The growing number of computer training schools that are now operating in Bangladesh is expected to rapidly increase computer personnel available.

Since the introduction of Internet services in 1997, a growing number of businesses and individuals have been buying computers for their communication needs.

Management is also being strengthened in a number of IT firms as many young Bangladeshis, who have studied and worked in both North America and Europe have returned home and set up companies in Bangladesh.

One particular area of interest for Europeans has been in geographical information systems (GIS), which are often a key component in the various environmental impact assessments needed for project development as well as for project planning. Since high levels of data entry and data management are key components of GIS, European firms wishing to offer these services in the Bangladesh, are trying to develop business collaboration with local partners. In many cases the European partner may supply key specialised equipment for digitising plus training to use it.

For the past few years, a number of specialised Bangladeshi IT firms that are interested in finding international investors or collaborators have been sponsored to participate in the annual CeBIT Information technology and telecommunications fair, which is held in Hannover every year.

7.1.5 Textiles, Garments and Accessories Sector

The ready made garment industry in Bangladesh has evolved from economic opportunities that were perceived by the private sector in the late 1970s. Frustrated by quotas imposed by many importing nations, firms from other Asian countries set up factories in Bangladesh, which allowed them to take advantage of labour costs that were even lower than in other Asian countries, even when balanced against the additional costs of importing necessary raw materials to Bangladesh.

As foreign businesses began building a ready-made garment industry, Bangladeshi entrepreneurs also started to organise companies in Dhaka, Chittagong, and smaller towns, where basic garments (men's and boys' cotton shirts, women's and girls' blouses, shorts, and baby clothes) were cut and assembled, packed, and shipped back to customers overseas (mostly in the United States). With no government regulation, the number of manufacturers soon proliferated.

The industry, with 2,600 factories and a workforce of 1.4 million, has grown dramatically during the last decade, with ready made garments and knitwear jointly accounting for more than 70% of total investments in the manufacturing sector during the first half of the 1990's. The industry has created millions of jobs in various support industries such as garment accessories, spinning, weaving, dying, printing, finishing etc.

The sales of ready made garments manufactured in Bangladesh have increased slightly in recent years and Bangladesh has became a significant supplier to both North America and Europe. The textile products have improved enough to meet the quality standards of America and the European Union, while still being competitively priced. Many firm owners have recovered their entire capital investments within a year or two and thereafter continued to make significant profits.

Over the past decade, output in the export-oriented garment industry has risen significantly, with exports now reaching

US $3.5 billion, which represents 70% of the country's export income. Between 90 and 96% of exports went to North America and the European Union (Germany US $13.06 million, United Kingdom US $11.57 million, France US $9.72 million, theNetherlands US $5.77 million and Italy $5.63 million).

Bangladesh exports to Europe, which have considerably benefited from the Generalised System of Preferences (GSP), faced considerable difficulties when the European Union cancelled thousands of GSP certificates, due to the violation of the origin of rules. Today, these problems have been overcome.

Many potential investment opportunities are expected through the setting up of integrated textile, yarn and garment industries. Indeed, one of the main problems faced by the industry is that it is poorly integrated and relies heavily on imported yarns and fabrics. With almost 75% of export earnings currently being spent on importing fabrics, yarns and various accessories from abroad, it is clearly necessary to invest in this direction. This development will be particularly important, since once the Multi-Fibre Agreement (MFA) is dismantled at the end of 2004, Bangladesh will have to compete with other Asian countries such as China, India and Indonesia.

Ready made garments (RMG) and textile investments in EPZs have also been particularly profitable. Investment in RMG has now reached US $82 million, representing 27% of all investment, while investments in textiles has reached US $56 million. However the majority of investment comes from Asian countries, with 38% of investment coming from South Korea, 19% from Japan, 14% from Hong Kong with only minor investments from Europe.

Bangladesh produces only 10% of the export-quality cloth used by its garment industry, and government policy encourages development of Bangladesh's textile industry. The Bangladeshi textile industry prefers new machinery from Japan, Korea, Britain, Switzerland and Germany. However, there have been recent signs of increased interest in used and reconditioned equipment from the United States. This equipment is often less expensive than that of similar quality competitors, and usually better than that of lower-priced competitors.

Bradmill Undare Group, the largest textile group of Australia, signed a joint venture agreement recently with a Bangladeshi company to set up a Denim fabrics production plant in Bangladesh, involving a US $ 40 million investment. Bradmill has an excellent reputation world-wide for denim fabrics production and this will be the largest single investment by an Australian company in Bangladesh. The proposed project will be the largest Denim production factory in Bangladesh with a production capacity of 10 million metres annually, which will meet high quality standards expected by the likes of Levis, Wrangler, or Lee etc.

Local investors are also present. Kessler International (BD) Ltd. has been operating in the garments field since 1991, first going into commercial production in 1992, and subsequently expanding operations, with the addition of a knit factory (Kessler Fashion Industries Ltd.) in 1993. Both units are 100% export oriented, with Kessler providing skilled workmanship and using modern technology.

The textile sector with its vitality and growing trends (in all its sub-sectors, spinning, weaving, knitting, fabric processing and RMG) shows itself to be particularly appealing to foreign investors. This sector not only has the potential to attract investment but needs to attract investment, as this billion dollar industry will not survive the conclusion of the Multilateral Fibre Agreement, unless some degree of back-linkage is developed.

Specific business opportunities for European investors are also expected to be found in the multimillion dollar World Bank funded programme to upgrade the Bangladesh silk industry, where technologies for silk dying and colour fixing are needed and are mostly available in Europe, particularly Italy and Switzerland.

7.2 PROFESSIONAL ADVISORY SERVICES

7.2.1 Information Services

There are a number of information sources that can consulted by potential investors, which include:

National trade promotion organisations in individual EU Member States;

The Commercial Counselling Services of Embassies and High Commissions of the seven EU Member States that are resident in Dhaka and whose addresses and contact data are given in the Appendix.

- Belgium
- France
- Germany
- Italy
- Netherlands
- Sweden
- United Kingdom (High Commission)

The Technology Information Promotion System (TIPS)
TIPS is a large integral e-commerce and business information network that was specifically set up to assist small and medium sized companies and is located in the Dhaka Chamber of Commerce and Industry.

Business information extracted from published and on-line sources, many of which are listed hereafter;

Links with relevant business promotion organisations in EU and Bangladesh, which are listed hereafter;

Bangladeshi Embassies or High Commissions abroad, who may be able to suggest contacts and provide some basic information. However, most of these embassies and high commissions were found only to have limited commercial departments, often lacked current information and are not able to cope with any complex business enquiries.

