Comprehensive Study on Policy Regime of FDI of Cross Countries (Bangladesh, Vietnam, India, Sri Lanka and Myanmar) Analysis

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June 2021

PREFACE

Bangladesh Investment Development Authority (BIDA) is the apex private investment promotion and facilitation agency of Bangladesh. Bangladesh is a country full of potential and possibilities. The Government has taken many steps for investment promotion that include building or refurbishing physical infrastructure, undertaking mega projects to generate energy and power, enhancing access to finance, writing or reforming policies, re-designing various programs, improving tax and regulatory regime, arranging better services, introducing digital services, improving incentive structure, and creating ancillary facilities and institutions, etc.

According to vision 2021 and 2041 Bangladesh's FDI is targeted to reach $ 9.56b and $ 153b respectively. There is no alternative of creating favourable climate to accomplish the targets. Besides, annually US$ 66.32 billion and in total US$ 928.48 are needed up to 2030 for achieving SDGs. Potential sources of financing are: Private sector financing (42.09%), public sector financing (35.50%), public-private partnership (5.59%), external financing (14.89%) of which: foreign direct investment is 9.95%, foreign aid and grants is 4.94%, and non-government organization is 3.93%.

As a graduating developing country Bangladesh will lose many special and differential treatments in trade and will be ineligible for grants and soft loans. Hence it is obligatory to expand the private investment especially FDI. But the inflow of foreign direct investment (FDI) is not qualifying in Bangladesh. In that context, BIDA feels to explore the challenges and gaps interrupt the continuous growth of the FDI in the economy. Furthermore, a comparison of the investment climate of the comparator economies is also necessary for reforming policies and acts for making the country a front-runner in attracting FDI.

BIDA engages a professional organization on March 28, 2021 to conduct a comprehensive study on Policy Regimes of FDI of the Cross Countries (Bangladesh, Vietnam, India, Sri Lanka, and Myanmar), attracting foreign direct investment, challenges, and way forward and to examine and evaluate the recent amendment in the FDI policy regime, its overall impact, and contribution to the national economic growth compared with the regional countries. BIDA hope that unexpected constraints are to be identified for further improvement of the FDI sectors.

The study had been officially commenced in April 2021, the intervention of the project field level activities was delayed until May 2021 due to some unavoidable circumstances and COVID-19 situation, etc. An important part of the study is conducting KII and FGD, which was difficult to conduct in-person during the pandemic. In this respect, the research team had to continue the study online.

I would like to extend my special thanks to the Ministry of Commerce (MOC), NBR, BEZA, BEPZA, BIDA, Bank and Custom officials, Dhaka, Chattogram, and Khulna Chambers, Investors for their active support in completing the study in time. I would also like to appreciate the members of the workshop for their technical support and useful feedback. I am very hopeful that the information and data generated through the study and the recommendations made would be very effective to design actions by the public sector for increasing and attracting FDI. I hope BIDA and other concerned stakeholders jointly work for monitoring the progress and evaluating the impact of the project.

Parveen Akhter
Executive Member
Marketing and Communication
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ACKNOWLEDGEMENT

Bangladesh Investment Development Authority (BIDA), Prime Minister's office is mandated to expand private investment especially foreign direct investment (FDI) for continuous economic growth, a prerequisite to be in the list of developed countries by 2041. The Government of Bangladesh is implementing multifaceted actions to attract, promote, and increase FDI for advance technology transfer, employment generation and bridge the gap of equity. But some existing challenges and gaps arrest the even and rising growth of the FDI. Also, Bangladesh has to compete with many countries for FDI. Knowledge of advantages offered by the comparator countries is essential to create attractive and rewarding investment climate.

BIDA has entrusted MIDAS to carry out the "Comprehensive Study on Policy Regime & FDI of cross country (Bangladesh, Vietnam, India, Sri Lanka & Myanmar) analysis". The study reviews the acts, polices & practices related to FDI; explore the trends and patterns of FDI in comparator countries (Bangladesh, Vietnam, India, Sri Lanka & Myanmar) and identify different factors /determinants that positively affect FDI.

I would like to appreciate the study team who worked hard to complete the study and prepare a useful document for the public sector stakeholders for promoting FDI. I also like to thank the BIDA team comprising of Ms. Parveen Akhter, Executive Member, Mr. Nikhil Kumar Das, Director- General, Mr. Md. Muzib-Ul-Ferdous, Director, and Mr. Suman Chowdhury, Director of BIDA for lending support to the study team. I also appreciate all my colleagues in BIDA who provide useful insights for designing and conducting the study.

Finally, I hope that the experience of the study and the report will guide all concerned regulators and promoters of investment for making favorable investment regime to attract not only foreign but also local investors in Bangladesh.

Md. Sirazul Islam
Executive Chairman
Bangladesh Investment Development Authority
Prime Minister's Office
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EXECUTIVE SUMMARY

As Bangladesh strives to attract more FDI it may want to work harder with countries that are important investors globally while ensuring that those who already have a strong presence do not leave our shores. They come from many places - from the US, UK, Japan, and China, but also from unlikely places such as Macao or the British Virgin Islands. Despite the increased diversification in the geographic origin of FDI inflows, the top five countries account for about half of all FDI inflows to Bangladesh. This merely reflects the global pattern of foreign investment. UNCTAD data shows to rank countries according to the value of their outward FDI flows in during 2014-2019, it is observed that the top five, i.e., USA, Japan, China, Netherlands, and Germany together accounted for 46% of all outward FDI flows while the top 10 accounted for 67%- proportions remarkably similar to that for FDI in Bangladesh.

In the early years, much foreign investor interest was confined to exploiting natural resources and in providing traditional services such as banking. Later, with the domestic economy expanding, FDI inflows were dominated by market-seeking investment in infrastructure such as power generation and telecommunication. A key objective of FDI should be to help diversify our exports in order to reduce our dependence on garments and gradually shift towards more skill-intensive, complex products. Very little of the FDI inflow has gone into export-oriented industries and that too in the traditional sectors such as garments and leather goods. Thus, while the move away from natural-resource seeking FDI to investments in infrastructure is welcome, the strategy going forward should be to attract more FDI inflows towards efficiency-seeking FDI that can help diversify our export basket.

Since the 1980s, Bangladesh has been consistently implementing measures to support the development of the local pharmaceutical industry. Over time, the measures helped to improve the business environment, including the availability of skilled personnel and streamlining of trade and industrial regulations. Bangladesh, as a least-developed country until 2026, would be privy to patents of Western drug makers until 2033, as per the World Trade Organization agreement. Among LDCs, Bangladesh demonstrated its ability to use this flexibility when one of its pharmaceutical companies, Beximco Pharma, launched in 2015 a generic version of a hepatitis C drug that had been developed by Gilead Sciences. Incepta's interest in manufacturing the COVID-19 vaccines would also be taking advantage of the benefit. The country's pharmaceuticals sector, which has developed the scale, is ripe for foreign investment. Bangladesh can particularly showcase and also build on its vaccine manufacturing capabilities. The world would be needed COVID-19 vaccines for the foreseeable future. This is the proper time for quick decision-making, regulatory easing and trust-building to attract vaccine investment.

Strategic location Bangladesh is strategically located in the South Asia. It is also worth noting that it shares borders with Myanmar and India. It has a long coastline and is close to many international shipping routes. It has three sea ports. These make Bangladesh a prime location for trading. Bangladesh has several trade agreements that make it easy to do business in Bangladesh. These trade agreements also promote the country's economic growth. Certain trade agreements, like those under the World Trade Organization, make it easier for foreign investors to set up businesses in Bangladesh. Bangladesh also offers tariff reductions through trade agreements, such as in the case of the Free Trade Agreement with the European Union.

Many emerging markets have restrictions on foreign ownership in certain industries. However, in Bangladesh, most industries allow foreign direct investment (FDI). Additionally, the government made changes to regulations. The government also put incentives in place to encourage foreign investment. Such incentives include: Lower corporate income tax rate or exemption from the tax for several industries; emption from import duties on specific goods like raw materials; Reduction or exemption from land rental or land use taxes. Investors can enjoy the above incentives by investing in preferred industries. There are no minimum capital requirements for most businesses in Bangladesh. However, you need to present a reasonable amount relevant to your planned business.

According to BB report Equity investment stood at $0.8 billion, up 4.8 percent year-on-year. However, intra-company loans nosedived 74.3 percent to $0.15 billion. Intra-company loans refer to short or long-term borrowing and lending of funds between direct investors (parent enterprises) and affiliate enterprises. In South Asia, FDI inflows rose 20 percent to $71 billion, in India. FDI increased 27 percent to $64 billion in India driven mainly by strong mergers and acquisitions. Inflows in Sri Lanka contracted by 43 per cent. FDI fell in other South-Asian economies that rely on export-oriented garment manufacturing, as orders from the US and the EU dropped substantially in 2020. Global FDI flows have been severely hit by the pandemic: they plunged by 35 percent in 2020 to $1 trillion.

The scope of the study is to review existing literature and practice, FDI acts, policies related to the issues with descriptive statistics and looking the trends and patterns of FDI in the sector of countries Bangladesh Vietnam, India, Sri Lanka & Myanmar and how those trends have affected the FDI sector, how far BIDA's one stop service is effective in comparison with the five countries and what are the constraints of BIDA officials for providing one stop services. Comparison of tax rates, investment policies, plans, incentives and strategies to stimulate investment, comparison of the countries for Starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority Investors, paying taxes, trading across the borders, enforcing Contracts, resolving insolvency etc. are also within the purview of the study. Cross analysis of country specific data/policy and identify different external and internal factors/ determinates relevant to FDI and Identify on going challenges and develop recommendations to ensure effective FDI inflow also determined.

Section One in its introduction says that Bangladesh continued to actively seek foreign investment, particularly in the apparel industry, energy, power and infrastructure projects. It offers a range of investment incentives under its industrial policy and export-oriented growth strategy with few formal distinctions between foreign and domestic private investors. Bangladesh has made gradual progress in reducing some constraints on investment. Large scale infrastructure development projects are being undertaken, including in the power sector. However, it seems that there is still room for improvement in certain areas, such as infrastructure, financing capabilities, bureaucratic procedures and overall ease of doing business process.

Section Two identified the technical approach, methodology and work plan of the study. Questionnaire Survey and Key Informant Interview (KII) approach and distribution of respondents have been adopted for collection of primary data. This method is effectively related to the collection of data directly from the target respondents. The field enumerators personally contacted the respondents and obtained desired information by explaining the objectives of the survey to the respondents. Information was collected from the selected respondents from the area Dhaka, Chattogram and Khulna.

Section Three carried out a comparative analysis of the current FDI policy and regulatory regime of Bangladesh compare to Vietnam, India, Sri Lanka and Myanmar. The study identified the FDI trends of these five countries and the potential incentives for the investors, international agreements and treaties, legal protection, FDI policies of the countries, compare the FDI policies of the five countries at a glance and potential sectors for FDI in Bangladesh. It also mentioned problems and challenges of the five countries that create barrier in attracting FDI and taken initiatives to solve the issues.

Section Four indicated FDI inflows in countries, its growth and ranking in tabular and graphical representations, change in percentage of growth/fall of the FDI inflows into the cross countries. The study also showed the information on major FDI sources among the five countries.

Section Five discusses about the field study conducted by the trained survey enumerators and the supervisors gathered information and data of the survey location rigorously and the data was processed and provided adequate output on FDI status in comparison to other study countries, competent staff capacity to handle the FDI issues,

condition of the inter-agency coordination mechanism in different FDI related agencies, status of promotion and protection of investment within bilateral area, priority sectors identified in BIDA, status of OSS management agencies, incentives given by the government in comparison to other countries, avoidance of double taxation treaty favorable for investment. The field survey also analyzed the infrastructure difficulties/constraints as well as the status of the legal framework in dispute settlement is favorable for investment.

Section Six describes the sector wise FDI inflow and its GDP contributions of the countries. FDI has a significant positive impact on Bangladesh's export sector while local private investment has a greater impact on GDP than FDI. On the other hand, it is also found that whatever the FDI inflowing in the Bangladeshi economy is not sufficient to make any significant impact on employment generation. The foreign direct investment percent to GDP is less than 01 percent compare to Vietnam 6.155% and Sri Lanka 3.292%. This happened because more than 72% FDI occupied by the power sector, oil, gas and other manufacturing sector. The contribution to the other sector is not as significant as compared to these two sectors. A paradigm shift is needed from energy sector investment to labor intensive investment such as IT, software, agro-processing, ship building and other manufacturing sectors where GDP contribution from foreign direct investment will boost up.

Conclusion: Over the decades, with providing the world's competitive facilities, namely lands, port infrastructures, cheaper labor, and natural resources, Bangladesh has been attracting such foreign investments. Approximately, the Bangladesh economy, whose GDP is about $347 billion, currently wants to attract more FDI to support its ongoing socio-economic developments. Bangladesh's steady economic growth by overcoming all obstacles is an example for many countries in the world. The country's GDP growth has been over 7% for the last few years. Despite many hurdles and scarcity for lands and a few problems in legal infrastructure, its current overall growth is better than many LDC members and even developing countries. The major FDI recipient sectors in Bangladesh are energy and power, textile, food, banking, leather, service, telecommunication, information and communication technology, trading, engineering, and a few others. It has 100 economic zones coming, if Bangladesh is able to offer good incentives, have good tax laws and an open, agile, modern financial system and abundant young labor it can reach it goals. Bangladesh also needs to continue its investment in infrastructure, in the same vein as in the previous 50 years. Till today, energy and power are the highest recipient among all, which is ultimately helping the economy to grow and the government is getting revenue from the FDI financed companies located inside and outside of the economic zones.

It also needs to change or relax several of the existing ordinances and policies for attracting more FDI. In Vietnam, India, Sri Lanka, Myanmar and other South Asian countries, the investment patterns diverged and had continuity in overseas investment because of their business environment and skilled workforce in different sectors. Bangladesh needs to gear up its domestic investment to give a message to the global investors that business is happening here in a suitable climate. It has to lure foreign investors by developing lands in its special economic zones and if the government could complete the projects within the deadline, FDI inflow would increase as targeted.

If Bangladesh want to attract foreign direct investment or if it wants certain companies to come in, they are looking for an open, transparent financial system, one which is modern and agile and such a system cannot be put in place overnight but a 10-year roadmap is needed. If Bangladesh can get a good financial sector together with a good industrial policy and a good human capital development, it can generate new wealth. Subsequently, investors will be lining up, and more so, because of Bangladesh's 165 million-strong population and its geographical location.

ABBREVIATIONS

ADB	Asian Development Bank
APTA	Asia Pacific Trade Agreement
BIDA	Bangladesh Investment Development Authority
BEPZA	Bangladesh Export Processing Zones Authority
BEZA	Bangladesh Economic Zones Authority
BHTPA	Bangladesh Hi-Tech Park Authority
BBIN	Bangladesh-Bhutan-India-Nepal
BBS	Bangladesh Bureau of Statistics
BAB	Bangladesh Accreditation Board
BCI	Bangladesh Chamber of Industries
BCCI	Bangladesh Chamber of Commerce of Industries
BCSIR	Bangladesh Council of Scientific and Industrial Research
BFTI	Bangladesh Foreign Trade Institute
BGMEA	Bangladesh Garments Manufacturers and Exporters Association
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BITAC	Bangladesh Industrial and Technical Assistance Centre
BJMA	Bangladesh Jute Mills Association
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BSCIC	Bangladesh Small and Cottage Industries Corporation
BMRE	Balancing, Modernization, Rehabilitation and Expansion
BOO	Built Own Operate
BOT	Built Operate Transfer
BLPA	Bangladesh Land Port Authority
BSTI	Bangladesh Scientific Testing Institute
BTP	Bangladesh Trade Portal
BWCCI	Bangladesh Women Chambers of Commerce and Industries
BII	Bureau of Infrastructure Investment
BIT	Bilateral Investment Treaty
C&F	Clearing & Forwarding Agent
CA	Completion Authority
CPC	Central Product Classification
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CCCI	Chittagong Chamber of Commerce and Industries
CDM	Clean Development Mechanism
CDS	Central Depository System
CETP	Central Effluent Treatment Plant
DTAA	Double Taxation Avoidance Agreements
D	Dong (currency)
DICA	Direct Investment Capital Account
DPI	Department of Planning and Investment
DTAA	Double Taxation Avoidance Agreements
DPIIT	Department of Promotion of Industry and Internal Trade
DTTs	Double Taxation Treaties
DFR	Draft Final Report

DoC	Department of Customs
DoE	Department of Environment
D-8	Developing -8
DOS	Department of Shipping
DCCI	Dhaka Chamber of Commerce and Industries
DFI	Development Financial Institution
DPDT	Department of Patent, Design and Trademark
DTT	Double tax treaty
DWT	Dividend withholding tax
EDB	Economic Development Board (Singapore)
EEZ	Exclusive Economic Zone
EGO	external gateway operator
EPF	Employees' Provident Fund
EPZ	Export Processing Zone
ETF	Employees' Trust Fund
ENT	Economic Needs Test
ERD	Economic Relations Division
FDI	Foreign Direct Investment
FET	Fair and Equitable Treatment
FIA	Foreign Investment Agency
FIL	Foreign Investment Law
FDI	Foreign Direct Investment
FCBU	Foreign Currency banking Unit
FICCI	Foreign Investors' Chamber of Commerce and Industries
FBCCI	Bangladesh Federation of Chambers of Commerce and Industries
FGD	Focus Group Discussion
GNP	Gross National Product
GFCF	Gross Fixed Capital Formation
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Products
GoB	Government of Bangladesh
GAIN	Global Alliance for Improved
GI	Geographical Indication
GoB	Government of Bangladesh
HRD	Human Resource Development
HIES	Household Income and Expenditure Surveys
ITES	Information Technology Enabled Services
IRIs	Investment Related Instruments
ICSID	International Centre for Settlement of Investment Dispute Convention
IDA	International Development Association
IMED	Implementation Monitoring and Evaluation Division
ICSID	International Centre for Settlement of Investment Disputes
IIA	International Investment Agreement
IMF	International Monetary Fund
IPR	Intellectual Property Rights
IPRR	Investment Policy and Regulatory Review

IRC	Investment Registration Certificate
ISDS	Investor-State Dispute Settlement
ICB	Investment Corporation of Bangladesh
ICT	Information and Communication Technology
IP	Industrial Policy
ISO	International Standard
IPO	Initial Public Offering
ICSID	International Centre for Settlement of Investment Disputes
IDA	Investment and Development Agency
ILO	International Labor Organization
IMF	International Monetary Fund
ITC	International Trade Centre
IPA	Investment Promotion Agency
IPS	Institute of Policy Studies
IT	Information technology
KII	Key Informants Information
LPI	Logistics Performance Index
MIGA	Multilateral Investment Guarantee Agency
MoC	Ministry of Commerce
MoF	Ministry of Finance
MoS	Ministry of Shipping
MVA	Motor Vehicle Framework Agreement
NBR	National Board of Revenue
NTTFC	National Trade and Transport Facilitation Committee
NWS	National Single Window
OSS	One Stop Services
PPP	Public Private Partnership
PAD	Project Appraisal Document
PC	Planning Commission
PD	Project Director
PDO	Project Development Objective
PIC	Project Implementation Committee
PIU	Project Implementation Unit
PIWTT	Protocol on Inland Water Transit and Trade
PPP	Purchasing Power Parity
PSI	Pre-Shipment Inspection
REDC	Regional Economic Development Commission
R&D	Research and Development
RRC	Regulatory Reform Commission
RMG	Readymade Garment Manufactures
RJSC	Registered Joint Stock company
SAFTA	South Asian Free Trade Area
SCI	Small and Cottage Industries
SCITI	Small and Cottage Industry Training Institute
SEC	Securities and Exchange Commission
SAR	South Asia Region

SASEC	South Asia Sub-Regional Economic Cooperation
SPS	Sanitary and Phyto-sanitary
SME	Small and Medium Enterprises
SMEF	SME Foundation
SOE	State-Owned Enterprises
SCM	Agreement on Subsidies and Countervailing Measures
SMEs	Small and Medium Enterprises
SIERA	Share Investment External Rupee Account
SMEs	small and medium-size enterprises
SOE	state-owned enterprise
TEWA	Termination of Employment of Workmen Act
TDC	Tourism Development Council
TNC	Transnational corporation
TRIPS	Trade-Related Aspects of Intellectual Property Rights (Agreement on)
TCVN	Vietnam National Technical Regulations
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TCB	Trading Corporation of Bangladesh
TIC	Technology Incubation Center
TISC	Technology and Innovation Support Centers
TK	Bangladesh Taka
TIPs	Treaties with Investment Provisions
TRIMS	Trade Related Investment measures
TAPP	Technical Assistance Project Proforma
TFA	Trade Facilitation Agreement
ToR	Terms of reference
TQM	Total Quality Management
TRS	Time Release Studies
UNCTAD	United Nations Conference on Trade and Development
VOIP	Voice over Internet Protocol
WEAB	Women Entrepreneurs Association of Bangladesh
VAT	Value Added Tax
WB	The World Bank
WTO	World Trade Organization

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Section 1: Introduction

Bangladesh is considered as one of the fastest growing economies of the world with the potential of becoming an economic and production hub for the region and the world. The World Bank estimates that Bangladesh is among the five fastest growing economies in the world (World Bank, 2019). The Asian Development Bank estimates that Bangladesh's economy will grow faster than those of its neighbors in 2020 (ADB, 2019). According to the studies on the factors of production done by JETRO Dhaka, Bangladesh is most competitive among the 33 cities in Asia. The country is growing around 7% for the last decades. Bangladesh has sustained a remarkable GDP growth rate for the last one decade and witnessed the highest growth in South Asia in 2018 (World Bank. 2018). As such one can invest in any sectors of Bangladesh with comfort. The market of Bangladesh is vibrant and growing. Bangladesh enjoys privileged market access globally as well as having a growing local market of around 170 million consumers with strong brand consciousness. GDP per capita and consumption expenditure have witnessed positive growth, which reflect higher living standard for Bangladeshis. Per Capita GDP in 2019-2020 was USD 2064 which is maintaining an increasing trend.

To ease the Doing Business Government of Bangladesh has taken massive reform initiatives to improve the investment climate of Bangladesh. Based on the World Bank's Rating of 'Doing business in Bangladesh' focused agency-wise reform activities are undertaken. It has targeted to attain rating below 100 among the 189 economies by 2021. It is expected that in the coming years Bangladesh will be able to reach the goal. Bangladesh is considered as one of the attractive destinations for business and investment opportunity due to presence of abundant cost-competitive work force, investment friendly environment, diversified natural resources and strong macro-economic fundamentals. Educated, trainable, enthusiastic, hardworking and cost competitive labor force suitable for industrial, service and agricultural sector. With a steady 1.37% population growth rate Bangladesh is expected to enjoy long-term demographic dividend. Currently, around 118 million people are within the working age.

Bangladesh's steady GDP growth for the last decade has been possible due to government's firm commitment to patronizing private sector and prudent fiscal policy. There are a total of 100 Special Economic Zones across the country are developed to facilitate rapid economic development, of which 59 are government-owned and 29 are privately owned. A total of 28 Hi-tech Parks and Software Technology Park, IT Incubation Centers are being developed to promote the ICT and IT sector in Bangladesh. Export Processing Zones (EPZs) are developed by the government of Bangladesh to promote export and create employment opportunity by attracting investment. Establishment of interoperable One Stop Service (OSS) in BIDA is another approach of facilitating services required to improve business climate.

FDI policies of the government in respect of removing the restriction on the operation in different sector and non-discrimination in the treatment of the foreign investors are playing an important role to attract FDI inflows. Signing investment agreement and enacting investment protection act based on policies are significant determinants of FDI in Bangladesh. Policies for reducing cost factors in terms of labor, productivities, electricity and utilities, lending rates, better transportation and communication arrangement, skill development activities for improving FDI inflows is found significant to increase FDI in the country. These reinforce our efforts to capitalize the global investments more successfully which is spearheaded by our prime Investment Promotion Agency (IPA), BIDA.

1.1 Investment Scenarios in Bangladesh

Bangladesh Investment Development Authority (BIDA) is the apex private investment promotion and facilitation agency of Bangladesh. Bangladesh is a country full of potential and possibilities. The Government has taken many steps for investment promotion that include building infrastructure, undertaking mega project malting available energy and power, enhancing access to finance, reforming policies, re-designing various programs, improving tax

and regulatory regime, arranging better services, improving incentive structure, creating ancillary facilities, ancillary developing institutions.

According to the Investopedia FDI is defined as a foreign direct investment (FDI) is a purchase of an interest in a company by a company or an investor located outside its borders.

Economic development for the developing countries like Bangladesh is largely dependent on FDI. The major challenges for the host country are to ensure an eye-catching and conducive investment climate to foreign investors for FDI inflow. In recent years, Bangladesh has been devoting efforts for attracting FDI offering a lot of lucrative incentives and benefits. Though attempts taken to increase FDI inflow, the result achieved is not appreciable enough for Bangladesh.

The FDI plays an important role in the economic development of Bangladesh in terms of capital formation, output growth, technological progress, exports and employment. But the inflow of FDI is not smooth at all in Bangladesh. The factors which are blocking foreign investment in Bangladesh would be as follows:

Infrastructure
Governance
International Integration
Covid-19 Pandemic
Human resources
Technology infrastructure
Absence of Autonomous regulatory bodies

According to the vision 2021 and 2041 Bangladesh's FDI targeted to reach $9.56b and $153b respectively. With this target Bangladesh would like to bring congenial atmosphere to make it as an attractive destination for business and investment.

From different viewpoints Bangladesh Investment Development Authority (BIDA) experienced that the foreign direct investment being delayed or disrupted due to some constraints. In order ensure efficient and prompt services in favour of the stakeholders the strength and weakness of the organizations concerned regarding the FDI policy compared with the countries Vietnam, India, Sri Lanka & Myanmar analysis (Lot-01) are to be identified through professionally skilled consultant or firm. In order to keep up satisfactory trend, to face the ever-changing & competitive global market and to upgrade the quality of services with a view to implementing the targets as set by the government in the form of MDG/SDG FDI Policy or the same in the field of foreign direct investment a study/survey is of utmost importance. Furthermore, for the rapid development of country's economy through earring foreign currencies as much as needed for the vast number of population recommendations to overcome the unexpected constrains are to be identified for further improvement of the FDI sectors.

1.2 Rationale of the Study

The private sector investment has been playing a significant role in the Economic Development of Bangladesh. Private sector is recognized as the primary engine of growth, owing and operating production systems ancillary accounting for most of the investment of the country. One of the remarkable features of globalization in the 1990s was the flow of private capital in the form of foreign direct investment. (FDI) is an important source of development financing and contributes to productivity gains by providing new investment, better technology, management expertise and export markets. Given resource constraints and Lack of investment in developing countries there

has been increasing reliance on the market forces and private sector as the engine of economic growth. In the neoclassical growth model, FDI promotes economic growth by increasing the volume of investment and its efficiency. Therefore, all countries, particularly developing and least developed countries, seek to attract Foreign Direct Investment (FDI) for the package of benefits it brings along with it into the host country economy. Considering the economic benefits and importance of FDI for promoting economic growth, most of the countries have formulated wide reaching changes in national policies to attract FDI.

