

Report On
Prospect, Challenges and Minimizing the Risk of Implementing a Manufacturing Plants in
Bangladesh Economic Zone

By

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Subject: Submission of report on “Prospect, challenges and minimizing risk of implementing a manufacturing plant in Bangladesh Economic Zone”.

Dear Sir,

This is my pleasure to report to you that, I have collected the data from essential resources as you suggested and completed the analysis based on the best practices available in the modern research methodology.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the standard as expected.

Sincerely yours,

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Non- Disclosure Agreement

Prodip Kumar Dhar
General Manager
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Subject: Non-disclosure agreement.

Dear Sir,

I hereby affirm that neither BRAC University nor I will disclose any company information gathered for the purpose of this research to any other organization or medium. It will be safeguarded by the university administration.

I trust that the report will meet the standard as expected.

Sincerely yours,

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List of Acronyms & Abbreviations

a2i	Access to information
BBS	Bangladesh Bureau of Statistics
BDT	Bangladeshi Taka
BEPZA	Bangladesh Export Processing Zones Authority
BEZA	Bangladesh Economic Zones Authority
BIGD	BRAC Institute of Governance and Development
BJPA	Bangladesh Journal of Public Administration
BPDB	Bangladesh Powder Development Board
CRI	Center for Research and Information
EDB	Ease of Doing Business
EPZ	Export Processing Zones
ERD	Economic Relation Department
ETP	Effluent Treatment Plant
EZ	Economic Zone
FC	Foreign Currency
FDI	Foreign direct investment

FE	Foreign Exchange
FGD	Focus Group Discussion
FY	Financial Year
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
HSIA	Hazrat Shahjalal International Airport
ICT	Information and Communication Technology
IT	Information Technology
JV	Joint Venture
KII	Key Informants Interview
KPIs	key performance indicators
LC	Letter of Credit
LNG	Liquefied Natural Gas
MIEZ	Meghna Industrial Economic Zone
MNC	Multinational Company
MW	Mega Watt
NBR	National Board of Revenue
OSS	One Stop Service
PMO	Prime Minister Office
PwC	PricewaterhouseCoopers
SDGs	Sustainable Development Goal
SEZs	Special economic zones
SREDA	Sustainable and Renewable Energy Development Authority

SRO	Statutory Regulatory Order
TBS	The Business Standard
TK	Taka
USD	United States Dollar
VAT	Value Added Tax

Glossary

Economic Zone	In order to produce an extra US\$ 40 billion in export revenue by 2030 and create 10 million employments, the government of Bangladesh is setting up 100 Economic Zones (EZs). An estimated 30,000 acres of land throughout the nation are being developed into these zones by the Bangladesh Economic Zones Authority (BEZA). BEZA's responsibilities extend beyond zone development to include job generation via the development of backward connection industries.
BEZA	In Bangladesh, the organization is in charge of creating and overseeing EZs. As part of its Vision 2041 drive to transform Bangladesh into a developed nation, the government intends to establish at least 100 EZs nationwide. The Bangladesh Economic Zones Authority was created in November 2012 with the primary goals of luring in more foreign direct investment and expanding and diversifying the nation's exports to the global market. This was accomplished through the Bangladesh Economic Zones Act of 2010.
CHT Group and CHT Bangladesh Pvt.Ltd	The CHT Group is the manufacturer and supplier of specialized Chemicals. CHT is contributing in Bangladesh Textile industry from more than 25 years by its dedicated agent RH Corporation. CHT Bangladesh 100% foreign owned export-oriented entity established in 2021 and set up its new manufacturing plant inside MIEZ in 2023. CHT Bangladesh is focusing on the development and production of specialty chemicals for textile chemical auxiliaries.
FDI	According to a statement from the Bangladesh Bank, "foreign direct investment" (FDI) is a classification of international investment in which a resident entity from one economy obtains a long-term stake in an enterprise situated in another (the enterprise is the direct investment entity, and the resident entity is the direct investor).

Executive Summary

Bangladesh Government has undertaken a long-term strategic plan to build 100 special economic zones (SEZs) to boost the economic growth, create employment opportunities and to eliminate poverty from the country. This study examines the opportunities, challenges, and strategies for minimizing risks linked to the establishment of manufacturing plants within the Economic Zones of Bangladesh.

The study looks into the favorable opportunities in Economic Zones, highlighted by government efforts, advantageous geographical location, and a skilled workforce. Additionally, it explores difficulties associated with inadequate infrastructure, complex regulations, and the possible consequences of political and economic fluctuations on manufacturing operations. In addition, the report outlines strategic methods to reduce risks, including comprehensive due diligence, compliance with legal and regulatory obligations, assessments of infrastructure, and the diversification of supply chains. By offering valuable insights and recommendations, the report aims to aid potential investors in navigating the complex terrain of Bangladesh's Economic Zones, facilitating the establishment of successful and sustainable manufacturing enterprises.

Keywords: *Economic Zone, Foreign Direct Investment, Investment, Employment, constraints,*

Chapter 1: Introduction

1.1. Background of Bangladesh Economic Zones

Bangladesh, according to the World Bank, is among the top five economies experiencing significant growth globally.

Bangladesh is a country with a strong cultural history and economic strength. It has become a major spot for investors from around the world seeking smart ways to boost businesses. Economic Zones are the idea that has made this growth possible. These are special places that were made to help businesses, spark new ideas, and bring in investments from



Figure 1: Map of Economic Zones

inside and outside the country. This project

report goes into great detail about the pros and cons of building companies in Bangladesh's Economic Zones, as well as smart ways to lower the risks. In a publication it has been stated by (Mustafizur Rahman, 2019), the country is now at a critical economic juncture with many challenges ahead. The double-digit growth rate of Gross Domestic Product, a massive influx of investment and a highly skilled workforce is the key bases to secure 'Vision 2041'.

1.2. Rationale for the Study

It is very important for Bangladesh to know everything there is to know about setting up companies in its Economic Zones so that it can do well in the world economy. The goal of this study is to find out everything there is to know about this work by carefully looking at the good things that can happen, the issues that could slow things down, and the smart ways to lower the risks. This study was done so that the report could help everyone—those who might invest money, those who make important decisions, and everyone else—make smart decisions that will help the country's growth last for a long time.

1.3. Objectives of the Report

The broad objectives of this project report to provide valuable insights and recommendations that serve as a guide for potential investors, helping them find their way around Bangladesh's Economic Zones and promoting industrial businesses that will last.

The specific objectives were to

- To evaluate the prospects of the Bangladesh Economic Zone, with a specific emphasis on the advantages offered by the government initiatives.
- To identify the challenges in implementing manufacturing plants, considering the infrastructure limitations, regulatory complexities, and the potential political and economic changes may affect.
- To outline strategic measures aimed at minimizing risk associated with establishing manufacturing plants.

1.4 Report Outline

However, the government and BEZA continue to work on addressing these issues through policy reforms, streamlined processes, and continuous improvements in infrastructure and governance. The subsequent sections of this report are structured to provide a thorough examination of each facet outlined in the objectives.

There are seven chapters in this report where each chapter has covered a different area to understand the report's subject line. Below are the summary details of each chapter.

Chapter 1 provides an introduction and background study regarding Bangladesh Economic zone.

Chapter 2 represents up-to-date reviews and literature available regarding Economic Zone and possible improvements in this sector.

Chapter 3 discusses about the methodology, scope and limitation of the reports.

Chapter 4 explores the potential, shedding light on the advantageous circumstances and opportunities that attract investors to established manufacturing plants in the economic zone.

Chapter 5 Examines the challenges, identifying potential hurdles and analyzing their implications.

Chapter 6 Expresses efficient strategies for mitigating risks, providing a guide for thoughtful decision-making.

Chapter 7 In conclusion, the report summarizes essential discoveries and provides guidance for navigating the complex terrain of Bangladesh's Economic Zones.

CHAPTER 2: Literature Review

2.1 History of Economic Zones in Bangladesh

The majority of Asia's developing nations have created EPZs to encourage economic growth. Therefore, it is essential to comprehend which EPZ components are fostering economic expansion. Determining the patterns in export, investment, and job creation by these economic enclaves is also necessary. After the independence of liberation war in 1971, Bangladesh desperately in search of foreign capital investment and technology transfer to help the country's industrialization process and achieve economic development. Over the past fifty-three years, there have been progressive improvements to Bangladesh's economy. For instance, the economy, which used to be heavily dependent on agricultural, is starting to shift towards industry. According to a publication by (Gu, Gaurav, & Siddharth, 2021), one of these measures led to the enactment of the BEPZA Act 1980, which subsequently expedited the formation of the Bangladesh Export Processing Zones Authority (BEPZA), the governmental body responsible for supervising the establishment and administration of Export Processing Zones (EPZs) in the country.

