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Conducted by:
The Institute for Policy, Advocacy,
and Governance (IPAG) e.Gen Consultants Ltd.

REVIEW OF BANGLADESH INVESTMENT DEVELOPMENT AUTHORITY (BIDA) ACT 2016

Government of the People’s Republic of Bangladesh
Bangladesh Regional Connectivity Project – 1
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Review of Bangladesh Investment Development
Authority (BIDA) Act 2016

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This work would not have been possible without the valuable input we received during the data collection period from relevant stakeholders involved in Key Informant Interviews (KII) and Focus Group Discussions (FGD).

Given the consistent guidance we have received throughout the duration of this project, we were able to ensure that the study design is closely knit with the current aspirations of Bangladesh in trade expansion, trade harmonization, transit, transport, infrastructure development, improving ease of doing business, and facilitation of FDI in Bangladesh. Besides, the research provided us with the opportunity to reflect on the existing investment policies in Bangladesh and how it may be improved via inspiration from international best practices to ease the process of LDC Graduation in 2026.

Md. Abdul Karim

Preface

This report has been prepared by The Institute for Policy, Advocacy, and Governance (IPAG) in joint venture partnership with e.Gen Consultants Ltd. in accordance with the terms of reference of the ‘Selection of a Consultancy Firm for Policy Study/Policy Review/Rules and Regulation Preparation’ under the BRCP project 1. The core objective of the project is to provide policy feedback through a policy review of the BIDA Act 2016 under the Bangladesh Investment Development Authority (BIDA) for advancing the concept of cooperation in trade, investment, transport, and transit facilitation. Additionally, the assessment will encourage advocacy for policy matters concerning female traders and foster alignment between a country's developmental goals and its international commitments in the area of trade facilitation. Furthermore, the policy recommendations chalked out by this study aspires to benefit policy makers and other stakeholders in supporting trade expansion and diversification of Bangladesh’s exports.

With a primary focus on the anticipated LDC Graduation in 2026, this study aims to achieve several objectives. Firstly, it has been prepared to conduct a thorough review of the BIDA Act 2016. Secondly, the goal is to gather insights from the policy through consultations with the organization responsible for the BIDA Act 2016 and relevant stakeholders. This aims to pinpoint areas where coordination and foreign direct investment facilitation can be improved, and to highlight any obstacles in implementation that both government stakeholders and investors frequently encounter in Bangladesh. Thirdly, the study seeks to identify the necessary legislative, administrative, and policy reforms required to ensure a smooth flow of foreign direct investment and harmonized trade facilitation, among other aspects. Lastly, it aims to analyze how the reforms and recommendations derived from research, analysis, and stakeholder consultations can contribute to enhancing the Ease of Doing Business in the region.

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Acronyms and Abbreviations

4IR Fourth Industrial Revolution
AEC ASEAN Economic Community
AI Artificial Intelligence
APTA Asia-Pacific Trade Agreement
AR Augmented Reality
ASEAN Association of Southeast Asian Nations
BEPZA Bangladesh Export Processing Zones Authority
BEZA Bangladesh Economic Zones Authority
BHTPA Bangladesh Hi-Tech Park Authority
BIAC Bangladesh International Arbitration Centre
BICI Bangladesh Investment Climate Improvement
BIDA Bangladesh Investment Development Authority
BIMSTEC Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIT Bilateral Investment Treaties
BIT Bilateral Investment Treaties
BLPA Bangladesh Lank Port Authority
BOI Board of Investment
BRCP-1 Bangladesh Regional Connectivity Project-1
BSCIC Bangladesh Small and Cottage Industries Corporation
BTP Bangladesh Trade Portal
CEPA Comprehensive Economic Partnership Agreement
CY Current Year
D-8 Developing-8
DCCI Dhaka Chamber of Commerce & Industry
DFQF Duty-Free Quota-Free
DPIIT Department of Promotion of Industry and Internal Trade
DTAA Double Taxation Avoidance Agreement
EPZ Export Processing Zones
EZ Economic Zones
FDI Foreign Direct Investment

FEMA Foreign Exchange Management Act
FGD Focused Group Discussion
FIA Foreign Investment Agency
FIC Foreign Investment Committee
FICCI Foreign Investors' Chamber of Commerce and Industry
FIZ Free Industrial Zone
FPIPPA Foreign Private Investment Promotion and Protection Act
FTA Free Trade Agreement
FY Fiscal Year
GDP Gross Domestic Product
GII Global Industrial Performance Index
GSP Generalized System of Preferences
ICCB International Chamber of Commerce Bangladesh
ICSID International Centre for Settlement of Investment Disputes
ICT Information and Communication Technology

IDA International Development Association
IIA International Investment Agreement
IP Intellectual Property
IPA Investment Promotion Agency
IPC Investment Promotion Certificate
IPR Intellectual Property Rights
IRMS Investor Relationship Management System
ISD Investor-State Disputes
ISDS Investor-State Dispute Settlement
ISM International support measures
IT Information Technology
ITES Information Technology Enabled Services
KII Key Informant Interview
LDC Least Developed Countries
MCCI Metropolitan Chamber of Commerce and Industry
MIDA Malaysian Investment Development Authority
MIGA Multilateral Investment Guarantee Agency
MoC Ministry of Commerce
MoU Memorandum of Understanding
MPI Ministry of Planning and Investment
MRTA Mega-Regional Trade Agreements
NBR National Board of Revenue
NIP National Industry Policy
NTTFC National Trade and Transport Facilitation Committee
OPIC Overseas Private Investment Corporation
OSS One-Stop Service
PPP Public Private Partnership
R&D Research & Development
RCEP Regional Comprehensive Economic Partnership
RTA Regional Trade Agreement
SAARC South Asian Association for Regional Cooperation
SAFTA South Asian Free Trade Area
SAPTA SAARC Preferential Trading Agreement
SOP Standard Operating Procedure
SRO Statutory Regulatory Order
TFA Trade Facilitation Agreement
TIP Treaties with Investment Provisions
TRIPS Trade-Related Aspects of Intellectual Property Rights
UN United Nations
UNCITRAL United Nations Commission on International Trade Law
UNCTAD United Nations Conference on Trade and Development

VAT Value Added Tax
WTO World Trade Organization

Table of Contents

List of Tables

List of Figures

Executive Summary

Bangladesh's unwavering dedication to enhancing its investment climate positions it as a promising hub for future investments, poised to contribute significantly to the nation's economic advancement. On that note, the BIDA Act was passed on September 1, 20 16, through which, the Bangladesh Investment Development Authority (BIDA) was formed. The Act has mandated BIDA with the responsibility of delivering diverse promotional and facilitative services to expedite the industrial growth of the nation. This report assesses the significant role played by the Bangladesh Investment Development Authority (BIDA) in facilitating and promoting foreign direct investment (FDI) within the context of the BIDA Act 2016. The review offers a comprehensive analysis of the BIDA Act, examines its implications, gaps in policy and regulatory framework and presents strategic recommendations for optimizing its effectiveness in enhancing Bangladesh's appeal to foreign investors. As per BIDA Act 2016 provisions, BIDA's functions include pre-investment counseling, the registration and approval of private industrial projects, endorsement of branch/liaison/representative offices, visa recommendations, work permits for foreign nationals, approval of royalty remittances, technical know-how, and technical assistance fees as well as after care. The BIDA Act 2016 also ensures that BIDA oversees import of capital machinery and raw materials, approving foreign loans and supplier credits, and offering aftercare facilities to

further support the industrial landscape.

Chapter 1 of the report opens with an introduction, covering background context of investment in Bangladesh, an overview of BIDA, and the scope and rationale supporting the study. Moreover, the section highlights the fundamental importance of FDI as a catalyst for e conomic growth and development in Bangladesh. Additionally, the research tools such as Key Informant Interview, Focus Group Discussion, Legal Analysis, and Comparative Analysis among others, that were used to prepare this report were provided in detail in this section.

Chapter 2 provides a global comparison of FDI, mainly covering the ASEAN and SAARC region, and is followed by a descriptive section on FDI inflows in Bangladesh where the report indicates that Bangladesh experienced a 20.2% FDI increase in 2022, reaching $3.48 billion, the second highest ever, as reported by Unctad's World Investment Report 2023 and Bangladesh Bank. Moreover, this section illustrates graphs and figures depicting FDI Gross Inflows and FDI net inflows in Bangladesh between 2020 to 2022 among others.

Chapter 3 focuses on the regulatory framework governing foreign direct investment in Bangladesh, with particular emphasis on the Foreign Private Investment Promotion and Protection Act (FPIPPA) 1980, which serves as the primary regulatory framework for foreign investment in the country.

Chapter 4 chalks out a brief overview of BIDA, the history behind BIDA’s formation, the management structure, and concise description of the BIDA Act 2016. Additionally, details are provided on the recent investment promotion activities conducted by BIDA from 2021 to 2022 which included activities in the Dubai Expo 2020, the Bangladesh Investment Climate Improvement (BICI) Program, and the first International Investment Summit in 2021 hosting over 3000 participants from 27 countries among other activities. Additionally, brief overviews are provided on other IPAs including Bangladesh Economic Zones Authority (BEZA), Bangladesh Export Processing Zones Authority (BEPZA), and the Bangladesh High-Tech Park Authority (BHTPA).

Chapter 5 serves as a critical examination of the policy -level shortcomings and disparities in implementation of investment promotion activities and services to investors. The chapter also covers the National Industrial Policy 2022 and the Export Policy 2021 -2024 to determine diversified export sectors for Bangladesh, further touching upon the priority sectors under the policies. All in all, this section delves into issues ranging from bureaucratic hurdles to the complexities within the legal framework. Moreover, this chapter elucidates opportunities for improvement, including the imperative for enhanced coordination among government entities and the streamlining of investment procedures. Besides, other aspects such as Double Taxation Avoidance Agreement, repatriation, provisions of foreign ownership, provisions of an exit policy, Intellectual Property Rights, and comparison of investment incentives between Bangladesh, India, Vietnam, Thailand, and Malaysia have been covered here.

Chapter 6 establishes a comparison of international good practices across India, Viet Nam, Thailand, and Malaysia in developing foreign investment through policies and laws, institutional practices on investment promotion, investment incentives, foreign investment promotion strategy, investment entry and establishment, and provisions on investment protection.