Besides, struggling 45 years with poverty, economic and climate change vulnerabilities Bangladesh was first considered for graduation from the LDC status by fulfilling all the three criteria set by the UNCDP, the GNI Per Capita, Human Asset Index and Vulnerability Index. After the transition period the country is declared as non-LDC. After the first consideration for graduation Bangladesh is expected to be recommended for graduation fulfilling all the three criteria again in 2021 review. Thus, it is expected that Bangladesh may be lifted out of the LDC list by 2026. Graduation from the LDC category brings some challenges for the incumbent country. But the benefits of graduation are also remarkable. Better country image, improved credit rating, more FDIs, competitive voice in trade negotiations, forced capacity building in the private sector, better preparedness of the public sector, better understanding of trade rules etc. may be the potential benefits of graduation.

For starting a business, some countries have the lowest number of procedures required. Some also holds the shortest time to start a business (0.5 days), some have the lowest cost and other economies have no paid-in minimum capital requirement. An economy may score higher than the best regulatory performance if the economy reforms after the best regulatory performance are set. The best regulatory performance for the time to get electricity is set at 18 days. For the time to pay taxes, the best regulatory performance is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the best regulatory performance is defined as one hour even though in many economies the time is less than that.

1.3 Study Components

Bangladesh Investment Development Authority (BIDA) has awarded the Study with this specific component (Lot-1) - Comprehensive Study on Policy Regime & FDI of cross country (Bangladesh, Vietnam, India, Sri Lanka & Myanmar) analysis.

1.4 Geographical Coverage of the Study

This Study has been covered the following Divisions which is shown in the table below:

Table 1: Geographical Coverage of the Study

Division	Organizations
Dhaka	Dhaka Chamber, Traders, Investor, Export association, EPB officials, Port Authority, BIDA officials, BEZA Officials, RJSC officials, EPZ (Govt. & Private), PPP etc.
Chattogram	Chattogram Chamber, Traders, Investor, Export association, EPB officials, Port Authority, BIDA officials, BEZA Officials, RJSC officials, EPZ (Govt. & Private), PPP etc.
Khulna	Khulna Chamber, Traders, Investor, Export association, EPB officials, Port Authority, BIDA officials, BEZA Officials, RJSC officials, EPZ (Govt. & Private), PPP etc.

1.5 Background of the Study

As understood in this Study the Consultant will work in close cooperation with the nominated authority of the Client and will be working with Officials/Staff, target groups, local administration related to this Study, living at the target enumeration areas for getting the flavor of the perception about the effectiveness of Project Activities as expected by the Client during COVID-19.

This awarded project will be managed and executed as expected by the Client. Since opening, a horizontal and vertical expansion and a logical scaling by utilizing the methodologies of this Study for ensuring and accomplish the tasks of this Study successfully on time with quality for creating sustainable better business as well as local business for changing the life and lot of the entrepreneurs engage in trade and investment market, Status of current policy regime FDI in Bangladesh against cross countries Vietnam, India, Sri Lanka and Myanmar, the target organizations in home and abroad. This Study will involve extensive secondary data survey as well as travel to project's Locations as stated in the ToR by using convenient transport. The study/survey findings/results will help to bring improvement in the policy and regulatory regime issues and awareness among the concerned policy makers and stakeholders to clearly understand the overall scenario and reduce the unnecessary hassle and the prevailing conflict within the enumeration areas as stated in the ToR. These will also facilitate for ensuring the enhancement of the capabilities and skill of the relevant organizations on the study results to create sustainable exporting of Bangladesh Products and improved domestic market, business movement along with maintaining Best Administration Practices and Best Business Practice for the targeted organizations and its stakeholders and entrepreneurs.

Study Team will mobilize all the needed resources to support priority adaptation measures. For achieving the ToR based objectives, Study Team will Check and Modify (if needed) and take approval on the same from the Project Nominated Authority. The central tasks of Study Team will be:

a. Collecting both secondary and primary data from the selected respondents and entering into database
b. Developing of required Questionnaire, Checklist, FGD guidelines and KII guidelines
c. Selection of respondents
d. Review of the journals/reports etc. relevant to the project activities
e. Ensuring quality of work on time

Study Team fully understands that the approaches set for the services for this project based on TOR. Description of the approaches to the Studies are given below:

a. Conduct consultation meeting and collect data and analyze the same;
b. Make review the available documentary evidence;
c. Questionnaire, Checklist, KII, FGD for collecting the qualitative data from the respective respondents or organizations and countries as directed in the ToR;
d. Set project activities monitoring system in place and ensure quality and on time delivery system;
e. Prepare different report as stated in the ToR;
f. Ensure the field work is going on as per approved schedule with quality as expected by the Client
g. Mode of communication, questionnaire and lesson plan will be in understandable English and Bangla.

Study Team will also arrange the field test of the develop study tools in the field and considering the time and easiness of the study tools, if needed Study Team will revise the questionnaires in consultation with the client nominated authority.

1.6 Objective of the Study

Study Team fully understands that the main objective of the Study is to conduct a

a) Comprehensive Study on Policy Regimes of FDI of the Cross Countries (Bangladesh, Vietnam, India, Sri Lanka and Myanmar) Analysis.
b) Comprehensive Study on attracting foreign direct investment, challenges and way forward and to examine and evaluate the recent amendment in the FDI policy regime, its overall impact and contribution to the national economic growth comparison with the regional countries.

1.7 Scope of the Study

Study Team fully understands that they will have to prepare all the study tools base on the scope of the work which are stated below:

a) Review existing literature and practice,
b) FDI acts, policies related to the issues with descriptive statistics and looking the trends and patterns of FDI in the sector of countries (Bangladesh Vietnam, India, Sri Lanka & Myanmar) and how those Trends have affected the FDI sector;
c) How far BIDA's one stop service is effective in comparison with the five countries and what are the constraints of BIDA officials for providing one stop services,
d) Comparison of tax rates, investment policies, plans, incentives and strategies to stimulate investment,

Section 2: Technical Approach, Methodology and Work Plan

The details of the Technical Approach, Methodology and Work Plan were provided in the Technical Proposal. An outline of the technical approach, methodology and work plan is furnished below:

2.1 Study Methodology

Study Team used both Qualitative research and Quantitative Survey methods for this Study to achieve the entrusted tasks. For this, Study Team prepared the needed quantitative Study and qualitative research tools (Survey Questionnaire and KII guidelines) and arranged local level Questionnaire Survey and also conducted Key Informant Interviews (KIIs) to dugout the required information for making the policy recommendations. Study Team also considered the enumeration areas and targeted respondents as stated in the scope of work. Study Team completed their qualitative research following the below mentioned Steps:

a) Analyzed and Review of the literature, policy with descriptive statistics of the specific countries of Bangladesh Vietnam, India, Sri Lanka &Myanmar, and international agencies i.e., ADB, United Nation Conference on Trade and Development (UNCTAD), and World Trade Organization, WB, Central Bank etc.;
b) Developed questionnaire and conducted key informant interviews (KIIs) with the stakeholder's;
c) Carried out Comprehensive and Strategic analysis;
d) Meeting and discussion with the key personnel of stakeholders i.e., Line Ministries, Stakeholders and Executing Agencies as well as other entities; and
e) Hypothetical analysis based on the surveyed data and comprehensive analytical tools relating to the said research.

2.2 Study Process:

The assessment study was conducted by both quantitative and qualitative study using Questionnaire Survey and Key Informant Interviews (KIIs) in association with Bangladesh Investment Authority (BIDA) nominated counterparts. In a broad sense, the study will adopt the following procedures:

(a) Primary Data Collection Method
(b) Secondary Data Collection Method

a) Primary Data Collection Method: The primary data was collected through sample survey using pre-designed questionnaire (quantitative study).

The following table best shows the sample size and tools used for data collection.

Table 3: Distribution of Samples

Sl	Name	Target People	Basis of Calculation	Quantity	Number of Respondent
1.	Interview with Questionnaire	Relevant Officials of the selected organizations of the Country	One competent representative will be selected for one organization. Hence the total sample will be; 20 Government Organizations and Export Associations X 3 Division = 60 Relevant Officials.	60	60
2.	KII	Relevant Officials of the selected	20 Key Informants per Division	20 KI X 3 Divisions =	60

Sl	Name	Target People	Basis of Calculation	Quantity	Number of Respondent
		organizations of the Country (Final list will be prepared in consultation with the Clients' nominated authority)	Therefore, the total Key Informants will be 20 KI X 3 Divisions = 60 Key Informants	60 Key Informants	
Grand Total					**120**

b) Secondary Data Collection Method: As per the ToR of the Study, data was collected through reviewing the literature with descriptive statistics of the specific countries and international agencies i.e., World Intellectual Property Organization (WIPO), United Nation Conference on Trade and Development (UNCTAD), and World Trade Organization, WB, Central Bank etc.;

Section 3: Comparative Analysis of the current FDI Policy and Regulatory Regime of Bangladesh compare to Vietnam, India, Sri Lanka and Myanmar

3.1 Bangladesh

The geographic position of the Bangladesh is ideal for international trade, connecting South Asia and Middle East with the South-east Asia. Gateway to India and China, Bangladesh provides access to 2.71 billion consumers who are spending more than 8.325 trillion USD. Bangladesh maintained a steady GDP growth rate of 6-7% for the last 10 years. The World Bank estimates that Bangladesh is among the five fastest growing economies in the world (World Bank, 2019). The Asian Development Bank estimates that Bangladesh's economy will grow faster than those of its neighbors in 2020 (ADB, 2019). Bangladesh is already recognized as one of the "Next 11 Emerging Economies of the world". Price Waterhouse Coopers estimates that Bangladesh will become one of the fasted-growing economies by 2050.

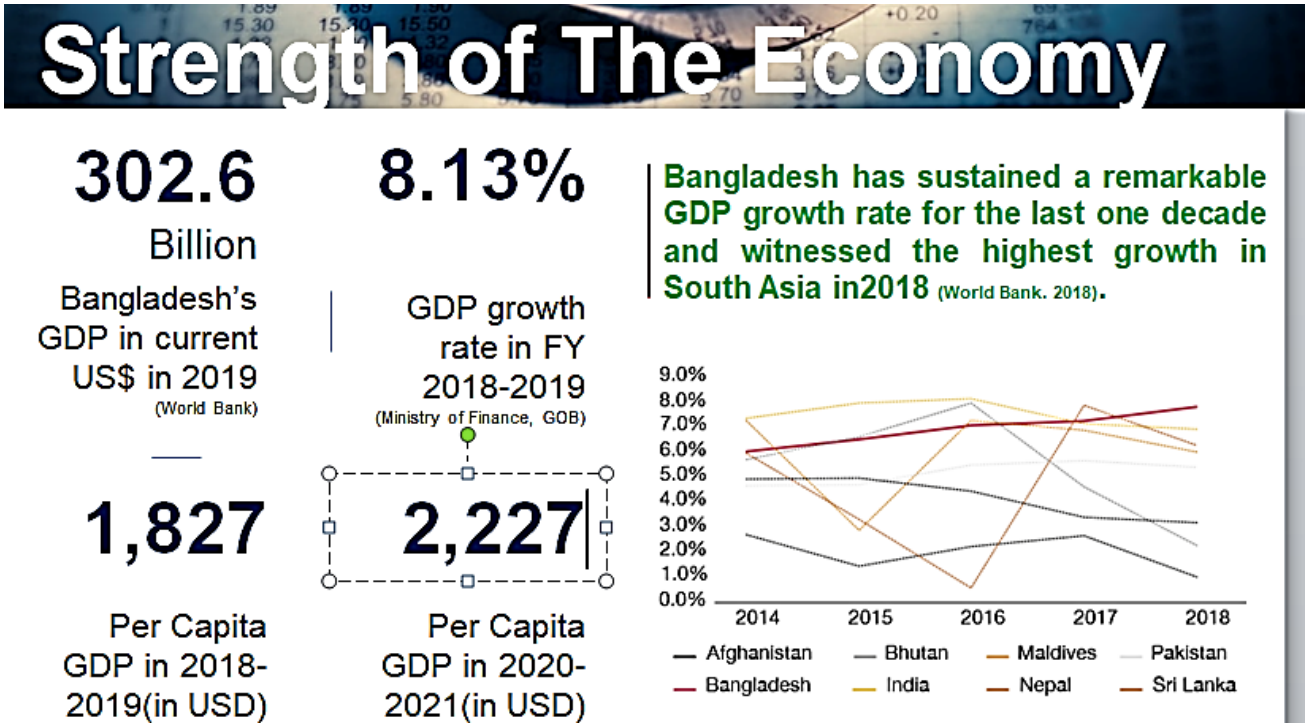
The economic indicators of Bangladesh of the concurring seven fiscal years are placed below:

Overview of economic indicators

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Per capita GDP at current price	78009	86266	96004	108378	122152	137518	153197*
GDP growth (%)	6.01	6.06	6.55	7.11	7.28	7.86	8.19
Consumption (billion BDT)	9347.3	10468.6	11799.3	13000.3	14753.6	17365.9	19293.8*
Forex reserve (million USD)	15315	21508	25020	30176	33493	32943	32716
Inflation (%)	6.78	7.35	6.41	5.92	5.44	5.78	5.44
Population (million)	153.7	155.8	157.9	159.9	161.75	163.65	165.55
FDI net (million USD)	1731	1480	1834	2004	2455	2580	3889
FDI (% of GDP)	1.15	0.86	0.94	0.9	0.98	0.94	1.29

Source: BBS, Bangladesh

Bangladesh is one of the fastest growing economies in the world. There is political stability under a democratic system. Inflation is steady because of good monetary and fiscal management. Bangladesh has never defaulted, not even for a dollar. Building a knowledge-based economy is a key priority. In addition to that, the country is highly focused on investment. Bangladesh sees the creation of an open, predictable and competitive climate for private investment as an obvious step towards achieving its development goals. A business operates within an environment decided by the economic, political, technological, social and legal conditions that exist in a country. So, Bangladesh has been working to create a modern business climate through reforms in all spheres, diagnosing and correcting every procedure that has an impact on business.



Source: Economic Survey 2020-21

- The country is growing around 7% for the last decades. Bangladesh has sustained a remarkable GDP growth rate for the last one decade and witnessed the highest growth in South Asia in 2018 (World Bank. 2018). As such one can invest in any sectors of Bangladesh with comfort.
- The market of Bangladesh is vibrant and growing. Bangladesh enjoys privileged market access globally as well as having a growing local market of around 170 million consumers with strong brand consciousness.
- GDP per capita and consumption expenditure have witnessed positive growth, which reflect higher living standard for Bangladeshis. Per Capita GDP in 2020-2021 was USD 2,227 which is maintaining an increasing trend.
- To ease the Doing Business Government of Bangladesh has taken massive reform initiatives to improve the investment climate of Bangladesh. Based on the World Bank's Rating of 'Doing business in Bangladesh' focused agency-wise reform activities are undertaken. It has targeted to attain rating below 100 among the 189 economies by 2021. It is expected that in the coming years Bangladesh will be able to reach the goal.
- Bangladesh is considered as one of the attractive destinations for business and investment opportunity due to presence of abundant cost-competitive work force, investment friendly environment, diversified natural resources and strong macro-economic fundamentals.
- Educated, trainable, enthusiastic, hardworking and cost competitive labor force suitable for industrial, service and agricultural sector. With a steady 1.37% population growth rate Bangladesh is expected to enjoy long-term demographic dividend. Currently, around 118 million people are within the working age.
- Bangladesh has made significant strides in access to education, sanitation, employment, poverty alleviation etc. Bangladesh has emerged as the role model in women empowerment, education and employment.
- Bangladesh's steady GDP growth for the last decade has been possible due to government's firm commitment to patronizing private sector and prudent fiscal policy.

- There is a total of 100 Special Economic Zones across the country are developed to facilitate rapid economic development, of which 59 are government-owned and 29 are privately owned
- A total of 28 Hi-tech Parks and Software Technology Park, IT Incubation Centers are being developed to promote the ICT and IT sector in Bangladesh.
- Export Processing Zones (EPZs) are developed by the government of Bangladesh to promote export and create employment opportunity by attracting investment.
- While the Global FDI remained flat in 2019, FDI inflow into Bangladesh surged by 51% to $3.88 billion in 2018-19 which is a testament of the confidence that foreign investors have towards Bangladesh and its potential.

THE 10 REASONS TO INVEST IN BANGLADESH

- **Open to inward investment**
- **Opportunities in domestic market**
- **Demographic dividend**
- **Bangladesh: South Asia's geo-strategic gateway**
- **Preferential market access**
- **Infrastructure support**
- **Low cost of doing business**
- **Initiatives to foster competitiveness**
- **One stop service (OSS) for investors**
- **Country stability**

3.1.1 Incentives for the Investors

Bangladesh offers the most congenial and investors friendly investment climate in Bangladesh. Almost all the sectors are open for foreign investment without any capping on amount or percentage of equity.

Ownership Options as a Foreign Investor

Wholly owned subsidiaries

Under the 'Companies Act 1994, foreign companies and business entities can establish a fully owned subsidiaries in Bangladesh. The new business entity can be either a private limited or a public limited company.

Joint Ventures

Joint ventures between and foreign companies and Bangladeshi partners are encouraged as well. The equity ownership structure will depend on the amount invested by each party.

Investing in an existing Bangladeshi company

Foreign investors can invest to local companies (except for a few sectors) as there are no restrictions in transferring shares to the foreign investors. They can do regular trading/selling of their shares irrespective of their ownership percentage.

One-man Private Limited Company Formation

In order to make the business environment friendlier, the Government has amended the Companies Act whereby a single person can form a limited company.

Residence-ship

Permanent resident is permitted on investing US$ 75,000 and citizenship on investing US$ 500,000.

Work Permits

No restrictions on issuance of work permits to project related foreign nationals and employees

Tax Holiday and Tax Exemption

- 5 to 10 years of Tax Holiday and reduced tax depending on area.
- 100% tax exemption on income and capital gain for certain projects under Public Private Partnership (PPP) for 10 years. Investments in select priority sectors such as Power, enjoy tax exemption for up to 15 years.
- 100% tax exemption from software development, Nationwide Telecommunication Transmission Network or Information Technology Enabled Services.
- 50% of income derived from export is exempted from tax.
- Tax exemption on royalties, technical knowhow and technical assistance fees and facilities for their repatriation.
- Tax exemption on interest paid on foreign loan.

Benefits for Export Oriented Businesses

- Exemption of customs duties on capital machineries
- Exemption of import duties on raw material used for producing export goods
- Tariff (if paid) refund on import of raw materials for export
- Bonded warehousing facilities for export-oriented industries and for large import for local selling in certain items
- Exporters can take unto 90% loan against LC from banks
- The export credit guarantee schemes (ECGS) available in Bangladesh are administered by the Sadharan Bima Corporation (SBC). The ECGS covers the risk/solvency of buyers and political risks inherent in foreign trade.
- The export-oriented sectors enjoy cash incentives and the respective rates to be provided are updated every year through circulars issued by Bangladesh Bank.
- The rate ranges from 2% to 20% given on the FOB value of the export proceeds.
- Enjoy DFQF EU & other 12 countries

3.1.2 International Agreements and Treaties

Bangladesh has investment treaties with the following countries Belgium, Canada, France, Germany, Iran, Italy, Japan, Malaysia, Pakistan, Philippines, Poland, Republic of Korea, Romania, Switzerland, Thailand, The Netherlands, Turkey, United Kingdom, USA, and Indonesia. Negotiations are ongoing with India, Hungary, Oman, Maldives, DPRK, Egypt, Austria, Mauritius, and Uzbekistan.

<u>Bangladesh is party to the following Preferential Trade Agreements (PTAs):</u>

- Asia-Pacific Trade Agreement (APTA);
- Trade Preferential System among OIC Countries (TPS-OIC);
- Preferential Trade Agreement among D-8 Member States (D-8)- not ratified

- Preferential Trade Agreement between Bangladesh and Iran; and
- Agreement on SAARC Preferential Trading arrangement (SAPTA);
- Bangladesh is party to the following Free Trade Agreements (FTA):
- South Asian Free Trade Area (SAFTA);
- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (yet to be functional)

3.1.3 Potential Sectors for FDI

Opportunities Unbounded

Sectors Open for FDI

Energy & Infrastructure	▪ Power ▪ Ports and Logistics ▪ Economic Zones	▪ Oil and gas ▪ Tourism ▪ Transport Infrastructure
ICT & Electronics	▪ ICT and ITES ▪ Computer software & ICT	▪ Electronics ▪ Light engineering incl. automobiles
Textile & Clothing	▪ Home Textiles ▪ Textiles industry	▪ Readymade garments industry ▪ High value added RMG
Agribusiness & Food processing	▪ Agro-based/processing ▪ Jute & Jute goods ▪ Flower cultivation ▪ Commercial plantation	▪ Silkworm & Silk Industry ▪ Furniture & Handicrafts ▪ Integrated shrimp cultivation ▪ Frozen Food & Horticulture
Pharma & Chemicals	▪ Pharmaceuticals ▪ Herbal medicines ▪ Plastics & Ceramics	▪ Leather & leather goods ▪ Textile Dye & chemicals ▪ Basic chemicals
Healthcare & Others	▪ Health care ▪ Footwear	▪ Jewelry and diamond cutting polishing ▪ Cosmetics and toiletries

Reserved Sectors: *Arms & ammunitions, Nuclear Power, security printing and minting, afforestation and mechanize extraction within the boundary of reserved forest*

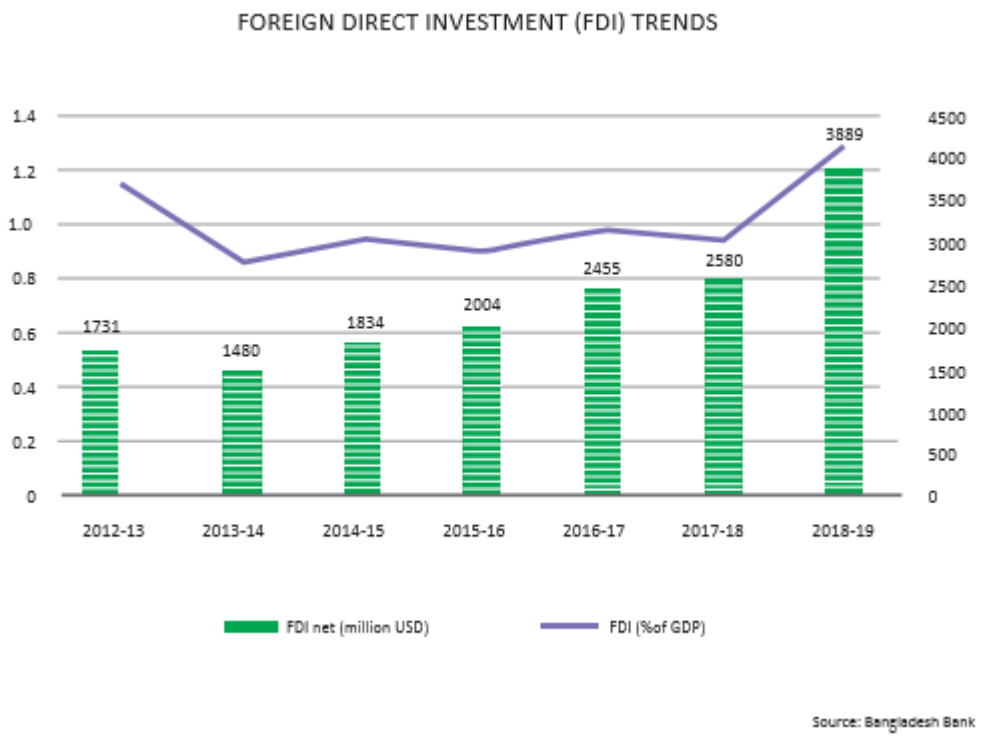
SOURCE: BIDA 2020 and Bangladesh Bank

3.1.4 One Stop Service Center by BIDA

The Bangladesh Investment Development Authority (BIDA) coordinated the establishment of a One-Stop Service Center. 150 services of 34 agencies are identified and process simplification of these have started. Once these are completed clients will get all necessary services from one point. Some of the important services are:

- Trade License from respective city corporation and local government body are given within 48 hours, assuming all required documents are provided.
- Company registration from Joint Stock Register's office company registration complete within 48 hours.
- Registration of Bangladesh Investment Development Authority is complete within a day, assuming all required documents are provided.
- Electricity connection's result are given within 10 days after receive the application from BIDA where representative of power development board authority is working.
- Environmental certificate is given within 10 days from BIDA where respective officer from Environment Department is working.
- From Bangladesh Investment Development Authority representative of Titas Gas Authority the result of gas connection is given within 10 days from the date of application received.

- Foreign loan borrowing application disposed within 30 days assuming all required documents are provided.
- Tax related complication is taken from BIDA by respective National Board of Revenue officer after getting application from entrepreneur and result are given within 10 days.



Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars.

- Bangladesh foreign direct investment for 2019 was $2.00B, a 17.28% decline from 2018.
- Bangladesh foreign direct investment for 2018 was $2.42B, a 33.76% increase from 2017.
- Bangladesh foreign direct investment for 2017 was $1.81B, a 22.39% decline from 2016.
- Bangladesh foreign direct investment for 2016 was $2.33B, a 17.61% decline from 2015.

FDI is expected to rise further, supported by regulatory reforms, infrastructure development and stable political conditions, which have resulted from increased government investment in various initiatives. In 2018-19, FDI rose by 67.94% as re-investment rose, equity investment doubled and inter-company loans quadrupled, showing a peak in investor confidence. Inflation remained within the 5.5 percent target set for the fiscal.

3.1.5 Investment after Care Service:

It has been informed that, if any Industry/ Branch/ Liaison / Representative Office encountered obstruction/failure in accessing the services provided by the applicant organization in case of an application

for these particular stated services. The organization can apply to BIDA for assisting in getting the service. If it appears that the service has been interrupted considering the rationale of the application, BIDA will assist the applicant organization.

3.1.6 Bangladesh: Foreign Direct Investment (FDI) Policy

Foreign Direct Investment (FDI)'s flows into Bangladesh, one of the major sources of non-debt financial resource for the economic development, has grown consistently since liberalization. FDI is an important component of foreign capital since it infuses long term sustainable capital in the economy and contributes towards technology transfer, development of strategic sectors, greater innovation, and competition and employment creation amongst other benefits. The Government has introduced a transparent, predictable and easily comprehensible policy framework on FDI through the Circular on Consolidated FDI Policy, which may be updated on an annual basis, to capture and keep pace with the regulatory changes, effected in the interregnum.

Ref: World Investment Report 2020

Private investment from overseas sources is welcomed in all areas of the economy with the exception of the four reserved sectors (mentioned below). Such investments can be made either independently or through joint venture on mutually beneficial terms and conditions. Foreign investment is, however, especially desired in the following major categories of industries:

- **A.** Export oriented industries
- **B.** Industries in the Export Processing Zones (EPZs)
- **C.** High technology products that will be either import substitute or export oriented.

Facilities/Incentives

(a) For foreign direct investment, there is no limitation pertaining to foreign equity participation, i.e., 100 percent foreign equity is allowed. Non-resident institutional or individual investors can make portfolio investments in stock exchanges in Bangladesh. Foreign investors or companies may obtain full working loans from local banks. The terms of such loans will be determined on the basis of bank-client relationship.

(b) A foreign technician employed in foreign companies will not be subjected to personal tax up to 3 (three) years, and beyond that period his/ her personal income tax payment will be governed by the existence or non-existence of agreement on avoidance of double taxation with country of citizenship.

(c) Full repatriation of capital invested from foreign sources will be allowed. Similarly, profits and dividend accruing to foreign investment may be transferred in full. If foreign investors reinvest their repatriable dividends and or retained earnings, those will be treated as new investment. Foreigners employed in Bangladesh are entitled to remit up to 50 percent of their salary and will enjoy facilities of full repatriation of their savings and retirement benefits.