Chambers of Commerce: that are present in Dhaka and are listed in table below, but specifically include:

Foreign Investors Chamber of Commerce and Industry (FICCI)
Mahbub Castle
3 5-1 Purana Paltan Line Inner Circular Road Dhaka
Tel: 8802 8319448
Fax: 8802 9562312

The Federation of Bangladesh Chambers
of Commerce & Industry
Federation Bhaban
60 Motijheel C/A,
Dhaka-1000
Tel: 9560588
Fax: 880-2-8613213
Email: fbcci@bol-online.com

Board of Investment will advise serious intending investors on questions such as tax incentives, location choice, labour availability, treatment of expatriates, etc.

7.2.2 Professional Services

There are several highly specialised international accounting and consulting firms that are active in Bangladesh and regularly assist foreign firms and international agencies to both evaluate and develop investment in the country and surrounding region.

Although there are many reliable local firms of chartered accountants registered in Bangladesh, Europeans prefer to work with firms that belong or are affiliated to the major international firms, such as Ernst and Young, who are present in Bangladesh and publish an online guide "Doing Business in Bangladesh, which advises on fiscal matters, such as taxation and the financial viability of specific investments.

Ernst & Young
128 New Eskaton Road
Dhaka 1000
Tel: 880 2 842368
www.doingbusinessin.com/bangladesh

There are several foreign banks resident in Bangladesh that have been active in assisting foreign investors develop financing for investment, with a list of some given in appendix 6 below. Research of investors, particularly in the power sector indicated that the ANZ Investment Bank had been appointed by a number of firms as the arranger and underwriter of various bank debt financing packages to support private sector power development.

ANZ Investment Bank
2 Dilkinsha CA
PO Box 502
Dhaka
Tel: 880 2955 0181,
Fax: 880 2 956 2332

There are also two major international inspection agencies in Bangladesh, namely Bureau Veritas and SGS Asia, which are often consulted by foreign firms for a range of services, which include, pre-shipment inspection services, environmental compliance and investment feasibility services. Both firms have been used extensively by potential investors seeking to determine the feasibility of investing in existing facilities or industrial facilities that are being offered for privatisation.

Bureau Veritas Bivac Bangladesh Limited
Ahmed Complex, Farmgate
83 Kazi Nazrul, Islam Avenue
Dhaka 1215
Tel: 880 2 911 2183
Fax: 880 2 811 7891
Web site: www.bureauveritas.com/country/bd/gb/

SGS Bangladesh Limited
63, Dilkusha Commercial Area, 4th Floor
Dhaka 1000
Tel: 880 2 956 3981-83, fax: 880 2 956 3980
Email: sgs_bangladesh@sgsgroup.com

Pangaea Partners is an American owned Invest Bank that is present in Europe and in a number of emerging markets to provide a range of financial services for foreign investors. The firm is responsible for producing the Bangladesh section in the 'World Privatisation Report,' which can be downloaded directly from the Pangaea web site or from the web site of IPA Netnet, the web site of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, that supports investment in emerging markets.

Pangaea Partners (BD) Limited
Chandrasshila Tower, 5th Floor
69/1 Panthapath
Dhaka 1205
Tel: 880 2 867 625, fax: 880 2 867 624
Web site: www.pangaeapartners.com/banglipri.htm

Although there are no international law firms listed as having offices in Bangladesh, there are a number of good local firms that are affiliated with law firms in both Europe and North America and can be found on the Bangladesh country page (www.icclaw.com/as500/bn_atoz.htm) of the International Centre for Commercial Law web site (www.icclaw.com)

This web site specifically recommends a list of highly respected sole practitioners that are being regularly used by potential investors.

A European Community Initiative

SOURCES OF INFORMATION

8. SOURCES OF INFORMATION

8.1 RELEVANT INTERNET SITES

Some of the Internet sites that were found useful in the preparation of this guidebook are given below to allow readers to be able to access key web sites in order to be able check on the currency of the information provided, which was believed to be correct at the time of publication.

Some of the Internet sources can be freely downloaded while others can only be accessed on a fee basis. However in some Member States, such as the United Kingdom, a number of these online services can be accessed at national trade promotion organisations such as the Export Market Information Centre (EMIC) at the UK Department of Trade and Industry, as well as major chambers of commerce and industry.

It should be noted that some of the Universal Resource Locators (URLs) or addresses of web sites in Bangladesh are subject to change, and may have changed since the publication of this guidebook, and these sites may have to be located either through search engines or hyper-links with other established sites, such as World Markets Online, World Bank office in Bangladesh or the United States embassy web site in Dhaka, both of which offer current linkages to important sites.

Major fee based online services that were found to be most useful when preparing the guidebook, include:

World Markets Online.
www.worldmarketsonline.com

Data held: A country analysis and risk assessment service that summarises the political, economic, legal, tax, operational and security environment in 183 countries, including Bangladesh. This comprehensive, authoritative and impartial analysis of the latest developments in Bangladesh is offered with up to date analysis, risk ratings and daily news stories that have been tailored for potential exporters and investors. Political stability, economic analysis, information about the legal environment and tax systems, operational obstacles, security risks and key facts and figures. Each section may also include hyper-links of further pages of interest to allow updating of the information provided. The service can be updated as frequently as every day.

Economist Intelligence Unit (EIU) and Country Data
www.eiu.com

Data held: Easy access to EIU Bangladesh country reports, country profiles and country forecasts online. This country data service provides information on over 115 countries world-wide, including Bangladesh. It provides a considerable amount of current detailed background information as an introduction to a potential new market, which includes political background, economic structure, foreign trade, employment, wages and additional information. This site also receives daily updates.