Chapter 7 reports the key findings collected via desk review, interviews and focus group discussion . Through the findings, the research team was able to note down some of the key areas for diversifying investment promotion in Bangladesh. The section further discusses the institutional capacity of BIDA and highlights BIDA's proactive efforts to attract foreign investment through various initiatives like roadshows, seminars, and pre-consultations. However, despite receiving positive feedback for its timely services, there are concerns about BIDA's insufficient manpower and outdated website. Moreover, the section asserts the need for capacity-building initiatives and improved marketing strategies to enhance BIDA's visibility and appeal to foreign investors.

Chapter 8 provides a set of well-considered recommendations aimed at boosting the investment climate in Bangladesh. These recommendations encompass dispute resolution mechanisms, inter -agency coordination, procedures for outward remittances, capacity-building initiatives, and robust systems for monitoring and evaluation, among others. Furthermore, this section has chalked out a matrix that delves into the provisions under the BIDA Act 2016 using a legal analysis further supported by review of similar policies and legislations from Vietnam, India, Thailand, and Malaysia. Some additions that have been suggested including, but are not limited to, provisions of having representatives from the private sector and research backgrounds in the Governing Board to have a holistic approach, stipulating a fixed time and increased frequency for the Governing Board meeting, inter-agency cooperation as one of the functions with a view to resolving issues arising from the investor, provision of a database on market and industries etc.

Finally, the conclusion of the report establishes a concise summary of the report's key findings, overarching recommendations, and the overarching significance of FDI in propelling Bangladesh toward sustained economic growth and development. It underlines the commitment of Bangladesh to improving its investment climate and its readiness to welcome future investments.

The research findings, along with insights gathered from key informant interviews and focus group discussions, point towards key recommendations. These recommendations emphasize the potential for enhancing institutional coordination and standardizing policies, suggesting that BIDA should prioritize these areas in collaboration with the relevant ministries. Also, since foreign investors find the process of repatriation of profit cumbersome, simplification of the procedure coupled with a smooth exit policy

is recommended. Additionally, government officials should adopt an approachable attitude towards investors to encourage feedback. As suggested by several respondents, Bangladesh should shift its focus toward strengthening backward linkage industries to att ract investments in industries such as the automobile industry. Findings have also suggested that the incorporation of IP rights will slow down the progress for a few years in Bangladesh but eventually capture a wider international market which would be beneficial in the long run. Investment diversification prospects that have been suggested by experts, investors, and government officials include ICT, chemicals, pharmaceuticals, agro-processing, steel, plastic, edible oil, leather, man -made fiber among othe rs. Moreover, a specific mechanism to address disputes settlement should be included in the BIDA Act 2016. However, investor state dispute should be included as a provision in the mother law i.e., FPIPPA 1980. Similarly, a mechanism to address grievances may be adopted under the OSS Act 2018, further extending towards BIDA.

Overall, this report serves as a resource for policymakers, potential investors, and stakeholders interested in understanding and navigating Bangladesh's investment landscape. It offers a comprehensive analysis of the current state of investment promotion and ide ntifies challenges and presents rational recommendations for fostering an even more inviting and investment -friendly environment.

1. Introduction

Bangladesh has achieved significant progress in poverty reduction, employment growth, healthcare, education, and infrastructure development. It relies heavily on exports for its GDP, but it's about to graduate from the LDC group in 2026, which will result in a loss of trade benefits, notably in European markets. As a result, the private sector must prepare to compete on price and quality.

To unlock our full productive potential, Prime Minister Sheikh Hasina has prioritized investment promotion as a Special Initiative. This is crucial as Bangladesh work towards a seamless LDC graduation in 2026 and aim to become an upper -middle-income nation by 2031, ultimately reaching developed country status by 2041.

To navigate this transition, the government should promote foreign investment, which can help mitigate the challenges tied to the loss of preferential trade access. Bangladesh is a hub linking China, India, and ASEAN nations, and is equipped with political stability and forward-thinking foreign policy. Hence,

foreign investment can infuse capital, technology, skills, and market connections, improving economic productivity, competitiveness, and diversity, while also creating jobs and generating revenue.
The Bangladesh Investment Development Authority (BIDA), apex investment promotion agency (IPA) of Bangladesh, is instrumental in this process. In 2016, BIDA was formed through the BIDA Act with a primary focus on foreign and local investments and leveraging underutilized government assets to boost the nation's economic activities. BIDA's role includes investment promotion, policy advocacy, investor support, pre and post establishment facilitation, land acquisition assistance, and policy advocacy. The agency also monitors investments and collaborates with international entities to attract foreign investments. With an emphasis on transparency and investor-friendly policies and having successfully secured approximately 65% of an $11 billion investment fund over the past four years, BIDA is well -positioned to promote Bangladesh as an appealing destination for local and foreign investors. BIDA has framed several policies to support investment and industrial development through diversified promotional services such as the BIDA Act 2016 and the BIDA One Stop Service Act 2018.
At present, there are three key Investment Promotion Agencies (IPAs) in Bangladesh besides BIDA, those being, Bangladesh Economic Zones Authority (BEZA), Bangladesh Export Processing Zones Authority (BEPZA), the Bangladesh Hi -Tech Park Authority (BHTPA). Besides the four essential IPAs, there is also the Public Private Partnership (PP P) Authority, which promotes domestic and foreign investments in specific zones and industries.

1.1 Background

The Bangladesh Regional Connectivity Project 1 (BRCP -1) is jointly being implemented by the Bangladesh Lank Port Authority (BLPA), National Board of Revenue (NBR) and Ministry of Commerce and financed by the International Development Association (IDA) – a member of the World Bank Group. The second component of this umbrella project is being implemented as a separate technical assistance project by the Ministry of Commerce, and aims to strengthen trade related institutional capacity to ensure active and sustaina ble cooperation between multiple trade related stakeholders and empower women trade through the three following components:

- Component A: Create (pilot) programs to assist female merchants and business owners. This component will test initiatives to address barriers that prevent women from participating in regional and global supply chains and trading opportunities.

- Component B: Support for the National Trade and Transport Facilitation Committee's (NTTFC) capacity development. The inter -ministerial NTTFC was established to coordinate all trade and transportation-related policies and practices in Bangladesh, and to function as the Project's Advisory Committee.
- Component C: The Bangladesh Trade Portal will be improved, and a National Enquiry Point for Trade will be established. In March 2016, the Bangladesh Trade Portal (BTP) was launched. This component will help to improve the BTP's functionality by allowing it to include information relevant to potential Bangladesh exporters and ensuring that the content is kept up to date. This component will also establish the National Enquiry Point for Trade, which will assist Bangladesh in meeting a crucial WTO Trade Facilitation Agreement obligation.

Part of the IDA Credit will be used by the Ministry of Commerce to conduct studies on existing trade agreements to build a deeper understanding of the three relevant areas of trade facilitation indicated above.

1.2 Rationale of the Study

Bangladesh's graduation from the LDC category will have significant implications for its GDP and in turn will lose some of the preferential market access and international support measures that Bangladesh currently enjoys as an LDC, such as duty-free and quota-free exports, concessional loans, and technical assistance. These benefits have helped Bangladesh to boost its exports, especially in the garment sector, and to finance its development needs. According to some estimates, graduation could lead to a los s of about 8-10% of its gross export revenue, amounting to about $2.5 billion annually.
Therefore, it is vital for Bangladesh to focus on attracting more FDI as it can help overcome some of the challenges and risks associated with graduation, such as losing competitiveness, diversifying exports, upgrading technology, and creating jobs. FDI ca n provide capital, technology, skills, and market linkages that can enhance the productivity, competitiveness, and diversification of Bangladesh's economy.
One of the key factors that can help Bangladesh to attract more FDI is to improve its investment climate and policies. Bangladesh needs to address some of the existing barriers and constraints that hinder FDI

inflows, such as inadequate infrastructure, com plex regulations, weak governance, and low skills. Bangladesh also needs to take proactive measures to promote FDI in strategic sectors that can contribute to its sustainable development and LDC graduation.

In that context, it is essential to explore the various provisions put forth by BIDA and identify the challenges and gaps that may 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.

1.3 Scope of the Study

Achievement of the overarching objective will be realized by following specific objectives mentioned below:

- The current situation of the BIDA Act that covers trade facilitation.

- The effects of the policy/law/regulations on foreign direct investment, trade for exporters and importers in Bangladesh and the existing obstacles and difficulties including the gaps in implementation and procedural barriers identified;
- The best practices in other countries in terms of policy/regulations for better management of FDI and trade;
- The alignment of these policies /act with the trade related bilateral, regional and international agreements and conventions;
- The needs of Legislative, Administrative and Policy reforms identified;
- The changes or improvements that are needed to make these policies /act efficient, effective FDI flow and harmonized for trade facilitation including to meet the LDC graduation challenges.

1.4 Methodology

1.4.1 Document Review

Keeping in consideration the nature of the two policy studies, our team of experts reviewed both primary and secondary documents during the desk study.

Primary Documents: The team of experts looked at important papers from the Ministry of Commerce and other trade -related offices. Some of the papers were the BIDA , Foreign Private Investment (Promotion and Protection) Act (FPIPPA) and OSS ACT, a review of Bangladesh's investment policies, and investment deals with other countries. Additionally, the collection of primary documents featured transcripts of the KII and FGD conducted as part of this study.

Secondary Documents: Secondary documents included journal articles, news articles, commentaries by trade and policy experts, among others. Additionally, the team further relied on papers published by multilateral organizations such as the World Bank, WTO, and UNCTAD among others, research papers published by other think tanks based in Bangladesh, and annual reports published by BIDA and BEZA.

1.4.2 Key Informant Interview

Under the scope of the study, qualitative data has been collected in the form of KII. The sample size is 10, and the 10 key informants have been selected by the National Trade Expert/ Trade Economist in [1]consultation with the Team Leader using purposive sampling technique for each study. The sample consists of government officials from various ministries and their subdivisions, trade agencies, and foreign investors. The list of participants who were involved in this study has been provided in Annex 1.