(d) Foreign entrepreneurs are, therefore, entitled to the same facilities as domestic entrepreneurs with respect to tax holiday, payment of royalty, technical know-how fees etc.

(e) The process of issuing work permits to foreign experts on the recommendation of investing foreign companies or joint ventures will operate without any hindrance or restriction. Multiple entry visa" will be issued to prospective

foreign investors for 3 years. In the case of experts," multiple entry visa" will be issued for the whole tenure of their assignments.

Other Incentives

a. Citizenship by investing a minimum of US $ 500,000 or by transferring US$ 1,000,000 to any recognized financial institution (non-repatriable).
b. Permanent residency by investing a minimum of US$ 75,000 (non-repatriable).
c. Special facilities and venture capital support provided to export-oriented industries under "Thrust sectors". Thrust Sectors include Agro-based industries, Artificial flower-making, Computer software and information technology, Electronics, Frozen food, Floriculture, Gift items, Infrastructure, Jute goods, Jewelry and diamond cutting and polishing, leather, Oil and gas, Sericulture and silk industry, Stuffed toys, Textiles, Tourism.

Investment Protections / International Agreements

Legal Protection: The policy framework for foreign investment in Bangladesh is based on 'The Foreign Private Investment (Promotion &Protection) Act. 1980, which ensures legal protection to foreign investment in Bangladesh against nationalization and confiscation. It also guarantees non-discriminatory treatment between foreign and local investment, and repatriation of proceeds from sales of shares and profit.

International Agreements: Bangladesh has concluded bilateral agreements for avoidance of double taxation and investment treaties for promotion and protection of investment with the following countries:

	Already executed	Being negotiated
Bilateral agreement	Belgium, Canada, China, Denmark, France, Germany, India, Italy, Japan, Poland, Romania, Singapore, South Korea, Sri Lanka, Sweden, Thailand, The Netherlands, United Kingdom (including Northern Ireland).	U.S.A, Iran, Philippines, Qatar, Australia, Nepal, Turkey, Indonesia, Cyprus, Norway, Finland and Spain.
Investment treaty	Belgium, Canada, France, Germany, Iran, Italy, Japan, Malaysia, Pakistan, Philippines, Poland, Republic of Korea, Romania, Switzerland, Thailand, The Netherlands, Turkey, United Kingdom, USA, Indonesia.	India, Hungary, Oman, Moldova, DPRK, Egypt, Austria, Mauritius, Uzbekistan.

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

Incentives to Non-Resident Bangladeshis (NRBs)

Investment of NRBs will be treated on par with FDI. Special incentives are provided to encourage NRBs to invest in the country. NRBs will enjoy facilities similar to those of foreign investors. Moreover, they can buy newly issued shares/debentures of Bangladeshi companies. A quota of 10% has been fixed for NRBs in primary public shares. Furthermore, they can maintain foreign currency deposits in the Non-resident Foreign Currency Deposit (NFCD) account.

General facilities/ incentives:

In addition to tax holiday and tax exemption mentioned above Bangladesh allows Accelerated depreciation which implies that Industrial undertakings not enjoying tax holiday will enjoy accelerated depreciation allowance. Such allowance is available at the rate of 100 per cent of the cost of the machinery or plant if the industrial undertaking is set up.

Concessionary duty on imported capital machinery

Import duty, at the rate of 5% ad valorem, is payable on capital machinery and spares imported for initial installation or BMR/BMRE of the existing industries. The value of spare parts should not, however, exceed 10% of the total C & F value of the machinery. For 100% export-oriented industries, no import duty is charged in case of capital machinery and spares. However, import duty @ 5% is secured in the form of bank guarantee or an indemnity bond will be returned after installation of the machinery. Value added Tax (Vat) is not payable for imported capital machinery and spares.

Exchange control regulations:

Bangladesh 'Taka' is convertible for current external transactions. Individuals/firms resident in Bangladesh may conduct all current external transactions, including trade and investment related transaction, through banks in Bangladesh authorized to deal in foreign exchange (Authorized Dealers) without prior approval of the Bangladesh Bank. Non- resident direct investment in industrial enterprise in Bangladesh and non-resident portfolio investment through stock exchanges in Bangladesh also do not require prior approval of the Bangladesh Bank.

One Stop Service Center

3.1.7 Bangladesh Investment Development Authority (BIDA)

Established under Bangladesh Investment Development Authority (BIDA) Act 2016, the Bangladesh Investment Development Authority (BIDA) is the principal private investment promotion and facilitation agency of Bangladesh. BIDA coordinated the establishment of a One-Stop Service Center. 150 services of 34 agencies are identified and process simplification of these has started. Once these are completed clients will get their services from one point. A few of the services are:

a. Pre-investment information and counseling service.
b. Investor welcome service (faster immigration).
c. Registration/approval of foreign, joint-venture and local projects.
d. Registration/approval of branch/liaison/representative offices.
e. Approving work permit for the foreign nationals.
f. Facilitating utility connections (electricity, gas, water & sewerage, telecom etc.).
g. Assistance in obtaining industrial plots.
h. Approving remittance of royalty, technical know-how and technical assistance fees.
i. Facilitating import of capital machinery & raw materials.
j. Approving foreign loan suppliers' credit, PAYE scheme etc.

Bangladesh offers generous opportunities for investment under its liberalized Industrial Policy and export-oriented, private sector-led growth strategy. All but four sectors (i.e. (1) arms and ammunition and other defense equipment

and machinery, (2) forest plantation and mechanized extraction within the bounds of reserved forests, (3) production of nuclear energy, and (4) security printing and mining are open for private investment in Bangladesh. The government's facilitating role helps create an enabling environment for expanding private investment, both domestic and foreign.

3.1.8 Bangladesh Economic Zones Authority (BEZA)

BEZA's mandate to establish, license, operate, manage and control economic zones is provided by the Bangladesh Economic Zones Act, 2010. A special economic zone is an area in which the business and trade laws are different from the rest of the country. Instituted in 2010, BEZA is working to establish 100 economic zone in all potential areas in Bangladesh including backward and under developed regions. The goal is to encourage rapid economic development through diversification of industry, employment, production and export. Until now, BEZA has got the approval to establish 88 economic zones countrywide comprising 59 Government and 29 Private EZs, for which feasibility studies, land acquisition and identifying area specific social and environmental initiatives are underway. BEZA has also been working to establish government to government EZs, public private partnership EZs and special tourism parks. BEZA provides many incentives both to manufacturing unit investors and the developers of the Economic Zones.

BEZA SERVICES

BEZA is mandated to establish, license, operate, manage and control economic zones in Bangladesh.
General duties and functions of BEZA as per Bangladesh Economic Zones Act, 2010 (Section 19) are as below:

1. To identify and select sites for industrial or similar sectors on availability of local resources including infrastructure, roads and communications, travel and banking facilities and skilled man-power for ensuring efficient utilization of land in the light of clustering principles;
2. To acquire land for economic zones identified by own initiative or public-private partnership and take possession of the acquired land on behalf of the Government;
3. To appoint economic zone developer on competitive basis to develop and manage the acquired land and different type of infrastructure thereof;
4. To prepare infrastructure development plans of economic zones for implementation and management of own establishment and submit it to the Governing Board for approval;
5. To allot or lease or rent of land, building or site, on competitive commercial basis in prescribed manner, to investors applied for establishing industrial units, businesses and service providers in economic zones for implementation and management of their establishment;
6. To ensure infrastructure development of economic zones within specified period through monitoring of activities of its own and of economic zone developers;
7. To create opportunities for employment through establishing backward linkage industries within or outside economic zones by promoting local and foreign investment including development of skilled labour force;
8. To ensure efficient use of land in the light of clustering principles by dividing the land based on infrastructure and on availability of local resources to provide a conducive environment and facilities within economic zones;
9. To encourage more efficient management and monitor programs for implementing commitments on environment and other matters;
10. To take steps to establish backward linkage industries in economic zones to meet the requirements of local economy;
11. To encourage business organizations to relocate polluting and unplanned industries from metropolitan cities through establishing separate economic zones for different industries;
12. To encourage public-private partnership in the development and operation of economic zones;
13. To take necessary steps to implement social and economic commitments;
14. To establish the due rights of workers, to ensure their welfare and to establish conducive relationships between owners and workers;
15. To take appropriate steps to implement poverty reduction program;

16. To expedite implementation of industrial policy of the country by promoting planned industrialization of the thrust manufacturing and service sectors; and
17. To convert the areas declared as economic zones into economic centers by developing industrial cities, agro-based industrial zones, trade zones and tourism zones through investment of banking sectors and to facilitate availability of skilled labor and efficient service provisions.

Incentives for developer:

- Income Tax exemption for 12 years
- VAT exemption on electricity
- VAT exemption on local purchase excluding petroleum products
- Exemption from custom/excise duties
- Exemption of stamp duty and registration fees for land registration
- Exemption of stamp duty for registration off loan/credit document
- Exemption from dividend tax

Incentives for unit investors:

- Income Tax exemption for 10 years
- Duty free import of raw materials etc.
- Economic Zone declared as custom bonded area
- Exemption from dividend tax
- Full repatriation of capital and dividend
- No ceiling of FDI
- 100% backward linkage of raw-materials and accessories to sell for EOI in DTA
- 20% sale of finished product to DTA
- Sub-contracting with DTA allowed
- 50% exemption of stamp duty and registration fees for registration of leaseholder land/factory space
- Exemption of VAT on all utility services
- Duty exemption on export

Business Climate & Opportunities

- Exemption of CD for import of vehicles
- Exemption of double taxa on subject to the existence of double taxa on agreement
- Exemption of salary income from IT for expatriates
- Foreign loan is allowed in compliance with existing laws
- FC Account for non-residents
- FC Account for both local and joint venture industry
- Foreign investors to be free to enter into JV
- Tax exemption on royalties, technical fees etc.
- Tax exemption on capital gains from transfer of shares
- Provision of transfer of shares by foreign shareholders to local shareholders and investors
- Issuance of work permit to foreigners is allowed up to 5% of total officers/employees of an industrial unit
- Re-investment of remittable dividend to be treated as new foreign investment
- Resident visa for investment of US$ 75,000 or more
- Citizenship for investment of US$ 10,00,000 or more incentive

3.1.9 Bangladesh Export Processing Zones Authority (BEPZA)

The activities of BEPZA are guided by the Bangladesh Export Processing Zones Authority Act, 1980. Export processing zones (EPZ) are territorial or economic enclave in which goods may be imported and manufactured and reshipped with a reduction in duties/and/or minimal intervention by customs officials. BEPZA is the official organ of the government for promotion, attraction and facilitation of foreign investment in the EPZs. BEPZA also

supervises compliance with social, environmental and workplace standards with the aim of ensuring harmonious labor and industrial relations in EPZs.

EPZ's across Bangladesh:

- Chattogram EPZ
- Dhaka EPZ
- Mongla EPZ
- Ishwardi EPZ
- Cumilla EPZ
- Uttara EPZ
- Adamjee EPZ
- Karnaphuli EPZ

EPZ provides:

- Plots/factory buildings in customs bonded area
- Infrastructural facilities
- Administrative facilities
- Fiscal & non-fiscal incentives 26
- EPZ attracts: foreign & local investment

Incentives & Facilities

Fiscal Incentives

1. 10 years tax holiday for the industries to be established before 1st January, 2012 and Duration and rate of tax exemption for Mongla, Ishwardi & Uttara EPZ for the industries set up after January 01, 2012
2. Duty free import of construction materials
3. Duty free import of machineries, office equipment & spare parts etc.
4. Duty free import and export of raw materials and finished goods
5. Relief from double taxation
6. Exemption from dividend tax
7. GSP facility available
8. Accelerated depreciation on machinery or plant allowed
9. Remittance of royalty, technical and consultancy fees allowed
10. Duty & quota free access to EU, Canada, Norway, Australia etc

Non – Fiscal Incentives

1. 100% foreign ownership permissible
2. Enjoy MFN (most favored nation) status
3. No ceiling on foreign and local investment
4. Full repatriation of capital & dividend
5. Foreign Currency loan from abroad under direct automatic route Non-resident Foreign Currency Deposit (NFCD) Account permitted
6. Operation of FC account by 'B' and 'C' type Industries allowed.

Facilities

1. No Utilization Declaration (UD), Export Registration Certificate (ERC), Import Registration Certificate (IRC) and renewal of Bond license
2. Work permits issued by BEPZA
3. Secured and protected bonded area
4. Off-Shore banking available

5. Import on Documentary Acceptance (DA) basic allowed
6. Back-to-Back L/C
7. Import and Export on CM basis allowed
8. Import from DTA (Domestic Tariff Area)
9. 10% sale to DTA (Domestic Tariff Area)
10. Customs clearance at factory site
11. Simplified sanction procedure
12. Sub-contracting with export-oriented Industries inside and outside EPZ allowed
13. Relocation of foreign industries allowed
14. Accords Resident-ship and Citizenship
15. One Window same day service and simplified procedure.

About OSS of BEPZA

One Stop Service (OSS) Center tag line is "With you all through the way". To facilitate existing companies and prospective investors of EPZs to receive services, incentives, permission, NOCs, & Certificates from BEPZA or other service providing organizations within the stipulated time from a single window.

3.1.10 Business Startup Process in Bangladesh

An entrepreneur has to follow nine specific procedures and legal steps to set up a business in Bangladesh like:

a. Apply to Registrar of Joint Stock Companies and Firms (RJSC) for Name Clearance Certificate;

b. Pay required stamp duty at a Designated Bank

c. Apply to RJSC for registration.

d. Make a company seal

e. Open a bank account

f. Apply for trade license to respective City Corporation or Municipal Corporations;

g. Approach to the National Board of Revenue (NBR) for receiving TIN Certificate

h. Registration with the Customs, Excise, and VAT Commissionerate.

i. Registration with the Bangladesh Investment Development Authority (BIDA)

A foreign investor is required to be registered with BIDA. It is essential to obtain many licenses and permits such as Import Registration Certificate, Export Registration Certificate, Bond License, etc to run business in Bangladesh. The BIDA registration is also mandatory for obtaining industrial plot in the special economic zone. The investor needs to collect the application form from BIDA and submit the filled-up form along with supporting documents to the respective department of BIDA.

Bangladesh Export Competitiveness

Bangladesh, despite being a least developed economy, has a proven record in export competitiveness. Here is a summary of the facts. From 2003 to 2017 Bangladesh achieved annual export value growth of 19.6%, a testimony to its export competitiveness. Whilst not wishing to be complacent, and being mindful of difficult global trade conditions in 2008-2010, these positive trade differentials are likely to be with Bangladesh well into the future.

Competitive Cost Base

In January 2010, JETRO conducted a comparative survey of investment related costs in 29 major cities and regions in Asia. The following comparison is based on that survey with some selected cities. Bangladesh offers a truly low competitive cost base. Wages and salaries are still lowest in the region, a strong business advantage. Yet this is an increasingly well-educated, adaptive and peaceful population with many skilled workers.

1. Dhaka's skilled labor cost base is still less than the other major cities.
2. Dhaka's management grades are 2-3 times less than Singapore, Shanghai, and Bangkok.
3. Industrial estate rent in Dhaka is cost effective than Shanghai, Jakarta, Bangkok.
4. Office rents are also very competitive with other international cities.
5. House rent in Dhaka for foreigners is less than Singapore, Mumbai, Karachi, and Hanoi.
6. Diesel in Dhaka is competitively priced than most other big cities.
7. Vehicles increasingly use LPG as Dhaka gasoline costs are competitive compared to other cities of the world.

Fiscal and non-fiscal incentives:

Bangladesh offers some of the world's most competitive fiscal/ non-fiscal incentives, like:

1. Remittance of royalty, technical know-how and technical assistance fees.
2. Repatriation facilities of dividend and capital at exit.
3. Permanent resident permits on investing US$ 75,000 and citizenship on investing US$ 500,000.

Source: http://bida.gov.bd

3.1.11. Challenges

The FDI plays an important role in the economic development of Bangladesh in terms of capital formation, output growth, technological progress, exports and employment. But the inflow of FDI is not smooth at all in Bangladesh. The factors which are:

- Regulatory Uncertainty. Bangladesh's business climate highlights high regulatory uncertainty, which demotivates foreign investors to enter the country.
- Absence of Adequate Policies. Policies must not only concentrate on process oriented but outcome oriented. Need transparent and predictable set of rules.
- Non export oriented FDI.
- High taxation and VAT Policies
- BIDA as the lead agency to gather, organize and coordinate with other agencies which could not be reflected in the Ease of Doing Business Index. Open government and High-Level coordination are necessary
- The country is suffering from inefficiency of state-owned entities in telecommunication, energy, ports, aviation, railways, banking and many other sectors. All these sectoral inefficiencies push the Total cost of local and foreign businesses extensively high.
- Absence of Autonomous Regulatory Bodies. Bureaucratic structure makes the process more cumbersome and slows down the speed of transaction
- Decentralization of powers and authority and role of private sector
- Governance issues
- Inconsistent Policy Implementation regarding coordination, cooperation and collaboration of relevant agencies which is still unclear and sometimes creating less business environment

- Administrative coordination problem. Policies and the implementation processes are not materialized simultaneously because of lack of administrative communication and coordination among the government agencies. This situation results in high business costs and hassles for investors.
- Time wasting customs processing and low Logistic Performance Index

3.2. Sri Lanka: Foreign Direct Investment (FDI) Policy

According to UNCTAD's 2020 World Investment Report, FDI inflows to Sri Lanka have decreased from the record level of USD 1.6 billion in 2018 to USD 758 million in 2019 while FDI stock exceeded USD 13 billion. Infrastructure, particularly posts and communication, absorbed a significant portion of inflows to the country. Manufacturing, IT, tourism and infrastructure recorded the highest growth rates. Competition between China (in energy sector) and India (in telecom) is growing and currently benefiting Sri Lankan economy. The country's largest investors are China (16%), the Netherlands (13%), India (13%), Singapore (8%) and Malaysia (7% - data Central Bank of Sri Lanka). China has invested ever-increasing sums into the country, notably through the Exim Bank of China. Current projects will reach USD 6 billion and include creating a free zone, a project for a ship handling centre and the construction of an airport. Moreover, in 2019 the Board of Investment of Sri Lanka announced that an overseas joint venture had committed USD 3.85 billion to a new oil refinery, marking the single largest foreign investment in the country's history. The refinery is expected to produce 200,000 barrels a day and to be operational within four years. In early 2021, India's biggest private port operator Adani Ports obtained a letter of intent from Sri Lankan authorities to build and operate the West Container Terminal of Colombo Port for 35 years, with the project cost being estimated at around USD 750 million. According to preliminary figures by the Central Bank, FDI to Sri Lanka has fallen to USD 528 million up to the third quarter of 2020, down from USD 793 million in 2019, mostly as a consequence of the COVID-19-induced crisis (which prompted a contraction of 42% in global investment flows - UNCTAD), as well as on the repercussions of the terrorist attacks carried on during Easter 2019, which hindered foreign investor's confidence that greatly affected tourism sector.

Why to invest in Sri Lanka? A number of measures taken by the government to attract FDI (the creation of free zones, reduction of food subsidies and other consumer goods), the country's geographically strategic location near two high-growth regions (India and Southeast Asia), and its tourist potential (which is yet to be fully developed). However, Sri Lanka needs to address transportation shortfalls resulted in inequitable development in some regions, increasing issues of congestion, and safety for women. Moreover, investment in several sectors of the economy remains restricted, and state-owned enterprises distort the economy. Additionally, political uncertainty may undermine investors' overall confidence. Sri Lanka was ranked 99th among 190 countries in gaining one spot compared to the previous year (the World Bank's Doing Business report 2020).

Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars.

- Sri Lanka foreign direct investment for 2019 was $0.76B, a 53.03% decline from 2018.
- Sri Lanka foreign direct investment for 2018 was $1.61B, a 17.58% increase from 2017.
- Sri Lanka foreign direct investment for 2017 was $1.37B, a 53.03% increase from 2016.
- Sri Lanka foreign direct investment for 2016 was $0.90B, a 31.99% increase from 2015.

3.2.1. Services provided by BOI in zones:

- Approval and facilitation for Export / Import Documentation & Recommendation of the expatriate visa –

Engineering approvals such as building plans, site clearance, and issuance of certificate of conformity & provision of dedicated infrastructure facilities such as centralized water and sewerage treatment facilities, Cargo Verification, Advisory service & guidance on industrial relations, fire service with firefighting, monitoring & advisory services, 7 overall security coverage, Environment monitoring, advisory & laboratory services, Day care centers, Sport and recreation facilities, leisure parks- Internal transport facilities, bus terminals - Centralized solid waste handling mechanism - Provision of lands for prospective projects.

3.2.2. Single Window Investment Facilitation Task Force (SWIFT)

Being the investment facilitator, BOI has taken an initiative to improve service delivery by introducing SWIFT which will act as a facilitation arm of investment approvals process and will provide necessary linkages to the relevant line agencies to expedite the project approval process through a function based virtual platform. SWIFT will improve the investor's confidence regarding the compliances and will guide the investor throughout the approval process. Once the project is preliminary approved by the Single Window Investment Approval Committee (SWIAC) and BOI, application will be referred to SWIFT to commence the facilitation process with regard to the line agency approvals. Any project related issue will be referred to the Investment Approval Facilitation Committee (IAFC) for a solution. This initiative has improved the transparency of regulatory processes and simplified the line agencies' process. Twenty-four of the most important line agencies are linked under one platform through this mechanism and have strategically agreed to follow a phased approach to achieve the goal.

3.2.3 Companies' Registration:

The Department of the Registrar of Companies (DROC) enables investors to establish business and other institutions under the relevant acts in accordance with the economic and trade policies of the government of Sri Lanka. In the case of a BOI enterprise, it must be incorporated under the Companies Act No. 7, of 2007 as a joint venture or a sole ownership. Sri Lanka has no restrictions on 100% foreign ownership of a registered company. The DROC offers a web based single window aimed at ensuring one-day service. This web portal allows prospective investors to both initiate the registration of their company and monitor the status of registration as well from anywhere in the world. A foreign investor can register their company in Sri Lanka even if it is based in home country.

3.2.4 Visa Facilitation:

Being the investment promoting agency of the country, the Board of Investment (BOI) plays a vital role in facilitating the companies' smooth business operation in Sri Lanka. As such, BOI recommends to the Department of Immigration and Emigration and Ministry of Industrial Export and Investment Promotion for issuing visas for investors, directors, senior management along with their dependents and skilled workers under identified categories Type of visa like - Entry Visa / Multiple Entry Business Visa - Residence Visa - Extension of Residence Visa - Temporary Visa (maximum 03 months only). Investors and expatriate employees should arrive in Sri Lanka using Entry Visa and within one month from the date of arrival to the country, Entry Visa need to be converted to Residence Visa with the recommendation of BOI. If the applicant leaves the country within the Entry Visa period (One month), Entry Visa cannot be converted to Residence Visa, unless a fresh Entry Visa application is submitted.

Temporary Visa is recommended for contracted technical workers (expatriates) for a period of 3 months for specific assignments after performance evaluation.

3.2.5. Problems and Challenges

- Infrastructure remains constraint to industrial development countrywide. Connective infrastructure alongside roads & highways, commercial water, electricity, high speed rail, existing ports and airports;
- A conducive business environment effected by appropriate policy fixes are vital to spur industrial development. Key business climate constraints like labor laws, tax regulations and time and costs associated with licensing and permits prevail. Sri Lanka is at a disadvantageous position in many of these indicators relative to competitors
- Investment incentive structure such as corporate tax, import duty concession and others;
- Ease of doing business indicators;
- Frequent changes of policies and absence of coordination
- Lack of transparency in the government machinery
- Productivity, R&D and Technology

3.3 Myanmar: Foreign Direct Investment (FDI) Policy

Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars.

- Myanmar foreign direct investment for 2019 was $2.29B, a 77.54% increase from 2018.
- Myanmar foreign direct investment for 2018 was $1.29B, a 67.74% decline from 2017.
- Myanmar foreign direct investment for 2017 was $4.00B, a 22.1% increase from 2016.
- Myanmar foreign direct investment for 2016 was $3.28B, a 19.73% decline from 2015

Since late 1988 the Government has been actively encouraging foreign investment in Myanmar. Its main foreign investment policy objectives are:

1. Adoption of a market-oriented system for the allocation of resources.
2. Encouragement of private investment and entrepreneurial activity.
3. Opening up Myanmar's economy to foreign trade and investment which includes promotion and expansion;
4. exploitation of natural resources which require heavy investment;
5. acquisition of high technology;
6. developing production and services industries involving large capital;
7. creating local employment opportunities;
8. developing of works which would save energy consumption; and regional development.

3.3.1. Incentives

A foreign investor, whether investing through a joint venture or a 100 per cent owned entity, manufacturing goods or providing services in Myanmar under the Foreign Investment Law will be granted an exemption from income tax for three consecutive years inclusive of the year of commencement.

In addition, one or more of the following incentives may be granted by the Myanmar Investment Commission to the foreign investor: Exemption from income tax on the profits of the business kept in a reserve fund and reinvested in the business within one year after the reserve is accumulated.

Accelerated depreciation in respect of machinery, equipment, building or other capital assets used in the business, at a rate approved by the Commission.

Relief from tax on up to 50 per cent of the profits accrued from the export of goods produced in Myanmar. The right to pay foreign employees' income tax and deduct such payments from assessable income. The right to deduct from assessable income expense incurred in respect of necessary research and development carried out within Myanmar. The ability to carry forward and set off losses up to three consecutive years after the year in which the loss is sustained. Exemption from commercial tax on export-oriented commodities. Exemption from customs duty, licensing requirements and internal spare parts and materials used in the business and deemed required by the Commission during the initial period/ period of construction. Exemption from customs duty, licensing requirements and internal taxes on the import of raw materials imported within the first three years of commercial production following startup/ the completion of construction.

In addition to the above incentives:
Foreign investors holding a permit under the Foreign Investment Law are entitled to get lease of land for up to 30 years from the Government and may be exempted from customs duties and internal taxes and from holding an import license form the Ministry of Commerce for the import of certain capital investment items and raw materials.

Also, the Foreign Investment Law guarantees that foreign investment shall not be nationalized and the right of the foreign investor to repatriate " the rightful entitlement of the foreign investor" in foreign currency after the termination of the business.

A permit under the Foreign Investment Law also enables foreign employees of the company resident in Myanmar to repatriate their savings.

3.3.2 Exemption from commercial tax on export-oriented commodities

Exemption from customs duty, licensing requirements and internal spare parts and materials used in the business and deemed required by the Commission during the initial period/ period of construction.

Exemption from customs duty, licensing requirements and internal taxes on the import of raw materials imported within the first three years of commercial production following startup/ the completion of construction.

The incentives actually granted by the Commission to the foreign investor are specified in the permit.

3.3.3 Directorate of Investment and Company Administration (DICA):

The Directorate of Investment and Company Administration (DICA) is the key agency within the Government of the Republic of the Union of Myanmar's Ministry of Investment and Foreign Economic Relations (MIFER). DICA as the primary interface between businesses and the government, is mandated to promote private sector development and boost domestic and foreign investment by creating a conducive investment climate. It acts as:

a). A regulator on investment and companies

b). A company registrar

c). An investment promotion agency

DICA is also responsible for drafting, negotiating and approving bilateral investment promotion and protection agreements and serves as a focal department for all ASEAN investment related affairs.

DICA facilitates both foreign and local investment by providing information, fostering coordination and networks between investors and continually exploring new opportunities in Myanmar that would benefit both the nation and the business community.