The nation's first Export Processing Zone (EPZ), Chittagong EPZ, opened in 1983 in the port city of Chittagong. Inspired by its achievements, the second EPZ was established in Dhaka in 1991. At this time, Bangladesh is home to eight operational EPZs, all of which contribute to the nation's economic development by fostering FDI (Foreign Direct Investment), facilitating employment creation, and promoting exports. In a publication (Khan, 2023) articulated that the goal was to meet the needs of a fast-rising economy, establish planned and labor-intensive businesses, protect the environment, achieve high productivity, enhance exports, establish high-value-adding sectors, and respond to global economic trends.

In order to meet the Sustainable Development Goals (SDG) by 2030, Bangladesh requires US\$15–20 billion annually to become a developed nation by 2041. Nonetheless, the nation receives roughly \$7–\$8 billion USD annually. Minimizing the required investment gap has therefore proven to be a significant problem for the nation. Seeing this obstacle, the current administration under the leadership of the Honourable Prime Minister decided to take the lead in 2009 and draft independent laws with the goal of creating economic zones in various locations, particularly in the underdeveloped area.

Bangladesh Economic Zones Act was passed in 2010 in the National Parliament as a courageous decision of Prime Minister Sheikh Hasina (BEZA, 2016). The government established Economic Zones in order to create an environment that would support economic growth and constructive development. The goal of this programme is to create 10 million new employment and boost exports to earn foreign currency worth \$40 billion over the next 15 years (thefinancialexpress.com.bd, 2022).

2.2 Objectives and Vision

The main reasons for making Economic Zones in Bangladesh are many. They want to bring in investments from inside and outside the country, help industries that focus on exporting, create jobs, and share technology. The big goal is to make these zones like independent centers where industries can do well and help the whole country's economy. (Bangladesh Economic Zones Authority (BEZA), 2016)

2.3 Legal Framework and Governance Structure

The rules that control Economic Zones in Bangladesh have changed to make a good place for businesses. In 2010, they made the Bangladesh Economic Zones Act, which is the law for making and running Economic Zones. Because of this law, they also made the Bangladesh Economic Zones

Authority (BEZA) to plan, build, and take care of Economic Zones all over the country.

2.4 Types of Economic Zones

Bangladesh's Economic Zones encompass a diverse range of sectors and industries, catering to various business needs. There are several types of Economic Zones, including Export Processing Zones (EPZs), Information Technology Parks, High-Tech Parks, and specialized zones focusing on industries such as textiles, pharmaceuticals, and agribusiness. This diversity allows for the strategic clustering of industries, creating synergies and enhancing the overall competitiveness of the zones. According to a publication (Nihon, 2005), a country's export competitiveness can be increased through trade, infrastructure development, and the availability of special economic privileges such as lower taxes and rebates to a liberalized economy. In the report of (PwC, 2015) to BEZA mentioned, Bangladesh's advantageous position is one of its natural assets. Located at the intersection of South Asia, the nation acts as a point of entry for neighboring markets. The efficient flow of commodities is made possible by the well-established transportation infrastructure, which includes highways, airports, and ports. This infrastructure also improves connectivity. Bangladesh is a desirable travel destination for businesses looking for a major hub for trade and commerce because of its strategic location.

2.5 Current situation of Economic Zones

Prior to 2010, Bangladesh's government made efforts to attract both domestic and foreign investors, but there was no significant impact on economic growth. BEZA was established in 2010 with an Act to address the adverse view of foreign direct investment (FDI).

EZs offer benefits such as a one-stop service center, incentives for developers, centralized regulation enforcement, technology transfer, and joint inspections. Economic development is a function of time. Bangladesh's economic growth is reducing the need for international help. The current administration

founded BEZA to boost FDI, local investments, and employment opportunities. As a result, the investment climate is favorable in most areas, making the given study relevant to the topic of EZs.

In a recent newspaper (FE, 2023) it has been published that out of the investment proposals, around \$5.40 billion has already been invested in different Special Economic Zones (SEZs). BEZA is establishing economic zones in various locations around Bangladesh, particularly underdeveloped and disadvantaged areas, with the aim of facilitating rapid economic growth by expanding and diversifying commercial activities, employment opportunities, production, and exports. Till now BEZA has given order to complete the construction of 97 economic zones across the country. A total of 41 industries have been developed in 12 zones, with the construction of another 50 enterprises moving quickly. Approximately 45,000 job possibilities have already been established in the zones, with the creation of 29 more zones underway.

BEZA has established an extensive blueprint that encompasses the integration of a seaport, rail connectivity, marine drive, residential area, tourism park, power plant, hospital, school, and university in order to establish a self-sufficient industrial city. Establishing a trouble-free atmosphere for investors to set up and run their businesses is crucial for attracting both foreign and local investment. The goal is to make conducting business in Bangladesh more cost-effective and friendly to investment.

Increase of Foreign Direct Investment in the country economy and increasing of GDP percentage, environmentally friendly industrialization, and employment growth are all indicators of an economic boom to keep up with advanced world standards.

CHAPTER 3: Methodology

3.1 Introduction

This chapter outlines the strategies used to accomplish the study's goals. The primary justification in this part is the procedures followed for organizing the papers and how to use this information. A methodically designed approach is needed to comprehend the opportunities, difficulties, and risk-reduction techniques related to setting up industrial facilities inside Bangladesh's Economic Zones. This introductory section describes the methodology to ensure a thorough and in depth study of the topic.

The methodology adopted in the study is given below.

1. Focus group discussion.
2. Reviewed published articles.
3. Data Collection from the primary and the secondary sources
4. Analysis of the results in qualitatively and quantitatively
5. Recommendation to minimize the observation.
6. Recommendation and suggestion for future study.

3.2 Sources of Data

The methodology combines both primary and secondary data. Hence, discussed the study among the focus group inside the organization and conducted phone call with different investors to understand the issues.

3.2.1. Primary Data Source

While primary data collection is often the ideal method but due to certain limitations, such as time constraints and access to specific information, gathering primary data from every Economic Zone in

Bangladesh would be a resource-intensive task. Based on my experience with CHT Bangladesh Pvt. Ltd. as a part of Investor's in EZ have the opportunity to witness the study topics. To identify the challenges while establishing the manufacturing plant in EZ, conducted Key Information's Interview (KII) and focus group discussion session. The focus group discussion was conducted among organization top management, key stakeholders and manufacturing plant built by other foreign companies in order to identify the challenges faced during project implementation. In addition, conducted phone call with different investor inside the economic zone to understand the benefits and challenges they have experienced.

3.2.2. Secondary Data Source

Secondary sources mostly, quantitative and qualitative data collection methods, and use of available authentic resources to overcome the limitations of primary data collection. Secondary data, retrieved from annual report of BEZA, PMO and ERD. Existing records, reports, and publications of EZ of Bangladesh, offers a wealth of information that can significantly enrich the understanding of the economic landscape. Furthermore, data from government reports, industry publications, and academic studies to gather historical trends, policy frameworks, and industry-specific information related to the prospects and challenges of manufacturing plants in Economic Zones.

By combining these components together, critically evaluating and synthesizing this existing information, aim to shed light on the report topic Prospect, Challenges and Minimizing the Risk of Implementing a Manufacturing Plants within Economic Zone in Bangladesh.

3.3 Data Analysis

In conducting a thorough exploration of the prospects, challenges, and risk mitigation strategies associated with implementing manufacturing plants in Bangladesh's Economic Zones, a well-rounded methodology that incorporates both quantitative and qualitative data collection methods is required.

This section outlines the structured approach adopted to gather a comprehensive dataset that provides meaningful insights into the multifaceted dynamics of Economic Zones.

3.3.1 Quantitative Data:

Quantitative data will be extracted from different research papers and articles related to economic zone and will be quantified to generate statistical summaries and comparison.

3.3.2 Qualitative Data:

To acquire a better understanding of the problems and risk mitigation options, qualitative research methodologies will be used.

3.4. Scope and Limitations

While this report aims for a comprehensive exploration, it is essential to acknowledge certain limitations. Potential biases in the original data sources, differences in research methodology throughout studies, and the lack of real-time insights are some of the limitations inherent in secondary data analysis. Despite these limitations, leveraging secondary data remains instrumental in providing a contextual backdrop for the primary findings.

The dynamic nature of economic landscapes and policy frameworks implies that some information may evolve post-research. Additionally, the focus on manufacturing plants within Economic Zones may not encompass every aspect of the broader industrial scenario in Bangladesh. However, the report aims to capture a comprehensive understanding of the topic within the specified parameters.