INFORMATION ON BANGLADESH, WHICH CAN FREELY BE OBTAINED FROM RELEVANT WEB-SITES, MANY OF WHICH ARE UPDATED REGULARLY

www.asocio.org/	**Asian-Oceanian Computing Industry Organisation**: The information technology industry associations throughout Asia, including Bangladesh, which promotes the industry through trade and co-operation, with linkages to most Asian, North American and European IT associations.
www.asiabiz.com	**Asia Business Connection**: Links to manufacturers, exporters, importers, business services, hotels and general information.
www.bangla.org/news/amitech	**Bangladesh News**. Online edition of the Bangladesh News, which provides a wide range of daily business, financial and economic information about Bangladesh, including interbank and official foreign exchange rates, stockmarket information and quotations, information about politics, lifestyles and culture, and is best read in conjunction with the Independent Newspaper, which may give a different slant to the news.
www.adb.org/Bangladesh/default.asp	**Asian Development Bank**: South Asian, Bangladesh country operations web site of the Asian Development Bank provides a range of relevant information about Bangladesh, including country highlights, economic trends, key indicators, projects and links to other relevant web sites.
www.bangladeshgov.org/pmo/investment/invest.htm	**Guide to Investment in Bangladesh**: Official government guide which provides official position on a very wide range of investment issues, including incentives, export processing zones and policy issues.
www.citechco.net/usdhaka/state/commerce.htm	**US Embassy**, Dhaka web site contains the most recent Bangladesh Country Commercial Guide, which includes a wide range of commercial and business information to support American trade and investment in Bangladesh, with links to many other relevant web sites.
www.csebd.com	**Chittagong Stock Exchange** Web site of the Chittagong Stock Exchange that details how the exchange operates plus details of its membership and operations.
www.dsebd.org/	**Dhaka Stock Exchange** Web site of the Dhaka Stock Exchange that provides information about the Dhaka Stock Exchange works, with a particular emphasis on the new system of automatic stock trading and settlement.
www.doingbusinessin.com/bangladesh	**Ernst & Young**: Doing business in Bangladesh, is a tax guide containing information about corporate and private taxation in Bangladesh and the latest taxation news.
www.eia.doe.gov/emeu/cabs/bangla.html	**US Energy Information Administration** web site for Bangladesh that provides an annual report on the energy situation in Bangladesh, including information about investment, news and events in the gas and power sectors.
www.europa.eu.int/cgi-bin/make_infoeuro_page/en/BDT	**Cours Inforeuro**: Up-to-date exchange rates, and monthly movements over the past several years, Euro/ECU rates against the Bangladesh Taka.
www.edfi.be	**European Development Financial Institutions** which links the web sites of the various official European bilateral institution investors.
www.expoguide.com	**EXPO GUIDE**: Trade shows and conferences worldwide. Search either by products or by countries. Also has information on some trade show industry associations
www.europa.eu.int/comm/dg19/inforeuro/en/index.htm	**Euro-currency exchange rates**: (all currencies)
www.financial-express.com	**Financial Express Newspaper**. Online edition of Bangladesh's main financial newspaper, the Financial Express, which provides news on a wide range of daily business, financial and economic information about Bangladesh, including interbank and official foreign exchange rates, stockmarket information and quotations, information about politics, lifestyles and culture.

INFORMATION ON BANGLADESH, WHICH CAN FREELY BE OBTAINED FROM RELEVANT WEB-SITES, MANY OF WHICH ARE UPDATED REGULARLY

www.globalsources.com/gsol/owa/asol_power.process	**Global Sources**: Product and trade information which includes information about 41 specific suppliers in Bangladesh on a wide variety of goods.
www.iccwbo.org	**International Chamber of Commerce**: Provides a selected listing and links to companies who are ICC members and information about global business issues, including their collaboration with UNCTAD about supporting the development of investment in Bangladesh.
www.icclaw.com	**International Centre for Commercial Law**: Web site that identifies and recommends a number of law firms that work on trade and investment related matters in Bangladesh.
www.ifc.org	**International Finance Corporation**: web site of the International Finance Corporation, which contains details of the activities of the IFC in Bangladesh, details of the private sector infrastructure projects that the IFC are funding and links to other sources of investment finance.
www.imf.org	**International Monetary Fund**. Web site of the International Monetary Fund, from which the most Recent Economic Developments are published, the last having been released in March 2000, and can be fully downloaded.
http://independent-bangladesh.com/news	**The Independent Newspaper**. The online edition of the Independent newspaper which provides a wide range of daily business, financial and economic information about Bangladesh, including, stockmarket information and quotations, market capitalisation, indexes, as well as information about politics, life-styles and culture ,and is best read in conjunction with the Bangladesh News, which may give a different slant to the news..
http://www.ipanet.net/rego/.	**Investment Promotion Network of the World Bank** IPA-net is an online network managed by MIGA to facilitate investment in emerging markets and contains a document catalogue for Bangladesh that is linked to 18 other web sites that contain relevant and current information concerning investment in Bangladesh. In addition to this, information on investment in many other emerging markets is readily available. Access to IPAnet is free, but registration is required to receive the IPAnet Briefing.
www.lonelyplanet.com/dest/ind/ban.htm	**Destination Bangladesh**: Lonely Planet travel guide web site for Bangladesh, which provides a whole range of internal travel, cultural and security information about living and working in Bangladesh.
www.mkaccdb.eu.int	**The European Commission's Market Access Database**: Information on industry sectors and trade barriers, applied tariffs, WTO bound tariffs, as well as General Agreement on Trade and Services Schedules of Commitments for a number of selected countries. Information on Bangladesh is currently only available in the sectoral and trade barriers part of the database.
www.nbr-bd.org	**National Board of Revenue** web site that contains full details of the customs tariff schedules and taxation.
www.obcebdh.be/en/Services/gepsi2000.html	**European Group for International Trade Promotion (GEPCI)** is a European Association which co-ordinates and develops programmes for international trade promotion, investment and facilitates joint European ventures in the international market. The site is linked to a number of trade promotion agencies in EU Member States.
www.odci.gov/cia	**CIA, Langley**: Lots of facts about Bangladesh
www.openworld.co.uk/apps/datafile/datafile.cgi	**Open World Hotel Directory**: Lists information on major hotels in Dhaka

INFORMATION ON BANGLADESH, WHICH CAN FREELY BE OBTAINED FROM RELEVANT WEB-SITES, MANY OF WHICH ARE UPDATED REGULARLY

www.pangaeapartners.com/banglipri.htm	**Pangaea Partners Bangladesh Ltd** web site which contains details about the status of privatisation in Bangladesh, including a chapter concerning Bangladesh from the annual World Privatisation Report.
www.projects500.com	**Projects 500 Guide**: A guide of leading professional advisors in project finance, including banks and legal advisors.
www.secbd.org/	**Securities & Exchange Commission** Web site of the Securities and Exchange Commission which provides a range of information about investing on the two stock markets in Bangladesh and the current regulatory process to protect investors.
www.tradeport.org/ts/countries/bangladesh	**US Dept. of Commerce – Tradeport**: This web site is designed to be an easy-to-use tool, offering one place to go for comprehensive trade information, trade leads and company databases.
www.tradepartners.gov.uk	**Trade partners**: The Bangladesh country web site (included) is part of a United Kingdom network to support British firms trying to access and develop markets and investment opportunities in Bangladesh. The site contains a full country file of Bangladesh, listing key facts, country background and geography; details of how to do business in Bangladesh; business opportunities; travel details, information on setting up in Bangladesh, and a list of interesting trade events with links to other related web sites.
www.unctad.org	**United Nations Conference on Trade and Development**. Web site provides some information on investment in developing countries obtained from the current World Investment Report, which is produced by UNCTAD and will post the Bangladesh Investors Guidebook, that is being written by UNCTAD in conjunction with the International Chamber of Commerce, as soon as it is published.
www.wto.org	**World Trade Organisation**: Information on trade issues, including trade policy reviews of various countries.
www.worldbank.org	**World Bank**: Provides information on the activities of the World Bank with links to various bodies associated with them, and details of how to work on projects financed by the Bank.
www.worldbank-bangladesh.org	**World Bank Office in Bangladesh**: Web site that provides information on the activities of the World Bank in Bangladesh, including information about ongoing and future projects.
www.wk.or.at/aw/etpo/	**European Trade Promotion Agencies**. A web site that provides links to all major export trade promotion agencies in Western Europe.