To promote business in all areas that benefit Myanmar's ongoing development, DICA acts according to these directives:

1. To explore and evaluate new investment opportunities
2. To seek land space and capital for investment
3. To facilitate mutually-beneficial coordination between investors
4. To priorities Myanmar and its growth and development
5. To promote investment services and products
6. To these ends, DICA provides a wealth of documents and materials to potential investors and keeps them up-to-date:

Ref: Asian Development Outlook (ADO) 2019

3.3.4. Problems and Challenges

- The entry into Myanmar remains difficult, and everything from the physical infrastructure to the legal environment provides challenges for foreign investment that has dampened some of the enthusiasm of eager foreign companies.
- Although there are ambitious transportation infrastructure plans throughout the country in the works with a focus on ports and special economic zones travel remains constrained by an outdated transportation structure.
- This is exacerbated by the severe electricity shortage, lack of infrastructure
- Under the current policy, a foreign company can only lease a building for a year. There is the option to build a factory or office at the foreign company's expense for longer lease terms, but foreigners cannot own the building or the land. They must still lease, and the central government sets the rental rates and retains the option to raise rents at periodic intervals.
- Political instability, finance and banking reform
- Myanmar's legal framework for foreign investment, international arbitration, Investment protection, EU and US Sanctions
- Human rights, Corruption and transparency

3.4 India: Foreign Direct Investment (FDI) Policy

Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of

voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars.

- India foreign direct investment for 2019 was $50.61 B, a 20.17% increase from 2018.
- India foreign direct investment for 2018 was $42.12 B, a 5.38% increase from 2017.
- India foreign direct investment for 2017 was $39.97 B, a 10.1% decline from 2016.
- India foreign direct investment for 2016 was $44.46 B, a 1.02% increase from 2015.

The DPIIT is the nodal Department for formulation of policy of the Government on Foreign Direct Investment (FDI). It is also responsible for maintenance and management of data on inward FDI into India, based upon the remittances reported by the Reserve Bank of India. With a view to attracting higher levels of FDI, Government has put in place a liberal policy on FDI under which up to 100% FDI is permitted under the automatic route in most sectors/activities. Significant changes have been made in the FDI policy regime in recent times to ensure that India remains an increasingly attractive investment destination. The Department plays an active role in the liberalization and rationalization of the FDI policy. Towards this end, it has been constructively engaged in the extensive stakeholder consultations on various aspects of the FDI Policy.

DPIIT is a single point interface of the Government to facilitate investors for FDI through approval process. In this regard a DPIIT administered new portal (http://www.fifp.gov.in) has been created, which will continue to facilitate as the single window clearance of applications which are through approval route. It is the nodal Department for approval in case of Multi Brand Retail trading, Food Product Retail trading, Non-Resident Indian/Export oriented Unit's investments. Cases pertaining to issue of shares against capital goods/machinery/pre-operative and pre-incorporation expenses are also processed by DPIIT.

3.4.1 National IPR (Intellectual Property Rights) Policy

The national IPR Policy lays the roadmap for intellectual property in India. The Policy recognizes the abundance of creative and innovative energies that flow in India, and the need to tap into and channelize these energies towards a better and brighter future for all. The national IPR Policy is a vision document that aims to create and exploit synergies between all forms of intellectual property (IP), concerned statutes and agencies. It sets in place an institutional mechanism for implementation, monitoring and review to incorporate and adapt global best practices to the Indian scenario. This policy shall weave in the strengths of the Government, research and development organizations, educational institutions, corporate entities including MSMEs, start-ups and other stakeholders in creation of an innovation-conducive environment, which stimulates creativity and innovation across sectors, as also facilitates a stable, transparent and service-oriented IPR administration in the country.

The policy recognizes that India has a well-established Trade Related Intellectual Property Rights (TRIPS)-compliant legislative administrative and judicial framework to safeguard IPRs, which meets its international obligations while utilizing the flexibilities provided in the international regime to address its developmental concerns. It reiterates India's commitment to the Doha Development Agenda and the TRIPS agreement.

3.4.2 National Design Policy

The National Design Policy was approved by the Government on 8th February, 2007, which inter-alia, includes:

i. Promotion of Indian design through a well-defined and managed regulatory, promotional and institutional framework.

ii. Setting up of specialized Design Centers of "Innovation Hubs" for sectors such as automobiles and transportation, jewelry, leather, soft goods, digital products, toys and games, which will provide common facilities and enabling tools like rapid product development, high performance visualization, etc. along with enterprise incubation as well as financial support through mechanisms like venture funding, loans and market development assistance for start-up design-led ventures and young designers' design firms/houses.
iii. Formulation of schemes for setting up Design Centers/Innovation Hubs in selected locations/industrial clusters/backward states, particularly in the North east.
iv. Laying special focus on up gradation of existing design institutes and faculty resources to international standards, particularly the National Institute of Design (NID) and its new campuses/centers with a view to spreading quality education in design to all regions of India.
v. Initiation of action to seek "Deemed University" or "University" under section 3(f) of the University Grants Commission Act, status for NIDs, so that they can award degrees or 'B. Des.' and 'M. Des.' instead of just diplomas as at present.
vi. Encouraging establishment of Departments of design in all the Indian Institutes of Technology (IITs) and all the National Institutes of Technologies (NITs) as well as in prestigious private sector colleges of engineering and architectures.
vii. Preparation of a mechanism for recognizing and awarding industry achievers in creating a brand image for India design through award of India Design Mark on designs which satisfy key design criteria like originality, innovation, ergonomic features, safety and Eco-friendliness.
viii. Facilitating the establishment of a Chartered Society for designers (on the lines of institutions of engineers, the institution of Architects., the Medical Council, the Bar Council, etc.), to govern the registration of Design Professionals and various matters relating to standards setting in the profession.
ix. Setting up an Indian Design Council (IDC) with eminent personalities drawn from different walks of life.

The Design Clinic Scheme project being implemented by NID across the country is intended to improve the manufacturing competency of the MSMEs through design intervention to their products and services and to provide them design edge in the global market and hence supports the Make in India programme of the Government of India.

3.4.3 Industrial Park Rating System (IPRS)

To further enrich the system, DPIIT has developed Industrial Park Rating System (IPRS). The Department has released a pilot phase report on "Industrial Park Rating system" enhancing industrial competitiveness. The pilot phase of Industrial Park Rating System (IPRS) considered nominations received from States/UTs and analyzed information/responses received to bring a view on quality and adequacy of industrial infrastructure from Indian perspective. Nominated parks needed to have minimum 25% occupancy. Industrial parks were assessed across 34 parameters under four pillars contributing to development of industrial ecosystem viz., Internal Infrastructure and Utilities, External Infrastructure and Connectivity, Business Support Services & Facilities, Environment & Safety Management.

The Industrial Park Rating System is expected to evolve to deliver the following objectives:
i. Provide information to prospective tenants and compare parks on various choices of identified parameters
ii. Enhance competitiveness of industrial parks and help identify areas of intervention
iii. Recognize best practices and promote competitive spirit among park developers and operators
iv. Identify requisite policy support to be delivered by state/central government for driving competitiveness of the ecosystem.

Going forward, Industrial Park Rating System (IPRS) is proposed to be translated into an annual exercise with wider coverage of industrial parks assessment across parameters relating to the development of industrial ecosystem. The parameters will be updated on an annual basis to address ongoing investor expectation trends and to bring in deeper qualitative assessment feedback including technological invention in order to develop Industrial Park Rating System as a tool that enables demand driven interventions both by policy makers and investors effectively.

3.4.4 IPR (Negotiation and Cooperation)

DPIIT is the nodal department for administration of various laws related to IPR in the country such as Patents, Trade Marks, Industrial Designs, Geographical Indications of Goods, Copyrights, and Semiconductor Integrated Circuits Layout Designs. Being nodal Department for IPR related matters, DPIIT has been vetting number of Memorandum of Understanding (MoUs) /Memorandum of Cooperation (MoCs) / Memorandum of Agreement (MoAs)/Cabinet Notes/Non-Disclosure Agreement (NDAs) etc. entered into by various Ministries/ Departments of Government of India from IPR angle. The negotiations on IPR Chapter under various International Trade Agreements are also done by DPIIT. Besides, DPIIT is also the nodal department for matters related to World Intellectual Property Organization (WIPO).

In pursuance of the National IPR Policy 2016, a specialized professional body/Cell for IPR Promotion and Management (CIPAM), was created under the aegis of DPIIT, which has been instrumental in taking forward the objectives and visions of the Policy.

3.4.5 Role and Functions of the Department for Promotion of Industry and Internal Trade

The Department for Promotion of Industry and Internal Trade (DPIIT) has been given charge of matters related to e-commerce, Internal Trade, welfare of traders and their employees and Startups. The role of DPIIT is to promote/accelerate industrial development of the country by facilitating investment in new and upcoming technology, foreign direct investment and support balanced development of industries.

According to the Allocation of Business (AOB) Rules, as updated, the Department is responsible for determining the Industrial Policy at Central Government level, including the following matters:

i. Productivity in Indian industry
ii. Industrial Management
iii. Matters related to e-Commerce and start-ups
iv. Facilitating Ease of Doing Business (EoDB)
v. Promotion of internal trade including retail trade, welfare of traders and their employees, and
vi. Administration of Industries (Development and Regulation) Act, 1951, grant of Industrial Licenses (IL) and acknowledging Industrial Entrepreneurs Memorandum (IEM).

It handles matters related to protection of Intellectual Property Rights (IPR) in fields of Patents, Trademarks, Copyrights, Industrial Designs and Geographical Indications of Goods and administers Acts, Regulations and Rules. The department also handles matters related to Foreign Direct Investment (FDI) and investment by NRIs, and undertakes promotion of investment for industrial development of the country. There are five territorial divisions for international cooperation and industrial promotion handling matters emanating from America, Europe, CIS countries, Africa and Middle East, Asia and Oceania.

The Department is responsible for promotion and development of sectors related to Cables, Light Engineering Industries, Light Industries, Light Electrical Engineering Industries, Paper & Newsprint, Tires & Tubes, Salt,

Cement, Ceramics, Tiles & Glass, Leather Goods Soaps & detergents and Industries not covered by other Ministries/Departments.

3.4.6 Make in India (MII)

Make in India initiative was launched in 2014, along with action plans for 25 sectors with the objective of facilitating investment, fostering innovation, building best in class manufacturing infrastructure, making it easy to do business and enhancing skill development. The initiative is further aimed at creating a conducive environment for investment, modern and efficient infrastructure, opening up new sectors for foreign investment and forging a partnership between government and industry through positive mindset.

MII initiatives have made significant achievements and have been reviewed now, focusing on 27 sectors under Make in India 2.0. DPIIT is coordinating action plans for 15 manufacturing sectors, while Department of Commerce is coordinating action plan for 12 service sectors.

DPIIT is making continuous efforts for Investment Facilitation including utilizing the services of Invest India and implementation of MII action plans to identify potential investors. Support is being provided to Indian Missions abroad and State Governments for organizing events, summits, road-shows and other promotional activities to attract investment in the country under the MII banner. Investment Outreach activities are being carried out for enhancing international co-operation for promoting FDI and to improve Ease of Doing Business in the country.

3.4.7 Project Monitoring Group (PMG)

Project Monitoring Group (PMG) under DPIIT is an institutional mechanism for resolving of issues and bottlenecks and fast tracking the setting up and commissioning of large infrastructure projects in Public and Private sectors.

Any investor facing delays or bottlenecks in the execution of a project with an estimated value of Rs. 500 crore and above can raise them on the PMG portal, which in turn takes them up with the concerned authorities in the Central or State Governments, until the issues are settled.

Since its inception, PMG has received more than 4000 issues in respect of 1067 projects and unlocked anticipated financial investment of approx. Rs. 32.00 lakh crore. Of these, 340 project have been partly/fully commissioned with actual flow of investment amounting to Rs. 11.66 lakh crore approx. till 13.1.2020, while 236 projects worth Rs. 8.50 lakh crore were under construction.

3.4.8 Invest India

Invest India has been set up as a non-profit Joint Venture Company consisting DPIIT, Federation of Indian Chambers of Commerce & Industry (FICCI), CII, NASSCOM and various State Governments. Invest India is the National Investment Promotion and Facilitation Agency of India and acts as the first point of reference for investors in India. Invest India is transforming the country's investment climate by simplifying the business environment for investors. Its experts, specializing across different countries, Indian states and sectors, handhold investors through their investment lifecycle – from pre-investment to after-care. Invest India provides multiple forms of support such as market entry strategies, deep dive industry analysis, partner search and location assessment policy advocacy with decision makers.

3.4.9 Public Procurement

The Public procurement (Preference to Make in India) order 2017 (PPP-MII Order) had been issued on 5th June, 2017 pursuant to Rule 15.3(iii) of the General Financial Rules, 2017 as an enabling provision to promote domestic value addition in public procurement. This Order is applicable for procurement of goods, services and works (including turnkey works) by a Central Ministry/Department, their attached/subordinate offices, autonomous bodies controlled by the Government of India and Government companies as defined in the Companies Act. Under the PPP-MII Order, a Standing Committee, headed by Secretary, DPIIT has been constituted to review the implementation of order. A Public procurement Cell has been created in the Department to monitor the grievances received for violation of PPP-MII order. 19 Nodal Departments have been designated for notifying minimum local content for the relevant product.

3.4.10 Ease of Doing Business (EODB)

In order to improve the business environment, DPIIT has taken up a series of measures to simplify and rationalize the regulatory processes (registration and inspection processes) and introduce 'information technology' as enabler to make governance more efficient.
India ranks 63rd in the World Bank's annual Doing Business Report (DBR) 2020 as against 77th rank in the DBR 2019 registering a jump of 14 ranks. The DBR ranks countries on the basis of Distance to Frontier, an absolute score that measures the gap between India and the global best practice on 10 specified indicators. India's absolute score improved from 67.32 in DBR 2019 to 71.00 in DBR 2020. The ease of doing business index is meant to measure regulations directly affecting business and a nation's rank is based on the average of 10 indicators viz. starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across border, enforcing contracts and resolving insolvency.

3.4.11 Start-up India

Startup India is a flagship initiative of the Government of India, intended to catalyze startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. The Startup India Action Plan was launched on 16th January, 2016 with the objective of supporting entrepreneurs, building up a robust startup ecosystem and transforming India into a country of job creators instead of job seekers. DPIIT acts as the nodal Department for coordinating the efforts of all central governmental departments and state governments in carrying this plan forward.

3.4.12 Productivity and Quality

DPIIT is the nodal department for the promotion of productivity and quality in the industrial sector. The National Productivity Council (NPC) represents India in the Tokyo based Asian Productivity Organization (APO), of which the Government of India is a founder member and implements APO programmes/activities relating to India. NPC undertakes productivity augmentation through domain specific consultancy, training, workshops, seminars and conferences for Government, Public and Private sectors, Productivity related research, Monitoring & Evaluation of various government schemes & projects and information dissemination through collaboration with APO.

The Quality Council of India (QCI), another important organization under this Department, promotes adoption of quality standards relating to Quality Management Systems (ISO 9001 Series), Environment Management Systems (ISO 14001 Series), Food Safety Management Systems (ISO 22000 Series), Product certification and inspection

bodies through the accreditation services provided by National Accreditation Board for Certification Bodies (NABCB). Besides NABCB, there are four other boards viz. National Accreditation Board for Education & Training (NABET); National Accreditation Board for Hospitals and Healthcare Providers (NABH); National Accreditation Board for Testing and Calibration Laboratories (NABL); and National Board for Quality Promotion (NBQP), which provide accreditation certification on education, health and quality promotion respectively.

United Nations Industrial Development Organization (UNIDO) Activities

DPIIT is the nodal Department for all matters related to UNIDO operations in India. UNIDO is a specialized agency of the United Nations for industrial activities within the United Nation's system. India has been an active member of the organization since its inception. UNIDO has established its presence in India by means of following centers/offices with different mandates viz.

i. UNIDO Regional Office (URO) which is headed by UNIDO Representative (UR to India and Asian region and
ii. International Centre for Inclusive and Sustainable Industrial Development (IC-ISID), New Delhi

The URO, set up in New Delhi or 1st January 2000, covers seven countries - India, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives and Afghanistan and acts as a focal point to mobilize knowledge, information and technology for the region.

UNIDO and DPIIT have worked on the preparation of the UNIDO Country Programming Framework 2018-2022. It is foreseen to continue and expand the ongoing work in regards to competitive and resilient MSMEs and climate, environment and resource solutions, complemented with new results areas in regard to inclusive value chains and responsible business and strategy for industrial transformation. These areas support the aims and objectives of the 2017 Industry Policy discussion paper of DPIIT and are aligned with the United Nations Sustainable Development Framework, agreed upon for 2018- 2022 between the United Nations in India and the Government of India, through NITI Aayog.

DPIIT has established a new Centre, IC-ISID (International Centre for Inclusive and Sustainable Industrial Development) in collaboration with UNIDO after successful completion of UCSSIC and ICAMT. The Centre started its operation from 1stMay 2015. The IC-ISID echoes the theme of UNIDO's post- 2015 development agenda i.e., Inclusive and Sustainable Industrial Development which aims to bring the best practices and new & improved manufacturing technology to Indian Industry and share India's experience in cluster-based development within the framework of South- South Cooperation. DPIIT has undertaken 4 core projects under IC-ISID related to Leather, Pulp & Paper, Cement and Bicycle Sector. Out of these the Cement and Leather projects have been completed.

Government of India is developing Industrial Corridors with the objective of fast-tracking growth and facilitates development of a well- planned and resource - efficient industrial base served by world-class sustainable connectivity infrastructure, bringing significant benefits in terms of innovation, manufacturing, job creation and resource security to the nation. DMIC Project is the first Industrial Corridor which is being implemented in the country. For coordinated and unified development of industrial corridor projects, government of India approved expansion of the scope of existing DMIC Project Implementation Trust Fund (PITF) and re-designated it as National Industrial Corridor Development and Implementation Trust (NICDIT).
Presently, following 5 Industrial Corridors have been undertaken for development:

1. Delhi Mumbai Industrial Corridor (DMIC);
2. Chennai Bengaluru Industrial Corridor (CBIC) with extension to Kochi via Coimbatore;
3. Amritsar Kolkata Industrial Corridor (AKIC);

4. East Coast Economic Corridor (ECEC) with Vizag- Chennai Industrial Corridor (VCIC) Project as part of phase- I.
5. Bengaluru Mumbai Industrial Corridor (BMIC).

The National Medical Devices Promotion Council will have the following objectives and activities:

i. Act as a facilitating and promotion & developmental body for the Indian MDI.
ii. Hold periodic seminars, workshops and all related networking activities to garner views of the industry and understand best global practices in the sector and deliberate on various parameters for inclusion in the industrial and trade policies in medical devices.
iii. Identify redundant processes and render technical assistance to the agencies and departments concerned to simplify the approval processes involved in medical device industry promotion & development.
iv. Enable entry of emerging interventions and support certifications for manufacturers to reach levels of global trade norms and lead India to an export driven market in the sector.
v. Support dissemination and documentation of international norms and standards for medical devices, by capturing the best practices in the global market and facilitate domestic manufacturers to rise to international level of understanding of regulatory and non-regulatory needs of the industry.
vi. Drive a robust and dynamic Preferential Market Access (PMA) policy, by identifying the strengths of the Indian manufacturers and discouraging unfair trade practices in imports; while ensuring pro-active monitoring of public procurement notices across India to ensure compliance with PMA guidelines of DPIIT and Department of Posts (DoP).
vii. Undertake validation of Limited Liability partnerships (LLPs) and other such entities within MDI sector, which add value to the industry strength in manufacturing to gain foot hold for new entrants.
viii. Make recommendations to government based on industry feedback and global practices on policy and process interventions to strengthen the medical technology sector, including trade interventions for related markets.

3.4.13 E-Commerce

Department for Promotion of Industry and Internal Trade (DPIIT) is responsible for matters related to E-Commerce, including formulation of e-commerce policy, conduct and follow the recommendations of the Standing Group of Secretaries (GoS) on e-commerce, stakeholder interactions, inter-departmental coordination on cross cutting aspects of e-commerce and analysis of discussion papers thereof. The draft National e-commerce Policy was placed in public domain on February, 23, 2019 for receiving stakeholder's comments and so far about 120 comments have been received on the same.

This Department is also responsible for putting forward India's position at international forums such as WTO, G20, India- Peru Trade Negotiations, Shanghai cooperation Organization (SCO) etc and was the negotiating lead for e-commerce at the Regional Comprehensive Economic Partnership (RCEP).

https://www.investindia.gov.in/foreign-direct-investment

3.4.14. Problems and Challenges

- A restrictive FDI regime, high import tariffs, exit barriers for firms, stringent labor laws, poor quality infrastructure, centralized decision-making processes, and a very limited scale of export processing zones make India an unattractive investment location.
- Political insecurity of the nation.
- Infrastructure, Equity, very important among the major challenges facing larger FDI, is the need to speed up the implementation of policies, rules, and regulations. The fundamental part is to keep the implementation of

policies in all the states of India at par. Thus, asking for equal speed in policy implementation among the states in India is important.

3.5 Vietnam: Foreign Direct Investment policy

Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars.

- Vietnam foreign direct investment for 2019 was $16.12B, a 4% increase from 2018.
- Vietnam foreign direct investment for 2018 was $15.50B, a 9.93% increase from 2017.
- Vietnam foreign direct investment for 2017 was $14.10B, a 11.9% increase from 2016.
- Vietnam foreign direct investment for 2016 was $12.60B, a 6.78% increase from 2015.

In 1987 Foreign Investment Law was promulgated by the Vietnamese government. Since then, various measures have been taken to increase the attractiveness of Vietnam for FDI. Since 1990 the private sector is allowed to participate in FDI projects. An important change in the law was made in December 1992 which simplified access to licenses for FDI and reduced restrictions on FDI. Apart from the legal steps taken, the macroeconomic and political development were probably also very important to stimulate FDI. Notable are first of all the successful stabilization policy and the settling of conflict by the end of 1991. The increasing liberalization e.g., of foreign trade certainly has contributed to the confidence of foreign investors, as has the gradual privatization. Until now, FDI projects have needed to get approved by several authorities. The license specifies, among other things, planned investment capital, business activity and location. While this process has been increasingly improved by reducing the number of authorities and simplifying procedures, the bureaucracy is still considered as a hindrance and cause for failure of projects. In reacting to these criticisms Vietnam has established a "one-stop agency" i.e., a single agency acting as intermediary between investors and authorities. The key point is that Vietnam is open for FDI in all economic sectors. At present there are no restrictions on minimal capital investment requirement and no restriction on the share of ownership for foreigners. There are also no restrictions on repatriation of profits or dividends and the Vietnamese government guarantees not to nationalize foreign assets or place restrictions on the control and management of enterprises. Also, various investment incentives are granted. Vietnam offers tax holidays for two years which can be followed by another two years of half of the regular tax rate. In priority sectors the corporate income tax is lowered to 10-15% for FDI. To encourage reinvestment of profits, enterprises are refunded the profit taxes for reinvested funds. Likewise, companies with foreign capital need not to pay import duties on raw materials and other inputs or components used for export-oriented production. The same is true for machinery and equipment imports. License requirements for FDI projects were eased which is a considerable advantage because of the long delays often caused by the rather restrictive policy on imports. The major constraints on FDI projects are concerning labor markets and land use. Recruitment of labor must be made through local government labor offices or labor supply companies. The investors have to pay comparatively high fees for the intermediaries. There is also some pressure to use domestic labor if the necessary skills are available.

Additionally, there minimum monthly wage rate has increased from about $30 (1996) to $50 per month (2012). Land rights have been restricted for foreign investors; they enjoy the right to use land but cannot buy the land. Only state-owned companies are allowed to use land rights as part of their capital contribution to foreign joint ventures. This explains the high number of joint ventures formed between foreign firms and SOEs. Usually, the SOE has

brought in land or other rights subject to bureaucratic restrictions while the foreigners participated with capital and management know-how. To attract foreign investors and avoid some of the above restrictions, Vietnam has established the Tan Thuan Export Processing Zone (EPZ) with the total area of 300 ha in 1991. It has attracted 139 foreign investors, primarily Taiwan and Japan enterprises, in 6 years of operation. More than 100 licenses have been issued in this zone with a total capital of US $482 Million. After Tan Thuan EPZ's good results, Vietnam has set up other 25 industrial parks. Dung (1996) compares the investment environment in Vietnam with other Asian countries, especially Indonesia. He concludes that Vietnam's investment incentives are similar to those of other countries like Indonesia, Malaysia, Philippines, Singapore or Thailand while some differences in detail (i.e., tax holidays, corporate tax rates, reduced taxes for R&D expenditure or import duties) exist. Lei (1994) compares reforms in Vietnam with China and finds no significant differences with respect towards FDI. Summarizing, Vietnam is trying to promote FDI as a means of development since the beginning of the reforms. Nevertheless, foreign investment policy - like trade policy - can be charactered by a gradualist approach. The Vietnamese government has tried to learn from experiences in order to improve mistakes, while at the same time trying to keep the control.

FDI in Vietnam has grown by a factor of 10 over the past decade. During that period, low labor costs and government incentives were the major driving factors for foreign investors and still continue to be so.

As of June 2018, total registered FDI in Vietnam reached US $ 331.2 billion, while disbursement totaled US $ 180.7 billion. Manufacturing and processing accounted for 57.1 percent of the foreign investments at US $ 189 billion, followed by real estate at US $ 56.2 billion, accounting for 17 percent of the total. The FDI sector in Vietnam currently accounts for around 22 percent of the GDP and 70 percent of the exports. The sector has been responsible for almost 3.7 million direct and 5-6 million indirect jobs in Vietnam.

3.5.1 Challenges

The lack of skilled labor and low local supply chain integration are the two major challenges in the country for which the quality of investments in the country hasn't improved in the last 10 years. Low-cost labour and government incentives continue to remain the major determinants of FDI in Vietnam.

Despite the negative socio-economic consequences of COVID-19, Vietnam is one of the few countries that recorded positive economic growth in 2020. As per the General Statistics Office (GSO) Vietnam's GDP increased by 2.91 percent in 2020. This reflects two key factors: the relative success in containing the health and business risks of the pandemic, and the ability of the country to keep investor's confidence high.

As per the GSO, industrial activity in 2020 expanded by 3.3 percent. Sub-sectors such as construction, utilities, and manufacturing all recorded positive growth rates. On the other hand, services were negatively impacted by mobility constraints and reduced spending. For instance, the transportation and hospitality sector contracted by 1.8 percent and 14.6 percent respectively. Therefore, in 2020 the economic growth of 2.91 percent was asymmetrically distributed.

Apart from asymmetric gains, another key component of Vietnam's 2020 economic growth has been the role of foreign capital in the country. FDI project value in the first 11 months of the year was estimated at US $ 17 billion, bringing the total accumulated FDI stock value to US $ 382 billion across 32,915 projects.

3.5.2 Experiences of Vietnam in FDI Promotion:

Since 1986, Vietnam has carried out various measures to attract foreign direct investment (FDI), in line with deepened integration into the regional and world economies. The legal framework for FDI entry into the country has improved since 1987, with the promulgation of and numerous amendments to the Foreign Investment Law, alongside other legal-economic reforms concerning trading rights, the tariff and non-tariff barriers, etc. These structural and procedural changes facilitated FDI inflows to Vietnam, though such inflows varied during different periods. There are, however, some concerns about the effectiveness of recent FDI inflows, particularly regarding the low ratio of implemented capital over registered capital, and the State's limited ability to manage capital inflows. Vietnam also took some practical steps, and experienced a string of success, in various aspects of FDI promotion – such as the introduction of export processing zones and industrial zones, the supply of infrastructure facilities, the delegation of FDI management authority to local governments, and the dialogue mechanism with the Government of Japan to support FDI operations.