CHAPTER 4: Prospects

4.1 Prospects of Implementing Manufacturing Plants in Bangladesh Economic Zones

Economic Zone is known for special benefits and clear rules, are really important for creating a lively industrial system. The government is dedicated to making it easy for businesses and creating a good place for investments in different areas, making Bangladesh a desirable choice for investors. This thorough investigation explores the exciting opportunities related to setting up manufacturing facilities in Bangladesh's Economic Zones, examining the various benefits that attract investors and support the country's economic development.

According to the journal (Aggarwal, Mombert, & Peter, 2005), one of the most important aspects of any export operation is appropriate infrastructure, which includes physical infrastructure such as ports, airports, water, energy, and communication facilities. Infrastructure within EPZs is often of higher grade than that available in the larger economy. In 2021, a report of Center for Research and Information (CRI, Bangladesh Infrastructure and Power, 2022) published “Bangladesh Infrastructure and Power” where the organization stated that Bangladesh's infrastructure investment initiative has already begun to have an impact on the country's economic development rate. In addition to facilitating business and commercial expansion, substantial government investments in connectivity networks and physical infrastructure have contributed to socioeconomic development. Bangladesh uses the Perspective Plan of Bangladesh 2021-2041, or PP2041, as a tool to plan for its long-term development. It enhances the positive aspects of the earlier long-term strategy, the Perspective strategy 2010–2021. Bangladesh's potential changes during the next 20 years are depicted in the PP2041. The World Bank states that the goal of PP2041 is for Bangladesh to become a high-income nation by 2041.

Empirical research indicates that during the 1980s and 1990s, public spending on the development of physical infrastructure—such as building roads, bridges, and culverts—and public infrastructures was comparatively low, with little focus on public spending on soft and hard infrastructure. Over the past twenty years, there have been significant changes and growth in this tendency. The development of manufacturing facilities in Bangladesh's Economic Zones is heavily influenced by infrastructure spending. A robust and sufficient infrastructure, comprising electricity, water supply, and transportation networks, is essential for efficient industrial processes.

4.1.1 Bridges

In a report of Centre for Research for Information (CRI, Bangladesh Infrastructure and Power, 2022) stated that the communication infrastructure, Bangladesh has experienced substantial public spending over the past two decades, which has led to the construction of a multitude of bridges and culverts. From 2009 to 2020, the government expanded its rural communication infrastructure development initiatives by constructing an estimated 321,322 meters of bridges and culverts across various rural regions of Bangladesh. From 2009 to 2020, the government's sustainable urban development project was in responsible of building approximately 13,833 metres of bridges and culverts in urban areas. Table 1 showing the summary of bridge & Culverts Construction between 2009 and 2020.

Table 1: Bridge & Culverts Construction Summary Between 2009 and 2020

Construction Area	Meter of Bridges
Bridges and Culverts constructed in Rural area	321,322
Bridges and Culverts constructed in Urban area	13,833

Source: (CRI, 2022)

4.1.2 Railways

The Bangladesh railway is a highly accessible and extensively utilized mode of transportation across the country, as stated in the (CRI, Bangladesh Infrastructure and Power, 2022) report. The government has implemented strategic policy measures and development initiatives to enhance the railway networks.

A total of 230 projects, with a combined value of \$58.42 billion, will be executed in six distinct stages spanning from July 2016 to June 2045.

4.1.3 Waterways

Bangladesh's major communication channels are its waterways. The government has been actively involved in the development and control of the country's domestic water transport infrastructure in an effort to improve the efficiency of these waterways.

4.1.4 Airways

In 2019, the government started building the third terminal at Hazrat Shahjalal International Airport (HSIA), Dhaka. This is a big move in the right direction for the aviation industry. This will be the nation's largest airport development project. The airport will have twice the annual capacity to handle passengers and cargo once the third terminal is completed (Dhaka Tribune, 2023)

4.1.5 Power Sector

In South Asia, the energy and power sector in Bangladesh is growing at one of the fastest rates. Since 2010, the industry has been the main force behind the rise of the national economy. Bangladesh has multiple energy crises before 2009 as a result of the slow growth in energy supplies. Thus, in order to sustain rapid economic growth, improve efficiency, attract private investment, and diversify its energy sources, the country concentrates on increasing its power supply. There were only 27 power plants with a total capacity of 4,942 MW in 2009. As of 2022, the total power generation capacity stands at 25,566 MW, comprised of 152 power facilities. In the power system master plan report, Bangladesh Power Development Board stated that the country intends to produce 40,000 MW by 2030 and 60,000 MW by 2041, in accordance with the demand generated by the projected GDP growth. (BPDB, 2023). Table 2 showing statistical data of power generation capacity, access to electricity, number of plants, system loss and annual development program allocation summary

Table 2: Power Generation summary between year 2009 and year 2022

	Year 2009	Year 2022
Power Generation Capacity	4942 MW	25,566 MW
Access to electricity	47%	100%
Power plants	27	152
System loss	14.3%	8.5%
Annual Development Program allocation	\$ 340 million	\$ 3.3 billion

Source: Power Cell, Bangladesh

Table 3 :Summary of Ongoing power plant construction project (as of June 2022)

	Power plants	Renewable energy	Capacity (MW)
Public	9	3	4,339
Joint venture	3	1	3,793
Private	9	10	5,225
Total	21	14	13,387

Source: Power Cell, Bangladesh

4.1.6 Renewable Sector:

When it comes to clean energy, Bangladesh took a big step forward by making the Renewable Energy Policy in 2008, which became law in 2009. Renewable energy sources should be used and more people should know about them. Subsequent to that, Bangladesh has made steady progress in the advancement of the renewable energy industry. The Sustainable and Renewable Energy Development Authority (SREDA), Bangladesh's designated agency for renewable energy, was established in 2012. Actively endorsing the transition of the nation to sustainable energy sources, SREDA has prioritized the development of renewable energy and energy efficiency. SREDA develops short-term, medium-term, and long-term strategies to achieve the objectives established by the government via its policy.

The SDGs Action Plan, designed by the Ministry of Power, Energy, and Mineral Resources of Bangladesh, aims to guarantee universal access to modern, affordable, and dependable energy services by the year 2030. Bangladesh intends to generate an additional 40% of its electricity from renewable sources by 2041, in addition to 10% of its total power generation coming from renewable sources by 2030. Table 4 is the summary of different renewable energy installed capacity.

Table 4: Bangladesh’s renewable energy sector (as of July 2022)

Renewable Energy Installed Capacity			
Technology	Off-grid (MW)	On-grid (MW)	Total (MW)
Solar	351.82	307.73	659.55
Wind	2	0.9	2.9
Hydro	0	230	230
Biogas	0.69	0	0.69
Biomass	0.4	0	0.4
Total	354.91	538.63	893.54

Source: (SREDA, 2022)

By 2023, Bangladesh has successfully undertaken and completed several significant development projects, some of which are among the greatest in its history. Additionally, there are several huge projects that are expected to be finished in a short period of time. Megaprojects include the Payra Sea Port, the Dhaka Metro Rail Project, the Matarbari Power Plant, the Rampal Power Plant, the Padma Multipurpose Bridge, the Rooppur Nuclear Power Plant, and the Bangabandhu Sheikh Mujibur Rahman Tunnel.

4.2 Government Incentives for Unit Investors

The Bangladesh government has undertaken the effort to establish legislation and additional benefits aimed at encouraging the development of manufacturing plants within designated Economic Zones. Tax breaks, reduced customs costs, and streamlined regulatory procedures are significant incentives that foster a business-friendly environment conducive to growth.