1.4.3 Focus Group Discussions

The consultant team carried out the FGD in mixed groups and ensured women participants. The preferred size of the group was between 6 – 8 participants as opposed to a group size of 10 – 12 because if the FGDs incorporate too many experts, it might put forth varying opinions, and divert from the subject matter. One FGD was conducted, and the F GD participants were selected using snowball or

1 Snowball sampling or chain-referral sampling is defined as a non-probability sampling technique in which the samples have traits that are rare to find.

commonly known as purposive sampling. iii The team of consultants held a discussion with the Bangladesh Investment Development Authority (BIDA), for the purpose of this study.

1.4.4 Data Analysis
In this section, we have listed out the data analysis tools our team of experts have used below:

1.4.4.1 Comparative Policy Analysis

Comparative policy analysis involves the examination and comparison of policies or their outcomes across different jurisdictions or settings. This method aims to identify best practices and lessons learned in various contexts. It is valuable for understanding how different policies have been implemented and their impact in different regions.

Using a comparative lens, our team of experts will compare the policies of the BIDA Act 2016 to the foreign investment policies of other countries in the region, such as India, Vietnam, Thailand, and Malaysia. This analysis helped in identifying successful approaches and practices that can be applied to the context of Bangladesh. By comparing policies and their effects across different regions, the team acquired insights into what has worked well in other settings.

1.4.4.2 Legal Analysis
Legal analysis is a process that involves the systematic examination and evaluation of legal issues, principles, and rules to understand their implications, consequences, and application in specific situations or cases. This entails identifying all parties affected by a policy, assessing their interests, positions, alliances, and significance. In our project, we applied a legal perspective to scrutinize two policies, seeking amendments and recommendations.
Within this project, the legal analysis involved a comprehensive review of policies within the BIDA Act 2016. The team examined how this act impacted various stakeholders, including businesses, government entities, and international organizations. This examination facilitated an understanding of the legal framework guiding investment policies, their alignment with both national and international laws, and identified areas for potential improvements.

2. Overview of Foreign Direct Investment (FDI)

2.1 Global Comparison
Over the preceding five years, there has been a noteworthy upswing in Foreign Direct Investment (FDI) flows across all prominent regional economic groupings within the developing Asian region. Particularly, investments within the Association of Southeast Asian Nations (ASEAN) have witnessed an impressive 41% surge, accumulating to a total of $222 billion. Similar patterns of growth were discernible within the Regional Comprehensive Economic Partnership (RCEP), the Gulf Cooperation Council, and among member states of the South Asian Association for Regional Cooperation (SAARC).
As of the year 2022, within East Asia, China has emerged as a substantial participant, marking a noteworthy 5% upswing, resulting in a substantial influx of FDI, amounting to $189 billion. This increase can be predominantly attributed to investments in the manufacturing and high -tech sectors, with a significant impetus provided by European multinational enterprises.
In the context of South-East Asia, the FDI landscape in countries such as Vietnam and Indonesia also showcased positive trends, with FDI increasing by 14% and 4%, leading to FDI totals of $18 billion and $22 billion, respectively. Conversely, the Philippines faced a 23% decline, primarily attributable to divestments.
In the Western Asian region, Saudi Arabia encountered a notable 59% reduction in FDI, amounting to $7.9 billion. In stark contrast, the United Arab Emirates reached historic highs with a remarkable 10% increase, totaling $23 billion and attracting the four th-highest number of global greenfield projects. Turkey also drew attention with a 9% increase, resulting in $13 billion in FDI.
Furthermore, in South Asia, India's FDI landscape has been particularly remarkable, with a

commendable 10% increase, reaching an impressive $49 billion. This positions India as the third-largest host country for greenfield projects and the second largest f or international project finance deals. Notably, Bangladesh experienced a significant 20% increase in FDI, reaching a total of $3.5 billion, marking the second-highest level in the country's history, as reported in UNCTAD's World Investment Report 2023 2.

2.1.1 Foreign Direct Investment (FDI) Inflows in Bangladesh

The history of foreign direct investment (FDI) in Bangladesh between 2003 and 2023 shows a dynamic economic landscape with notable fluctuations. Bangladesh experienced a 20.2% FDI increase in 2022, reaching $3.48 billion, the second highest ever, as reported by Unctad's World Investment Report 2023 and Bangladesh Bank. This marks a $584.39 million uptick from 2021 and a 35.7% rise compared to 2020. The following table illustrates the overall growth in FDI Gross Inflows and FDI net inflows

2 UNCTAD, “Investment flows to developing countries in Asia remained flat in 2022”, Accessed November 9, 2023, https://unctad.org/news/investment-flows-developing-countries-asia-remained-flat-2022#:~:text=Five%20economies%20(China%2C%20Singapore%2C,of%20FDI%20to%20the%20region.

Table 1 FDI Inflows in Bangladesh (During the CY 2020 to CY 2022), Sources: FIED Management Cell, Statistics Department, Bangladesh Bank

Items 2020 2021 % growth 2022
over 2021
% growth 2022
over 2020
FDI Gross Inflows 3378.49 3883.6 24.3 42.9
FDI Net Inflows (Equity capital
inflows+ Re-invested earning+
Intra-company Loans)
87 289.56 20.3 35.7

The following figure provides a year-on-year illustration of the FDI Net Inflows in Bangladesh, which is indicative of a reduction in inflows in 2020, possibly due to the onset of the COVID-19 pandemic, with a gradual increase in 2022:

Figure 1 Net FDI Inflows on Yearly basis

The data provided in the following table has been obtained from Bangladesh Bank and includes a sector-wise breakdown of the net FDI inflows in Bangladesh from January 2022 to December 2022:

Table: Sector-wise Net FDI Inflows during the year 2022 (in million US$)

SL No.	Sectors	Jan-Jun'2022	Jul-Dec'2022	CY 2022	% of Total
1	Agriculture & Fishing	18.10	20.62	38.72	1.1
2	Mining & Quarrying	0.0	0.0	0.0	0.0
3	Power, Gas & Petroleum	390.82	463.41	854.23	24.5
	i) Power	263.35	248.34	511.69	14.7
	ii) Gas & Petroleum	127.47	215.07	342.54	9.8
4	Manufacturing	638.22	664.92	1303.14	37.4
	i) Food Products	82.78	70.88	153.66	4.4
	ii) Textiles & wearing	346.72	358.97	705.69	20.3
	iii) Pharmaceuticals & Chemicals	49.28	38.32	87.60	2.5
	iv) Metal & Machinery Products	5.95	0.32	6.27	0.2

v) Vehicle & Transport Equipment 0.90 0.25 1.15 0.0
vi) Fertilizer 83.15 43.98 127.13 3.7
vii) Cement 4.96 7.03 11.99 0.3
viii) Leather & Leather Products 23.99 93.13 117.12 3.4
ix) Other Mfg 40.49 52.04 92.53 2.7
0
500
1000
1500
2000
2500
3000
3500
4000
2018 2019
2020
2021
2022
3613.3
2873.95
2563.58
2895.56
3479.95
12

Table: Sector-wise Net FDI Inflows during the year 2022 (in million US$)
SL
No.
Sectors Jan-
Jun'2022
Jul-
Dec'2022
CY
2022
% of
Total
5 Construction 42.62 29.57 72.19 2.7
6 Trade & Commerce 205.06 174.46 379.52 10.9
i) Trading 63.29 4.11 67.40 1.9
ii) Banking 139.46 180.49 319.95 9.2
iii) Insurance 0.38 -16.4 -16.02 -0.5
iv) Non-Bank Financial
Institutions (NBFI)
1.93 6.26 8.19 0.2
7 Transport, Storage &
Communication
197.77 306.97 504.74 14.5
i) Telecommunications 157.35 292.18 449.53 12.9
ii) Transport, Storage & Others 40.42 14.79 55.21 1.6
8 Services 179.78 139.48 319.26 9.2
i) Hotel & Restaurant 0.26 0.08 0.34 0.0
ii) Clinical 4.88 3.84 8.72 0.3
iii) Computer Software &
Information Technology (IT)
13.87 24.47 38.34 1.1
iv) Other Service 160.77 111.09 271.86 7.8
9 Other Sectors 3.59 4.56 8.15 0.2
Total FDI Inflows 1675.96 1803.99 3479.95 100.0

Table 2 Sector-wise Net FDI Inflows during the year 2022, Source: FIED Management Cell, Statistics Department, Bangladesh Bank

3. Policy Framework for Investment in Bangladesh

Bangladesh welcomes foreign investment with open arms, providing attractive incentives and robust protection measures for foreign investors. This commitment to promoting and safeguarding foreign investments is enshrined in various Bangladeshi policies, often employed to portray Bangladesh as an appealing destination for foreign investors.

The government of Bangladesh has introduced an "Open Door Policy" aimed at enticing foreign investment. The official body responsible for promoting, attracting, and facilitating foreign investment within the Export Processing Zones (EPZs) operates under the Prime Minister's Office and is known as the Bangladesh Export Processing Zone Authority (BEPZA). EPZs are established with the primary objective of creating designated areas that offer a welcoming investment climate, free from burdensome regulations, to attract potential investors.