Key lessons from FDI promotion in Vietnam include: (i) the use of proper policies to support FDI promotion; (ii) greater focus on establishing a liberal neutral environment; (iii) provision of necessary conditions for the effective decentralization of FDI management; (iv) promotion of supporting industries; and (v) closer consultation with existing and potential investors.

Learning from Vietnam's experience, Bangladesh needs: (i) an integrative and comprehensive policy agenda towards FDI promotion; (ii) a broad framework for economic reforms that accommodate viable FDI strategies; (iii) an approach to FDI that incorporates elements of gradualism and selectivity; and (iv) a stable, transparent, and predictable policy and economic environment.

Vietnam started the DoiMoi (Renovation) reform process in 1986, with the aim of transforming the economy from a socialist model into a market-oriented one. Since then, market production of goods and private ownership (including foreign ownership) of property have been recognized and encouraged. Institutional changes aiming to improve the microeconomic foundations of Vietnam's burgeoning market economy and macroeconomic stabilization have been among the key focal points of the Government. Vietnam also adopted an "open-door policy", pursuing pro-active integration into both the regional and global economies. Such an approach is considered an important pillar for socio-economic development at the national level. In line with pro-active economic integration, Vietnam has carried out various measures to attract foreign direct investment (FDI) flows. These infusions are essential to equip Vietnam with much-needed capital, technology and management expertise in the country's early stages of economic development.

The adopted measures have a rather wide scope, ranging from the provision of a legal framework to other supporting statutes to improve the domestic investment environment. For instance, the Law on Foreign Investment was first introduced in 1987 and subsequently has been revised several times, reflecting the improvement of legal framework for FDI attraction in Vietnam. At the same time, the country gradually has relaxed restrictions on foreign trade, regulations on registration procedures, access to land, capital and foreign exchanges, and initiated tax incentives to promote greater presence of foreign-invested enterprises, whilst improving the business environment. Institutional efforts also were made to create a more level-playing field for foreign and domestic enterprises. Nevertheless, these attempts have failed to achieve uniformity and regularity, thereby leading to significant variations of FDI inflows to Vietnam.

This paper aims to summarize Vietnam's experience in FDI promotion from the late 1980s until today. As a result, a literature-survey-based methodology has been adopted, drawing on published material dealing with Vietnam's FDI policy improvement and actual outcomes of the Government's "open door" approach. The paper simultaneously focuses on some selected aspects, namely the introduction of 132 export processing zones and industrial zones, the decentralization of FDI management, improved access to infrastructure facilities, and the Vietnam-Japan dialogue mechanism to facilitate operations of foreign-invested firms. On that basis, the paper summarizes several lessons from Vietnam's experiences in FDI promotion that can assist Bangladesh in its current economic restructuring and surfacing as a newly emerging market. 2. Policies of FDI Promotion and FDI Inflows to Vietnam 2.1 Policies of FDI Promotion in Vietnam Since the inauguration of DoiMoi in 1986, Vietnam has been pro-active in its pursuit of regional and global economic integration. In actualizing such a transformative process, attracting FDI is among the crucial measures. Along with the country's official adoption of a multi-ownership economy, FDI is critical for national development. Indeed, the promulgation of the Foreign Investment Law in 1987 clearly reflected its importance to the Government of Vietnam.

The Law subsequently has undergone four revisions in 1990, 1992, 1996 and 2000. These revisions were implemented so as to increase the rights of foreign investors, to make the investment environment more favorable, and to narrow the policy gap between foreign and domestic investors. The improvements were comprehensive, ranging from registration procedures and the decentralization of investment licensing to land access, trade policy, foreign exchange control, and tax policies. These improvements were induced by such factors like the performance of the FDI sector, changes in the awareness of and views towards the FDI sector, competitive pressures in attracting FDI, and international commitments regarding foreign investment. Notably, the revisions of 1992, 1996 and 2000 were more drastic, The Investment Law of 2005 went even further by establishing a more level investment environment for all investors, whilst simplifying the registration procedures 133 for foreign investment. Accordingly, the Central Government has delegated increasingly more the functions and tasks related to FDI promotion and management to both provincial and municipal government authorities. Those FDI projects with a capital scale of less than VND 300 billion, which are not on the List of Conditional Investment Areas, are delegated to the provinces and cities. As the Law serves to prepare Vietnam for eventual accession into the World Trade Organization (WTO), it also abolishes the requirements for FDI enterprises to procure inputs from domestic sources, to fulfill certain export ratio, and to ensure certain localization rate. More equal treatment was also incorporated in the unified Enterprise Law in 2005, which set out the legal framework for enterprises of all ownership types. Specifically, FDI enterprises were adjusted by almost the same regulations on business registration, operations, selection of unconditional investment areas, and autonomy in business decisions.

Vietnam has attempted to facilitate trade expansion and attract FDI by laying the legal foundations for such activities. Entry into overseas markets and engagement in foreign trade, previously restricted to state-owned enterprises (SOEs), has been gradually relaxed for the private sector since 1989. In 1998, all enterprises in Vietnam – public and private – were allowed to trade most goods registered in business licenses without export/import licenses. Since 2001, this right has become available for all legal entities (including enterprises with foreign capital). Non-tariff barriers (NTBs) were a key component of Vietnam's trade policy until the early 1990s, when the so-called tariffication process was installed gradually and replaced the country's NTB regime. This has been a significant development. Vietnam progressively has phased out quantitative restrictions on imports, whilst relaxing foreign exchange controls. Currently, NTBs are applicable as tariff quotas on a limited range of agricultural products only. To further promote trade and FDI, Vietnam also employed a pro-active open-door policy and embarked on increased global economic integration. In 1995, Vietnam joined the Association of Southeast Asian Nations (ASEAN) and signed the Framework Agreement on Cooperation with the European Union (EU). The process of economic 1 The experience related to delegation of FDI management will be discussed in greater detail in Section 2. 2 The foreign exchange surrender rate was reduced steadily from 50% in 1999 to 0% in 2003 for all

economic entities. 134 restructuring slowed down during the 1997-1999 period due to the East Asian monetary/financial crisis. Nonetheless, the years since 2000 have seen strong investment and trade liberalization as well as deeper integration into the global economy. Infusing market economy principles into a predominantly socialist economy took place most rapidly during this period. Vietnam signed a bilateral trade agreement (BTA) with the US in 2000 that came into effect in 2001. The country also became member of the WTO as well as a signatory to various free trade agreements (FTAs) under the ASEAN umbrella, such as those with China, South Korea, Japan, Australia, New Zealand, and India. This integration process has helped to broaden market access for enterprises operating in Vietnam (including FDI ones), whilst affirming the commitment of the Government of Vietnam to domestic economic reforms. Eventually, deeper integration heightens the attractiveness of the country's investment environment, thereby appealing more to foreign investors.

Overall, Vietnam has made significant attempts to reform its trade and FDI policies, and to enhance their role as drivers of economic growth. Such changes were not instigated separately; instead, they took place in concert with wide-ranging domestic structural and institutional reforms. These reforms improved the efficiency and capacity of enterprises, and required trade and FDI corrections to broaden the opportunities for such enterprises. Conversely, the changes in Vietnam's trade and FDI regime, together with economic integration, particularly after accession to the WTO in 2007, have revealed further weaknesses of the economy that necessitate bolder domestic reforms. Thus, FDI promotion is induced not only by FDI policy, but by the interactions of such policy with trade policy reforms and other domestic reforms as well.

This section attempts to unravel some practical experiences of FDI promotion in Vietnam. In doing so, the section focuses on the introduction of export processing zones (EPZs) and industrial zones (IZs), the supply of infrastructure facilities to FDI enterprises, the delegation of FDI management to the local government authorities, and the dialogue mechanism between the Government of Vietnam and the Government of Japan to support FDI operations.

3.6. Comparison the FDI Policies of the Five Countries at a Glance

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
Legal Instruments regulating FDI	• 'The Foreign Private Investment (Promotion &Protection) Act. 1980,' which ensures legal protection to foreign investment in Bangladesh • Bangladesh Investment Development Authority (BIDA) Act 2016, OSS Act 2018	• Foreign investment in India is principally governed by the Foreign Exchange Management Act 1999 (FEMA) and the regulations framed thereunder, which consolidate the law relating to foreign exchange in India. To regulate foreign investment. • The Reserve Bank of India (RBI) had published the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 and thereafter the Foreign Exchange Management (Transfer of Issue of Security by a Person Resident outside India) Regulations 2017 (TISPRO 2017) (as amended from time to time), under the FEMA was published on 7 November 2017.	• The law restricts the outright transfer of land to foreign individuals, foreign companies and Sri Lankan companies with over 49 per cent foreign ownership, unless otherwise exempted. • Land (Restrictions on Alienation) Act No 38 of 2014 The Act imposed restrictions on the transfer of lands to foreigners, foreign companies and certain institutions with foreign shareholding. Furthermore, the Act introduced a land lease tax of fifteen per cent which was payable upfront at the time of entering into the lease agreement by the non-resident.	• The legal system of the Union of Myanmar is a unique combination of the customary law of the family, codified English common law and recent Myanmar legislation. The principles of English common and statutory law were implanted in Myanmar by the British law codes of the pre-independence India Statutes. These statutory laws, based on and incorporating the English common and statutory law of the time, include the Arbitration Act, Companies Act, Contract Act, Evidence Act, General Clauses Act, Negotiable Instrument Act, Registration Act,	• FDI Law and Regulation • Sector specific Law • Public Access to Foreign Investment Laws and Policies • Key Institutions for Investment Policy/Rule Making, Implementation and FDI Promotion • Transparency/Consultation in Laws and Regulations • Vietnam does not have a statute that specifically regulates foreign direct investment (FDI), but its law on investment equally applies to both domestic and foreign investors. FDI is further regulated by Vietnam's law on enterprises, sector specific laws and policies, as well as international agreements (alongside the general legal framework that applies to all businesses). • Foreign investors are subject to other sector specific laws and

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
		• Additionally, the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations 2019 (FPI Regulations), read with Schedule II of Rules 2019, permits foreign portfolio investors (FPIs) to invest in equity instruments of an Indian company and specifies the form and manner in which such investment by FPIs in Indian entities can be categorized as foreign portfolio investment or foreign direct investment (FDI).		Sale of Goods Act, Transfer of Property Act, Trusts Act and the Civil and Criminal Procedure Codes. Where there is no statue regulating a particular matter, the Courts are to apply Myanmar's general law, which is based on English common law as adopted and molded by Myanmar case law, and which embodies the rules of equity, justice and good conscience. Where there is no relevant statutory general law on point, the Myanmar Courts are obliged to decide the matter according to justice, equity and good conscience • For smaller investments on where the foreign investor does not wish to go through the Foreign Investment Law	regulations depending on the sector in which the investment is contemplated (such as Law on Credit Institutions, Law on Petroleum, Law on Publishing, and so forth). • The primary legislation governing investments in Vietnam is the Law on Investment No. 67/2014/QH13 (LOI) effective as of July 1, 2015, and its implementing regulation, Decree 118/2015/ND-CP. The LOI regulates business investment activities in the country as well as outbound investments overseas. The Law on Enterprises No. 68/2014/QH13 (LOE), effective as of July 1, 2015, and its implementing regulation, Decree 96/ND-CP also regulate investments in the country by addressing the types of companies and business enterprises permitted to operate in the

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
				procedures, there is an alternative way of doing business in Myanmar, under the Myanmar Companies Act 1914 and Companies Rules 1940.	country, their establishment, governance, permitted activities, liability, and method of operation. • The Law on Promulgation of legislative documents No. 80/2015/QH13 requires all Legislative Documents, including those on foreign investment, to be made public by publishing them in the relevant official gazettes and/or local media channels. • Vietnam maintains a national online database of legislative documents (including foreign investment regulations). • Vietnam has undertaken legally binding international investment commitments through a variety of international investment agreements (IIAs) — signed at the bilateral, plurilateral and multilateral level. • WTO TRIMS Agreement

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
Policies	• Investment Incentives Cost of Components in Peer Cities • Reasons to Invest in Bangladesh • Investment Policy Road Map to Investment Bangladesh • Investment Procedure • One Stop Service Center • Investment Info • Investment Related Laws • All laws, regulations are conducive to investment • Bilateral Investment Treaties (BITs) with 32 countries. • Treaties with Investment Provisions (TIPs) with 04 Regional trade block • Investment Related Instruments (IRIs) with 20 intergovernmental Agreements (MIGA, ICSID, TRIPS Bangladesh is also a signatory to UNCITRAL, OPIC, WAIPA, WIPO and WTO, Multilateral (TRIMs) etc. • Double taxation treaties with 28 countries	• In 2010, the Department for Promotion of Industry and Internal Trade (DPIIT) (earlier known as the Department of Industrial Policy and Promotion) had put in place a policy framework that consolidated the sectoral requirements and other conditions that must be complied with by foreign investors investing in Indian entities (FDI Policy). • The FDI Policy used to be updated every year and amended from time to time and the consolidated foreign direct investment (FDI) policy of 2017 is the last policy framework issued by the DPIIT (Consolidated FDI Policy) •	• FDI is allowed up to 40 per cent of stated capital unless the BOI approves a higher percentage. • Sri Lanka has currently entered into Bilateral Investment Agreements with 28 countries. Sri Lanka has also entered into Double Taxation Avoidance Agreements with 38 countries. • An important guarantee provided to Investors in terms of BITs is that investments of nationals and companies of the other contracting state shall not be subject to expropriation, confiscation or nationalization except for any purpose authorized by law and against adequate, effective and prompt payment of compensation		• International Investment Agreement (Bilateral and Plurilateral)

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
Incentives for FDI	• Open to inward investment • Opportunities in domestic market • Demographic dividend • Bangladesh: South Asia's geo-strategic gateway • Preferential market access • Infrastructure support • Low cost of doing business • Initiatives to foster competitiveness • One stop service (OSS) for investors • Country stability • Secured by law against nationalization and expropriation • Local and Foreign investments are given equal treatment • 100% foreign equity is allowed along with unrestricted exit • 100% foreign equity is allowed along with unrestricted exit **Wholly owned subsidiaries**	• The Indian government has provided many incentives for attracting FDI, such as establishing Special Economic Zones (SEZs) where companies are entitled to certain benefits, exemption from duty on import, income tax exemptions, value added tax (VAT) rebate on export, opening up of many sectors for FDI, etc. • Transparent policy and enforcement of intellectual property rights, level of corruption, contract enforcement and tax regime are among the other important factors. Besides, cost competitiveness, availability of skilled labor force and business climate plays an important role in attracting FDI. • The excellent infrastructure, abundance of cheap and	Zero and reduced Corporate Income Tax rates (for specific sectors) and Enhanced Capital Allowances; based on capital investments made by the investors, effective from 1st April 2018. **Zero percent CIT Rate** Standard CIT Rate – 24% The following sectors enjoy 0% CIT rate from the year of assessment 2019/2020. Agro Farming (w.e.f. 01 April 2019) Information Technology and enabling Services Export of Services Rendered in or outside Sri Lanka. To any person to be utilized outside Sri Lanka and The payment is received in foreign currency and remitted through a bank to Sri Lanka (May include; Commercial Hub Activities: front-end services, headquarter operations, logistic services for exports, Transshipment operations, Freight	Exemption from income tax for up to five consecutive years for an enterprise. Exemption or relief from income tax on profits of a business that are maintained in a reserve fund and subsequently re-invested in Myanmar. SEZs bring a number of benefits to operators, such as exemption from income tax for the first seven years of operation, followed by a five-year 50% relief on income tax. Profits that are reinvested as a reserve fund after that also receive a 50% tax reduction. In addition, there is complete exemption from commercial tax and value-added tax, while Customs duties and other taxes on the importation of raw materials, production and construction machinery, and spare parts are	Investment Incentives in Vietnam are preferential CIT rate, CIT exemptions and reductions. Other incentives include exemption of import duty on equipment, raw materials, supplies and semifinished products, exemption from land use fees. The conditions and requirements for tax incentives are stipulated in the LOI and the CIT regulations. Incentives are available to all taxpayers and are typically claimed through annual tax returns via self-assessment. Import Tax Incentives Exemptions from import duty are granted for certain goods, including the following key categories: • Goods temporarily imported, then re-exported, for the purposes of exhibition; cultural, sport or similar events; product research and development, etc. Incentives on Land Rental the Government supports basic infrastructure throughout the country by granting land rental fee exemption incentives to investment projects engaged in infrastructure construction

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
	Under the 'Companies Act 1994, foreign companies and business entities can establish a fully owned subsidiaries in Bangladesh. The new business entity can be either a private limited or a public limited company. **Joint Ventures** Joint ventures between and foreign companies and Bangladeshi partners are encouraged as well. The equity ownership structure will depend on the amount invested by each party. **Investing in an existing Bangladeshi company** Foreign investors can invest to local companies (except for a few sectors) as there are no restrictions in transferring shares to the foreign investors. They can do regular trading/selling of their shares irrespective of their ownership percentage. **Incentives for Export Businesses**	professional labor, ease of doing business facilities, a strong business ecosystem, low taxes, not-so-strict regulatory compliances and competitive currency practices are the main reasons for the attraction towards India. As a consequence, India became the largest recipient of foreign direct investment (FDI) in Asia. • The efforts of the government to incentivize domestic and foreign investments in sectors where Indian conditions appear to have an advantage, such as smart phones, electronics, medical devises, textiles and synthetic fibers, have been identified. The government has announced three schemes to boost domestic and foreign investment to create a manufacturing hub in India for electronics and	forwarding, Ship repair, ship breaking repair and refurbishment of marine cargo containers) Gains and profits earned from any foreign source in foreign currency and remitted through a bank to Sri Lanka Reduced CIT Rates The following sectors/activities enjoy reduced tax rate of 14% unless comes under the exempted category.	waived as well. Furthermore, the import of trading goods, consignment goods and related items also receive Customs and other fee exemptions.	Land rental fee exemption is also applicable to investments projects for an exemption period of 3 years or up to the whole duration of the project. Details of investment conditions e.g., projects engaged in sectors eligible for investment promotion; projects in areas with difficult socio-economic conditions; projects engaged in building water-supply constructions etc., entitled to the exemption are listed in the relevant regulations. Land rental fee reduction is mainly applicable to investments in agriculture.

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
	✓ Exemption of customs duties on capital machineries ✓ Exemption of import duties on raw material used for producing export goods ✓ Tariff (if paid) refund on import of raw materials for export ✓ Bonded warehousing Facilities for export-oriented industries and for large import for local selling in certain items ✓ The export credit guarantee schemes (ECGS) available in Bangladesh are administered by the Sadharan Bima Corporation (SBC). The ECGS covers the risk/solvency of buyers and political risks inherent in foreign trade. • The export-oriented sectors enjoy cash incentives and the respective rates to be provided are updated every year through	smart phones. In one of the largest incentive schemes to boost the production of mobile phones and their components in India, the government has announced a production linked incentive package of nearly ₹420 billion (S$ 8.75 billion) to be disbursed over five years. This involves an incentive of four to six per cent on incremental sales of goods manufactured locally for a period of five years. • Additionally, two important factors to convert the opportunity into an advantage are the easy and early availability of land and a consistent and flexible policy on labor.			

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
	circulars issued by Bangladesh Bank. • The rate ranges from 2% to 20% given on the FOB value of the export proceeds				
Tax	**Tax Holiday and Tax Exemption** The Corporate Tax Rate in Bangladesh stands at 32.50 percent. source: National Board of Revenue (NBR), Bangladesh • 5 to 10 years of Tax Holiday and reduced tax depending on area. • 100% tax exemption on income and capital gain for certain projects under Public Private Partnership (PPP) for 10 years. Investments in select priority sectors such as Power, enjoy tax exemption for up to 15 years. • 100% tax exemption from software development, Nationwide Telecommunication	Corporate tax is applicable on those entities which have a separate legal entity from its founders and have been formed under the Companies Act, 2013 or any previous Companies Act. Currently the companies with turnover up to ₹ 250 crores have to pay corporate tax @ 25%. Whereas, the companies with a turnover above ₹ 250 crores have to pay corporate tax @ 30%. The corporate tax rate for foreign companies depends upon the tax agreement between India and the origin country of the concerned company. • Companies hire professionals for effective Corporate Tax	Corporate Tax Rate in Sri Lanka is expected to reach 28.00 percent by the end of 2021, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Sri Lanka Corporate Tax Rate is projected to trend around 28.00 percent in 2022, according to our econometric models.	Corporate Tax Rate in Myanmar is expected to reach 25.00 percent by the end of 2020, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Myanmar Corporate Tax Rate is projected to trend around 25.00 percent in 2021, according to our econometric models.	Corporate Tax Rate in Vietnam is expected to reach 20.00 percent by the end of 2021, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Vietnam Corporate Tax Rate is projected to trend around 20.00 percent in 2022, according to our econometric models.

Investment Instrument	Bangladesh	India	Sri Lanka	Myanmar	Vietnam
	Transmission Network or Information Technology Enabled Services. • 50% of income derived from export is exempted from tax • Tax exemption on royalties, technical knowhow and technical assistance fees and facilities for their repatriation. • Tax exemption on interest paid on foreign loan. • In addition to tax holiday and tax exemption mentioned above Bangladesh allows Accelerated depreciation which implies that Industrial undertakings not enjoying tax holiday will enjoy accelerated depreciation allowance. Such allowance is available at the rate of 100 per cent of the cost of the machinery or plant if the industrial undertaking is set up.	Planning. These professionals strategize company financials to reduce the tax and increase profit well within the tax and financial laws.			

SOURCE: BIDA 2020, Vietnam Investment Policy and Regulatory review, World Bank & UK Government, 2019, Investment Policy Review, Sri Lanka, UNCTAD, 2018, The Effect of Myanmar's Foreign Direct Investment Policy on FDIs, International Journal of Accounting and Economic Studies, 2018, Department for Promotion of Industry and Internal Trade Ministry of Commerce and Industry Government of India Consolidated FDI Policy (Effective from October 15, 2020.

Section 4: FDI Inflows in Countries, its growth and ranking

Table-4: FDI Inflows into the cross Countries (USD in Million)

Country Name	2016	2017	2018	2019
Bangladesh	2 003.5	2 454.8	2 580.4	3 889.0
India	44480.6	39903.8	42156.2	50553.0
Sri Lanka	2989.0	4341.0	3554.0	2766.0
Myanmar	897.0	1372.7	1614.0	758.2
Vietnam	12600.0	14100.0	15500.0	16120.0

Source: https://unctad.org/system/files/non-official-document/WIR2020Tab01.xlsx; Foreign Direct Investment and External Debt: Bangladesh Bank 2020

FDI inflow figures of five countries indicate that Bangladesh could attract USD 2 580.4 million in 2018, 3 889.0 million in 2019.

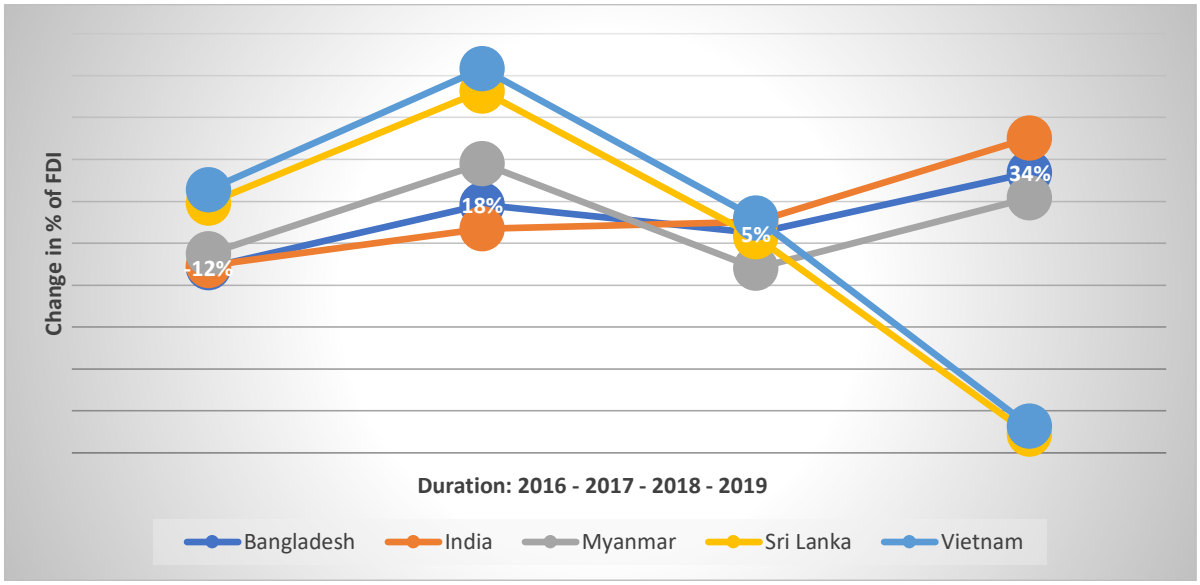
Table- 5: Change in Percentage of growth/fall of the FDI Inflows into the cross Countries (2016-2019)

Country Name	2016	2017	2018	2019
Bangladesh	-12%	18%	5%	34%
India	1%	-11%	5%	17%
Sri Lanka	6%	31%	-22%	-28%
Myanmar	24%	35%	15%	-113%
Vietnam	6%	11%	9%	4%

Source: https://unctad.org/system/files/non-official-document/WIR2020Tab01.xlsx; Foreign Direct Investment and External Debt: Bangladesh Bank 2020

This table shows the change in percentage of growth or fall of the FDI into the countries under study. The figures are in comparison to previous year. In case of Bangladesh, it increased by 34% in 2019 than 2018.

Graph- 1: Change in Percentage of growth/fall of the FDI Inflows into the cross Countries (2016-2019)



Source: https://unctad.org/system/files/non-official-document/WIR2020Tab01.xlsx; Foreign Direct Investment and External Debt: Bangladesh Bank 2020

Table-6: FDI Inflows into the cross Countries (USD in Million)

Country Name	Total (2016-2019)	Each Country Share	FDI Ranking
Bangladesh	10927.8	4.13 %	4th
India	177093.6	66.92 %	1st
Myanmar	13650.0	5.16 %	3rd
Sri Lanka	4642.0	1.75 %	5th
Viet Nam	58320.0	22.04 %	2nd
Grand Total	**264633.4**	100 %	-

Source: https://unctad.org/system/files/non-official-document/WIR2020Tab01.xlsx; Foreign Direct Investment and External Debt: Bangladesh Bank 2020

The table contains total amount of FDI inflow into the cross countries during 2016-2019 period. From the table it is evident that India is ranking top with 66.92% of total FDI inflow while Vietnam ranked 2nd with 22.04% share. While Myanmar is holding 3rd position with 5.16 %, Bangladesh ranked 4th with slightly less than Myanmar. Bangladesh's share is 4.13 %. Among the 5 countries Sri Lanka is in the 5th place with 1.75 % share only.

Table-7: Change in Percentage of Country Share among the study cross countries (2016-2019)

Country	2016	2017	2018	2019
Bangladesh	3.1	3.8	3.8	5.11
India	68.1	62.5	61.6	68.49
Myanmar	4.6	6.8	5.2	3.75

Country	2016	2017	2018	2019
Sri Lanka	1.4	2.1	2.4	1.03
Viet Nam	19.3	22.1	22.6	21.84

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics); Foreign Direct Investment and External Debt: Bangladesh Bank 2020

The above table contains the change in percentage of country share among the countries under study. Here the year-wise figures are presented for the period 2016-2019.