Table 5: Incentive to Unit Investors in EZ

SL	Incentive
1	Income Tax Exemption for 10 years
2	Duty free Import of Capital Machinery and Construction Materials.
3	Duty free Import of Vehicle (One Sedan Car and One Microbus/double Cabin Pick-up/Pickup)

	- 2000 cc)
4	Declaration of EZ as Ware housing Station- and Duty-free import of Raw materials/Inputs under bond and.
5	Exemption of Income Tax on salary of foreign employee having Technical Expatriates
6	Exemption of Income Tax on Dividend, Capital Gain from transferring of shares, Royalty/ Technical Know-How/ Technical Assistance
7	Exemption of Tax, Sub-Tax, Rate, Toll, Fees
8	Exemption of Land Development Tax
9	Exemption of registration fees on registration of land transfer and registration of loan documents between Developer and Investors in EZ
10	Exemption of Stamp Duty on lease of Land, Building/Space (For Beza owned Zone)
11	Exemption of VAT on Utilities

Table 6: Unit Investors – Non-Fiscal

SL	Incentive
1	Transfer of Capital & Dividend to origin
2	No Ceiling of FDI
3	100% Backward Linkages of raw materials to sell for EOI
4	Exemption of Double Taxation
5	Foreign Loan
6	Remittance of salary by expatriates
7	Repatriation of Sale proceeds of non-resident owned equity

8	Repatriation of Royalty, Technical fees
9	FC Account for non-resident
10	FC Account for local & JV
11	Formation of JV
12	Transfer of shares by foreign shareholder to local
13	Re-investment of remittable dividend as new investment
14	Resident Visa with \$2,00,000
15	Citizenship with \$10,00,000

4.3 One Stop Service (OSS)

Typically, investors in Bangladesh lack knowledge about how to set up a business, what kinds of documents require to obtain approval, where to go, and how long it takes to acquire services. As a result, they are unable to predict when their business will begin to operate for profit. Investors pay outrageous fees on bank loans when they have doubts about when production in a piece of land will start. BEZA's main objective is to create an environment that encourages investment in the nation and function as a catalyst for steady economic progress. In order to accomplish these objectives, BEZA set up a one-stop service (OSS) center that would house all required services from many government agencies for investors, guaranteeing hassle-free and timely services. In 2018, BEZA passed the OSS Act on February 12. Additionally, BEZA published the OSS Rules on October 16, 2018. Due to OSS standards' time-bound services, investors in the EZs are able to predict when business will begin and what will be produced. The documentation and procedures that must be followed in order to deliver specific services within a certain amount of time are outlined in OSS Rules.

4.4 CHT Bangladesh Private Ltd view on One Stop Service (OSS)

To get a brief overview of Economic Zone prospect and BEZA OSS a short interview was conducted with the Country General Manager of CHT Bangladesh Pvt. Ltd. Below two positive points he had highlighted during the interview session.

- OSS support was on time to CHT Bangladesh
- BEZA OSS is very helpful & supportive by forwarding all the applications to different government agencies on time. But in some cases, the government bodies do not complete the services within the specified timeframe.

4.5 Potential Sectors for Investment in Economic Zone

- Shipbuilding & Ship Repairing, Steel Re-rolling Plants
- Pharmaceuticals
- Manufacturing of small-scale machinery and components for the automotive industry.
- Textile Industry
- Jute and Jute-based product
- Leather Goods
- Power
- Telecommunication IT-enabled services
- LNG Terminal & Petro Chemical Plants
- Argo-Processing including Fish Processing & Cold Chain

4.6 Success Stories

On April 17, 2023 Daily Banik Barta published an Interview of Sakata INX (Bangladesh) Pvt. Ltd. Managing Director, S K Chhabra, an investor in Meghna Industrial Economic Zone state that

“Infrastructure Development and Investment Atmosphere Attracts Sakata”. In addition, he has mention in the interview that Economic Zone authorities should always ensure all of the necessary facilities and create an atmosphere to conduct business with ease for the investors.

Another investor Mohammad Rafiquzzan, Country Manager of an Australian Company Name PACT Group mentioned on Daily Banik Barta that one of the main reasons investing in Economic Zone is Security, Duty Free import, VAT exemption and OSS service of BEZA.

4.7 Findings

After collecting various data from BEZA and different Government agency below are the findings which help investors to understand the current situation of Economic Zone. There are scope of improvements in different areas but the progress compare to past years is remarkable.

4.7.1 Diversification of Industries

Industry GDP contribution 37.56 % from overall GDP. Bangladeshi economic zones support industry diversity rather than being limited to particular sectors. By reducing reliance on a single industry, diversification reduces risk and promotes a more robust and flexible industrial ecosystem. Table:7 represents the data of sector wise GDP percentage with Growth Percentage. It is clearly visible that in the industrial sector 8.18% has increased from the previous year.

Table 7:SECTOR-WISE GDP Contribution for FY 23 (Provisional)

Sector	Share in GDP %	Growth Percentage
Agriculture	11.20	2.61%
Industry	37.56	8.18 %
Service	51.24	5.84 %

Source: Bangladesh Bureau of Statistics (BBS)

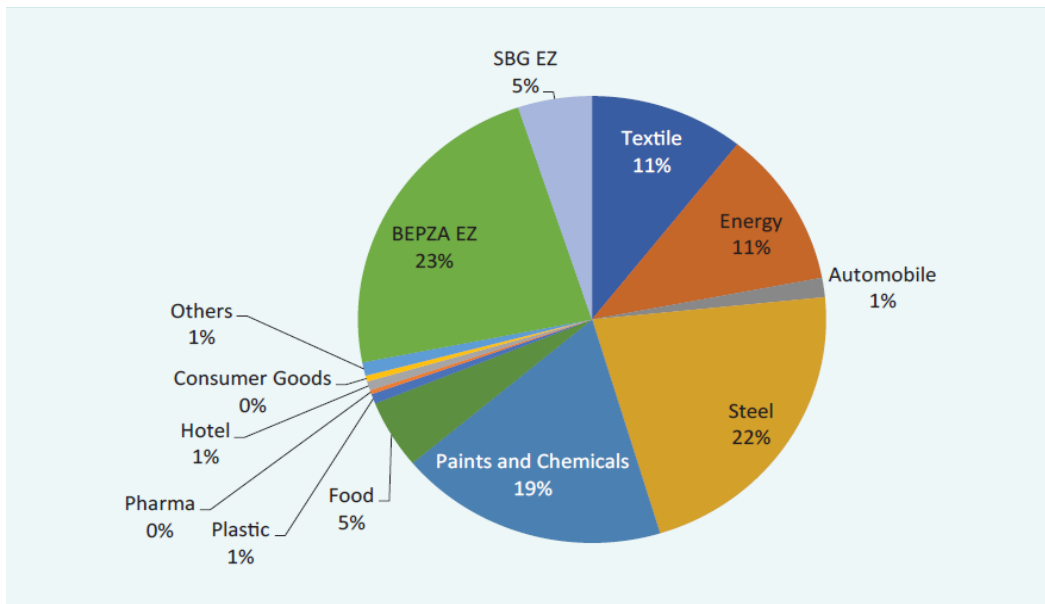
Table 8 represents the details summary of sector investment in different economic zones. In total 19587.71 million investment in pipeline which will boost the country economy.

Table 8: Proposed investment from different sector in different EZs

Name of Category	Proposed Investment (million USD)
Textile	2089.722
Energy	2221.729
Automobile	273.58
Steel	4289.58
Paints and Chemicals	3642.62
Food	972.171
Plastic	140.02
Pharma	56.255
Hotel	128.51
Consumer Goods	84.14
Others	189.383
BEPZA EZ	4500
SBG EZ	1000
Total	19587.71

Source: (BEZA Annual Report, 2022)

Figure 2: Sectoral distribution (Percentage) of proposed investment in different EZs.



Source: (BEZA Annual Report, 2022)

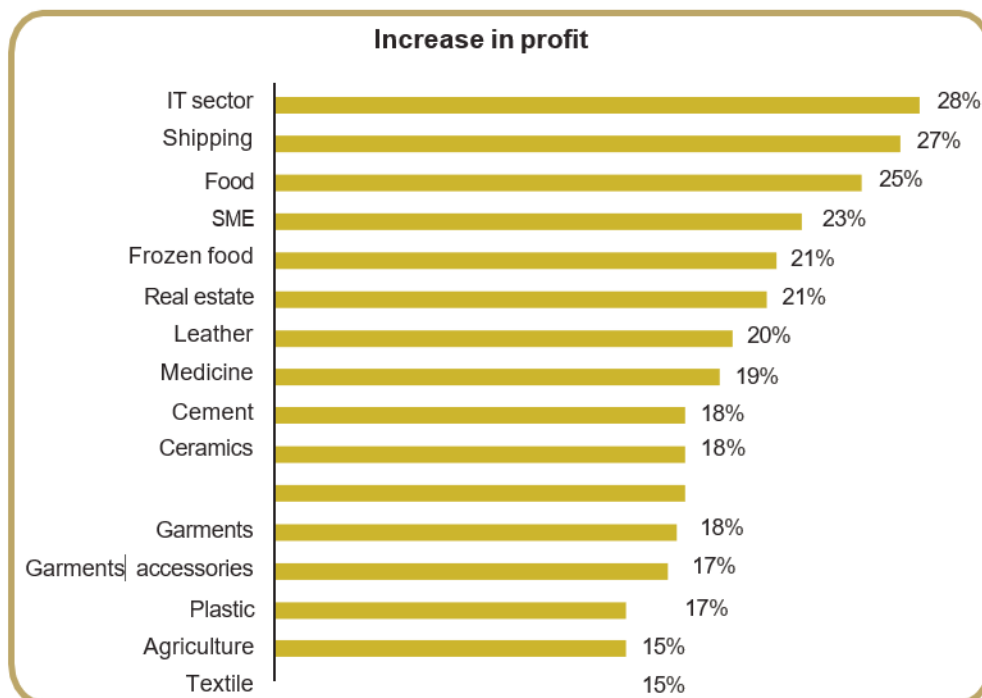
Figure 2 represents the distribution percentage of proposed investment sectorial. After BEPZA EZ,

steel, paint and chemical has a major contribution in investment portfolio.