8.2 BIBLIOGRAPHY

Statistical sources

Asian Development Outlook 2000, Bangladesh Country Report published by Asian Development Bank (annual), Manila

Bangladesh Bank, Annual Report

Bangladesh Bank Bulletin (quarterly)

Bangladesh Bank Economic Trends (monthly)

Bangladesh Bureau of Statistics, Monthly Statistical Bulletin

Bangladesh Ministry of Finance, Annual Budget

Bangladesh Ministry of Finance, Bangladesh Economic Survey (annual)

Comtrade database of the International Trade Centre UNCTAD/WTO (ITC)

Eurostat (annual)

International Monetary Fund (IMF), Direction of Trade Statistics

International Monetary fund (IMF), International Financial Statistics

OECD, Financial Statistics Monthly, Paris

OECD, Geographical Distribution of Financial Flows to Developing Countries (annual), Paris

World Bank, International Financial Statistics Debt data Tables (annual), Washington

World Bank, World Development Report (annual), Washington

World Bank, World Development Indicators (annual), Washington

World Investment Report 1999, Investment, Trade and International Policy Arrangements Overview. The United Nations, New York and Geneva.

Recent publications covering investment in Bangladesh

An Investment Guide to Bangladesh. Opportunities and Conditions. August 2000. Published jointly by the United Nations and the International Chamber of Commerce, New York and Geneva. Can be downloaded directly from the Investment Promotion Network of the World Bank IPA-net Web site at http://www.ipanet.net/rego/. (see above)

IFC and Bangladesh published by the International Finance Corporation office in Bangladesh January 2000 on www.ifc.org

Bangladesh: Recent Economic Developments March 2000 published by the International Monetary Fund Washington DC and available at www.imf.org

Trade and Investment Policy Issues in Bangladesh published by Data International for the UK Department of International Development office in Dhaka October 1999

World Bank 1999. Foreign Direct Investment in Bangladesh: Issues of Long-run Sustainability. October 1999.

World Bank 1999. Bangladesh: Key Challenges for the Next Millennium.

World Bank 1999. Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries, Bangladesh: Needs Assessment Web site.

EIU Bangladesh Country Report. Dartford, Kent. English. US$255 for 4 quarterly issues plus a Country Profile. Quarterly.

Background information sources

Economist Intelligence Unit (EIU) Business Asia Report published fortnightly by EIU and covers Bangladesh irregularly

Europa Publications Limited. The Year 2000 Europa Yearbook. 18 Bedford Square, London WC1B 3JN. English. £240. Yearly

World Bank Report: South Asia's Integration into the World Economy August 1997

Asia investment strategies Business Planning. EIU 1997

Privatisation International Yearbook 1998 (section on Bangladesh)

Investing in Pre-Emerging Markets 1998, published by UNCTAD (3 sections on Bangladesh)

World-wide Cost of Living Survey", which is published twice yearly by the Economist Intelligence Unit (EIU) in London every March and September

Information about investment in Bangladesh

9th Edition Yellow Pages of Bangladesh /Export Promotion Bureau (EPB) Section on Investment

Business Guide's Bangladesh Yellow Pages, including Section on Investment

Bangladesh: A Lonely Planet travel survival kit June 1996 published by Lonely Planet Publications PO Box 617, Hawthorne Vic. 3122 Australia. Price £9.99 Also available on the Internet at www.lonelyplanet.com

Bangladesh Board of Investment (BOI), Prime Ministers Office. Guide to Investment in Bangladesh November 1998

Bangladesh Board of Investment. Prime Ministers Office. BOI One Stop Service November 1998

Bangladesh Board of Investment. Prime Ministers Office. Bridging the Gaps 1999

Bangladesh Export Processing Zones Authority BEPZA. Information for Investors. 1998

A Guide to Investment and Business in Bangladesh 1997, published by the Dhaka Chamber of Commerce & Industry

Doing Business in Bangladesh by Ernst & Young www.doingbusinessin.com/bangladesh

Bangladesh Bureau of Statistics, Statistical Pocketbook 1998 carries a full section on investment rules

Information on Market Access to Bangladesh

Exporters' Encyclopaedia 1999/2000, published by Dun & Bradstreet, Inc. New York.

Croner's Reference Book for the Exporters. August 2000 published by Croner Publications, Croner House, Kingston, Surrey KT2 6SR. United Kingdom. Details at www.croner.cch.co.uk

Information on Energy

Power in Asia. Financial Times Energy. London. Published every two weeks. £760 per year. Details at www.ftenergy.com

Bangladesh Energy Report February 2000, published by the US Energy Information Administration, Washington DC and available on Internet at www.eia.doe.gov/emeu/cabs/bangla.html

Energy Statistics and Balances of Non-OECD countries by OECD, Paris covers Bangladesh

World Bank Staff appraisal Report: Gas Infrastructure Development Project, 7 April 1995

Private Power Generation Sector Report DTI London July 1998

Information on Telecommunications

APT Yearbook 1998 covering Bangladesh and published by APT Secretariat

World Bank Project Information Document: Telecommunications Project, 5 September 1997

Information on Information Technology

South East Asia Software & Services Financial Times Survey June 2 1999

Information Technology Handbook for Developing Countries published by International Trade Centre UNCTAD/WTO, Geneva. English, French and Spanish. 1998.

Information on Engineering Services

Engineering News Record (ENR). Published by McGraw Hill Inc., 1221 Avenue of the Americas, New York, N.Y., United States. English. US$144. Weekly.

Turnkey Plants and Project Engineering Services, published by International Trade Centre UNCTAD/WTO. Geneva .English, French and Spanish. 1994.

Environmental Engineering and Support Services, published by International Trade Centre UNCTAD/WTO, Geneva. English, French and Spanish. 1997.