4.1 Major Sources of FDI into the cross Countries

The above table shows the information on major sources of FDI into the cross countries and among the five countries Bangladesh and Vietnam's information is related to 2019, while India and Myanmar's information is related to 2018. No secondary information on Sri Lanka could be retrieved.

Table-8: Major Sources of FDI into the cross Countries

Sl.	Bangladesh (2019)	India (2018)	Myanmar (2018)	Sri Lanka (-)	Viet Nam (2019)
1.	China	Singapore	Singapore	-	Korea
2.	United Kingdom	Mauritius	China	-	Hong Kong, China
3.	Singapore	United States of America	Hong Kong, China	-	Singapore
4.	United States of America	Japan	Thailand	-	Japan
5.	Norway	Netherlands	Viet Nam	-	China
6.	Netherlands	Area not elsewhere specified	Korea, Republic of	-	Taipei, Chinese
7.	United Arab Emirates	United Kingdom	United Kingdom	-	British Virgin Islands
8.	Hong Kong, China	Korea, Republic of	Japan	-	Samoa
9.	India	Cayman Islands	Taipei, Chinese	-	Thailand
10.	Japan	United Arab Emirates	Samoa	-	Netherlands

Source: https://www.investmentmap.org/investment/indicators-by-country

Section 5: Data from Field

Analysis of Data and Findings:

a) The objectives of the studies are to perform a comprehensive study on policy regimes of FDI of the cross countries analysis (Bangladesh, Vietnam, India, Sri Lanka and Myanmar). The study includes information on attracting foreign direct investment, challenges and way forward and evaluate the recent amendment in the FDI policy regime, its overall impact and contribution to the national economic growth in comparison with the regional countries. The field work comprises of numerous field visits, interview with MoC, NBR, BEZA, BEPZA, BIDA, Bank and Custom officials, Dhaka, Chattogram and Khulna Chambers office bearers, Investors at their catchment areas; discussion with the officials of the project, other relevant officials from government and private sectors.

b) Information has been gathered through Survey and KII to provide complete picture on the benchmark situation of the project about the current status of FDI among the five study countries (Bangladesh, Vietnam, India, Sri Lanka and Myanmar). Detailed information has been gathered on the coordination and collaboration among the FDI related agencies in Bangladesh, intra-agency coordination mechanism in and among different international agencies, level of local cooperation between officials of both private and public sectors, bilateral cooperation between neighboring states and regional and multinational cooperation. Besides, pertinent essential information for future impact assessment of the project intervention also been collected. The output of the field data has been presented in tabular form with analysis of the information.

c) Questionnaire Survey and Key Informant Interview (KII) approach has been adopted for collection of primary data. This method is effectively related to the collection of data directly from the target respondents. The field enumerators personally contacted the respondents and obtained desired information by explaining the objectives of the survey to the respondents. Information was collected from the selected respondents from Dhaka, Chattogram and Khulna area.

Table 9: FDI Status of Bangladesh in comparison to other study countries

Principal activities/types of services	Period of providing service							FDI status of Bangladesh in comparison with other countries (India, Vietnam, Sri Lanka and Myanmar)
	1=Less than one year	2=1 to 5 years	3= 6 to 10 years	4=11 to 15 years	5=16 to 20 years,	6=21 to 25 years,	7=more than 25 years	
• Creating economic zones • Export, Import, Accessories Manufacturing • Garments and Textile	1	-	2	-	7	13	38	• Fairly Good Condition • Good Condition • FDI status of Bangladesh is poor compare to

Principal activities/types of services	Period of providing service							FDI status of Bangladesh in comparison with other countries (India, Vietnam, Sri Lanka and Myanmar)
	1=Less than one year	2=1 to 5 years	3= 6 to 10 years	4=11 to 15 years	5=16 to 20 years,	6=21 to 25 years,	7=more than 25 years	
• Membership and making policies for the RMG sector • Maintenance of Shipping • Mobilize economic growth among the rural and urban women • Registration and Certification • Arrange trainings, programs, workshops • Manage the international business and the corporate sectors • Promote legislative and other services for the growth of industries • Travel services								mentioned countries • Not good because of Covid-19 • Vietnam is better than other countries • Vietnam, Sri Lanka and Bangladesh's FDI status is better than Myanmar but not as good as India

From the table it is evident that, respondents of particular public and private organizations mostly active for more than 20 years respectfully providing services related to Export, Import, Garments, creating economic zones, Shipping, Registration and Certification, providing Training and other FDI oriented observed that the FDI condition of Bangladesh in respect to other study countries mostly as Good and Fair. On the other hand, few respondents observed the situation as bad due to the ongoing pandemic COVID-19.

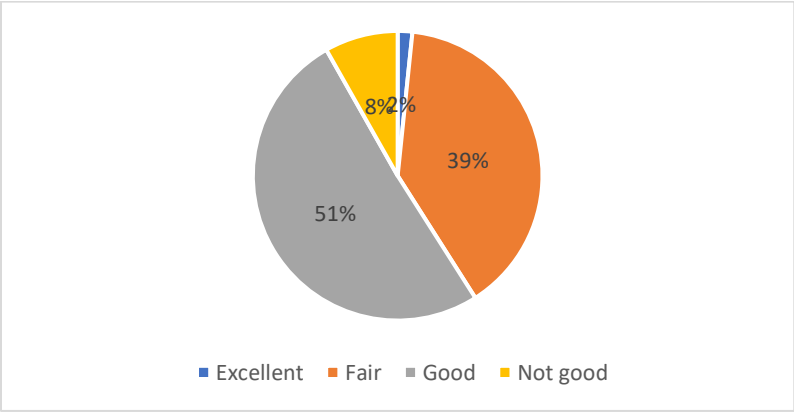
***Details of the respondents have been shown in the Annexure No 5.**

Table 10: Staff Capacity to handle FDI issues

Do your members are capable to provide quality services or time taken is favorable for the ease of doing business?		Do you think that number of staffs is adequate to handle the FDI issues?		If no, then how many staffs are needed to handle the FDI issues?			
Yes	No	Yes	No	1=1-3	2=4-6	3=7-9	4=More than 9
57	4	43	18	-	2	1	15

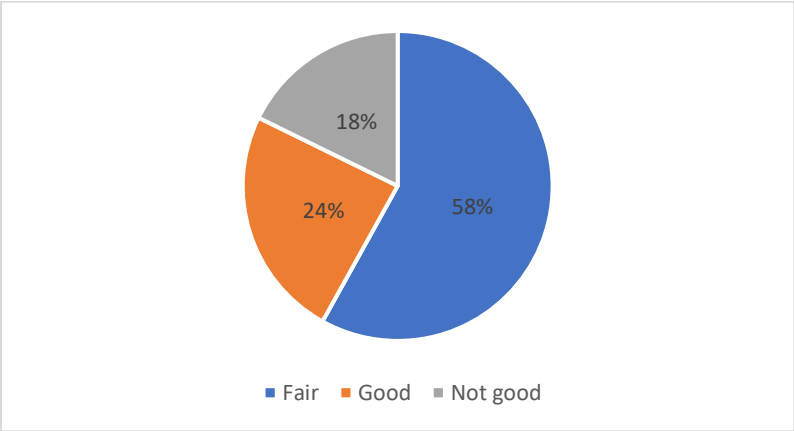
From the table it is observed that, majority (57) of the respondents considers that their respective organizations are capable to provide quality FDI related services within the allocated time. 43 of the respondents observe that the number of staffs required to handle the FDI issues is adequate for their organization, while 18 respondents consider as non-adequate. Among the 18 respondents, 15 respondents observe that more than 15 staffs are required in an organization for handling the FDI issues for the improved ease of Business in Bangladesh.

Graph 2: Condition of Inter-agency coordination mechanism in different FDI related agencies



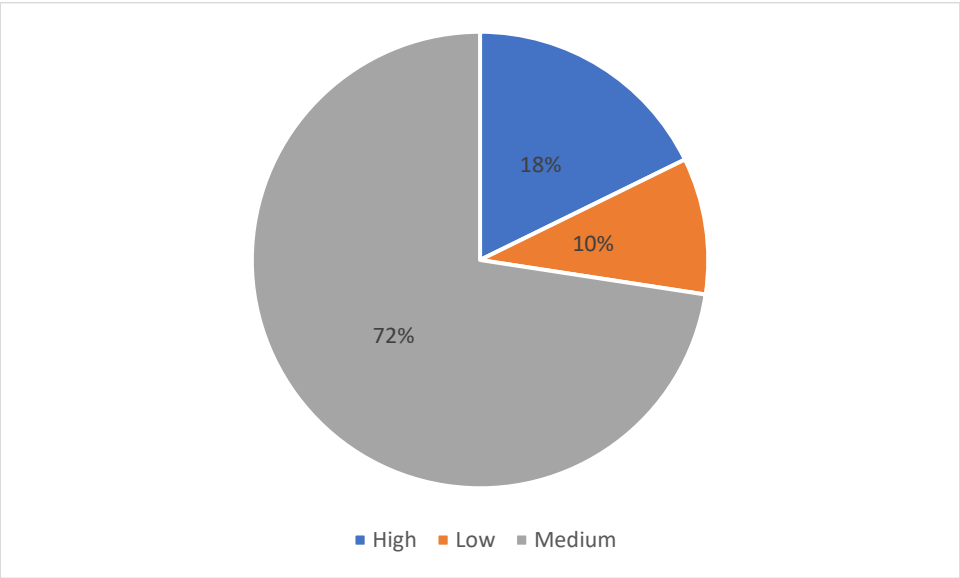
Majority of the respondents observed the Inter-agency coordination mechanism among different FDI related agencies as Good and Fair. Only 8% of the respondents observed it as Not Good.

Graph 3: Status of Promotion and Protection of Investment within the Bi-lateral area.



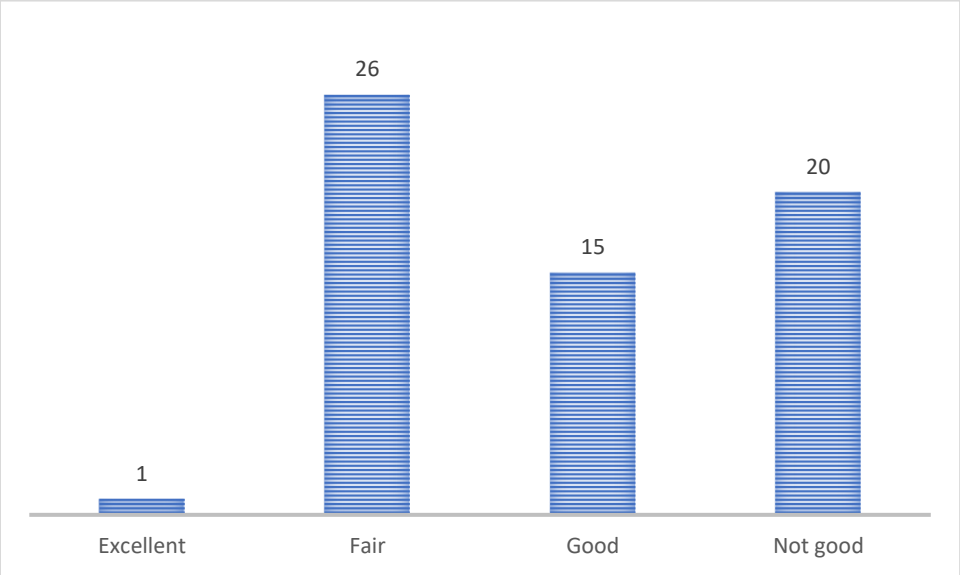
Majority (58%) of the respondents from both Public and Private sector of Dhaka, Chattogram and Khulna area has responded Status of Promotion and Protection of Investment within the Bi-lateral areas to be “Fair”. About 24% of the respondents observed the status as in “Good” form and 18% of respondents observed as “Not Good”.

Graph 4: Is Current FDI Policy favorable for Investment?



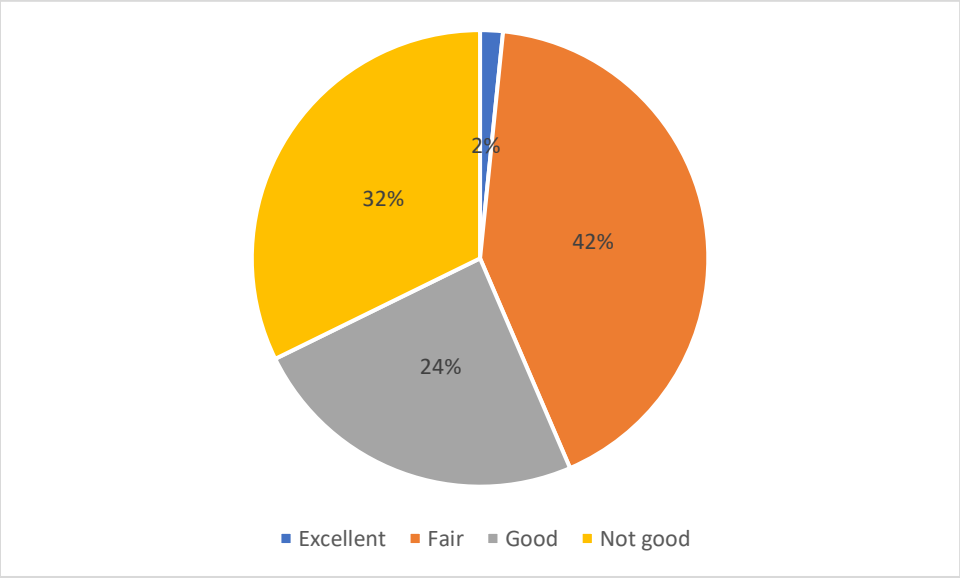
Majority of the respondents consider Bangladesh's FDI policy as investment friendly. About 10% of the respondents pointed out the lacking in the FDI policies for more FDI inflow.

Graph 5: Priority sectors identified by BIDA



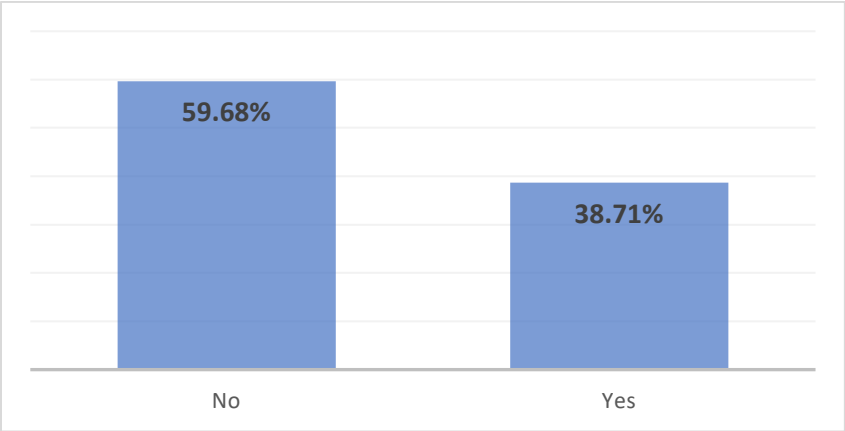
50% of the respondents observed "Good" about the sectors prioritized by BIDA for the advancement of FDI inflow in Bangladesh. 38.71% and 1.61% respondents observed the sector prioritization as "Fair" and "Excellent". 9.68% of the respondents considered as "Not Good".

Graph 6: Status of One STOP Service Management Agencies



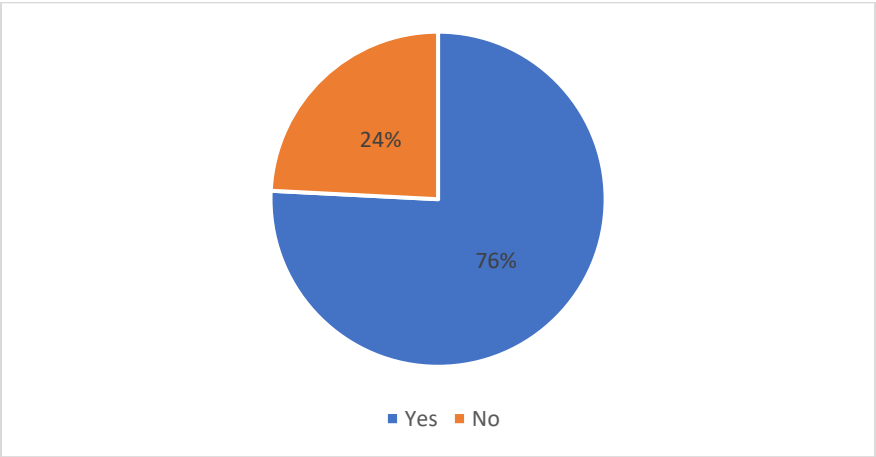
A mixed reaction has been observed about the status of activities of the One STOP Service management agencies. About 42% and 24% of the respondents finds the status as “Fair” and “Good” respectively. 32% of the respondents observed the status as “Not Good”. Only 2% respondents observed as “Excellent”.

Graph 7: Investor’s obstacle in obtaining VISA



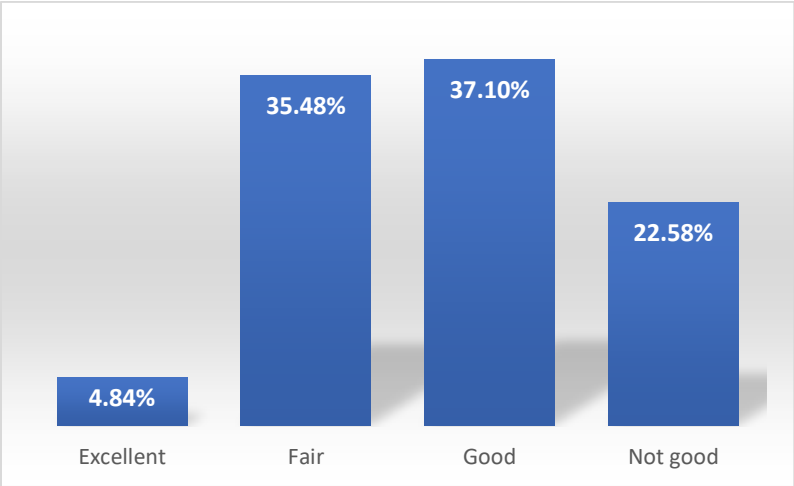
About 40% of the respondents find that, investors both from national and international platform faces difficulties in obtaining VISA. Due to this reason important and delicate business trips are cancelled or postponed. On the other hand, 60% of the respondents find the status of obtaining VISA not difficult.

Graph 8: Do you think that incentives given by the government is favorable for FDI in comparison with the other countries?



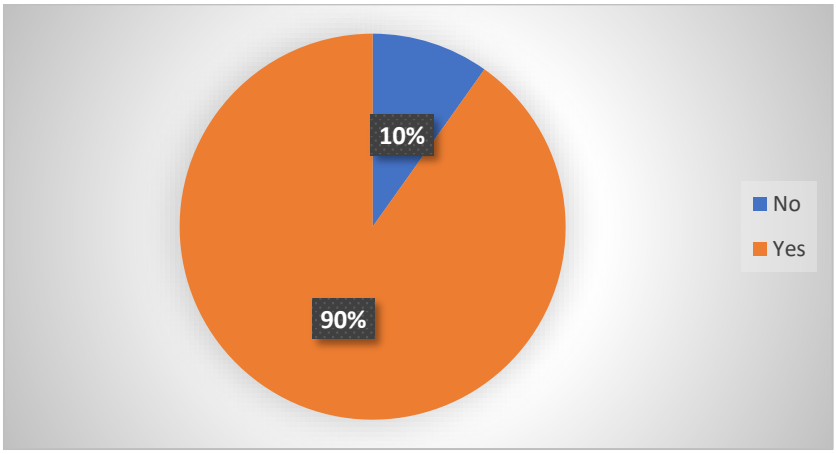
76% of the respondents have observed that the incentives given by the government is favorable for attracting and generating FDI in Bangladesh in comparison to the other five study countries. While rest of the 24% respondents do not consider the incentives proper enough for the investors in regard to FDI inflow in Bangladesh.

Graph 9: Is Avoidance of double Taxation treaty favorable for investment?



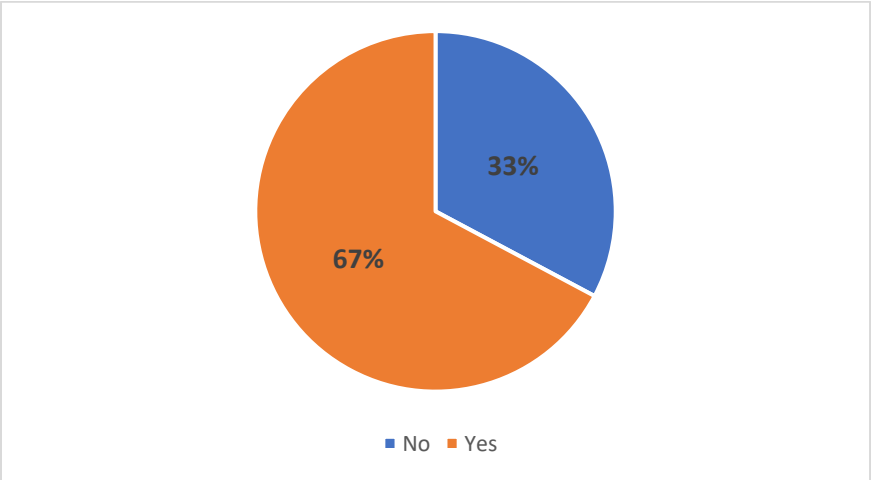
Respondents were interviewed about the status of avoidance of double taxation treaty either favorable for investment or not. Majority of the respondents (37.10%) observed the status as “Good”, 35.48% of the respondents observed as “Fair” and 4.84% of the respondents as “Excellent”. About 22.58% of the respondents observed the status as “Not Good”.

Graph 10: Banking difficulties/ delay of document processing at the border point (Land / Sea port)



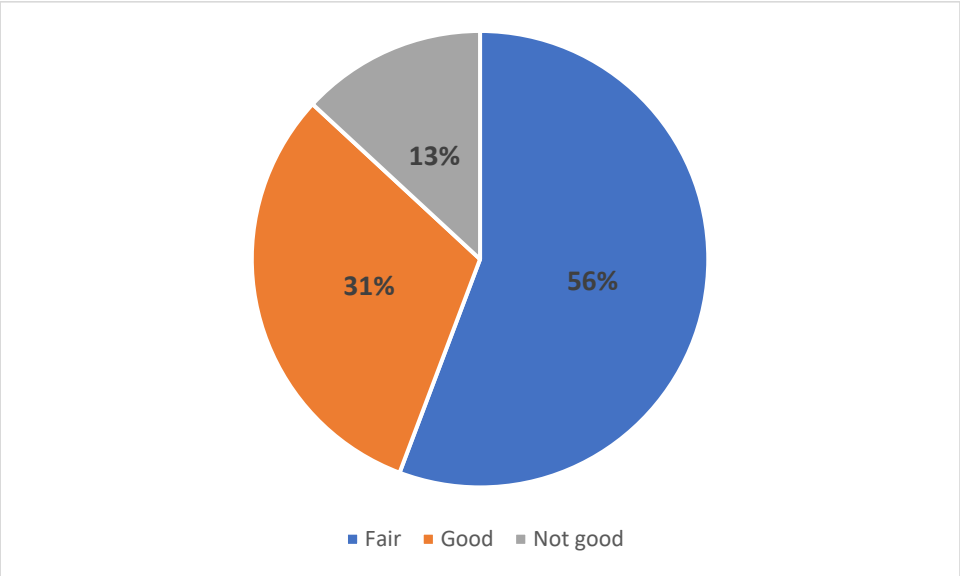
Majority of the respondents (90%) observed that the investors face banking difficulties/ delay of document processing at the border point (Land / Sea port) during their business operation. 10% of the respondents observed no difficulties in regard to document processing and banking activities.

Graph 11: Infrastructural difficulties /constraints during movement/ transportation and mobilization of goods?



67% of the respondents observed that, investors face infrastructural difficulties or constraints during transportation and mobilization of goods. 33% of the respondents observes no difficulties in doing the same.

Graph 12: Is the Legal Framework in dispute settlement is favorable for investment?



56% of the respondents observed that, the Legal Framework in dispute settlement is in "Fair" position for investment in Bangladesh. 31% of the respondents finds the position as "Good" and 13% of the respondents grades the legal framework in case of dispute settlement as "Not Good".

***Details of the respondents have been shown in the Annexure No 5.**

Table 11: "Made in Bangladesh" campaign to attract foreign investment, boosting the private sector, manufacturing in particular, and enhancing the country's overall competitiveness. How far it is effective?

Sl No.	General Comments from the Respondents	Percentage (%) of Respondent
1.	Good Initiative/Effective Initiative/Successful Campaign	36.66%
2.	Low Publicity/Weak Campaign	21.66%
3.	Not effective Campaign	13.33%
4.	Medium Successful Campaign	15%
5.	Effective for attracting FDI in Bangladesh	8.33%
6.	No Responses	5%
	Total Respondents	100%

Respondents were interviewed and asked to comment about their observation regarding the "Made in Bangladesh" campaign, initiated to attract FDI from worldwide, along with boosting the national economy through private investment particularly in the top priority sectors in Bangladesh. Furthermore, to enhance the country's overall competitiveness to what extent this campaign has contributed and the key potential spaces to be conquered to accelerate the FDI in Bangladesh. It is evident from the table that, majority (36.66%) of the respondents commented about the success of the campaign. Majority of the respondents observes this campaign as an excellent initiative and fruitful for FDI generation in Bangladesh. Respondents suggested that, sectoral investment campaign can be initiated in the sector-based demand-oriented markets worldwide. Through this sectoral publicity for attracting

investment, FDI in the potential sectors will observe an impactful progress. Furthermore, manufacturing sector can be highlighted mostly. Due to this the national work force can be utilized efficiently. Like most of the study countries, Bangladesh can fully utilize the campaign to attract investment in the manufacturing sector to attain a sustainable business position with other strong economies. Few samples of typical comments are included below:

"As brand" Made in Bangladesh" is a lucrative word but very difficult to implement the issue due to different sectoral involvement. Instead of country branding, competitiveness of products and services in respect of quality and price may be considered to promote FDI by reforming duty structure of imported raw materials, reducing cost of capital and increasing productivity."

"Of course, "Made in Bangladesh" has taken a good initiative to continue this campaign and if they manage their work properly then it is ahead."

About 15% and 8.33% of the respondents commented the campaign as medium successful and very effective respectively for attracting FDI in Bangladesh. Respondents have commented that, this campaign can play a significant role in attracting FDI, especially in the manufacturing sector. Most of the developing countries have attracted massive FDI inflows through investment in the manufacturing sector. As Bangladesh has enormous opportunities for investment in the manufacturing sector, this campaign can be thrust sector oriented for immediate and rising results.

On the other hand, about 21.66% of respondents aware about "Made in Bangladesh" campaign commented that the campaign lacks of proper and sufficient publicity in the national and international arena. Due to this in spite of gaining response the campaign has faced difficulty in attaining the coveted success. 5% of the respondents have not commented in this issue, while 13.33% respondents commented that this campaign has not resulted any effective or focusing success in attaining massive FDI growth for Bangladesh.

Table 12: How far BIDA's one stop service is effective?