4.7.2 Skilled Labor Force

One of the most important factors affecting the potential of manufacturing in Bangladesh's Economic Zones is a strong and reasonably priced trained labor force. Due to the nation's concentration on education and vocational training, its workforce is skilled across a range of industries. A skill labor increases in production, increase in profit, decrease in production cost, increase of product quality, efficient use of raw materials, contribution to economy. A competitive advantage to manufacturing operations is the availability of trained labor, especially in sectors like information technology, textiles, and pharmaceuticals. In the report a survey was conducted and shows the increases of profit adopting skill labor force. From Figure 3 it is clearly visible that how skilled labor force is contributing to the economy in different sector. IT sector skilled labor force is playing vital role in the GDP contribution.

Figure 3: Sector wise Profit Increase



Source: a21 & BEZA

4.7.3 Job Creation

By establishing industries and businesses in economic zones, BEZA seeks to reduce regional poverty and unemployment by creating employment opportunities for the local population. Although BEZA was founded in 2010, its field presence did not commence until 2014. Fifty thousand positions have been created by BEZA's investors during this period. One million additional employment will be generated as a result of the current investment proposal. Table 9 represents the data of job creation in Economic Zone from different sector and in addition Figure 5 represents shows the summary of Sectoral distribution (Percentage) of job creation form BEZA.

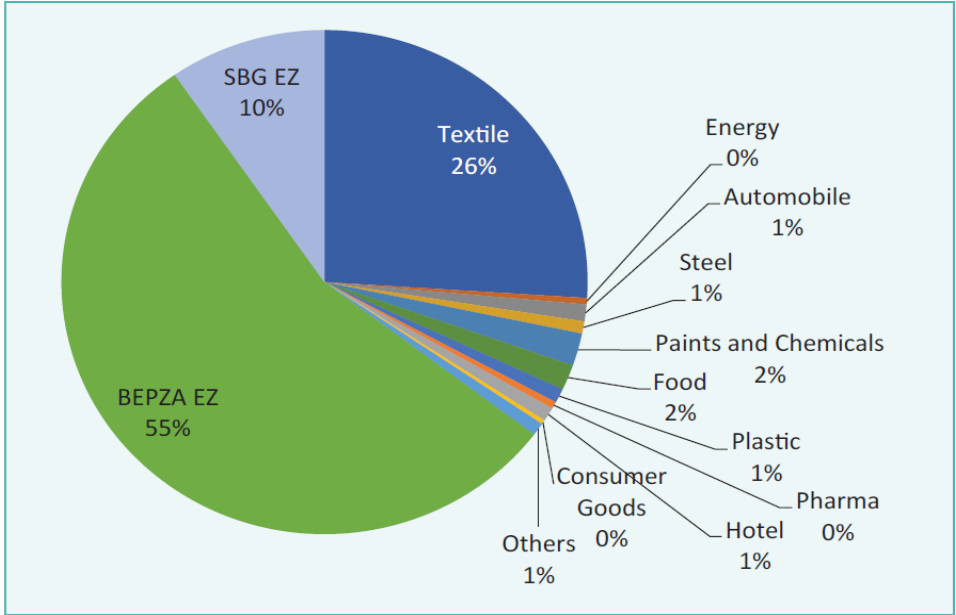
Table 9 : Job creation from different sector in Economic Zone

Name of Category	Job Creation
Textile	189037
Energy	2991
Automobile	7847
Steel	5698
Paints and Chemicals	15149
Food	11902
Plastic	6631
Pharma	3181
Hotel	6550
Consumer Goods	1884
Others	5992
BEPZA EZ	400000

SBG EZ	70000
Total	726862

Source: (BEZA Annual Report, 2022)

Figure 4: Sectoral distribution (Percentage) of job creation form BEZA



Source: (BEZA Annual Report, 2022)

4.7.4 Key informants Interview:

Below Table 10 is the summary from the KII Interview. Location, Low cost of doing business, easy access to market, policy and young force are the major key parameters which investors may consider before investing in Bangladesh. Table 10 is the summary of the KII.

Table 10: Summary Findings from Key Informants Interview (KII)

SL	Key Parameters	Benefits
1	Strategic Location	<ul style="list-style-type: none"> • Located between India and China • Well connected to South East Asian Region • Easy Waterway access
2	Low Cost of Doing Business	<ul style="list-style-type: none"> • Cost of doing business is low among the developing countries and its South Asian counterpart
3	Access to Market	<ul style="list-style-type: none"> • Significant access to developed countries • Access to markets of neighboring countries
5	Policy Support	<ul style="list-style-type: none"> • Liberal FDI policy • Treaties with countries to avoid double taxation • Industry oriented policy
6	Young Workforce	<ul style="list-style-type: none"> • Demographic Dividend Youth • Vibrant pool of talented and qualified young population

Source: Author, 2023

The above findings are observed from the prospect of economic zone from investor point of view. However, there are many positive prospect and aspect undoubtedly. Still there are major challenges in the economic Zone area. The Next chapter will go through the details.

CHAPTER 5: Challenges

5.1 Findings on the challenges of establishing manufacturing plants in economic zone.

Bangladesh's Economic Zones provide excellent prospects for manufacturing facilities; nevertheless, a number of obstacles need to be removed before such establishments can be successfully created and run over the long term. This in-depth analysis examines the different obstacles that come up while setting up industrial plants in Bangladesh's Economic Zones. In a focus group discussion below are the key important challenges highlighted during the discussion from different respondents.

Helal Ahmed, Assistant Manager of Finance of CHT Bangladesh Pvt Ltd shared his view:

One of the major challenges is currently Dollar Crisis. Dollar crisis hinders LC openings. (Respondent -1)

Mashuk Ifthakar, Deputy Manager HR & admin of CHT Bangladesh Pvt. Ltd. and Respondent-3 shared similar view:

Obtaining licensing procedures, maintaining the compliance is quite complex in Bangladesh context, Bangladesh has a somewhat bureaucratic and complicated regulatory environment. Achieving licensing procedures, compliance requirements, and obtaining necessary licenses can be challenging and time-consuming for businesses. (Respondent 2, 3)

According to respondent-3, who is a bond and customs expert, shared his view:

Bangladesh's bond and customs processes are quite complicated move very slowly when the customs assessment is related to zero duty benefit. He said that if this process can be made simplified, it would help to attract more foreign investment in the long run.

According to respondent-4 & 5 shared their view:

The nation was rendered vulnerable to the consequences of the Russia and Ukraine conflict, which led to an increase in worldwide commodity costs. (Respondent-4 & 5)

With regard to the observation of the business leader, a participant from the BEZA explains-

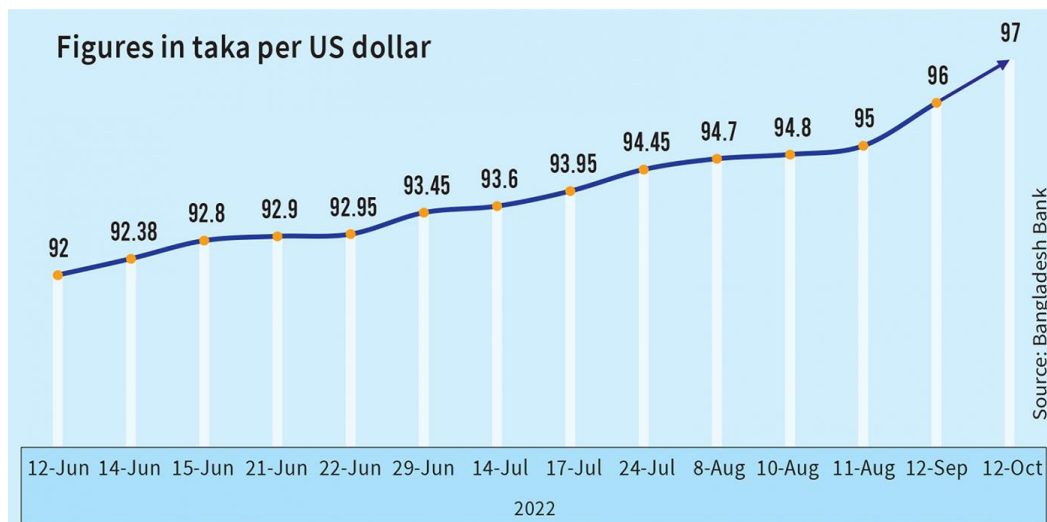
BEZA is working with different government agencies, but due to systematic approach and regulatory affairs there are integration gap among the agencies, but not in all cases. (Respondent 6)

From the content analysis of data/findings, the following obstacles as well as insights about the obstacles of implementation of establishing manufacturing plants have been found:

5.1.1 Foreign Exchange Crisis:

In August of 2022, when the project's civil construction got underway, the USD/Taka exchange rate was approximately BDT 95. Because of the increase in the USD exchange rate, the real cost of issuing a Letter of Credit for the purchase of machinery was higher than anticipated. The figure representation below will show you how Bangladesh's US dollar rate is rising. Figure 6 shows the graph of USD exchange rate over the period of time. In October 2022 the rate was TK 97 against 1 US dollar.