In 2015, the government made a significant decision to establish 100 economic zones (EZs) across the country, with the goals of attracting both domestic and foreign investment, expediting industrialization, creating one crore jobs, and increasing exports by an additional $40 billion worth of goods and services by 2030. While many of these EZs are yet to commence operations, the ones that have been in existence since FY 2017-18 have already garnered $1.6 billion in investments, including $80 million from foreign sources. Furthermore, investment proposals totaling $26 billion have been signed across all 97 economic zones. Even though BIDA ACT 2016 governs the regulatory framework for investment promotion in Bangladesh including investment protection and entry, the Foreign Private Investment Promotion and Protection Act (FPIPPA) 1980 is the key regulatory framework of foreign investment in Bangladesh. The broader policy and regulatory framework for catering investment include:

Business Stage	Regulatory Framework
General	• Bangladesh Industrial Policy (as undertaken from time to time)
Business Start-Up	• The Companies Act, 1994 • Securities and Exchange Commission Act, 1993 • Copyright Act, 2000 • Patent and Design Act, 1911 • Trademark Act, 2009
Promotion and Protection	• The Foreign Private Investment Promotion and Protection Act (FPIPPA), 1980
Facilitation	• Bangladesh Investment Development Board Act (BIDA), 2016 • Bangladesh Export Processing Zones Authority (BEPZA) Act, 1980 • The Bangladesh Economic Zones Act, 2010/ Amended Bangladesh Economic Zones Act 2015 • The Bangladesh Hi-Tech Park Authority Act, 2010 • OSS Act 2018
International Trade (Export and Import)	• Bangladesh Export Policy (as undertaken from time to time) • Bangladesh Import Order (as undertaken from time to time)
Corporate/Personal Taxation and incentives	• Income Tax Ordinance 1984 and related rules and SROs • The Customs (Economic-Zones) Procedures (2017)
Foreign Exchange	• Bangladesh Foreign Exchange Regulation Act and Guidelines • (issued from time to time)

Table 3 Regulatory framework for investment promotion in Bangladesh

4. Bangladesh Investment Development Authority (BIDA): Context and Challenges

4.1 Overview of BIDA

The Bangladesh Investment Development Authority (BIDA), established under the BIDA Act 2016 on September 1, 2016, plays a central role in expediting the economic and industrial development of Bangladesh. The organization was formed through the merger of the Board of Investment and Privatization Commission. BIDA's core mission is to simplify and accelerate the investment process in the country, consolidating functions previously dispersed among multiple organizations, including the Board of Investment (BOI).

BIDA actively promotes investment opportunities in various sectors of the economy, both domestically and internationally. It markets Bangladesh as an attractive destination for both foreign and domestic investors. In addition, BIDA plays a role in formulat ing and recommending policies and regulations that improve the investment climate and works to remove barriers and create a more favorable business environment. Furthermore, BIDA plays a critical role in monitoring and evaluating investment progress in the country, ensuring adherence to regulations and promptly addressing any emerging issues during the investment process. BIDA's involvement in policy advocacy centers on the identification and resolution of critical policy concerns impacting Bangladesh's investment environment. The agency conducts analyses of regulatory obstacles, administrative intricacies, and trade impedi ments, subsequently offering policy reform suggestions to the government. The authority also conducts training programs and workshops to enhance the skills and knowledge of government officials, investors, and other stakeholders involved in the investment process. BIDA operates as a comprehensive one-stop service provider for investors, offering a wide range of services, including streamlined online registration and approval processes. This approach significantly reduces bureaucratic hurdles and simplifies compliance with regulatory requirements for both local and foreign investors.

All in all, BIDA is a key driver in creating a transparent and favorable investment environment in Bangladesh, with a specific focus on attracting both local and foreign investments, thereby contributing to the country's economic growth and development.

4.2 Overview of the BIDA Act 2016

The Bangladesh Investment Development Authority (BIDA) Act 2016, which came into effect on September 1, 2016, was established to expedite the country's industrial progress. BIDA was assigned the role of delivering a comprehensive set of promotional and facilitative services. The BIDA Act aimed to streamline bureaucratic procedures and provide incentives to foster a more investor -friendly atmosphere[3] and BIDA came into existence under this act. BIDA has offered several incentives for the promotion of foreign investment in Bangladesh. Moreover, the government has offered several facilities for foreign investors such as Special Economic Zones, Export Processing Zones, etc.[4]

The BIDA Act 2016 outlines the functions, powers, and responsibilities of BIDA and provides a legal framework for its operation. Under the Act, the authority operates as a one -stop service provider,

3 BIDA, “BIDA mandate and activities”, Accessed November 9, 2023, https://bida.gov.bd/mandate-and-activities
4 BRCP-1, “Policy Review on Foreign Private Investment (Promotion and Protection) Act 1980”, Accessed November 12, 2023, extension://efaidnbmnnnibpcajpcglclefindmkaj/http://brcp-1.gov.bd/wp-content/uploads/2022/03/Foriegn-Private-Investment-Promotion-and-Protection-Act-1980_10.03.2022.pdf

simplifying the investment process by centralizing a variety of services. This includes online registration and approval processes, reducing administrative complexities and enhancing investors' ability to navigate regulatory requirements. Furthermore, the Act empowered BIDA to grant incentives such as tax exemptions, duty -free machinery imports, and other advantages, particularly for priority sectors. BIDA also actively participates in promoting investment opportunities both domestically and internationally by engaging in roadshows and investment seminars.

The Act outlines specific regulations for foreign investment promotion and facilitation as well as the formation of the investment promotion agency, BIDA, in Bangladesh. It also provides guidelines for foreign investor entry into Bangladesh. The Act includes a reg ulatory framework for licensing or approving industrial undertakings, whether they involve domestic or foreign investment or joint ventures. While foreign investors typically do not require approval under the FPIPPA 1980, the BIDA Act mandates that individuals seeking to establish private sector industrial undertakings must apply for approval following specified procedures, except for industries governed by established legal institutions. It's important to note that BIDA's jurisdiction is limited to industr ial undertakings, and therefore, service subsectors not categorized as industries in the Industrial Policy fall outside BIDA's purview, missing out on its support. The BIDA Act also incorporates provisions to promote investment, including one -stop services aimed at expeditiously delivering infrastructure services to industrial undertakings based on their requirements. 4

4.3 Management Structure of BIDA

BIDA is organized into a three-level management system, detailed as follows:

4.4 Promoting Investment: BIDA's Recent Initiatives

Under Prime Minister Sheikh Hasina's special initiative known as Biniyog Bikash (Investment Promotion), BIDA, as lead agency for overseeing business climate, implemented various investment promotion and investment facilitation activities. BIDA joined Dubai Expo 2020 which took place in 2022 and assumed regional directorship for South Asia at the World Association of Investment Promotion Agencies (WAIPA) for 2021-2023.

BIDA further developed the Bangladesh Investment Climate Improvement (BICI) Program to kickstart business climate reforms across Bangladesh. Additionally, BIDA is developing an Investor Relationship Management System (IRMS) guided by the Strategic Roadmap 2020-2024 to strategize

Figure 2 BIDA three-level management system

communications and implement IPA services effectively. The system will manage interactions, implement monitoring and surveys, and manage investors' databases.

BIDA also organized its first International Investment Summit in 2021 hosting over 3000 participants from 27 countries where they exhibited 11 of Bangladesh's thriving sectors that hold great potential for foreign investment. The agency has taken another step further to streamline information for the public including investors by launching its new website which highlights the priority sectors in Bangladesh, provides an investment roadmap, and easier access to services.

In parallel, the FGD findings raised several key initiatives by BIDA to facilitate foreign investments. One notable initiative is the creation of a country -wise liaison officer's list, making it convenient for foreign investors from specific countries, suc h as India, Germany, and the United States, to connect with designated liaison officers. These officers play a crucial role in providing essential information and support, boosting investor confidence in Bangladesh.

Additionally, BIDA actively collects and shares investment -related information from various government entities, including the Trade Ministry, Ministry of Industries, and Bangladesh Bank, ensuring that investors have access to essential data and resources.

4.5 Bangladesh Investment Climate Improvement (BICI) Program

BIDA introduced the Bangladesh Investment Climate Improvement (BICI) Program to enact comprehensive business climate reforms across the country, aligning with Bangladesh's socio - economic context. Following the suspension of the World Bank's Ease of Doing B usiness (EoDB) program in September 2021, BIDA was directed to develop a program tailored to Bangladesh's specific needs. The directive was issued during the 9th meeting of the National Committee for Monitoring Implementation of Doing Business. BIDA, as th e government's primary agency for coordinating business climate reforms, crafted the BICI program, seeking input from stakeholders in a workshop held on June 16, 2022. The proposed BICI, aligned with Vision -2041, focuses on seven pillars, including Busines s Entry, Exit, and Technology Adoption, Industrial Infrastructure and Logistics, Cross-Border Trade and Business, Commercial Dispute Resolution and Labor Regulations, Tax Regime, and Financial and Non -financial Incentives and Access to Finance. Departing f rom generic assumptions, BICI's reforms will be informed by the Bangladesh Business Climate Index (BBX) and structured feedback from the private sector. The program, encompassing 97 proposed reforms for FY 2022-23, is currently under government considerati on, and several development partners have expressed interest in funding the initiative.5

4.6 Other Investment Promotion Agencies (IPAs)

4.6.1 Bangladesh Economic Zone Authority (BEZA)

The Bangladesh Economic Zones Authority (BEZA) is an agency of the government of Bangladesh tasked with developing 100 new economic zones. 6 7 BEZA was created in 2010 under the Bangladesh

Economic Zones Act and is an attached agency of the Prime Minister's Office 2. Its objective is to establish, license, operate, manage, and control economic zones in Bangladesh, with the target of

5 BIDA, Accessed November 13, 2023, https://bida.gov.bd/storage/app/uploads/public/63b/695/769/63b6957697f14678356175
6 BEZA, Accessed November 11, 2023, https://beza.gov.bd/
7 Wikipedia contributors, Bnagladesh Economic Zone Authority, Accessed November 11, 2023, https://en.wikipedia.org/wiki/Bangladesh_Economic_Zones_Authority

generating 10 million jobs and receiving USD 40 billion in export earnings8 9. BEZA is responsible for developing both government -owned and privately -owned economic zones in different parts of Bangladesh3. The agency is working towards establishing 100 economic zones across the country by 2030 to achieve industrial self-sufficiency, decentralization, and a one crore employment target 4.

4.6.2 Bangladesh Export Processing Zones Authority (BEPZA)

The Bangladesh Export Processing Zones Authority (BEPZA) is an agency of the government of Bangladesh that promotes, attracts, and facilitates foreign investment in the country's export processing zones (EPZs) 10. BEPZA was established in 1983 under the Bangladesh Export Processing Zones Authority Act and is an attached agency of the Prime Minister's Office 11. Its primary objective is to provide special areas where potential investors would find a congenial investment climate free from cumbersome procedures12. BEPZA currently oversees the operations of eight EPZs in different parts of Bangladesh, including Chittagong, Dhaka, Mongla, Ishwardi, Comilla, and Uttara. The agency performs inspections and supervises the compliance of enterprises related to social and e nvironmental issues, safety, and security at the workplace to maintain harmonious labor management and industrial relations in EPZs5.