Information on finance and financial sources

Project Finance Yearbook 2000-2001, published by Euromoney Publications PLC, London. August 2000. Price £115. English

World Development Aid & Joint Venture Finance 1997/98 published by Kensington Publications Ltd

Information on leather

Market research on leather manufacturing in Bangladesh. Sector study published by ICE, Rome July 1997

Information on textiles

International Finance Corporation. Bangladesh Textile Study (Phase II) prepared by Dr Martelli Associates May 1999

Spinning and Weaving Labour Cost Comparisons, published by Werner International Management Consultants, Reston, Virginia, USA. Spring 1998

BANGLADESH INVESTMENT GUIDE FEEDBACK

Please rate the Investment Guide according to the following

Please rate the guide, by ticking the appropriate boxes, according to the following 2 criteria : the relevance to your needs and the quality of the information. If you rate the quality of the information as "poor", please elaborate below in the space left for your comments.

	Relevance To your needs		Quality of the` Information		
	Relevant	Not Relevant	Very good	Average	Poor
General country information	❒	❒	❒	❒	❒
Economic and business information	❒	❒	❒	❒	❒
Investment climate, incentives and procedures............	❒	❒	❒	❒	❒
Setting up and operating a business	❒	❒	❒	❒	❒
Living and working in Bangladesh	❒	❒	❒	❒	❒
Sources of information	❒	❒	❒	❒	❒
A review of business opportunities	❒	❒	❒	❒	❒
Index of terms	❒	❒	❒	❒	❒

Comments: ....
....
....
....

What other topics should have been covered by the Investment Guide ?
....
....
....
....

As a result of this Investment Guide, did you decide

	Yes	No
- To take Bangladesh into consideration for a partner search?	❒	❒
- To take Bangladesh into consideration for an investment?	❒	❒
- To take Bangladesh into consideration for an export?	❒	❒
- To drop Bangladesh from your list and look at other Asian countries?	❒	❒

If you can spare the time, please tell us a bit about you
Name of your company / organisation : ....
Activity of your organisation : ....
Name of contact person : ....
Tel. .... Fax. .... E-mail ....

Thank you for taking the time to give us feedback.

Please return by fax or mail to:
The Asia-Invest Secretariat, Rue Archimède 17, B-1000 Brussels, Belgium - Fax: +32 2 282 17 60

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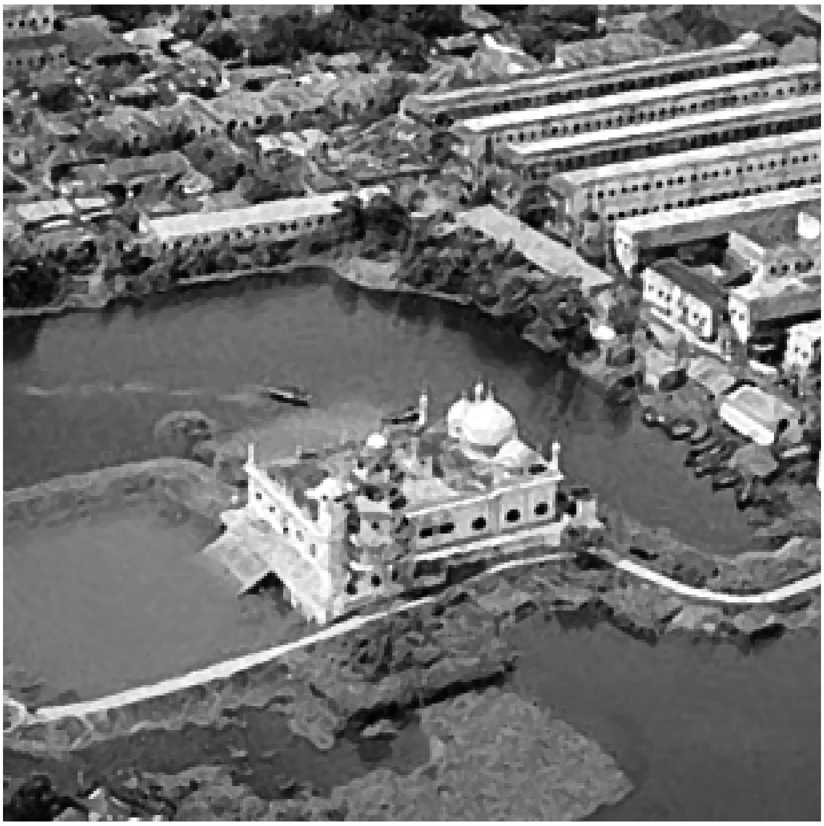

APPENDICES

1. RELEVANT EUROPEAN ASSOCIATIONS AND INFOPOINTS/ CONTACTS IN BELGIUM / LUXEMBOURG

APPENDIX 1

Asia Invest Secretariat
17 Rue Archimède
B-1000 Brussels
Tel: 32 2 282 1750
Fax: 32 2 282 1760
Email: asia-invest@asia-invest.com
Web site: www.asia-invest.com

EDFI Association of European Development Finance Institutions
21 Rue d'Arlon
B-1050 Brussels
Tel: 32 2 2302369/
Fax: 32 2 230 0405
Web site: www.edfi.be
Site is linked to key institutions in EU Member States

GEPCI
European Group for International Trade Promotion
World Trade Centre Tower
Boulevard General Jacques 162/36
B-1040 Brussels
Tel: 32 2 206 3644
Fax: 32 2 206 3645
Email: gepci@obcebdh.be
Web site: www.obcebdbh.be/en/Services/gepci.html

CEFIC, European Chemical Industry Council
Avenue Van Nieuwenhuyse, 4 box 1
B-1160 Brussels
Tel: 32 2 676 7211
Fax: 32 2 676 7300
Web site: www.cefic.be
Email: Mail@cefic.be

Orgalime (Engineering Industry Federation)
Diamant Building, Blvd Reyers 80B
B-1030 Brussels
Tel: 32 2 706 82 35, Fax: 32 2 706 8250
Web site: www.orgalime.be
Email: Secretariat@orgalime.org

Confederation of Food and Drink Industries of the EU (CIAA)
43, avenue des Arts
B-1040 Brussels
Tel: 32 2 514 1111 Fax: 32 2 511 2905
E-mail : ciaa@ciaa.be
Web site: www.ciaa.be

ICFTU
International Confederation of Free Trade Unions
155 Blvd Emile Jacqmain
B-1210 Brussels
Tel: 32 2 224 0211, Fax: 32 2 218 8415
Web site: www.icftu.org

Eurochambres
Rue Archimède 4
B-1000 Brussels
Tel: 322 231 07 15, Fax: 322 230 00 38
Web site: www.eurochambres.be/3members/ec0030.htm