Figure 5: Bangladesh Bank's Dollar Selling Rate



Source: (TBS, 2023)

Due to reserve issue most of the bank were not able to open LC and due to shortage of reserve LC opening were taking time than usual time. It impacted the project completion time and cost. Figure 7 represents the rate of USD for the year 2022 vs 2023. In 2023 January , 14% exchange rate increase from the previous year.

Figure 6: USD Rate 2022 Vs 2023



Source: (TBS, 2023)

5.1.2 Construction Material Price Increase

Recent economic challenges for Bangladesh include persistently high inflation, interest rate increases, and a significant devaluation of the domestic currency. The cost of the projects climbed sharply due to the skyrocketing prices of building raw materials, ultimately it became one of the main obstacles to complete the project on time. In a recent study of Bangladesh Bureau of Statistics (BBS) it stated that building expenses in Bangladesh increased by 6.98 percent in August 2022. Our project started during that time and expenses went till 10 percent. It was really a challenging period for all of us to accommodate the project cost. Below table indicates the differences between the two back-to-back year price of the construction material.

Table 11: Material Price 2021 vs 2022 in TK

Material Name	Year 2021 in TK	Year 2022 in TK
Steel Per tonne	80000	90000-95000
Cement Per Bag	400	480
Bricks per 1000 pieces	9000	12000
Imported Stone Per tonne	43000	50000-52000

5.1.3 Regulatory Uncertainty:

According to an International Finance Corporation diagnostic report, the major challenges to improving the country's investment competitiveness are cumbersome and complex regulatory processes, a lack of coordination among government agencies, unpredictable service delivery, and a lack of consistent mechanisms for receiving feedback from the private sector. It is been observed in many instances during project implementation faces that lack of coordination among different government agencies. To conduct legitimate business in Bangladesh, foreign investors need to register their companies and acquire a number of licenses and permits. Finding your way through the bureaucratic and time-consuming registration procedure can be challenging, as can understanding the many business needs.

5.1.4 Bangladesh Customs

Although the government have made major advances recently, businesses are still having to comply with customs documents at the ports, which causes delays and increased costs. There is certain area which need to be address in order to address ease of business. Bangladesh operates under a complex tariff and duty structure that can vary based on the type of being imported. Very much crucial to understand the applicable tariffs and duties for specific goods is crucial to avoid unexpected costs. Exemption from payment of all import Duties, Regulatory Duties, Supplementary Duties and Value

Added Tax (VAT) on importation of capital machineries, Spare parts and construction materials for establishing Economic Zones and or establishment of industrial units in the said zone as per (SRO No.208-Law/2015/46/Customs dated 01-07-15), (SRO No.209 Law/ 2015 /46 / Customs dated 01-07-15) and (SRO no. 06-Law/2020/56/customs dated 06-01-2020).

Customs valuation procedures in Bangladesh may differ from international standards, leading to potential discrepancies in the valuation of goods. Investors need to ensure compliance with customs valuation regulations to prevent disputes and penalties. Investors in Bangladesh must adhere to extensive documentation requirements, including invoices, packing lists, certificates of origin, and import/export licenses. Failure to provide accurate and complete documentation can result in delays and fines. The customs clearance process in Bangladesh can be time-consuming and bureaucratic, involving multiple stages of inspection and approval. Nevertheless, it has been noted that importing capital machinery can make customs valuation extremely difficult. Occasionally, the customs officer refuses to approve certain machine parts for a project, even if such parts are necessary for the machines to function. Consequently, put the investors in a precarious predicament. Port demurrages cause machines' release times to increase. Delays at ports and border crossings are not uncommon, which can disrupt supply chains and impact business operations.

5.1.5 Bonded Warehouse Complexity

The Industrial unit established in the Economic Zone shall import the raw materials and ingredients usable for production of its products under the Bond arrangement, without paying the Import Duty, Supplementary Duty and Value Added Tax applicable at the time of importation.

The Industrial units of any Economic Zone who will import raw materials from abroad or procure raw materials from the domestic market for production purpose, can sell the output / goods to the domestic

market. Bond licensing is not an easy process. Theoretically or by law it is said after submitting application it will be provided within 60 days but practically it takes more than that. In Centre for Governance studies report says that traders complained that they have to move from one table to another in government offices even after paying the license fee. Investor may need to consider the whole licensing process from 3-9 months.

5.1.6 Supply Chain Vulnerabilities

Unforeseen disruptions in worldwide supply chains are causing significant problems for both enterprises and the global economy. Since the third quarter of 2020, there have been severe shortages of trucks and railroad wagons, excessively long lead times, port congestion, insufficient ship space, and a lack of warehouse space throughout the world. The pain is made worse by the soaring expense of freight. There appears to be hope for international institutions to bounce back and recover from the shock of the Covid outbreak in the post-pandemic era, specifically at the beginning of 2022. Following the restoration of multilateralism, nation-states started implementing fiscal policies aimed at stabilizing the unsteady economy. But a new problem had surfaced even before this phase of restoration could be fully realized. The protracted war between Russia and Ukraine has made the world's supply crisis worse once more.

According to Forbes magazine, "If the pandemic crippled the global supply chain, the war in Ukraine brought it to its knees." The battle generally destroys natural resources and causes massive commercial barriers. This general tendency is evident in the aftermath of the Russia-Ukraine war, when commodity and oil prices rose, global economic activity slowed, and inflation skyrocketed. According to reports, the war lowered world GDP by approximately 1.5% and caused a 1.3% increase in global inflation. The war between Russia and Ukraine puts at risk Bangladesh's plan to get its economy back on track after the pandemic, even before it has a chance to really take off. Russia is third in the world in terms

of oil production, which is why high oil prices hurt the whole economy. All these things are causing the country's inflation rate to be high, approximately 7.42 in May 2022 which was the highest in the last eight years. Heavy traffic in some of our most important ports, like Singapore and Colombo, is making it take a long time for goods to move. This shipping delay slows down the implementation phase as suppliers weren't able to ship their goods on time.

5.1.7 Ease of doing Business

One of the main factors influencing economic growth and development is investment, both domestic and foreign. Bangladesh appears to be falling short of investors' expectations despite the government's recent efforts to draw foreign direct investment (FDI). The country is ranked poorly on the Global Competitiveness Index (GCI) by the World Economic Forum and the Ease of Doing Business (EDB) by the World Bank Group, two of the most widely used global indicators. In the World Economic Forum's 2019 Global Competitiveness Index (GCI), Bangladesh dropped two spots to rank 105th out of 141 nations. The research claims that the nation's competitiveness decreased in ten of the twelve pillars, with notable declines noted in the areas of macroeconomic stability, labor market, ICT adoption, and infrastructure. The largest issues facing Bangladesh today include, in addition to inadequate infrastructure, a lack of land, a severe lack of gas and electricity for new enterprises, and recruiting the right people and motivating them to work effectively.

In any business, challenges will be there but it can overcome through different strategies and action plan. Right tracking and right monitoring are essential in any project development. Next Chapter will emphasis how to minimize the risk.

Chapter 6: Minimizing Risks

Before making a decision to invest, investors need to have the impression that the location where they intend to invest is a safe place. If they have the impression that the nation is not safe and that they and their enterprises are in danger of being harmed for ideological, religious, or political reasons, then they are not inclined to invest in the country. The level of country-risk must be examined for any country before it can be selected as an investment destination. This is because the number of returns offered is meaningless if the returns cannot be recovered from the country. Although the global financial system is based on faith and investors seeking to maximize risk-adjusted returns, the risk increases when investing abroad. Establishing manufacturing facilities in Bangladesh's Economic Zones offers a range of advantages and disadvantages. To ensure the success and sustainability of these initiatives, effective risk management strategies must be implemented. Risk Management may be defined as the process whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities (Institute of Risk Management). Risk is effectively unavoidable. It can never be eliminated from business. But it can be identified and mitigated either reducing the likelihood of a risk event occurring or by reducing the impact of its occurrence. This in-depth analysis looks at the dangers associated with Bangladesh's Economic Zone manufacturing plants and suggests ways to reduce them.