According to the Bangladesh Economic Review for the year 2023, it is reported that the Export Processing Zones (EPZs) in Bangladesh presently accommodate a total of 452 operational enterprises, with an additional 93 enterprises in various stages of implementation. Among the operational enterprises, 150 are situated within Chattogram EPZ, 89 within Dhaka EPZ, 31 within Mongla EPZ, 21 within Ishwardi EPZ, 48 within Cumilla EPZ, 23 within Uttara EPZ, 48 within Adamjee EPZ, and 42 within Karnaphuli EPZ. As of February 2023, the cumulative investment within these EPZs has reached an impressive figure of US$ 6,296.24 million. Notably, during the initial eight months of the fiscal year 2022-23, the EPZs achieved a total export value of US$ 5,361.12 million. Significantly, in the fiscal year 2021-22, the exports from EPZs constituted approximately 16.61 percent of the nation's total export volume. Furthermore, it is noteworthy that as of February 2023, the industrial establishments operating within the EPZs, under the supervision of the Bangladesh Export Processing Zones Authority (BEPZA), have provided gainful employment to 486,304 Bangladeshi citizens. It is particularly significant to mention that this workforce accounts for a substantial 66 percent of the entire Bangladeshi workforce employed within EPZs. The following table gives an overview of the investment, export and export in several operational EPZs across Bangladesh.

Name of EPZS	Number of Industry In Operation	Number of Industry Under Implementation	Investment (US$ in M)	Export (US$ in M)	Employment (No.)
Chattogram EPZ	150	10	1999.45	39741.18	173440
Dhaka EPZ	89	6	1718.83	33826.67	76147
Adamjee EPZ	48	12	709.88	7501.09	58414
Cumilla EPZ	48	5	548.12	5298.34	44048

8 Bangladesh, A. (n.d.)., “Embassy of Bangladesh Paris - Economic Zones in Bangladesh”, Accessed November 11, 2023, https://www.bangladoot-paris.org/trade-and-commerce/economic-zones-in-bangladesh.html
9 Rayhan, A. U. N. J. (2023, March 20). “Beza will add $40b to the economy by 2030.”, Accessed November 11, 2023, https://www.tbsnews.net/economy/beza-will-add-40b-economy-2030-597686

10 BEPZA | Bangladesh Export Processing Zones Authority, Accessed November 14, 2023, https://www.bepza.gov.bd/
11 Wikipedia contributors, "Bangladesh Export Processing Zone Authority. Wikipedia", Accessed November 14, 2023, https://en.wikipedia.org/wiki/Bangladesh_Export_Processing_Zone_Authority
12 BEPZA. Bangladesh Export Processing Zones Authority (BEPZA) | LinkedIn, Accessed November 12, 2023, https://www.linkedin.com/company/bepza?originalSubdomain=bd

Karnaphuli EPZ	42	6	712.20	10132.05	73812
Ishwardi EPZ	21	20	233.97	1461.57	17045
Mongla EPZ	31	10	145.70	1070.73	11527
Uttara EPZ	23	6	226.78	2201.08	31871
BEPZA EPZ	0	18	1.30	0.00	0.00
Total	452	93	6296.24	101232.71	486304

Table 4 Bangladesh EPZ Stats

4.6.3 Bangladesh Hi-Tech Park Authority (BHTPA)

The Bangladesh Hi -Tech Park Authority (BHTPA) is a government agency in Bangladesh that is responsible for establishing, managing, and operating technology business parks throughout the country 13 14. The BHTPA was established under the Bangladesh Hi-Tech Park Authority Act of 2010 with the objective of creating an investment -friendly environment for the IT and IT -enabled services (ITES) industry.

BHTPA is responsible for developing and managing several hi-tech parks in Bangladesh, including the Bangabandhu Hi-Tech City in Kaliakoir, Gazipur, the Sheikh Hasina Software Technology Park in Jessore, and the Janata Tower Software Technology Park in Dhaka 9. BHTPA's mission is to establish international standard infrastructure, create a sustainable business environment, and develop an IT/ITES-based industrial ecosystem in Bangladesh 15. BHTPA offers various incentives to investors, such as tax holidays, duty exemptions, and other financial benefits, to encourage investment in the hi - tech sectors.

A total of 12 IT parks will be established in 12 separate districts across the country, including Jamalpur, Natore, Thakurgaon, Comilla, Mymensingh, Kareniganj (Dhaka), Barisal, Rangpur, Rajshahi, Sylhet, Khulna, and Chattogram. BHTPA is establishing Hi -Tech Parks, Software Technology Parks, and IT Training & Incubation Centers throughout the country to attract local and foreign investors for the development of Hi-Tech/IT/ITES industries. These parks aim to create huge employment opportunities and skilled human resources in the country. 16

13 Wikipedia contributors. (2023c, October 6). Bangladesh Hi-Tech Park Authority. Wikipedia, Accessed November 16, 2023, https://en.wikipedia.org/wiki/Bangladesh_Hi-Tech_Park_Authority
14 Bangladesh Hi-Tech Park Authority, Accessed November 17, 2023, https://bhtpa.gov.bd/
15 BHTPA, Bangladesh Hi Tech Park Authority, Accessed November 11, 2023, https://ossbhtpa.gov.bd/
16 Bangladesh High-Tech Park Authority (BHTPA): – Invest Bangla. (n.d.)., Accessed November 13, 2023, https://www.invest-bangla.com/bangladesh-high-tech-park-authority-bhtpa/

5. Findings from Secondary Sources: Policy Challenges and Implementations Gaps

5.1 National Industrial Policy

The Ministry of Industries has issued the National Industry Policy (NIP) for 2022, with its primary goals being the promotion of entrepreneurship, expansion of export diversification, and the facilitation of both local and foreign investments.

The primary focus of the NIP is on labor -intensive industrialization using domestic resources. The policy targets a 40% GDP contribution from industries by 2027, up from 35% in 2016 and 29% in 2010. While the industrial sector contributed 37.07% in 2021-22, there's a push to reach 41.86% by 2025. The policy emphasizes gradual growth, with achievements in manufacturing sectors like textiles, garments, and leather.

The policy stresses the importance of export diversification, increased foreign direct investment (FDI), and a focus on the Fourth Industrial Revolution (4IR). Special attention is given to less developed areas, aiming to ensure a stable supply of raw mate rials for export -oriented industries. Initiatives include simplifying administrative procedures, supporting startups, and encouraging ICT -based entrepreneurship. Women entrepreneurs are promoted with collateral -free loans, although funding challenges persist.
The policy addresses the formalization of the informal sector, introducing a time -bound action plan. There's an emphasis on attracting local and foreign investment, improving confidence in organizations like BSCIC, and implementing initiatives for start -ups. Challenges include financing for women entrepreneurs, labor productivity behind ASEAN countries, and the need for specific targets to improve Global Industrial Performance Index (GII) rankings.
The graduation challenges, including loss due to LDC -ISMs, logistics costs, and the need for digitalization and diversified FDI, are acknowledged. The policy aligns with the goals of other Asian countries like Malaysia and Vietnam. However, challenges such as poor data management, inconsistent policies, and the implementation mechanism's effectiveness need attention. The editorial stresses that while policies are in place, the focus should be on their implementation with a time-bound and strategy-oriented approach.

5.1.1 Priority Sectors
As per the NIP 2022, the priority sectors are as follows:

5.1.2 Special Development Industries
The NIP has recognized specific industries designated as special development sectors. These sectors will necessitate further investment and development efforts to unlock their potential for generating future export revenues.
Figure 4 Special development industries under National Industrial Policy (NIP), 2022
Figure 3 The priority sectors according to the NIP, 2022

5.2 Export Policy 2021 - 2024
The Export Policy, 2021 -2024, was made effective from March 23, 2022. The Policy aims to reach annualized export earnings of US$ 80 billion between the years 2021 -2024 with a key focus on post -LDC-Graduation challenges, research, and development, curbing t he impact of COVID -19 on export sectors, and the fourth industrial revolution. The Policy focuses on boosting trade by tapping into 14 priority sectors with products of high-value potential as mentioned below.
The government of Bangladesh provides incentives to selected export sectors which includes textiles, hand-made products, jute produces, agricultural and agri -processed goods, leather goods, furniture, plastic goods, frozen fish, motorycles, among others. Most of these products are already in Bangladesh’s

Export Priority List. The rate of subsidy for these items ranges from 4 – 20 percent. Under the provisions of the Value Added Tax Act, 1991, and the Customs Act, 1969, all duties and taxes paid on inputs/ raw materials used for the manufacturing of exported goods is subject to refund.

5.2.1 Priority Sectors

HIGHEST PRIORITY SECTOR

i. High value-added ready-made garments, denim
ii. Man-Made Fiber
iii. Garment Accessories.
iv. Pharmaceutical products.
v. Plastic products.
vi. Footwear (leather, non-leather, and synthetic) and leather goods.
vii. jute products, including multipurpose jute products.
viii. Agricultural and processed agricultural products; fruits, cut flowers.
ix. Light engineering products (auto parts, bicycles, motorcycles,
batteries)
x. Construction of ships and sea-going fishing trawlers.
xi. Furniture.
xii. Home Textiles and Home Decor, Terry towel.
xiii. Baggage.

Table 5 Highest Priority Sector

While BIDA is adhering to the National Industrial Policy, as indicated from data collected via the KII of foreign investors, pharmaceutical products, ICT, electronics (among which, mobile phones manufacturing), and leather are potential areas where investment may be diversified. KII findings have complemented this, providing various suggestions for investment diversification e.g., steel, plastic, leather, chemicals, pharmaceuticals, agro-processing, hi-tech, ICT etc.

5.3 Dispute Settlement

An essential concern for foreign investors revolves around the selection of an appropriate dispute resolution mechanism. Section 4 of the FPIPPA 1980 stipulates that the government is obligated to provide fair and equitable treatment to foreign private investments, ensuring their full protection and security within Bangladesh. Due to delays often experienced in Bangladeshi litigation, foreign investors

typically prefer arbitration as their favored method for resolving cross -border commercial disputes 17. The World Justice Project announces in its Rule of Law Index 2016 that Bangladesh is ranked at 103rd among 113 countries. Weaknesses in public governance and judicial independence have led to a lack of confidence in solving commercial disputes through its court system. Arbitration offers flexibility and allows parties to autonomously resolve conflicts while maintaining confidentiality.