EFCA European Federation of Engineering Associations
Avenue des Arts 3/4/5
Consultancy
B-1210 Brussels
Tel: 32 2 209 0770, Fax: 32 2 209 0771
Email: efca@efca.arc.be
Web site: www.efcanet.org

UNICE
Union of Industrial and Employers Confederation of Europe
Rue Joseph II 40 Bte 4
B-1000 Brussels
Tel: 32 2 237 65 11, Fax: 32 2 231 14 45
Web site: www.unic.org

Embassy of Bangladesh
29-31 Rue Jacques Jordan
B-1000 Brussels
Tel: 32 2 646 3381, Fax: 32 2 646 5998

European Investment Bank
100 Boulevard Konrad Adenauer
L-2950 Luxembourg
Tel: 352 43 79 31 22, Fax: 352 43 79 31 89
Web site: www.eib.org

2. SOME CONTACTS IN EU MEMBER STATES THAT HAVE SUPPORTED INVESTMENT IN BANGLADESH

APPENDIX 2

Commonwealth Development Corporation (CDC)
One Bessborough Gardens
London SW1V 2JQ
United Kingdom
Tel: 44 207 828 4488, Fax 44 207 963 3943
Web site: www.cdc.co.uk

Department for International Development (DFID)
94 Victoria Street
London SW1E 5JL
United Kingdom
Tel: 44 207 917 7000, Fax: 44 207 917 0019
Web site: www.dfid.gov.uk

Anz Grindlays Bank
Minerva House
Montague Close
London SE1 9DH
United Kingdom
Tel: 44 207 378 2776, Fax: 020 7378 2884
Email: unwin@anz.com
Web site: www.anz.com

Energy Industries Council
Newcombe House
45 Notting Hill Gate
London W11 3LQ
United Kingdom
Tel: 44 207 221 2043, Fax: 44 207 221 8813
Web site: www.eco-web.com/register/02656.html

IFU
Bremerholm 4
1016 Copenhagen
Denmark
Tel: 45 33 63 7500, Fax: 45 33 322524
Email: Ifu-cph@inet.uni2.dk

Bangladesh High Commission
28 Queens Gate
London SW7 5JA
United Kingdom
Tel: 44 207 584 0081, Fax: 44 207 225 2130

DEG (German Investment Bank)
Belvederestrasse 40
D-50933 Cologne
Germany
Tel: 49 221 498 60, Fax: 49 221 498 6290
Email: Georg.Grosser@deginvest.de
Web site: www.deginvest.de

OAV (German Asia-Pacific Business Association)
Neuer Jungfernstieg 21
D-20354 Hamburg
Germany
Tel: 49 40 35 75 59 15, Fax: 49 40 35 75 59 25
Email: Funk@oav.de
Web site: www.oav.de

Chamber of Commerce of Rotterdam
Beursplein 37
PO Box 30025
3001 DA Rotterdam
The Netherlands
Tel: 31 10 10405 7868, Fax: 31 10 4705 50 43
Email: internationaal@rotterdam.kvk.nl
Web site: www.rotterdam.kvk.nl

FMO
Koningskade 40
2596AA The Hague
The Netherlands
Tel: 31 70 314 9696, Fax:31 70 324 6187
Email: fmo@wxs.nl
Web site: www.fmo.nl

Swedish Trade Council
Infocenter
Storgatan 19
Box 5513
SE-11485 Stockholm
Sweden
Tel: 46 8 783 8500, Fax: 46 8 783 8550
Email: infocenter@swedishtrade.se
Web site: www.swedishtrade.com

Instituto Nazionale per il Commercio Estero (ICE)
Via Liszt,
00144 Roma
Italy
Tel: 39 06 59 92 92 02, Fax: 39 06 59 64 74 41
Email: Ice@ice.it
Web site: www.ice.it

3. MAJOR EXPORT CREDIT AGENCIES IN EU MEMBER STATES

APPENDIX 3

OeKB - Oesterreichische Kontrollbank Aktiengesellschaft Export Guarantee Department / International Relations & Cover Policy
Postfach 70
A-1011 Vienna
AUSTRIA
Tel: 43 1 53127 - 0 or Ext.Number
Fax: 43 1 53127 - 693
E-Mail: bsburny@oekb.co.at
Internet: www.oekb.co.at

OND - Office National du Ducroire
40 square de Meeûs
1000 Brussels
BELGIUM
Tel: 32 2 509 42 11, Fax: 32 2 513 50 59
E-Mail: bu-ondd@ondd.be
Internet: www.ducroire.be or www.delcredere.be

EKF - Eksport Kredit Fonden
Dahlerups Pakhus
Langelinie Allé 17
2100 Copenhagen Ø
DENMARK
Tel: 45 35 46 6100, Fax: 45 35 46 61 11
E-Mail: bu@efs.dk
Internet: www.ekf.dk

FINNVERA – FINNVERA PLC.
PO Box 1010
FIN-00101 Helsinki
FINLAND
Tel: 358 204 6011, Fax: 358 204 607 220
E-Mail: bu-finnvera@finnvera.fi

COFACE - Compagnie Française d'Assurance pour le Commerce Extérieur
92065 Paris La Défense Cedex
FRANCE
Tel: 33 1 4902 2000, Fax: 33 1 4902 2741
E-Mail: Jean-Paul_Doppia@coface.com
Internet: www.coface.com

HERMES - Hermes Kreditversicherungs-Aktiengesellschaft
D-22746 Hamburg
GERMANY
Tel: 49 40 8834-0, Fax: 49 40 8834 9175
E-Mail: bu-hermes@hermes-kredit.com
Internet: www.hermes-kredit.com

SACE - Istituto per i Servizi Assicurativi del Credito all'Esportazione
C.P. 253 Roma Centro
ITALY
Tel: 39 06 67361, Fax: 39 06 678 9835
E-Mail: relazioni@isace.it
Internet: www.isace.it

NCM - Nederlandsche Credietverzekering Maatschappij
Postbus 473
NL 1000 AL Amsterdam
NETHERLANDS
Tel: 31 20 553 9111, Fax: 31 20 553 2811
E-Mail: ncm.mtb@ncmgroup.com
Internet: www.ncmgroup.com

GIEK - GARANTI-INSTITUTTET FOR EKSPORTKREDITT
PO Box 1763 Vika
N-0122 Oslo
NORWAY
Tel: 47 22837070, Fax: 47 22832445
E-Mail: bu-giek@giek.no
Internet: www.giek.no

COSEC – Companhia de Seguro de Créditos S.A.
Avenida da Republica 58
1069-057 Lisbon Codex
PORTUGAL
Tel: 351 21 791 3700, Fax: 351 21 791 3720
E-Mail: internacional@cosec.pt
Internet: www.cosec.pt