6.1 Comprehensive Due Diligence:

The first step is to thoroughly investigate and verify everything. Investors should thoroughly research the Economic Zone's labor market, laws and regulations, infrastructure, and any geopolitical concerns before beginning a manufacturing operation. Infrastructure issues can pose a serious threat to manufacturing firms. To achieve this, they need to closely examine the Economic Zone's track record of successfully operating enterprises, verify the quality of the data, and educate themselves about the

economic environment in the area.

6.2 Exchange Rate environment:

The degree to which a nation's currency swings directly affects the returns that investors might anticipate. All parties involved in money transfers—individual investors or multinational corporations—desire a stable exchange rate environment with minimal volatility. Unexpected shifts in interest rates and inflation, which are influenced by central bank policies, have an impact on this. The macroeconomic environment therefore has a significant effect. This suggests that these investors have benefited from Bangladesh Bank's controlled exchange rate with the USD. A nation with substantial foreign reserves can use the proceeds from the sale of those reserves to control changes in exchange rates. It must be carefully regulated, though, as the country might not be able to support its trading obligations if the level drops below a particular point.

6.3 Legal and Regulatory Compliance

Knowing the relevant laws and regulations is crucial for reducing risks. Like every other country, Bangladesh has laws governing its enterprises and industries. Ensuring compliance to these laws is crucial in order to prevent legal issues that might prevent manufacturing from occurring. It is crucial to put together a legal team that is well-versed in the local laws, licensing, and compliance needs in order to ensure legal protection. Easy access to organized conflict resolution processes and legal assistance is a key factor in the nation's business-friendly environment. Companies are very concerned about this because they would rather resolve disputes without incurring expensive legal fees.

6.4 Political risk:

One of the major considerations to be addressed when investing in developing country. If a country experiences frequent strikes, political upheavals, and disruptions, it has low political stability and is

thus a riskier destination than one with orderly power transitions and fewer commercial disruptions. Thus, understanding the norms of the political system is essential, particularly in terms of power transfer, commercial interests, political party ideology, and the quality of the country's international connections. The investor must consider the considerations before deciding on an investment destination.

6.5 Ease of doing business:

Support for starting a business, obtaining permissions, establishing a supply chain, and obtaining funding will all affect whether a company considers it worthwhile to set up in a country. Since multinational corporations often receive and repatriate funds, the banking system and the regulations governing international settlements will also be crucial. Local and international banks with robust international settlement frameworks will be essential. Another important factor will be how business-friendly tax policies are in terms of structure.

6.6 Insurance Coverage

One of the most important aspects of risk management for companies operating in Economic Zones is having complete insurance coverage. By purchasing insurance, companies can assign to an insurance provider a portion of the monetary risks related to conducting business in an Economic Zone. Businesses create a financial safety net to lessen the financial impact of unforeseen catastrophes by acquiring insurance coverage. Property Damage may happen in any business life cycle. Buildings, machinery, supplies, and other assets might be damaged by fire, theft, vandalism, or natural disasters are covered by property insurance. Beyond the financial advantages, insurance offers stakeholders and business owners' piece of mind by shielding them from unanticipated risk.

6.7 Continuous Monitoring, Evaluation and Contingency Planning

A dynamic risk management strategy keeps an eye on and evaluates all the things that affect manufacturing processes all the time. This includes regular checks on the political and economic situation, changes to rules and regulations, and changes in how the market works. Businesses can respond quickly to new risks by setting up a method for ongoing evaluation and using key performance indicators (KPIs). One of the most important aspects of risk mitigation is anticipating and planning for potential disruptions. Developing comprehensive backup plans that include responses to various situations—such as recessions in the economy, unstable geopolitical environments, and natural disasters—creates a tactical framework for quick and effective emergency response operations. The efficacy of these tactics is ensured by regular evaluation and upgrading.

6.8 Supply Chain Diversification

Finding areas of risk and vulnerability and developing plans to reduce the impacts are crucial aspects of proactive planning. Even though there are some factors that are beyond control, businesses can take steps to avoid the effects of disruptions entirely. Relying exclusively on a single supplier in Bangladesh may encounter a company's operations at serious danger of disruption. Unexpected events such as civil unrest or extreme weather can make a provider completely unusable for a considerable amount of time. Finding trustworthy suppliers and logistics partners who can maintain shipment continuity even in the event that one supplier experiences operational difficulties is essential for mitigating such risks. Businesses in Bangladesh are required to maintain backup plans in case of emergencies. For instance, backup suppliers must to be prepared in case the plant of a nearby provider collapses. A reshoring plan is essential in the event of international disputes impacting exports. It is essential to conduct regular vulnerability assessments in order to adjust to the changing risks. This flexible strategy guarantees preparedness for unforeseen circumstances.

CHAPTER 7: Recommendation & Conclusion

From the above implications, the recommendations are mentioned below:

- The government continuous supports in developing infrastructure will help the economic zone developers to stay competitive.
- BEZA One Stop Service (OSS) has to be guaranteed.
- Inordinate delay by the relevant government agencies to respond.
- Poor access to finance, complicated and hard procedures.
- Need to address the safety and security issues of investors
- Political stability needs to ensure to have a smooth economic development.
- Fiscal Rules must be revisited as it is playing a great role in attracting FDI and local investment. Though investors can import duty-free capital machinery, they are not entitled to import related spare parts without import duty. BEZA has taken the initiative long ago with the National Board of Revenue (NBR) to solve this issue, but it is yet to be solved. This issue should be solved immediately.
- Developing a skilled labor force is non-negotiable. This has the potential to improve the country's workforce overall, which can lead to long-term advantages.

Setting up factories in Bangladesh's Economic Zones comes with a lot of different problems that need to be solved by working together in a smart way.

Even though the outlook is good, fixing problems with infrastructure, figuring out complicated rules, and taking charge of political, economic, and environmental issues are all necessary for long-term success. The future of industry in Bangladesh will depend on how strong and flexible businesses are in facing these problems. This will also help the country's economy grow and make it more competitive on the world stage. Risk mitigation during the establishment of manufacturing facilities in the

Economic Zones of Bangladesh is a complex and continuous undertaking that demands a comprehensive strategy. Enterprises must embrace a proactive approach to risk management, which includes conducting comprehensive due diligence, ensuring legal compliance, conducting infrastructure assessments, diversifying supply chains, and maintaining ongoing monitoring. Manufacturing facilities can enhance the resilience and sustainable development of Bangladesh's Economic Zones while mitigating risks through the adoption of sustainable practices, cultivation of positive community relations, and dedication to adaptability.

The establishment of infrastructure necessary to draw in both domestic and foreign businesses, as well as the selection of appropriate sites for economic zones, are under the responsibility of BEZA. The objective is to create an environment that is conducive to business and encourages industrialization and economic advancement. The expansion of EZs depends on the development of their infrastructure, which includes networks for communication, utilities, and transportation. This infrastructure improvement may help the neighboring areas as well as support the EZs' operations. BEZA aims to promote industrialization across several industries, such as steel, agro-processing, chemicals, textiles, cars, and information technology, by constructing economic zones equipped with contemporary facilities and infrastructure. This fosters economic growth and diversifies the industrial basis of the nation. The three biggest automakers that invest in EZs are Honda, Bangladesh Auto Industries, and Star Alliance. Significant foreign investors in the chemicals industry include CHT, Asian Paints, Sigwork, Jinyoun, Sakata Inx, and Berger. If BEZA wants to improve its efficiency in the future, it has to strengthen its relationships with every department of government. If funds from the normal budget are set aside for infrastructure development in EZs, BEZA has a great chance of becoming a prominent organization in the future of a developed and affluent Bangladesh.

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Appendix A:

Key Informant Interview (KII) with Prodig Kumar Dhar, General Manager, CHT Bangladesh Pvt. Ltd.

Q1 Please provide an overview of your business in Bangladesh.

Reply: The CHT Group is the developer, producer and supplier of specialty chemistry who offers sustainable solutions regarding technical and personnel questions with the highest sense of responsibility and comprehensive processing competence. CHT is contributing in Bangladesh Textile industry from more than 25 years by its dedicated agent RH Corporation. CHT Bangladesh 100% foreign owned export-oriented entity established in 2021 and set up its new manufacturing plant inside MIEZ in 2023. CHT Bangladesh is focusing on the development and production of specialty chemicals as function generators, auxiliaries and additives for industrial processes.