In instances of disputes, dispute resolution methods are available under the Arbitration Act of 2001 and 2004. Bangladesh is a signatory to the International Centre for Settlement of Investment Disputes (ICSID), an organization that settles investment disputes involving specific states and foreign nationals. Additionally, Bangladeshi law permits contracts to refer dispute settlement to third -country forums, such as those in Singapore.

Bangladesh is also a participant in the South Asia Association for Regional Cooperation (SAARC) Agreement for the Establishment of an Arbitration Council since November 2005, aiming to establish a permanent center for alternative dispute resolution in one of the SAARC member countries. Furthermore, Bangladesh is a signatory of the New York Convention, recognizing the enforcement of international arbitration awards. For dispute resolution, the Bangladesh International Arbitration Centre (BIAC) is available, operating under the Bangladesh Arbitration Act of 2001. BIAC is an independent arbitration center established in April 2011 for the resolution of commercial disputes, overseen by a committee headed by the President of the International Chamber of Commerce Bangladesh (ICCB) and comprising presidents of other prominent chambers, including DCCI and MCCI.

The FPIPPA currently lacks any provisions for investor -state disputes, which are typically found in bilateral agreements. A provision on investor -state dispute should be explicitly stated in the Act and designed to be as comprehensive as possible, providing foreign investors with ample freedom and protection. In most treaties, parties' consent to settling investor -state disputes through international arbitration mechanisms, typically ICSID. When investors commit significant funds to a project, they often seek legal support to ensure their protection. They may not solely rely on the FPIPPA for clarity and may refer to other documents like bilateral investment treaties or joint investment agreements.

Bangladesh has faced a total of 7 claims from foreign investors, with four cases resolved and three currently under arbitration. Thus far, no foreign investors have invoked protection under the FPIPPA. Presently, there is no evidence of ongoing proceedings in national courts. While investors from countries with bilateral investment treaties receive protection under those treaties, investors from other nations must rely on the FPIPPA.

The Grievance Redress System functions as a channel for stakeholders to formally submit complaints to government authorities regarding dissatisfaction with service providers. Its purpose is to identify opportunities for improving service delivery, enhancin g transparency, and ensuring accountability among service providers. The Government of Bangladesh already employs such a system. However, when investors' complaints concern agencies other than BIDA, there is no formal mechanism to address these issues. In this context, BIDA may address this matter under the OSS (One -Stop Service) framework, incorporating it into the act and developing a Standard Operating Procedure (SOP) for its implementation, which would ensure proper resolution of investor complaints. Th e umbrella law, FPIPPA should have provisions to ensure the exhaustion of local remedies first before going for a mutually agreed international dispute settlement forum . The BIDA Act can have a provision dispute resolution clause empowering the High Court Division of the Supreme Court of Bangladesh or the court

17 Grace. Arbitration issues for foreign investors in Bangladesh. Law.asia, (2023, February 8), Accessed November 11, 2023, https://law.asia/arbitration-issues-foreign-investors-bangladesh/

(preferably a commercial court/tribunal) against any grievance arising from any action or inaction of BIDA. The court/tribunal can follow the procedure as laid down in the Code of Civil Procedure, 1908 and the Arbitration Act, 2001.

5.4 Inter-agency Coordination Gaps

While BIDA is responsible for facilitating investment promotion, every IPA has a separate mandate which does not require them to coordinate as indicated by KII findings. Though BIDA plays the role of a facilitator, some approvals are generally granted by other organizations.

To streamline the procedures for setting up an investment/business, an overarching power is missing. In this regard, FGD findings have presented an interest from BIDA's end to adopt an overarching power for overseeing the overall activities under the umbre lla of the OSS. Some KII respondents have reiterated a similar interest, expressing the need for a dedicated authority to oversee all procedures. BIDA in this regard, can follow the model of Vietnam's Foreign Investment Agency (FIA), which functions as the central administrative body responsible for investment matters at the national level. Moreover, BIDA is a part of the Central OSS Authority, and the efficiency of the OSS is affected due to inter-agency coordination. Inter-agency coordination is essential to the efficiency of the OSS as it is a host portal which offers services from various agencies, that are to be offered within a prescribed timeframe. While BIDA and BEZA offer various services through the OSS system, the platform offers more than 125 services to investors, involving over 35 government agencies, therefore, inter -agency coordination emerges as a pivotal element in ensuring the system operates effectively.

From a legal perspective, the OSS Act may include a provision for incorporating coordination mechanism into every IPA mandate with BIDA acting as the central authority in charge of overseeing coordination.

5.5 Double Taxation Avoidance Agreement

Foreign investors have the opportunity to prevent double taxation through the Double Taxation Avoidance Agreement (DTAA). The National Board of Revenue (NBR) is empowered to engage in negotiations with foreign countries to encourage foreign direct investment (FDIs) in Bangladesh. DTAA is a mutual agreement between two countries aimed at preventing double taxation by outlining each country's taxation jurisdiction concerning international income flows and offering tax credits or exemptions to eliminate the risk of double taxation. DTAA also facilitates the s haring of information between treaty partners to combat tax evasion. Below is the list of countries that have signed bilateral DTAA agreements with Bangladesh.

For instance, primary data collection has indicated that mismatches in financial years between Bangladesh and India led to confusion for Indian companies regarding double taxation avoidance agreements. The tax year in Bangladesh spans from June to July, whereas in India, it runs from March

Figure 5 Bangladesh's Bilateral Double Taxation Avoidance Agreements (DTAA)

to April. This variance necessitates a certificate from companies verifying tax payments made during the March –April period. However, the government hasn't been issuing these certificates, creating obstacles in the process for India.

5.6 Intellectual Property Rights (IPR)

Intellectual Property Rights (IPRs) are the legal protections afforded to the creators or owners of intellectual property, which includes works of literature, art, inventions, designs, names, symbols, and pictures used in commerce. By giving creators and inventors ownership over their works and allowing them to profit monetarily from their intellectual investments, these rights are crucial for promoting innovation and creativity.

Intellectual property and investment are closely interrelated in the business and economic perspective. The “Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)” by the WTO sets out the minimum standards for the protection of intelle ctual property rights among its member states. Under this agreement, member countries have the option, though not an obligation, to enact more extensive intellectual property protection in their laws, provided that such protection aligns with the agreement’s provisions. As a member of the WTO, Bangladesh has an obligation to follow the minimum standard as set in the TRIPS agreement. Accordingly, Bangladesh has amended Intellectual Property related laws and regulations. For example, by repealing the previous Patents and Designs Act, 1911 (Act No. II of 1911) the new Patent Act, 2022 was passed and the industry -design bill was passed in 2023 [18]. Further, with a view to creating an enabling environment towards practicing IPRs effectively, the government has taken some initiatives. As an example, on 15 November 2018, the National Innovation and Intellectual Property Policy, 2018 was introduced. I n addition, to address unlawful activities in connection with infringement of Intellectual Property Rights at the border, the National Board of Revenue (NBR) introduced the IPR Enforcement (Import and Export) Rules, 2019, utilizing the authority conferred by sections 15, 16, and 17 of the Customs Act, 1969. All these initiatives would be investment friendly if they are practiced properly.

Existing literature suggests that the role of Intellectual Property (IP) in promoting Foreign Direct Investment (FDI) is multifaceted, and various aspects highlight its significance in attracting and sustaining investment. Intellectual property rights, including patents, trademarks, and copyrights, serve as incentives for innovation. Evidence shows that FDI often flows to countries with robust IP protection as investors seek environments that encourage and reward innovation. Keith E. Maskus in his article “Intellectual Property Rights in the Global Eco nomy” shows that enhanced protection of Intellectual Property Rights (IPRs) is expected to boost motivations for innovation and elevate the rewards associated with international technology transfer [19]. In addition to that investor , particularly in technology-intensive industries, are more likely to invest in countries with strong IP protection to safeguard their investments in research and development. FDI often involves technology transfer and licensing agreements. Branstetter, L. (2000) argues that Countries with reliable IP protection mechanisms are more likely to attract foreign investors looking to leverage local technologies. Eaton, J., & Kortum, S. (1996) suggested that a country’s commitment to IP protection can influence investors’

18 The Business Standard, "Industry-Design Bill-2023 passes in JS to protect intellectual property rights, (2023, July 6)," Acces
19, 2023, https://www.tbsnews.net/bangladesh/law-order/industry-design-bill-2023-passes-js-protect-intellectual-property-rights-

19 Maskus, K. (2000), "Intellectual property rights in the global economy", Accessed November 18, 2023, https://econpapers.repec.org/bookchap/iieppress/99.htm

decisions to enter new markets. Strong IP protection enhances the ability of businesses to differentiate their products and services [20].

In this context, based on the above-mentioned pieces of evidence it can be suggested that Bangladesh needs to emphasize strong Intellectual Property protection to attract increased Foreign Direct Investment (FDI).

5.7 Technological Transfer and Linkage to Domestic Industries

To foster industries beyond the garment sector and enhance value addition, there's a critical need for industrial diversification and increased value-adding. Encouragingly, Foreign Direct Investment (FDI) plays a pivotal role in transferring the requisite technology for this purpose. However, Bangladesh's FDI currently stands at only 0.7% of GDP on average for the period 2016 -2020, significantly lower than its counterparts like Vietnam (6.2%), India (1.8%), and the Philippines (2.5%). IPR protection plays a pivotal role in this regard.

On one hand, IPR Protection can hinder technology spread by restricting access through patents, potentially resulting in reduced knowledge dissemination due to higher prices and lower output caused by increased market power among IPR holders. On the other hand, IPRs can facilitate knowledge diffusion since patent information is accessible to potential inventors. Additionally, robust IPR protection can promote technology transfer via increased trade, foreign direct investment (FDI), technology licensing, and joint ventures. Despite this theoretical complexity, the primary benefit of the TRIPS Agreement is seen as technology diffusion from technologically advanced nations to others, especially in developing countries with limited innovation capacity.