Sl No.	General Comments from the Respondents	Percentage (%) of Respondent
1.	Good/Effective /Successful	51.66%
2.	Not effective/ Unsuccessful to fulfil objectives/Non active	38.33%
3.	No Responses/Not Aware	10%
	Total Respondents	100%

Respondents were interviewed to assess the effectiveness of BIDA's one stop service in attracting FDI and encouraging the investment scenario in Bangladesh. Majority of the respondents, about 51.66% commented and observed that, BIDA's one stop service is highly effective and successful in providing ease services for the investors. FDI investors found this service as effective and fruitful. Respondents commented that, around 15 agencies are working together to provide quality services to the investors at a single door. It is observed that around 47 services related with investments are provided through this One Stop Service (OSS) by BIDA. Within a short time after launching BIDA's one stop service has made a positive impact in the FDI generation in Bangladesh. A sample of typical comments are included below:

"BIDA's OSS is highly applaudable that needs to include more and more services of many other relevant agencies to start and operate a business here."

On the other hand, 38.33% respondents observed that, BIDA's OSSis not yet effective. This service itself is still at a developing stage. Respondents observed that, still a couple of agencies have to be included in the single platform and the duration to conclude the service providence should be shortened to enhance the quality service and ease of business. Besides, skilled manpower needed to be increased to satisfy the requirements of the investors. This will increase the ease for the investors to settle their requirements during the period of investment. Respondents also commented that, BIDA's OSS is not highly active and the results made through this service is not remarkable until now. 10% of the respondents commented that, they were not aware of the BIDA's OSS and some of them gave no response about the effectiveness of the service.

Table 13: Effectiveness of Investment Attraction Plan and Investor Marketing Plan of BIDA

Sl No.	General Comments from the Respondents	Percentage (%) of Respondent
1.	Good/Effective /Successful	66.66%
2.	Not Effective	26.66%
3.	No Responses/Not Aware	8.33%
	Total Respondents	100%

66.66% of the respondents observed that the investment attraction plan and investor marketing plan placed by BIDA is effective and had fruitful results in generating the FDI inflow and business ease in Bangladesh. BIDA has strategic investment attraction plan and promotional activities both at national and international platform. Respondents observed that, BIDA has taken initiative to minimize the duration it takes to complete the regulatory procedures required for an investor to go on during the investment period in Bangladesh. This ease in concluding the tasks places an impactful positive message to the potential investors thinking of investing in Bangladesh. Respondents also observed that, the promotional plan of attracting the investors worldwide should be improved in consultation with the existing private sectors. Respondents also observed that, BIDA's initiative to ensure small investors and publicizing the same information to the world is highly appreciated and carries a significant impact in the FDI generation in Bangladesh.

About 26.66% of respondents observed that, Investment Attraction Plan and Investor Marketing Plan of BIDA is not appropriately effective due to lack of promotional activities. 8.33% respondents are unaware about the detailed Investment Attraction Plan and Investor Marketing Plan of BIDA and thus did not comment on this issue.

Table 14: Is the current exit policy of BIDA is favorable or congenial for the foreign direct investment?

Sl No.	Comments from the Respondents	Percentage (%) of Respondent
1.	Favorable	60%
2.	Not favorable or Obstructive	21.66%
3.	No Responses/Not Aware	18.33%
	Total Respondents	100%

Majority of the respondents (60%) observed that, the current exit policy of BIDA is favorable for the FDI in Bangladesh. Respondents observed that the exit policy is prepared with international standards and easeful measures so that the investors can be assured of investment and its withdrawal. A sample of typical comments are included below:

"Yes, it is favorable that Foreign loan borrowing application disposed within 30 days assuming all required documents are provided. The repatriation of fund of share sale, profit and reinvestment of the profit do not require prior valuation and has become easier."

"Yes, the govt. BEZA, BEPZA has investment protection, principles that are effective."

"Yes, the current exit policy of BIDA is favorable for the foreign direct investment."

On the other hand, 26.66% of the respondents observed that the current exit policy is difficult for the foreign investors. Due to this investment in Bangladesh is observing a slow process. The exit policy might be easy for the big investors but for the medium sized foreign investors the terms, conditions and dispute settlements are fairly difficult. The Banking and Legal systems in Bangladesh can be designed more strategically for the business support to solve this issue. Respondents also commented that, the current exit policy can be eased more to attract FDI generation in Bangladesh. About 18.33% respondents are not fully aware of the detailed policies regarding the exit, and did not respond in this issue.

Section 6. SECTOR WISE FDI INFLOW AND IT'S GDP CONTRIBUTION

Bangladesh

Bangladesh FDI inflow

In the financial year 1996-97, Bangladesh's net FDI inflow was 366.85 million US dollars (0.76 percent of GDP) and stood at 3888.99 million US dollars (1.28 percent of GDP) in the year 2018-19 and 0.528% of GDP in 2019-20. Besides, if we analyze sector-wise FDI inflows in Bangladesh we can observe a shift has been made by foreign investors. The power sector attracted the highest number of investments in Bangladesh in 2019, which is USD 1217.84 million. (Bangladesh bank Report, Oct 8, 2020)

The main investors in the country are China, South Korea, India, Egypt, the United Kingdom, the United Arab Emirates and Malaysia. According to the latest available data from Bangladesh Bank, FDI flows rose by 5.36% on the year to USD 1.65 billion in July-October 2019.

Manufacturing, power and energy, and telecommunications sector attracting higher FDI, whereas agriculture, services, and trade and commerce sector are comparatively neglected. Similarly, country-wise FDI inflow has also changed. During 1996-2010, the UK and the USA were at the topmost position which has occupied by the East Asian country China People's Republic and Netherlands (Source: Bangladesh Bank). Now, the UK and the USA are in third and fifth position among the top ten investing countries net FDI inflows from 2010 to 2019.

Net FDI inflows		(in million US dollar)	
FY	FDI Inflow	GDP	Percent of GDP
2010	913.02	115279	0.79
2011	779.04	128638	0.6
2012	1194.88	133356	0.9
2013	1730.63	149990	1.15
2014	1480.34	172885	0.85
2015	1833.87	195079	0.94
2016	2003.53	221415	0.9
2017	2454.81	249711	0.98
2018	2580.44	274039	0.94
2019	3888.99	302571	1.28

SOURCE: International Journal of Economics and Management Science, Research Article, Volume 9-5, 2020

In 2010 the net FDI inflow was 913.02 million US dollars (0.79 percent of GDP) which stood at 3888.99 million US dollars (1.28 percent of GDP) in 2019. Further, we can observe that still, net FDI inflow is around less than 1 percent to the GDP and surpassed above only two times during this period. So, we can infer that still, Bangladesh has to take a plethora of actions to accelerate FDI inflows.

SECTOR WISE FDI INFLOWS

Sector Wise FDI Inflows (Net) FY 2004-05 to FY 2018-19 (in million-dollar)						
FY	Agriculture and Fishing	Manufacturing	Power, Gas, and Petroleum	Services Sector	Trade and Commerce	Transport, Storage, and Communication
2004-05	2.07	235.51	198.4	2.04	101.8	263.96
2008-09	19.14	183.96	46.89	7.77	122.53	579.62
2012-13	29.72	712.88	93.67	65.18	295.05	527.09
2016-17	43.26	869.43	467.93	104.44	309.73	601.28
2018-19	39.19	1493.75	1328.65	197.33	550.21	232.47

SOURCE: International Journal of Economics and Management Science, Research Article, Volume 9-5, 2020

Over the years, FDI inflows in the manufacturing sector have increased with consistency while inflows in other sectors are inconsistent. After the manufacturing sector, the power, gas, and petroleum sector are most successful to obtain high FDI. In 2018-19, FDI in the manufacturing sector was 1493.75 million US dollars (38.4 percent of the net FDI) following the power and energy sector 1328.65 million US dollars (34.16 percent of the net FDI). The contribution of other sectors is not as significant as compared to these two sectors. In the power, gas, and petroleum sector, power alone received 1217.84 million US dollars while in the manufacturing sector, food products (830.88 million US dollars) and textiles (262.66 million US dollars) are top of the list. Other than the manufacturing and power sectors, subsectors like banking (299.35 million US dollars) and telecommunication (222.75 million US dollars) could have achieved a mentionable amount. Bangladesh used to gain the maximum number of investments from the UK and the USA. According to the Board of Investment, during 1996- 2010, the amount received from the UK and USA was 1530.66 million US dollars (17 percent of total) and 1139.08 million US dollars (13 percent of total) respectively. However, in recent years Country-wise FDI inflows in Bangladesh have also shifted. FDI inflows have significantly increased from the East Asian countries shows the country-based net FDI received in 2019. In the financial year 2019, China became the leading investor in the country with 1159.42 million US dollars, the US, traditionally the top investor dropped to fifth with only 187.35 million US dollars. The Netherlands stood as the second-largest investor with 802.84 million US dollars and followed by the UK with 358.85 million US dollars. China invested 960.59 million US dollars only in the power sector out of 1159.42 million US dollars while Netherlands invested mostly in the food sector 727.15 million US dollars out of 802.84 million US dollars (source: Bangladesh Bank). All in all, dynamic changes have taken place in the case of country-wise net FDI inflows in Bangladesh over the period.

Liberal investment policy has been initiated to enjoy a higher level of FDI. Thus, despite initial delays, FDI inflows in Bangladesh progressively increasing over the past few years. Investment in export processing zones (EPZs) has also increased which directly helps to promote the export sector of the economy. The government of Bangladesh has taken initiatives to establish special economic zones in different parts of the country to attract FDI.

INDIA

FDI equity **inflows** distribution **India** FY 2021 by **sector**: The IT **sector** in **India** received the **highest** share in FDIs amounting to over 1.8 trillion **Indian** rupees in fiscal year 2021, as of December 2020. The infrastructure **also** amounting for over 500 billion rupees.

SECTOR SPECIFIC BRIEF OF TOP 10 SECTORS ATTRACTING HIGHEST FDI INFLOWS

(i) Services **Sector**

(ii) Computer Software & Hardware

(iii) Telecommunications

(iv) Trading

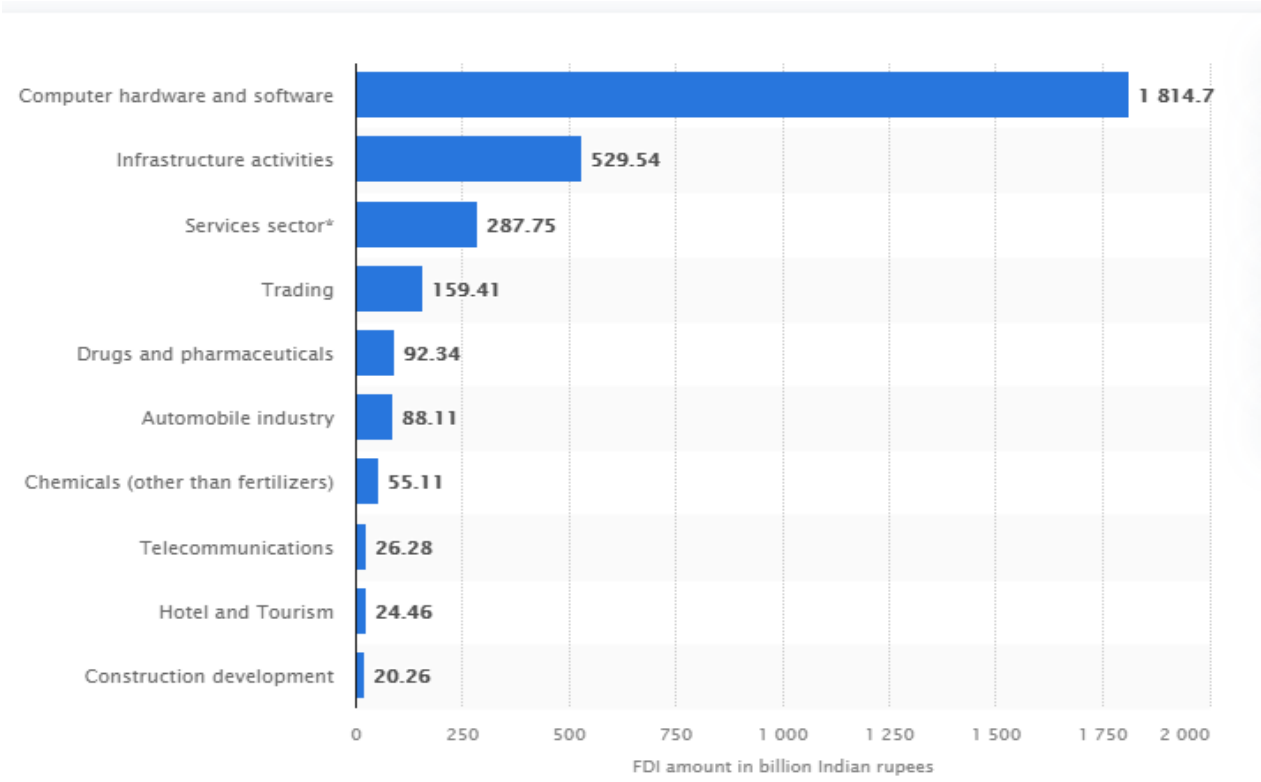
(v) Construction Development

(vi) Automobile **Industry**

4 sectors attracting maximum FDI in India

- SERVICE SECTOR. The Service sector in India includes Financial, Banking, Insurance, Non-Financial/ Business, Outsourcing, Research and Development (R&D), Courier, Tech, Testing and Analysis services.
- AUTO AND AUTO COMPONENTS SECTOR
- TELECOMMUNICATIONS SECTOR

Distribution of foreign direct investment equity inflows in India for financial year 2021, by sector ***(in billion Indian rupees)***



Published by Statista Research Department, Jun 15, 2021

SRI LANKA

The computer software and hardware sector attracted the highest inflows with around 44 per cent share of the total FDI equity inflows. It was followed by construction (infrastructure) activities (13 per cent) and services sector (8 per cent), respectively. (Central Bank, May 24, 2021).

Sri Lanka has largely been concentrated in tourism, real estate, mixed development projects, ports, and telecommunications in recent years. With a growing middle class, investors also see opportunities in franchising, retail, information technology services, and light manufacturing for the domestic market.

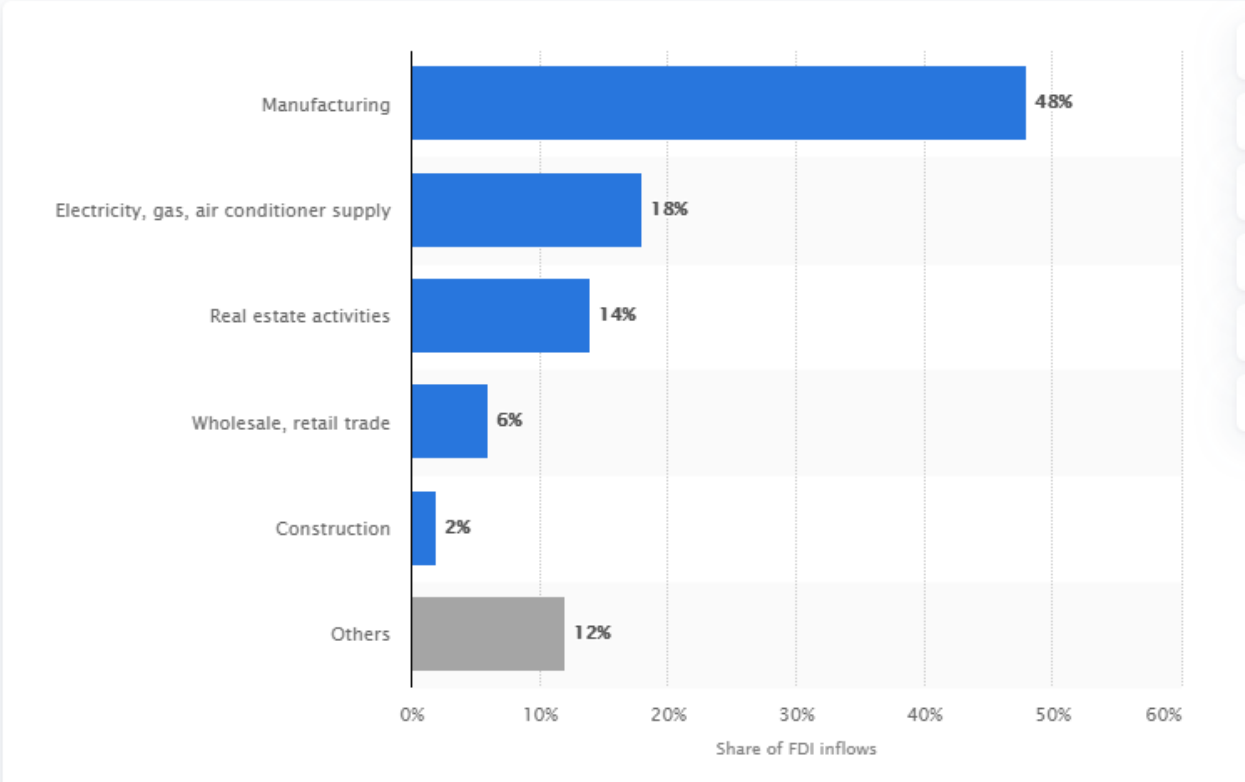
Foreign direct investment (FDI) into Sri Lanka reduced to approximately $768 million in 2019, compared to $1.6 billion in 2018. Recent FDI was concentrated in real estate, mixed development projects, ports, and telecommunications sectors. (Central bank Mar 15, 2021)
Five areas of FDI strategies:

- **FDI and domestic investment are at the heart of economic growth.**

- **FDI can boost economic growth**
- **FDI can drive technology exchange and innovation**
- **FDI can diversify and increase exports**
- **New investments can help with government revenue and foreign exchange reserves**

VIETNAM

In 2020, the manufacturing *sector* accounted for almost half of the total registered *foreign direct investment* (*FDI*) in *Vietnam*.
Breakdown of foreign direct investment (FDI) inflows in Vietnam in 2020, by industry Share of FDI inflows



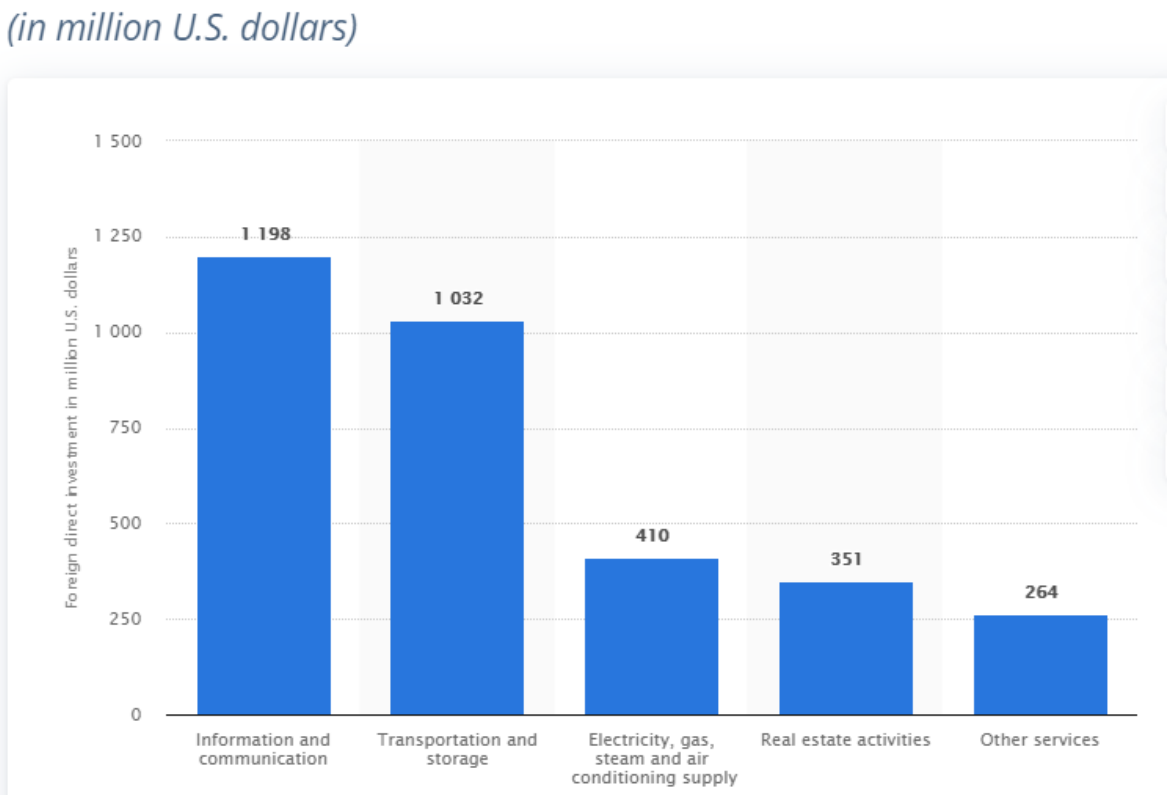
Published by Statista Research Department, Apr 16, 2021

- *Despite the effects of COVID-19, Vietnam's GDP grew at 2.91 percent and recorded positive growth in key areas of industrial activity.*
- *In the first 11 months of 2020, foreign investors invested US$17 billion in Vietnam with a significant portion of these projects targeted at manufacturing, processing, real estate, and electricity production and distribution.*
- *Efficiency gains and consumer demand were key components of Vietnam's investment attractiveness. Going forward, these could be supplemented by an expanding digital economy as well as Vietnam's participation in multiple regional and global trade agreements.*

MYANMAR

Singapore remains the largest investor in the country, with US$ 24.1 billion in approved foreign capital. Singapore and Chinese investments alone account for more than half (52 per cent) of all approved foreign capital into Myanmar. Feb 16, 2021.

Distribution of foreign direct investment (FDI) inflows in Myanmar in 2018, by industry *(in million U.S. dollars)*



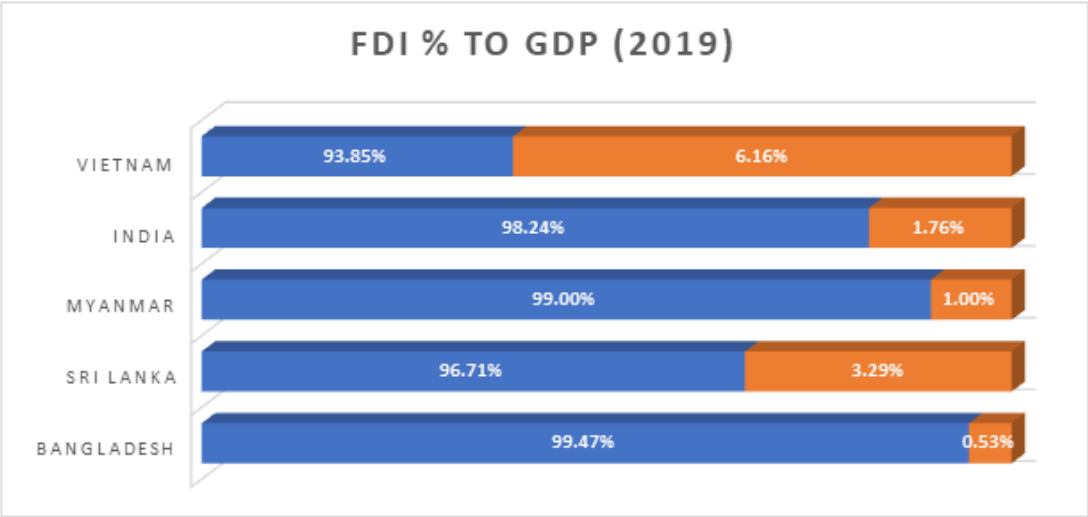
Once one of the richest countries in Southeast Asia, Myanmar suffered the effects of a closed economy for over 50 years and became one of the poorest and most politically unstable countries in the world. Though excited international investors wait to exploit Myanmar's large labor force and natural resources as it reopens its markets, the country is currently far behind its potential. In such a small economy, large FDI inflows could have a significant impact on the country's path going forward. Whether or not it receives these inflows depends on how multinational enterprise's view Myanmar's investment environment. In particular, its recently enacted foreign investment law as well as the status of sanctions on the country.

2019-20 FY

Table: Country wise Foreign Direct Investment % to GDP (2019)

Country Name	GDP (USD in Billion-2019)	FDI (USD in Billion-2019)	FDI % to GDP (2019)	Ranking
Bangladesh	302.6	1.5968	0.528 %	5th
Sri Lanka	84.01	2.766	3.292 %	2nd
Myanmar	76.06	0.7582	0.997 %	4th
India	2869	50.553	1.762 %	3rd
Vietnam	261.9	16.12	6.155 %	1st

Graph: Country wise Foreign Direct Investment % to GDP (2019)



FDI has a significant positive impact on Bangladesh's export sector while local private investment has a greater impact on GDP than FDI. On the other hand, it is also found that whatever the FDI inflowing in the Bangladeshi economy is not sufficient to make any significant impact on employment generation. The foreign direct investment percent to GDP is less than 01 percent compare to Vietnam 6.155% and Sri Lanka 3.292%. This happened because more than 72% FDI occupied by the power sector, oil, gas and other manufacturing sector. The contribution to the other sector is not as significant as compared to these two sectors.

With the recent US-China trade war and sanction over Chinese goods prompt China to relocate factories from China other countries like ASEAN and South Asia. According to the American Chamber of Commerce in China about 3300 individual members and 900 companies across the China are considering moving their production companies to other countries such as South East Asia. Bangladesh appears to gain from trade conflict between US and China. Labor cost is still cheap in Bangladesh and 2nd largest experienced apparel exporter, 6.40% of the world total, Vietnam covers 5.80%. Bangladesh also needs to compete with other countries because ASEAN (Vietnam & Myanmar are the members) countries has Free Trade Agreements FTA with China. Though labor cost are still cheap investors are thinking to relocate their factories to Myanmar or Bangladesh. Some Chinese apparel producers also want to set up factories under joint venture s or would like to buy the recently shut down

factories due to Covid 19 situation. US apparel buyers are also diversifying supplies out of China. Labor costs are always the major consideration for any labor-intensive manufacturing factories. Bangladesh wage is half of India and less than one third of China. Myanmar, Vietnam is Bangladesh's competitors in garment and other sectors. So, far Bangladesh has not allowed foreign direct investment in basic apparel. But it can reassess the present scenario and take full advantage. Besides a paradigm shift is needed from energy sector investment to labor intensive investment such as IT, software, agro-processing, ship building and other manufacturing sectors where GDP contribution from foreign direct investment will boost up.

Though Bangladesh has been trying to attract foreign investors with many initiatives and incentives, there have many existing problems that hinder the flow of higher FDI. Major problems that discourage higher FDI in Bangladesh are bureaucratic interference, poor infrastructure support, labor unrest, low ease of doing business ranking, frequent changes in policies on import duties. On the other hand, the disparity in sector-wise FDI inflows will slow down the development of various sectors. Solving these major problems and implementation of pragmatic policy measures for foreign investment will constantly help to attain an optimum level of foreign direct investment.

Section 7: Recommendations

BIDA should be a single point interface of the Government to facilitate investors for FDI through approval process. In this regard a BIDA should administer a new portal, which will continue to facilitate as the single window clearance of applications which are through approval route. FDI promotion can be effective only if it is accompanied by proper policies. At the broad level, the guidelines for FDI promotion, including the areas and modality for foreign investment, should be clearly and properly identified. More importantly, such course of action must comply with overall guidelines for economic development, as reflected by well-coordinated socio-economic development strategies at both the national and regional levels. Delegation of FDI management is indispensable, but the benefits regarding FDI promotion are by no means automatic. Allowing local authorities more autonomy in attracting, appraising, approving, and evaluating FDI projects will lead to better relevance and contribution of such projects to local needs and conditions. FDI, of course, can play an important role in developing supporting industries, for example, through the promotion of joint ventures between (private) domestic SMEs and foreign partners in supporting industries.