Q2 How much time did it take to register your business in Bangladesh under the OSS Rules (all relevant documentation, approvals, and paperwork)?

Reply: OSS support was on time to CHT Bangladesh

Q3 The OSS Regulations prescribe a specific timeframe for government agencies to deliver services to investors. Are these timeframes being adhered to by the government bodies when assisting investors?

Reply: BEZA OSS is very helpful & supportive by forwarding all the applications to different government agencies on time. But in some cases, the government bodies do not complete the services within the specified timeframe.

Q4 To what extent do you think Bangladesh provides overall business security for its investors?

Reply: Moderate.

Q5 How many services were you able to access via OSS Centre?

Reply: All as needed for business startup. We are proposing all approval & licensing by BEZA as like Building permit. Investors must not go to other government agencies for approval or licenses – All under BEZA umbrella. Also, the renewal of licenses, BEZA OSS should support investors.

Q6 Is OSS in listening to investors' feedback?

Reply: BEZA OSS always listens to investors' feedback. They take immediate action with a positive manner. Also, BEZA OSS guides & supports investors before any application submission.

Q7 Have you ever faced any dispute that required any of the agencies to intervene? How helpful were the agencies in resolving the dispute?

Reply: No such.

Appendix B:

List of Respondents/ Participants in the Focus Group Discussion

Name of respondents	Department/Designation	Sources of participants	Codes for Respondents
Helal Ahmed	Assistant Manager, Finance	CHT Bangladesh Pvt. Ltd.	1
Mashuk Ifthakar	Deputy Manager, HR & Admin	CHT Bangladesh Pvt. Ltd.	2
Md.Rasheduzzaman	Bond and Commercial	CHT Bangladesh Pvt. Ltd.	3
MD.Farhad Uddin	Supply Chain Manager	CHT Bangladesh Pvt. Ltd	4
Prodip Kumar Dhar	General Manager	CHT Bangladesh Pvt. Ltd	5
Helal Ahmed	Deputy Secretary	BEZA	6

Appendix C

Table 1: Incentives for EZ Developer

SL	Incentive	Respective Law	Explanation	References
1	Exemption of Income Tax on all income	Income Tax Ordinance, 1984	1 st 10 years – 100% 11 th year – 70% 12 th year – 30% (Tax Holiday will start from the date of commencement of commercial operation)	SRO No 227-law/Income Tax/2015 dt: 08.07.2015
2	Exemption of import duty on import materials related to development of EZ	Customs Act, 1969 and Value Added Tax, 1991	100%	SRO No-208/law/2015/45/ Customs dt: (but exemption is not applicable on MS Rod/Bar, Cement, Pre- fabricated building, Iron/steel sheet)

3	Exemption of registration fees on registration of land transfer and registration of loan documents between Developer and Investors in EZ	Registration Act, 1908	100%	Zone wise SRO
4	Exemption of Land Development Tax	Land Development Tax Ordinance, 1976	100%	SRO No.5-law/2016 dt: 11.01.2016
5	Exemption of Stamp Duty on registration of loan document with Scheduled Bank/Financial Institution	Stamp Act, 1899	100%	SRO No.7-law/2016 dt: 12.01.2016
6	Exemption of Stamp Duty on 1st lease document between EZ Developer and BEZA	Stamp Act, 1899	100%	SRO No.8-law/2016 dt: 12.01.2016
7	Exemption of Tax, Sub-Tax, Rate, Toll, Fees	Local Government (Union Parishad) Act, 2009	100%	SRO No.333-law/2015 date: 12.11.2015
8	Exemption of immobile asset transferring tax	Upazila Parishad Act, 1998	100%	SRO No.328-law/2018 dt: 11.11.2018
9	Exemption of registration fees on registration of land transfer (Transfer of land by the owner- developer for establishing Private EZ)	Registration Act, 1908	100%	Circular No: R-6/1-M-11/2017-269 dt: 19.09.2017
10	Exemption of ad source Income Tax on registration of land transfer (Transfer of land by the owner-developer for establishing Private EZ)	Income Tax Ordinance, 1984	100%	SRO No 120-law/Income Tax/20158 dt: 26.04.2018

Source: <https://beza.gov.bd/wp-content/uploads/2020/11/Incentives-packages-11.2020.pdf>

Table 2: Incentive to Unit Investors in EZ

SL	Incentive	Respective Law	Explanation	References
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1	Income Tax Exemption for 10 years	Income Tax Ordinance, 1984	1st 3 years-100% 4th year – 80% 5th year – 70% 6th year – 60% 7th year – 50% 8th year – 40% 9th year – 30% 10th year – 20% (Tax Holiday will start from the date of commencement of commercial operation)	SRO No 226-law/IT/2015 dt: 08.07.2015
2	Duty free Import of Capital Machinery and Construction Materials.	The Customs Act, 1969 and Value Added Tax Act, 1991	100%	SRO No 209-law/2015/46/Customs dt: 01.07.2015
3	Duty free Import of Vehicle (One Sedan Car and One Microbus/double Cabin Pick-up/Pickup - 2000 cc)	The Customs Act, 1969 and Value Added Tax Act, 1991	100%	SRO No 210-law/2015/47/Customs dt: 01.07.2015
4	Declaration of EZ as Ware housing Station- and Duty free import of Raw materials/Inputs under bond and .	The Customs Act, 1969	100%	SRO No 211-law/2015/48/Customs dt: 01.07.2015 and SRO No 304-law/2017/77/Customs dt: 22.10.2017
5	Exemption of Income Tax on salary of Foreign employee having Technical Expatriates	Income tax Ordinance, 1984	50% (For 3 years from date of appointment but this exemption will not be valid after expiry of 5 years from the date of commencement of commercial operation)	SRO No 298-law/IT/2015 dt:08.10.2015

6	Exemption of Income Tax on Dividend, Capital Gain from transferring of shares , Royalty/ Technical Know-How/ Technical Assistance	Income tax Ordinance, 1984	100% (For 10 years from the date of commencement of commercial operation)	SRO No 299-law/IT/2015 dt: 08.10.2015
7	Exemption of Tax, Sub-Tax, Rate, Toll, Fees	Local Government (Union Parishad) Act, 2009	100%	SRO No.333-law/2015 date: 12.11.2015
8	Exemption of Land Development Tax	Land Development Tax Ordinance, 1976	100%	SRO No.5-law/2016 dt: 11.01.2016
9	Exemption of registration fees on registration of land transfer and registration of loan documents between Developer and Investors in EZ	Registration Act, 1908	100%	Zone wise SRO
10	Exemption of Stamp Duty on lease of Land, Building/Space (For Beza owned Zone)	Stamp Act, 1899	50%	SRO No- 06-law/2016 dt: 12.01.2016
11	Exemption of VAT on Utilities	Value Added Tax Act, 1991	Gas - 80% Water - 80%, Electricity - 80% Procurement provider - 100%	SRO No.168-law/2015/735-VAT dt:22.06.2015

Source: <https://beza.gov.bd/wp-content/uploads/2020/11/Incentives-packages-11.2020.pdf>

Table 3: Unit Investors – Non-Fiscal

SL	Incentive	Explanation	Reference
1	Repatriation of Capital & Dividend	100%	FE CircularNo.21 dt.11.05.2017
2	No Ceiling of FDI	100%	FE Circular No (general)/ Industrial Policy
3	100% Backward Linkages of raw materials to sell for EOI	Extent -100%	FE CircularNo.21 dt.11.05.2017
4	Exemption of Double Taxation	Subject to Double Taxation arrangement	General IT Rules
5	Foreign Loan	100%	FE Circular (general)/ FE CircularNo.21 dt.11.05.2017
6	Remittance of salary by expatriates	75%	FE CircularNo.21 dt.11.05.2017
7	Repatriation of Sale proceeds of non-resident owned equity	100%	FE Circular- 32 dt: 31.08.2014
8	Repatriation of Royalty, Technical fees	6% of Import value of Machinery	FE CircularNo.21 dt.11.05.2017
9	FC Account for non-resident	Full	FE CircularNo.21 dt.11.05.2017
10	FC Account for local & JV	Full	FE CircularNo.21 dt.11.05.2017
11	Formation of JV	Full	Industrial policy
12	Transfer of shares by foreign shareholder to local	Full	SEC circular
13	Re-investment of remittable dividend as new investment	Full	Industrial Policy
14	Resident Visa with \$2,00,000	Full	Industrial Policy
15	Citizenship with \$10,00,000	Full	Industrial Policy

Appendix D

Flow Chart of Licenses/Approvals Procedures for the EZ Unit Investors

(as of 17 October, 2019)