Bangladesh can adopt case studies from the Southeast Asian region. For instance, Thailand also has provisions for technology transfer, particularly in the context of foreign investment. According to the Foreign Business Act of 1999, foreign investors who wish to engage in restricted business activities in Thailand must prepare and submit a technology transfer plan as part of their application for a Foreign Business License.21

Furthermore, Vietnam's Law on Investment 2020 includes provisions for investment incentives, which cover projects with technology transfer on the list of technologies encouraged for transfer under the law on technology transfer. This indicates that the law acknowledges and incentivizes technology transfer, particularly in the context of foreign investments.

To improve technology transfer, enhancing the investment climate is crucial. This includes simplifying the repatriation of royalties, fees related to technical assistance, streamlining the process for expatriate work permits, revising import tariffs, and f ostering stronger connections between FDI assemblers and domestic suppliers. Additionally, establishing a dedicated division within Investment Promotion Agencies (IPAs) for linkage development is essential for this facilitation.

5.8 Free Trade agreements (FTAs), Multilateral Trade Agreements, and
Bilateral Investment Treaties (BITs)

As a least developed country (LDC), Bangladesh currently enjoys GSP/DFQF preferences from 21 destinations. However, with Bangladesh's anticipated graduation from LDC status in 2026, the continuation of this duty-free access will cease post-graduation. This presents a significant challenge to maintaining the consistent progress achieved in bilateral export trade with key export destination

20 Eaton, J., & Kortum, S. " Trade in ideas Patenting and productivity in the OECD. Journal of International Economics, 40(3–4)
(1996).", Accessed November 11, 2023, https://doi.org/10.1016/0022-1996(95)01407-1

21 UNCTAD Investment Policy Hub, "Thailand - Foreign Business Act Investment Laws Navigator", Accessed November 18, 20
https://investmentpolicy.unctad.org/investment-laws/laws/40/thailand-foreign-business-act

markets. In response, the consideration of a Bilateral Free Trade Agreement (FTA) has arisen as an alternative method to preserve duty-free market access in those destinations. Nevertheless, engaging in such an FTA comes with its own set of advantages and disadvantages, as it entails the exchange of reciprocal preferences.

Furthermore, the emergence of cross-regional Free Trade Agreements (FTAs) represents a significant shift in the recent international trade system. This trend sets these agreements apart from their predecessors in terms of economic importance, broader geographic coverage, and a more extensive range of trade -related matters, including Intellectual Property and Investment. Concurrently, the establishment of mega-regional trade agreements (MRTAs) marks the next phase in the evolution of regionalism, posing both an advancement and a considerable challenge for the global economy, the existing pattern of globalization, and the equilibrium of power. If Bangladesh seeks to join these MRTAs, it will need to adopt stringent provisions related to Investment and Intellectual Property in its domestic regulations. Additionally, compliance with numerous cross -cutting issues between IP and investment within these agreements will be necessary.

However, it's worth noting that the WTO agreements do not include specific legal provisions dictating the scope and standards of Investment Chapters within Free Trade Agreements (FTAs). Parties to the FTAs have the freedom to define their own parameters an d criteria for Investment, allowing them to establish multiple, higher-level standards based on specific regulatory objectives. Typically, investment is addressed as an individual provision in Regional Trade Agreements (RTAs) that include distinct investment provisions covering the broader definition and scope of investment, pre -establishment and post-establishment commitments, general matters, and mechanisms for settling disputes between investors and states.

Literature suggests that both developed and developing nations adopt an expansive definition of investment in their Free Trade Agreements, regardless of their developmental stage. Countries employ varying approaches to specify this extensive coverage. For example, the Regional Comprehensive Economic Partnership (RCEP) includes a comprehensive definition of investment, specifying its particular characteristics, and follows pre -establishment commitments. Meanwhile, RCEP lacks a distinct Investor-State Dispute Settlement (ISDS) provision and establishes a work plan to initiate ISDS discussions no later than two years after the agreement's entry into force. In contrast, many countries have included distinct clauses and procedures under the investment chapter in most cases of forming FTAs to resolve Investor -State Disputes (ISDs). Regional Trade Agreements (RTAs) often have separate provisions for resolving ISDs under the investment chapter, referencing institutions such as ICSID, Additional Facility Rules of ICSID, the arbitration rules of UNCITRAL, or other agreed-upon instruments for ISD. However, a trend is observed in some RTAs, such as the Malaysia-Pakistan FTA and Malaysia-Japan Economic Partnership Agreement, where parties incorporate their own arbitration mechanisms, including the Kuala Lumpur Regional Centre for Arbitration as an option.

The patterns of FDI portray Bangladesh more as a destination for inbound FDI rather than an originator of outward investments. Approval from the Bangladesh Bank on a case -by-case basis is necessary for any outward investment from Bangladesh. As per Bangladesh’s FPIPPA Act of 1980, the government has the authority to approve foreign private investment based on its potential contribution to:

• the development of capital, technical and managerial resources of Bangladesh; or
• the discovery, mobilization or better utilization of the natural resources; or
• the strengthening of the balance of payment of Bangladesh; or
• increasing employment opportunities in Bangladesh; or
• the economic development of the country in any other manner.

Bangladesh has entered into various bilateral investment treaties with different nations, in addition to several regional agreements that include provisions related to investments. So far, Bangladesh has signed BITs with 33 countries: United Kingdom, Germa ny, BLEU (Belgium-Luxembourg Economic Union), France, United States of America, Korea, Republic of, Romania, Turkey, Italy, Canada, Netherlands, Malaysia, Pakistan, China, Poland, Philippines, Indonesia, Japan, Korea, Dem. People's Rep. of, Uzbekistan, Swi tzerland, Austria, Iran, Thailand, Singapore, Viet Nam, India, Denmark, United Arab Emirates, Belarus, Cambodia, Bahrain, Kuwait. In many instances, the treaties outline procedures for resolving Investor -State Disputes 22, along with provisions for addressing disputes between the involved parties.

At a regional level, Bangladesh signed the SAARC Preferential Trading Arrangement (SAPTA) in 1993 and the Agreement on South Asian Free Trade Area (SAFTA) in 2004 which succeeded SAPTA in 2006. Bangladesh is also member of Bay of Bengal Initiative for Mult i-Sectoral Technical and Economic Cooperation (BIMSTEC) since 1997 and a member of APTA (formerly known as the Bangkok Agreement) which is the oldest preferential regional trade agreement in the Asia -Pacific region, signed in 1975. Moreover, Bangladesh is also a member of the Developing-8 (D- 8) consisting of Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey signed in 2006. So far, there are no concrete provisions for investment treaties, especially bilateral treaties in the BIDA Act 2016 and the OSS 2018. In the case of the Asia-Pacific Trade Agreement (APTA), the parties have mutually consented to engage in further negotiations to define the detailed procedures for settling Investor-State Disputes and disputes among the parties.

The FPIPPA Act of 1980 guarantees post -establishment protection but imposes conditions on pre - establishment commitments during the approval stage. Imposing such conditions on pre-establishment commitments in a potential Regional Trade Agreement (RTA) could pose challenges for Bangladesh. Given that FTAs/CEPAs typically emphasize pre-establishment commitments, Bangladesh must decide whether to maintain this approach in future FTAs or eliminate these conditions, necessitating amendments to the Act. Addressing these cross -cutting issues may be facilitated through the incorporation of changes in the FPIPPA Act of 1980 and the BIDA Act, 2016, with potential

amendments to the One Stop Service Act, 2018 for effective implementation.
5.9 Additional Policies for Safeguarding Foreign Direct Investments (FDI)
Bangladesh is a member of the Multilateral Investment Guarantee Agency (MIGA), an entity under the World Bank that provides insurance coverage to investors against political risks. MIGA aims to assure foreign investors against non -commercial losses and pro mote foreign direct investment (FDI). This guarantee from MIGA safeguards investors from risks related to currency transfer, expropriation, conflicts, and civil disturbances. It's important to note that MIGA's scope is limited to mitigating risks for new investments, privatization, and financial restructuring, and provides guarantees for 3 to 15 years (20 years occasionally). Moreover, MIGA does not provide export credit insurance 23.
The Overseas Private Investment Corporation (OPIC), a U.S. -based entity, offers insurance coverage to American investments entering emerging markets like Bangladesh. OPIC provides essential

22 The mechanism available for settling ISDs are: competent court of the party where the investment has made; ICSID; UNICIT
in accordance with the rules of procedure of the Arbitration Institute of Stockholm Chamber of Commerce; Court of Arbitration o
International Chamber of Commerce;
23 Frequently asked questions, Multilateral Investment Guarantee Agency, Accessed November 10, 2023, https://www.miga.org/frequently-asked-questions

assurances to foreign investors in the event of unexpected significant occurrences such as civil conflict, expropriation, and natural disasters.
5.10 Incentives
The table below chalks out a breakdown of the incentives provided by BIDA to local and international investors in Bangladesh:
Category Incentive/Facility
Newly Established
Companies
● Reduced corporate income tax by 5 to 10 years.
● Duration and percentage depend on sector and location.
● Eligible sectors: Pharmaceuticals, agriculture machinery,
automobiles, electronics, textiles, etc.
Import Duty Exemption ● Reduced customs duties on capital machinery.
● Exemption of import duties on raw materials for export goods
Export-Oriented Industries ● 50% income tax exemption for exporters (unless paying tax at a
reduced rate).
● There is no duty on export (except for tobacco products).
● Bonded warehousing facilities.
● Duty drawback facilities.
● Additional benefits for exporters in certain sectors.
Public-Private Partnership
(PPP)
● 100% income tax exemption for 10 years.
● 100% exemption on capital gains (share capital, royalty, etc.)
for 10 years.
● 50% income tax exemption for foreign technicians for the first
3 years.
● Exemption rates for infrastructure projects have been reduced
over the past ten years.
Other Facilities and
Privileges
● Accelerated depreciation for machinery and plants.
● Tariff refund/duty drawback facility on import tariffs for raw
materials.
● Bonded warehousing for export-oriented industries and large
imports for local selling.
Foreign Investor Facilities ● Protection under the Foreign Private Investment Act 1980.
● Equal treatment for local and foreign investors.
● Repatriation of invested capital, profit, and dividends is

allowed.
● Intellectual Property Rights protection.
● 100% FDI, Joint Ventures, PPPs, and other investment modes allowed.
● Bilateral and multilateral agreements ensure protection of investment.
Table 6 Incentive Table - Category wise