As highly populated country, Bangladesh has tremendous possibilities to attract FDI in export linked labor intensive sectors but cost effectiveness is the prime condition for FDI inflows of these sector. Labour cost and labor productivity along with discipline and technically sound work force are considered as key elements for cost competitiveness. Tariff rate in raw materials import based countries has an obvious link to FDI. Higher tariff rate of Bangladesh reflects the negative effect on FDI inflows. Bureaucratic interference considered in Bangladesh as one of the barriers for promoting FDI. Aiming to remove the barrier it is necessary to identify the root causes of this problems.

The government should take initiative to increase the FDI are:

1. Ensuring competitive price for promoting export linked FDI of labor-intensive sector the following steps may take to implement the issue:
    a. Tariff rate may be reduced or alternative measures like bond facility may be provided to the investors.
    b. Specific measure may be taken to expand quality technical education including quality technical institutes supported by sectoral need-based syllabus, quality teachers and necessary equipment;
    c. Sector wise “Center of excellence” may be established for increasing skill and productivity of labors with the support of the government;
    d. A study may conduct to identify the root cause of bureaucratic interference, whether it relates with the behavior of the employees or institutional incapability in relation to the human resources, finance and use of technology. On the basis of the outcomes of the study necessary measure may be taken.

2. Modernize investment promotion activities and focus on priority sectors;

3. Review and make changes to the current investment incentives policies to ensure quality FDI;

4. Seizing Opportunities to reduce negative impact of industry, the following initiatives may consider to implement the issue:
    a. The Existing laws, rules, regulations, orders, policies in relation to industry as well as FDI and their implementation situation may review. In case of weakness of these documents and poor implementation situation necessary pragmatic measure may ensure;
    b. A Commercial Dispute Settlement Cell may establish in the Judicial Department; and
    c. Separate cell in the organizations responsible for FDI promotion other then BIDA may create with required facilities.

5. Supporting policies such as providing Bank loan with low rate of interest, technological and consultancy assistance, duty free importation facilities for capital machineries and parts, providing bond facilities for raw materials import would be needed to promote backward linkage industries and make arrangement to increase to link with FDI based industries.

6. Highlight the communication progress and other development activities to the international investors through arranging seminar, meetings, roadshows etc.

What needs to be done?

- We should put in place an investment regime which is credible and predictable. There should not be frequent changes in policies and regulations.
- New conduits of bringing FDI have been created. The PPP (Public Private Partnership) and Special Economic Zones, for lumpy investment with high externalities.
- Inter and Intra agency coordination (those agencies that get involved in FDI processing) need to be strong and cohesive. Presently they are not. Their investment orientation is also very inadequate.
- Improvement in Banking, Customs, Immigration and other service delivery regulatory agencies is a must for increasing FDI.
- The foreign investors are particularly wary of frequent changes in different govt. policies. To the extent possible this should be avoided.
- Due to change of frequent policy changes it becomes tough for the foreign investors to stay well updated about the relevant information regarding investment. Policy stability can be exercised in order to avoid hassle of the foreign investors.
- Physical and regulatory infrastructure need to be provided to the extent practically possible for the investors to ease doing business.

Law and order:

- Proper role playing of the police administration, particularly those handling the members of the public.
- Effectiveness of the control is to be taken into consideration. These can be structural, sectoral, and legal-juridical.

National Economic Management:

- Effectiveness of the government in reducing/eliminating inefficiency/corruption/payola/rent seeking practice in the government machinery in particular and society in general.
- Capacity needs to be created to distribute services fairly, efficiently and equitably.
- Capacity to utilize the tax payer's money for their welfare by ensuring 'value for money'.
- Accountability (through parliamentary means, budgetary process, judicial review, appointment of Ombudsman, etc.).
- Size of the government/how effective it is in reducing/eliminating inefficiency and delivering goods and services.
- Capacity to maximize interactions with stake holders at sub-national and local levels of government
- Foreign direct investment of high quality and diversity can help achieve all of these.

Other Recommendations

.

- Top sectors for foreign investment: manufacturing, transportation, communication, power, gas and petroleum, trade and commerce, agriculture and fishing, service sector
- Fully utilization of the demographic dividend of 118 million working age population
- Expanding infrastructure by improving roads and highway, sea and airports, railway and overall multi-modal transport system
- Improve the economic activities by expanding EEZ, EPZs, Hi-teach and software park, IT incubation center etc.

- **Ownership Options as a Foreign Investor:**
- Wholly owned subsidiaries: Under the 'Companies Act 1994, foreign companies and business entities can establish a fully owned subsidiaries in Bangladesh. The new business entity can be either a private limited or a public limited company.
- Joint Ventures Joint ventures between and foreign companies and Bangladeshi partners are encouraged as well. The equity ownership structure will depend on the amount invested by each party.
- Investing in an existing Bangladeshi company foreign investors can invest to local companies (except for a few sectors) as there are no restrictions in transferring shares to the foreign investors. They can do regular trading/selling of their shares irrespective of their ownership percentage.

Section 8: Conclusion

The Issue Foreign Direct Investment (FDI) has been received phenomenal attention from many governments. Bangladesh is not lagging behind from it. The major challenges for the host country are to ensure on eye-catching and conducive investment climate to foreign investors for FDI inflow. In recent years Bangladesh has been devoting efforts for attracting FDI offering a lot of lucrative incentives and benefits. Though attempts taken to increase FDI inflow, the result achieved is not appreciable enough for Bangladesh. To overcome all the impediments the government of Bangladesh and relevant bodies (BIDA, NBR, MoC, MoI etc.) can make further development in good governance, coordinated government agencies, accountability and transparency. FDI Can transfer a country's economic scenario within shortest possible time. It is not merely access to fund only, but also provide transfer of technical know-how and management expertise.

Over the decades, with providing the world's competitive facilities, namely lands, port infrastructures, cheaper labor, and natural resources, Bangladesh has been attracting such foreign investments. Approximately, the Bangladesh economy, whose GDP is about $347 billion ((PPP) 33rd; 2012 est.), currently wants to attract more FDI to support its ongoing socio-economic developments.

Bangladesh's steady economic growth by overcoming all obstacles is an example for many countries in the world. The country's GDP growth has been rising for the last decades. Despite many hurdles and scarcity for lands and a few problems in legal infrastructure, its current overall growth is better than many LDC members and even developing countries.

The Netherlands, UK and US are highest investors in total FDI inflow in Bangladesh (Bangladesh Bank; 2021). Singapore, Norway, India and a few other countries are among the top ten investors.

The major FDI recipient sectors in Bangladesh are energy and power, textile, food, banking, leather, service, telecommunication, information and communication technology, trading, engineering, and a few others. Till today, energy and power are the highest recipient among all, which is ultimately helping the economy to grow and the government is getting revenue from the FDI financed companies located inside and outside of the economic zones.

It also needs to change or relax several of the existing ordinances and policies for attracting more FDI. In Vietnam, India, Sri Lanka, Myanmar and other South Asian countries, the investment patterns diverged and had continuity in overseas investment because of their business environment and skilled workforce in different sectors

The key tools to organize funding have been identified as increasing domestic investment and FDI. Therefore, the foremost plan of action of BIDA is now to find ways and implement new actions for bringing increased focus on attracting FDI.

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Annexure 1: Questionnaire

Government of the People's Republic of Bangladesh
Bangladesh Investment Development Authority
Prime Minister's Office

"Comprehensive Study on Policy Regime of FDI of Cross Countries (Bangladesh, Vietnam, India, Sri Lanka and Myanmar)" Analysis

1.0. RESPONDENT CATEGORY:

(Code: 1= Dhaka Chamber, 2=Chattogram Chamber, 3=Khulna Chamber, 4=Trader, 5= Investor, 6=Export Association, 7=EPB officials, 8= Port Authority, 9=BIDA officials, 10= BEZA Officials, 11= RJSC officials 12 = EPZ (Govt. + Private)

2.0. PART A: GENERAL INFORMATION

2.1. Name of the respondent:……

2.2. Name of the Organization:……..

2.2. Address: a) Present:……..

b) Permanent:……

2.3. Contact No:…… E-mail ID:……

2.4. Parent Ministry/Department:……

2.5. Location/Work Place:……

3.0. PART B: TECHNICAL INFORMATION

A Organization Name:

1 What are the principal activities/types of services you are providing?

2. Period of providing service?

(Code: 1=Less than one year, 2=1 to 5 years, 3= 6 to 10 years, 4=11 to 15 years, 5=16 to 20 years, 6=21 to 25 years, 7=more than 25 years)

3. Please mention the FDI status of Bangladesh in comparison with other countries (India, Vietnam, Sri Lanka and Myanmar)

4. Do you/your member have any involvement/role or coordination in providing FDI? (Code: 1=Yes, 2=No)

5. If yes, then explain your role/involvement in providing services to the FDI Activities

6. Do your members are capable to provide quality services or time taken is favorable for the ease of doing business? (Code: 1=Yes, 2=No)

7. Do you think that number of staffs is adequate to handle the FDI issues? (Code: 1=Yes, 2=No)

8. If no, then how many staffs are needed to handle the FDI issues? (Code: 1=1-3, 2=4-6, 3=7-9, 4=More than 9)

9. How is the Inter -agency coordination mechanism in different FDI related agencies? (Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

10. Priority sectors identified by BIDA are appropriate?

(Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

11. Please mention name of the other investment sectors to be prioritized by BIDA.

12. Is there any requirement of Single Window Investment Facilitation Task Force in BIDA?

    (Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

13. How is the One STOP Service management agencies are working? (Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

14. What is the status of Promotion and Protection of Investment within the Bi-lateral area?

    (Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

15. Do you think that Current FDI Policy is favorable for Investment? (Code: 1=High, 2=medium, 3=Low)

16. Do you think that current time frame for starting business is comparable to the above-mentioned countries? (Code: 1=Yes, 2=No)

17 Do you/your company or your nominated investor's face any obstacle for obtaining VISA? (Code: 1=Yes, 2=No)

18 Is present Investment Protection Act, Expropriation, Transfer of Currency, Dispute Settlement, Fair Administrative Conduct are favorable for investment?

    (Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

19 Do you think that construction permits /Electricity / registering property and other cooperation is better or favorable?

    (Code: 1=Yes, 2=No)

20 If yes, please explain

21 Do you think the policies/laws currently taken by the government regarding FDI (BIDA, OSS Act) has positive impact for investment?

    (Code: 1=Yes, 2 = No)

22 If yes, is the policy properly implemented

23 What are some of your policy recommendations regarding this issue?

24 Do you follow any handbook or international best practice for FDI issues?

    (Code: 1=Yes, 2=No)

25 If yes, please mention

26 Is the Legal Framework in dispute settlement is favorable for investment?

    (Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

27 Do you think that trading across the border is efficient with respect to time and cost?

    (Code: 1 = yes, 2= No

28 Are there any infrastructure difficulties /constraints during movement/ transportation and mobilization of goods?

(Code: 1 = Yes, 2=No)

29 Is there any banking difficulties/ delay of document processing at the border point (Land / Sea port)

(Code: 1 = Yes, 2 = No)

30 What are the potential sector both for goods and service sector for FDI?

31 Is Avoidance of double Taxation treaty favorable for investment?

(Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

32 Tax Rate for Foreign Companies, Number of Payments of Taxes per Year, Time Taken for Administrative Formalities (Hours), Total Share of Taxes (% of Profit) are favorable for investment?

(Code: 1=Not good, 2=fairly, 3=good, 4=excellent)

33 Do you think that incentives given by the government is favorable for FDI in comparison with the other countries?

(Code: 1 = Yes, 2 = No)

34 If the answer is no then mention few of the incentives need to be incorporated?

Name of the Enumerator: Date:

Signature:

Annexure 2: FGD Guideline

Government of the People's Republic of Bangladesh
Bangladesh Investment Development Authority
Prime Minister's Office

"Comprehensive Study on Policy Regime of FDI of Cross Countries (Bangladesh, Vietnam, India, Sri Lanka and Myanmar)" Analysis

1.0. PART A: GENERAL INFORMATION

1.1. Where FGD take place:……

1.2. Time:……

1.3. What types of respondent participated in the FGD: ……?

2.0. PART B: TECHNICAL INFORMATION

2.1. What is the current status of coordination and collaboration among agencies of Bangladesh to attract FDI;

2.2. What are the trends and patterns of FDI in these cross countries (Bangladesh, Vietnam, India, Sri Lanka & Myanmar) and how those trends have affected the FDI sector;

2.3. Identify different external and internal factors/determinates relevant to FDI and provide analysis of country specific data/policy;

2.4. What is the status of procedural and institutional barriers for agency cooperation regarding the FDI and how it's possible to improve and to ensure effective FDI inflow;

What are the multilateral and regional initiatives regarding FDI cooperation and coordination;

2.5.

2.5. How is the One STOP Service management agencies are working to speed up the FDI process in Bangladesh and what are the best practices for the other countries;

2.6. What is the status of Promotion and Protection of Investment within the Bi-lateral area;

2.7. Do you think that Current FDI Policy and regulatory regime is favorable for Investment in Bangladesh compare to **Vietnam, India, Sri Lanka and Myanmar**;

2.8. What is your opinion about Doing Business to be an investment guide and what are the factors of doing business influencing FDI;

2.9. Do you think that Tax Holiday, Tax Exemption and Cash Incentives for Export Businesses, Legal Protection and Repatriation International Agreements and Treaties, Exit Policy are favorable for FDI in Bangladesh;

2.10. Please provide some recommendations to establish an effective and efficient coordinated FDI management system?

Name of the enumerator: Date:

Signature:

Annexure 3: KII Guideline

Government of the People's Republic of Bangladesh
Bangladesh Investment Development Authority (BIDA)
Prime Minister's Office

"Comprehensive Study on Policy Regime of FDI of Cross Countries (Bangladesh, Vietnam, India, Sri Lanka and Myanmar)" Analysis

1.0. PART A: GENERAL INFORMATION

1.1. Place of KII:…….

1.2. Time:……

2.0. PART B: TECHNICAL INFORMATION

2.1. What is the current status of FDI acts, policies and procedures congenial for investment for Bangladesh, Vietnam, India, Sri Lanka and Myanmar and the agencies responsible?

2.2 Is BIDA performing satisfactorily in Starting a business, Dealing with Construction permits, getting electricity, Registering Property, getting credit, protecting minority investors, paying taxes, Trading across borders, enforcing contracts, Resolving insolvency?

2.3. How is the inter-agency coordination mechanism among different trade related agencies that has impact on FDI?

2.4 How far BIDA's one stop service is effective?

2.5. Identify the country specific data/policy and different external and internal factor (GDP, per capita income, investment potential sector, demographic dividend, cost competitive labour etc.) relevant to FDI

2.6 What are the constraints of BIDA officials for providing one stop services? Is it skill or institutional hindrance?

2.7. Identify the country specific challenges and suggest good practices/ solution elsewhere to overcome those challenges to ensure effective FDI inflow?

2.8 Do BIDA formulate investment policies, plans, incentives and strategies to stimulate investment? If yes, how far it is effective?

2.9. What are the bilateral, multilateral and regional initiatives regarding cooperation and coordination to boost FDI?

2.10 Do BIDA have investment attraction plan and investor marketing plan? If yes, how far it is effective?

2.11 Identify the International Agreement and treaties that has impact on FDI? What is the good practice's elsewhere in terms of organization/laws/rules/regulations to facilitate better management at the borders?

2.12 Has BIDA shown any improvement in the areas of dealing with construction permits, getting electricity, and resolving insolvency?

2.13 Is Investment Protection, Expropriation, Transfer of Currency, Dispute Settlement Fair Administrative Conduct favorable for investment?

2.14 Is the current exit policy of BIDA is favorable or congenial for the foreign direct investment?

2.15. Identify the gaps regarding Institutional framework, infrastructural facilities and legal structure that has positive impact on FDI and What are the good practices utilized elsewhere to facilitate better FDI management and what are the international Guidelines or Handbooks, Rules, Regulations, Agreements, Conventions followed towards better FDI management?

2.16 Made in Bangladesh" campaign to attract foreign investment, boosting the private sector, manufacturing in particular, and enhancing the country's overall competitiveness. How far it is effective?

2.17. Please explain and identify Top Sectors for Foreign Investment Manufacturing Transportation, storage and Communication Power, gas and petroleum Trade and Commerce Agriculture and fishing Service Others

And identify also Top FDI Countries.

2.18 Export Processing Zones (EPZs) are developed by the Government of Bangladesh to promote export and create employment opportunity by attracting investment. BEZA provide plots/factory buildings in custom bonded area, infrastructural facilities, administrative facilities, fiscal & non-fiscal incentives. EPZ attracts foreign & local investment and at present there are 8 EPZs and 100 BEZA zones. Do you think these initiatives will boost FDI?

2.19 To promote the ICT and IT sector in Bangladesh, the Government of Bangladesh has taken initiatives to build Hi-tech Parks and Software Technology Park across the country. A total of 28 Hi-tech Parks and Software Technology Park, IT Incubation Centers are being developed. Do you think that these ICT sector has great potential for FDI?

2.20 Identify the sector specific incentives to attract FDI

2.21 Please provide some recommendations to establish an effective and efficient coordinated FDI management system reform is needed in Institutional, infrastructure and legal aspects?

2.22 Identify on going challenges and develop a problem-solution matrix to ensure effective FDI inflow

Annexure 4: List of Report Study Team

Comprehensive Study on Policy Regime of FDI of Cross Countries (Bangladesh, Vietnam, India, Sri Lanka and Myanmar) Analysis
[(Contract No. 03.08.2680.209.16.098.19-28 of dated 23.3.2021, Lot-1]

Name and Contact Details of the Study Team

Sl.	Position	Name
1.	Team Leader	Dr. A.S.M Mashi-ur-Rahman
2.	Socio-Economist	Mr. Md. Munir Chowdhury
3.	Trade/Investment Analyst	Mr. Md. Shahid Bakhtiar Alam
4.	Field Operation Manager	Mr. Md. Ebrahim Hossain
5.	Enumerators-10	-
6.	Data Entry Operator-2	-

Annexure 5: List of Respondents

A. List of the Survey Respondents:

Sl No.	Name of the Respondent	Designation of the Respondent	Name of the Organization
1.	Tapan Kumar Karmaker	Addl. Secy (PRL)	Ministry of Land
2.	Kumkum Sultana	Deputy Director	EPB
3.	Bisshojit Kumer	Head of Admin	Paxer BD Ltd.
4.	Aminul Islam	Manager Accounts	Paxer BD Ltd.
5.	Abdullah Faysal	Compliance Manager	Swanlon Company Ltd.
6.	S.M Enamul Haque	HR Admin Manager	Swanlon Company Ltd.
7.	Ranjit Kumar Roy	Deputy Register	Office of the Register of Joint Stock
8.	Md. Noab Pramanik	Examiner of Accounts	Office of the Register of Joint Stock
9.	Rezaul Karim	Sr. Executive	Grameen knit Ltd.
10.	Nahid Islam	Admin Executive	Hop yick
11.	Nahid Islam	Admin Executive	Hop yick
12.	Abdus Salam	Manager Admin HR	Talis Man Ltd.
13.	Md. Rashel Hossain	Commercial Executive	Young oplics Ltd.
14.	Pollob Mitra	Manager HR and Compline	Hin Geth Ltd.
15.	Shamin Akter	Admin officer	Hin Geth Ltd.
16.	Md. Shah Alam	Deputy Director	BIDA
17.	Md. Atik Sarker	Assistant Director	BIDA
18.	Md. Tayebar Rahman	Assistant Manager Admin	BEZA
19.	Binita Rani	Deputy Manager	BEZA
20.	Md. Abdur Rouf	Director (Rtd.)	Export Promotion Bureau
21.	Rana Parbez	Store Manager	DENIM Expert Ltd
22.	Baharuddin Ahmed Chowdhury	Senior Manager (Admin)	Ventura Bangladesh Ltd.
23.	Hasnat Md. Abu Obidu	Managing Director	MAF Shoes Ltd.
24.	Md Iqbal Hossain	Admin Manager	World Ye Group
25.	Duncan Percira	Hr Admin	American Cbird Bangladesh Ltd
26.	Suman Biswangree	Hr Adim	Multi Sath Ltd
27.	Md Abdullah Mohsin Zubaier	Assistant Director	Excellsior Shoes Ltd
28.	Md Rashed	Hr Director	Section Seven Ltd.
29.	Md Mujibur Rahman	Investigative Officer	CEPZ
30.	Md Mahabub Murshed Chy	Chief Planning	Chittagong Port Authority (CPA)
31.	Mohammad Shafiul Azam Khan	Assistant Secretary	Chittagong Port Authority (CPA)
32.	Md Omar Faruk	Secretary	Chittagong Port Authority (CPA)
33.	Md Abdul Mannan Sohel	Director	The Chittagong Chamber of Commerce
34.	Syed Mohammad Tanvir	Vice-President	The Chittagong Chamber of Commerce
35.	Akm Akter Hossain	Director	The Chittagong Chamber of Commerce
36.	Kumkum Sultana	Deputy Secretary	EPB
37.	Abu Mokles Alamgir Hossain	Deputy Secretary	EPB
38.	Md Arshad Uddin	Deputy Director	EPB
39.	Esrat Jahan	Deputy Director	EPB
40.	Md Mosharrof Hossain	Deputy Secretary	BGMEA
41.	Md Mahbub Alam	Executive Member	BGMEA
42.	Lipi Khondokar	Coordinator	BWCCI
43.	Afsoza Pervin	Coordinator	BWCCI
44.	Khandakar Abdul Muktadir	Director	EAB
45.	Jashim Uddin	Director	EAB
46.	Jahangir Alam	Director	BCI
47.	Priti Chakraborty	Sr. Vice President	BCI
48.	Md Musleh Uddin	Deputy Secretary	DCCI
49.	Emamul Hafiz Latifee	Deputy Secretary	DCCI

Sl No.	Name of the Respondent	Designation of the Respondent	Name of the Organization
50.	Shaikh Asadur Rahman	Owner	M/S Maa Banijja Bhander
51.	Siddiqur Rahman Biswas Bulu	Owner	M/S. Biswas Construction
52.	Md.Mostofa Jaysan Bhutto	Owner	M/S. Khanjahan Ali Enterprise
53.	Goi Kishan Mundhra	Owner	M/S. Lala
54.	M.A. Matin Panna	Owner	M/S. M.A Matin
55.	Z.A Mahmud Dawn	Owner	M/S Hashi Construction
56.	S.M.Obaidullah	Owner	M/S. Shahidullah cap House
57.	Alhaj Md.Mofidul Islam Tutul	Owner	M/S. Tutul & co.
58.	Tagor Md.Shah Alom	Director	Khulna Bivagiya Abhyantarin Nou-Paribahan
59.	Jobayer Ahmed Khan (Jaba)	Owner	M/S. Eastern Builders Associates
60.	Md.Serajul Haque	Owner	M/S. Asha Store
61.	Kazi Masudul Islam	Owner	M/S. Hasan Traders
62.	Alhaj Md.Mosharraf Hossain	Owner	M/S. Hamel Enterprise

B. List of the Key Informant Interview (KII) Respondents:

Sl No.	Name of the Respondent	Designation of the Respondent	Name of the Organization
1.	Rizwan Rahman	President	Dhaka Chamber of Commerce and Industry
2.	Rizvi Akram	Administrative officer (Administration)	Dhaka EPZ
3.	Md. Mominul Islam	Administrative Officer (HR and Admin)	Swanlon LTD, DEPZ
4.	Sazzad Ahmed	Senior Executive (Admin compliance)	HOPYICK Ltd.
5.	Kartik Ghosh	Deputy Manager (Admin HR)	Talis man Ltd.
6.	Md Shahjalal	Deputy Director	EPB
7.	Md. Iftikher Chowdhury	Additional sectary	EPB
8.	Md. Altaf Hossain Bhuya	Director	EPB
9.	Md. Abul Kalam Azad	Director	EPB
10.	Habibul Islam	Additional secretary	BGMEA
11.	Shahinur Akter	Deputy Secretary	BGMEA
12.	Sanjit Barua	Manager (Account & Finance)	Word Ye Group
13.	A.S.M Mahmudl Haque	Manager (HR)	Multi Safh LTD
14.	Syed Md. Golam	Admin	American and Cfiad Bangladesh LTD.
15.	Abdul Latif	HR	Denim Expert LTD.
16.	Suman Kunti Banik	Admin	Topway industries LTD.
17.	Md. Mamunul Islam	Director	Setara Trading
18.	Saif Uddin Kamal	Assistant general manager	Section Seven LTD.
19.	Nural Alam Helal	Executive Director	Excelsior shoes Ltd.
20.	Sharmin Akter	Director	EPB
21.	Mr.Md. Azizul Mawla	Senior officer	Chittagong port activity
22.	Md. Shadat Hossain	Public Relation Officer	Chittagong Port Authority
23.	Md. Iftikher Ahmed Chowdhury	Deputy Secretary	EPB
24.	Md. Altub Hossain Bhuya	Director	EPB
25.	Mr.Md. M. Mohiuddin	Director	CCCI
26.	Md. Md. Abul Kalam Azad	Director	EPB

Sl No.	Name of the Respondent	Designation of the Respondent	Name of the Organization
27.	Farhana Akter Nila	Coordinator	BWCCI
28.	Mr. Aryan Shekhar Das	Director	CCCI
29.	Pejush Kanti Datta	Chief Coordinator	BWCCI
30.	Mr. Muzibur Rahman	Director	CCCI
31.	Sujit Kumar	Manager (Admin)	OFMA LTD.
32.	Haninul Islam	Additional Secretary	BGMEA
33.	Kazi Belayet Hossin	Director	EAB
34.	Shahinur Akter	Deputy Secretary	BGMEA
35.	Abu Zer Gifary Tomal	Assistant Director	BIDA
36.	Md. Shahjalal	Deputy Director	EPB
37.	Abdullah Alhelal	Section Manager	DEPZ
38.	Md. Joynal Abdin	Secretary	DCCI
39.	Md. Saiful Islam Bhuyan	Director	BIDA
40.	Khairul Bashar	Associate Manager (Admin)	DEPZ
41.	Shahidul Islam Niru	Vice president	BCI
42.	Afsarul Aarifeen	Secretary General	DCCI
43.	Rizvi Akhter	Administrative Officer (Administration)	DEPZ
44.	Kartik Ghosh	Deputy Manager	Talis man Ltd (FCI Group)
45.	Anwar-Ul Alam Chowdhury	President	BCI
46.	Nazmul Karim	Secretary	EAB
47.	Sazzad Ahmed	Sr. Executive	HOPYICK LTD.
48.	M.H Fayzul	Commercial Manager (Admin)	Grameen Knit Ltd.
49.	Md. Mamun	Admin officer	Ben Bangladesh LTD.
50.	Md. Mostafizur Rahman	Commercial Officer (Admin)	Ben Bangladesh Ltd.
51.	Shuvasish Dey	Admin Manager	Hingeth Ltd.
52.	Md. Mominul Islam	Administrative Officer	Swanlon Ltd.
53.	Abu Lahel	Deputy Manager	BEZA
54.	Md. Abdur Rouf	Director (Rtd.)	Export Promotion Bureau
55.	Md. Ahsanullah	Deputy Sectary	BEZA
56.	Jannatul Ferdowsi	Programmer	RJSC
57.	Engr. Zikra Amin	Programmer	RJSC
58.	Mohammed Billal Hossain	Chairman	Polli Group
59.	Siddiqur Rahman Biswas Bulu	Owner	M/S. Biswas Construction
60.	Alhaj Md.Mofiful Islam Tutul	Owner	M/S. Tutul and co.
61.	S.M.Obaidullah	Owner	M/S. Shahidullah Cap House
62.	Gopi Kishan Mundhra	Owner	M/S. Lala
63.	M.A. Matin Panna	Owner	M/S.M. A Matin