CESCE - Compania Espanola de Seguros de Crédito y Caucion S.A.
Paseo de la Castellana, 4
E-28046 Madrid
SPAIN
Tel: 34 91 432 6300, Fax: 34 91 432 6511
E-Mail: internacional@creditoycaucion.es
Internet: www.creditoycaucion.com

EKN - Exportkreditnämnden
Box 3064
S-103 61 Stockholm
SWEDEN
Tel: 46 8 788 0000, Fax: 46 8 411 8149
E-Mail: angela.montenegro@ekn.se
Internet: www.ekn.se

ECGD - Export Credits Guarantee Department
2 Exchange Tower
Harbour Exchange Square
London E14 9GS
UNITED KINGDOM
Tel: 44 20 7512 7000, Fax: 44 20 7512 7649
E-Mail: buecgd@ecgd.gov.uk
Internet: www.ecgd.gov.uk

4. GOVERNMENT AND PUBLIC SECTOR CONTACTS IN BANGLADESH

APPENDIX 4

Ministry of Commerce
Shilpa Bhaban 3 3rd Floor
Dhaka 1000
Tel: 880-2 861 9006
Fax: 880 2 861 5741

Ministry of Industries
91 Motijheel Commercial Area
Shilpa Bhaban (2nd Floor)
Dhaka 1000
Tel: 880 2 956 7024
Fax: 880 2 861 0588

Ministry of Energy and Mineral Resources(MEMR)
Bhaban 6, Bangladesh Secretariat
Tel: 880 2 235 111-20,
Fax: 880 2 14 060

Ministry of Finance
Room 303,
Bhaban 7
Tel: 880 2 869 302, 865 360

Ministry of Posts and Telecommunications
Room 411,
Bhaban 7
Bangladesh Secretariat
Tel: 880 2 831 480

Ministry of Industry
Shilpa Bhaba
91 Motijheel Commercial Area
Tel: 880 2 956 3459,
Fax :880 2 956 3553

Petrobangla
Petrocenter 3
Kawran Bazar
Dhaka
Tel: 880 2 811 4972
Fax: 880 2 811 1613

Ministry of Textiles
Shilpa Bhaban no.6 (11th Floor)
Dhaka 1000
Tel: 880 2 861 7266
Fax: 880 2 861 5755

The Federation of Bangladesh Chambers Of Commerce & Industry
Federation Bhaban
60 Motijheel C/A,
Dhaka-1000
Tel: 880 2 9560588
Fax: 880-2-8613213
Email: fbcci@bol-online.com

The Board of Investment (BOI)
Jiban Bima Tower
10, Dilkusha C/A, Dhaka
Tel: 880 2 9559378, 9563570
Fax: 880 2 9562312
E-mail: ecboi@bdmail.net
Website: www.bangladesh-boi.org

Export Promotion Bureau (EPB)
Chamber Building
122-124 Motijheel C/A, Dhaka
Tel: 880 2 9552245-9
Fax: 880 2 9568000
E-mail: epb.tic@pradeshta.net

Bangladesh Export Processing Zones Authority (BEPZA)
222, New Eskaton Road, Dhaka
Tel: 880 2 8312553
Fax: 880 2 8312961, 8314967

Dhaka Export Processing Zone (DEPZ)
Ganakbari, Savar,
Dhaka,
Tel: 880 2 832056, 832047
Fax: 880 2 836279

Chittagong Export Processing Zone (CEPZ)
South Halishar,
Chittagong,
Tel: 880 31 740939, 741446
Fax: 880 31740031

Bangladesh Telegraph and Telephone Board (BTTB)
Telejogajog Bhaban 37E,
Eskaton Garden, Dhaka 1000
Tel: 880 2 407 800/ 831500,
Fax: 880 2 832 577

Bangladesh Standards and Testing Institution (BSTI)
116/A Tejgaon Industrial Area
Dhaka 1208
Tel: 880 2 881462,
Fax: 880 2 885685

National Board of Revenue
Export Audit
Segunbagicha
Telephone: 412 532
Website: www.nbr-bd.org

Bangladesh Bank
Motijheel CA
Dhaka 1000
Tel: 880 2 9566203

4. GOVERNMENT AND PUBLIC SECTOR CONTACTS (continued)

APPENDIX 4

The Dhaka Chamber of Commerce & Industry
Dhaka Chamber Building 65-66, Motijheel C/A
Dhaka-1000,
Tel: 880 2 9560732, 9552562
Fax: 880 2 9550103
E-mail: dcci@bangla.net
Website: www.bangla.net/dcci

TIPS National Bureau c/o
Dhaka Chamber of Commerce and Industry (DCCI)
Fax: 880 2 956 0830
Email: dcci@dcci.agni.com
Web site: www.tips.eu.org/asia

Industrial Promotion and Development Company of Bangladesh (IPDC)
BRAC Centre (8th Floor)
75 Mohakhali
Dhaka
Tel: 880 2 988 5533-8,
Fax: 880 2 988 5529
Email ipdc@bangla.net
Web site www.bangla.net/ipdc

Privatisation Board
Jiban Bima Tower 10
Dilkusha Commercial Area
Dhaka 1000
Tel: 880 2 956 3723
Fax: 880 2 955 6433

Foreign Investors Chamber of Commerce and Industry (FICCI)
Mahbub Castle
3 5-1 Purana Paltan Line Inner Circular Road Dhaka
Tel: 880 2 8319448
Fax: 880 2 9562312

Power Development Board
WAPDA Building
48 Motijheel
Dhaka 1000
Tel: 880 2 956 2154
Fax: 880 2 956 3532

5. EUROPEAN EMBASSIES IN BANGLADESH

APPENDIX 5

EU Delegation in Bangladesh
House No. 7, Road #84
Gulsham
Tel: 880 2 607016
Fax: 880 2 884730

British Trade International
British High Commission
United Nation Road, Baridhara
1212 Dhaka
Tel: 880 2 882 2705
Fax: 880 2 882 3437
Email:Clive.Allcorn@dhaka.mail.fco.gov.uk

Royal Netherlands Embassy
Dhaka, Bangladesh
Road 90, House 49
Gulshan 2
Dhaka 1212
Tel: 880 2 882 715-8
Fax: 880 2 883 2326
Email: ja.maas@dha.minbuza.nl

Royal Danish Embassy
House # 1, Road # 5 1,
Gulshan, Dhaka
Tel: 880 2 882 2499 ext. 51
Fax: 880 2 882 3638
E-mail: overlar@dadbd.um.dk

Private Sector Development Programme
Royal Danish Embassy
House # 1, Road # 5 1, Gulshan, Dhaka
Tel: 880 2 882 2499
Fax: 880 2 882 3638
E-mail: dandhaka@citechco.net

French Trade Centre
Embassy of France
HB House # 2 Road # 1
Baridhara
Dhaka 1212
Tel: 880 2 882751
Fax: 880 2 883655

Royal Norwegian Embassy
House # 9, Road # 1 1, Gulshan, Dhaka
Tel: 880 2 882 3880, 8823065
Fax: 880 2 882 3661
E-mail: sven.medby@dac.norad.no

Italian Trade Commission
Italian Embassy
Plot # 2&3, Road # 74, Gulshan, Dhaka
Tel: 880 2 882 2781-3,
Fax: 880 2 882 2578

Embassy of Germany
Commercial Department
178 Gulsham Avenue
Gulsham Model Town
Tel: 880 2 884735
Fax: 880 2 883141

Embassy of Sweden
House: 1, Road : 51, Gulshan, Dhaka
Tel: 880 2 8824761-4
Fax: 880 2 8823948
E-mail: jonas.wendel@sida.se

6. FINANCIAL SOURCES

APPENDIX 6

The World Bank office in Bangladesh
3A Paribagn, G.P.O. Box 97
Dhaka-1000, Bangladesh
Tel: 880 2 9669301-8, Fax: 880 2 8613220
Www.worldbank-bangladesh.org

Asian Development Bank
2nd Floor BSL Office Complex
Sheraton Hotel Annex
1, Minto Road, Ramna
Dhaka 1000
Tel: 880 2 933 4017 to 22, Fax: 880 2 933 4012
Email adbbrm@mail.asiandevbank.org
Website: www.asiadevbank.org

International Finance Corporation IFC
C/o World Bank
3A Paribagh
Dhaka 1000
Tel: 880 2 861 1056, Fax: 880 2 861 7521
Email: Hahmad@ifc.org
Web site: www.ifc.org

IMF Office in Bangladesh
Bangladesh Bank Building
Room 4 (4th Floor), Motajiheel CA
Dhaka 1000
Tel: 880 2 9550275, 9550293, Fax: 880 2 9586217
Website: www.imf.org

Industrial Development Leasing Company of Bangladesh (IDLC)
Hadi Mansion (6th) floor
2 Dikulsha CA
GPO Box 3160
Dhaka 1000
Tel: 880 2 240111-3,

CDC Capital Partners
6th Floor (North), Safura Towe 10,
Dilkusha CA
Dhaka
20 Kamal Ataturk Avenue
Bangladesh
Banani, Dhaka 1213, Bangladesh
Tel: 880 2 881 3080, Fax: 880 2 882 1016
Web site: www.cdcgroup.com

Peregrine Capital Bangladesh
8th Floor, Anchor Tower
1/1/B Free School Street
Sowargaon ropad
Dhaka 1205
Tel: 880 2 966 2888, Fax: 880 2 865 899,
Email brenda-trenowden@peregrine.agni.com

ANZ Grindlays Bank
2 Dilkinsha CA
PO Box 502
Dhaka
Tel: 880 2 955 0181, Fax: 880 2 956 2332

Standard Chartered Bank
ALICO Building
18-20 Motijheel CA,
Dhaka 1000
Tel: 880 2 956 1465, Fax: 880 2 966 1758

Standard Charter Equitor as Custodian bank
18-20 Motijheel CA
Dhaka 1000
Tel: 880 2 956 1465-8, Fax: 880 2 956 1457-8

Investment Corporation of Bangladesh (ICB)
BSB Building 13-16th Floor
8 DIT Avenue
Dhaka 1000
Tel: 880 2 956 3455, Fax: 880 2 865 684

IFC Correspondent for Portfolio Investment Equity Resources Ltd,
Jahanangir Tower
10 Kawran Bazar CA
Dhaka 1215
Tel: 880 2 816 556, Fax: 880 2 817 721

Bangladesh Securities and Exchange Commission (SEC)
Jiban Bima Tower (15-16 Floors)
10 Dilkusha Commercial Area
Dhaka 1000
Tel: 880 2 9568101-2, Fax: 880 2 9563721
Web site:www.secbd.org

Dhaka Stock Exchange
9F Motijheel CA
Dhaka 1000
Tel: 880 2 955 1935, Fax: 880 2 956 4727,
Website: www.dsebd.org/

Chittagong Stock Exchange
Kashifia Plaza,
923 A SK Muji Road,
Agrabad-Chittagong
Tel: 880 31 714632, Fax: 880 31 714101

7. RELEVANT TRADE ASSOCIATION CONTACTS IN PRIORITY SECTORS IN BANGLADESH

APPENDIX 7

Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
BTMC Bhaban (ground floor)
7-9 Kawran Bazar, Dhaka
Tel: 882 8115597
Fax: 880 2 8113951

Bangladesh Textile Mills Association (BTMA)
Moon Mansion (6th Floor) 12 Dilkusha C/A, Dhaka
Tel: 880 2 9563790, 9562799
Fax: 880 2 9563320

Bangladesh Association of Consulting Engineers (BACE)
137 Jahanara Garden, Green Road
Dhaka 1205
Tel: 880 2 9666049,
Fax: 880 2 822251

Bangladesh Association of Construction Industry (BACI)
ABC House, 5th Floor, 8 Banani C/A
Dhaka 1213
Tel: 880 2 888202,
Fax: 880 2 884035

Bangladesh Computer Council
(Ministry of Science & Technology)
House 31/A, Road 6, Dhanmondi
Dhaka – 1205
Tel: 880 2 861 0680 .
Fax: 880 2861 3773
E-mail : jan@bangla.net

Bangladesh Computer Samity (BCS)
IT Association of Bangladesh
13/1 Fatema Arcade (2nd Floor)
Road 5, Dhanmondi, Dhaka – 1205
Tel: 880 2 861 1444
Fax: 880 2 861 0410
E-mail : bcc@bdonline.com

GUIDEBOOK FOR EUROPEAN INVESTORS IN BANGLADESH

Recommendation

We are keen to ensure that all relevant bodies and companies that might have an interest in Bangladesh are informed about this guide.

Please recommend any such organisation which you think could have an interest in receiving a copy of the guide.

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Organisation name: ....

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Organisation name: ....

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Contact: ....

Organisation name: ....

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Please send a mail or a fax to :
Asia-Invest Secretariat
17 rue Archimède
B-1000 Brussels, Belgium
Fax. 32 2 282 17 60

BANGLADESH
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Order Form

To order copies of the selected sector profiles for Bangladesh which have been produced as a complement to this Investment Guide, please complete the form below and return by mail or fax to:

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17 rue Archimède
B-1000 Brussels, Belgium
Fax. 32 2 282 17 60

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