30

5.10.1 Comparison of Investment Incentives

The following is a comparison of the various investment incentives which are provided to investors in South Asia, Southeast Asia, and the Middle East:

Country Corporate
Income Tax
Incentives
Economic Zones Industry Based
Incentives
Visa Incentives
Vietnam 10% tax rates
for 15 years
from the first
year of income
generation.
 Tax holidays:
Exemptions
for 24 years,
50% reduction
for subsequent
years.
 increased access to
infrastructure, pools of
talent, and networks of
suppliers.
 10 percent CIT for the
lifetime of the project■in
economic zones in
extremely disadvantaged
areas.
 Certain sectors in
Vietnam are
encouraged for
investment which is
beneficial to society;
IT, Biotech, R&D,
Education, training,
healthcare,
environment, and
culture.
 Investor Visa (DN
Visa): Foreign
investors and their
dependents.
 Longterm visa for

investors.
Dependents may also
qualify.
Exemptions or
reductions in visa
fees.
India Foreign
companies:
40% income
tax.
Partnership
firms: 30%
100%
deductions for
specified
businesses.
SEZs: 100% income tax
exemption for 5 years,
50% for the next 5
years. Customs duty
exemption
Simplified procedures,
infrastructure support,
flexibility in
employment.
Exportoriented units
have Dutyfree import
Certain sectors
receive more
priority; IT
Hardware and
electronics,
Pharmaceuticals and
Biotech, Food
Processing,
Renewable Energy,
Textile,
Automobile, and
Chemicals.
Multiple entry visa
with a validity of up
to 5 or 10 years. No
requirement of a
minimum gap
between consecutive
visits.
UAE Zero tax on
personal
income.
5% VAT
Free zones offer
companies 100%
ownership, full
repatriation of profits
and capital, and no
import/export duties.
partial exemption from
corporate income tax for

a specified period
 exemptions on customs
 Prioritized sectors:
R&D, Food and
Agriculture,
Healthcare, IT/AI,
Pharmaceuticals,
and Manufacturing
1year 'Digital Nomad
Visa', 100%
repatriation of capital
and profits, flexible
structures onshore
and in free zones.
 10year 'Golden Visa'
for investors,
property owners, and
highly talented
31

Country Corporate
Income Tax
Incentives
Economic Zones Industry Based
Incentives
Visa Incentives
duties for imports and
exports.
 simplify bureaucratic
procedures, providing a
business-friendly
environment.
 One-stop services for
licensing, permits, and
approvals
individuals.
 No foreign exchange
controls.
 Stable exchange
rates
Thailand Up to 90%
reduction in
import duties
on materials
used in
manufacturing
for domestic
sale.
 50%
reduction in
CIT rate for a
maximum of
ten years if no
tax holiday is
granted.

 tax exemptions for a
specified period,

typically 3 to 8 years,
depending on the
location and type of
economic activity;
Industrial Estates,
Science Parks, and Free
Trade Zones.
 economic zones allow
foreign investors to own
land for specific
purposes. This can be
advantageous for long-
term investments.
 Incentives for
automotive,
electronics, medical
services, and
agriculture
industries.
 Priority sectors
eligible for
additional
incentives, including
software
development,
aerospace, and
environmental
management.
 Foreign investors
may be eligible for a
one-year visa, which
allows for an
extended stay in
Thailand.
 Foreign investors
who fulfill specific
criteria, such as
meeting minimum
residency
requirements,
financial standards,
and maintaining a
clean criminal record,
are eligible to apply
for permanent
residency in
Thailand.
Malaysia Exemption
from CIT on
70% of
statutory
income; 30%
taxed at
prevailing CIT
rate.
ITA: 60%
allowance on
qualifying

capital
expenditure
FIZs allow duty free
import of raw materials
and components used in
the manufacturing
process.
Goods produced in
FIZs and exported are
generally exempt from
customs duties.
High-tech
companies may be
eligible for pioneer
status, offering tax
exemptions.
Biotech firms can
apply for BioNexus
status for tax
exemptions and
grants.
R&D companies
MM2H program
attracts expats to live
in Malaysia long-
term.
Foreigners,
including retirees,
workers, and
investors, are
welcome.
Multiple-entry social
visit visa.
32

Country Corporate
Income Tax
Incentives
Economic Zones Industry Based
Incentives
Visa Incentives
for 5 years;
30% taxed at
prevailing CIT
rate.
may benefit from
double deductions
on qualifying
expenses.
Long-term stay with
a 10-year renewable
visa.
Option to bring
dependents.
Ability to purchase
property in Malaysia.
No minimum stay
requirement

Table 7 Comparison of Investment Incentives (Country Wise)

5.11 Outward Remittance/ Repatriation

Profit and capital repatriation must adhere to reporting requirements or receive authorization from the Bangladesh Bank. The following outward remittances can be made with prior approval of Bangladesh

- Payouts of dividends
- Expenses related to training and consulting
- Settling approved foreign loans.
- Royalties, franchise fees, technical licenses, know-how, and assistance fees
- Transfers of shares and securities.

Specialized foreign exchange regulations are applicable to specific industries, including shipping agents, freight forwarding agents, courier companies, and airline companies.

The government gazette[24], ‘The Guidelines for Outward Remittance and Repatriation for Payment of Royalty, Technical Knowledge/ Technical Know -how Fee(s), Technical Assistance Fees(s), and Franchise Fee(s)’ was circulated in 2021 which served the purpose of clarifying processes a nd procedures for outward remittance and repatriation for payment of royalty, technical knowledge/ technical Know -how Fee(s), technical assistance fees(s), and franchise fee(s) by private industrial enterprises registered in Bangladesh. This gazette could possibly cut down the time for outward remittance by 15 -20 days and cut the cost of repatriation since no fees have to be paid to BIDA as authorized dealers will be able to remit directly. Payments surpassing these limits necessitate explicit approval from BIDA (more than 6% for any given year for royalty) [25] which doesn’t make outward remittance simpler. However, BIDA’s another handbook states that a prior -approval by BIDA is necessary for remitting “any technical fees”. In practice, even if the amount is within the threshold,

24 Bida, “RemittanceGuidelines2020Gadget”, Accessed November 11, 2023, https://bida.gov.bd/storage/app/media/pdf/RemittanceGuidelines2020Gadget.pdf

25 BIDA, Accessed November 11, 2023, https://bida.gov.bd/details/what-procedure-repatriation-royalty-franchise-technical-licen
how-assistance-
fees#:~:text=Prior%20approval%20of%20BIDA%20must,know%2Dhow%2F%20assistance%20fee.https://bida.gov.bd/details/w
procedure-repatriation-royalty-franchise-technical-license-know-how-assistance-
fees#:~:text=Prior%20approval%20of%20BIDA%20must,know%2Dhow%2F%20assistance%20fee.

BIDA requests the companies to submit “remittance application” with relevant documents. It is also reported that it takes relatively longer time to judge if the particular of fee remittance is of relevance or not. Further, those cases where the amount to be remitted exceeds the threshold value may be treated as special cases in practice, thus subject to relatively stringent appraisal by BIDA’s executive committee. Similarly, the Foreign Exchange Circular No. 22, issued on August 09, 2016, under the title 'Foreign Exchange Regulations for Enterprises and Developers in Bangladesh Economic Zones (EZs),' permits to remit royalty, technical know-how, and technical assistance fees without prior Bangladesh or BEZA approval if the total fees and expenses don't exceed the specified limits. However, exceeding these limits requires BEZA's prior approval, and each transaction must be reported to both Bangladesh Bank and BEZA[26].

Ensuring repatriation of investment/dividend is one of the preconditions of foreign direct investment in any country. Before transferring profits from foreign subsidiaries to the parent company, it is necessary to secure approval from the Bangladesh Bank. However, the Bangladesh Bank often presents obstacles in the process of repatriating profits, which is one of the prerequisites for foreign direct investment (FDI), ultimately impeding the inflow of FDI. Consequently, international investors encounter challenges in repatriating their funds or dividends. When private sector industrial enterprises engage in outward remittances to foreign group entities, they are obligated to perform an arm's length analysis for outward remittance payments, regardless of the r emittance amount. Consequently, applicants must provide evidence of the arm's length pricing for such transactions to facilitate outward remittances. Implementing streamlined profit repatriation regulations, similar to those of neighboring countries like Vietnam or India, could attract more foreign investment into Bangladesh.

Even though the BIDA handbook and foreign exchange guidelines outline the criteria for remitting royalties, technical know -how/assistance fees, they lack comprehensive procedural instructions or related details. It is essential for the Bangladesh Bank to issue a circular explicitly stating that these types of repatriation can be conducted through an integrated approach to simplify and expedite th e process, reducing complications. Regional contemporaries including India, Vietnam, and Indonesia have simplifie d laws regarding investments to lure FDI and Bangladesh needs to follow a similar approach.

5.12 Foreign Ownership Opportunities

Bangladesh broadly welcomes foreign investment, adhering to a principle of non-discrimination, with most sectors allowing 100 percent foreign ownership. Exceptions requiring local ownership include roles like freight/cargo forwarding agents, airline/railway/general or pre-shipment service cargo agents, shipping agents, courier service agents, buying houses, indenting agents, advertising agents, and for -profit educational institutions. 27 However, not all industries permit 100 percent foreign investment, limiting the involvement of foreign investors in standard activities like establishing Branch Offices in those particular sectors.

The 2022 National Investment Policy outlines industries subject to regulation and those designated for exclusive investment, requiring specific approval for investment. According to the 2022 National

26 The Financial Express, "Foreign investment: Need for simplification of repatriation rules and regulations. (2016)", Accessed 13, 2023, https://thefinancialexpress.com.bd/views/opinions/foreign-investment-need-for-simplification-of-repatriation-rules-and-regulations
27 BIDA, FAQ , Sectors for Investment , Accessed November 11, 2023, https://bida.gov.bd/

Industrial Policy (Paragraph 3.2.14 - Reserved Industry), four sectors are exclusively reserved for government investment, including arms, ammunition, and defense equipment; forest plantations and mechanized extraction in reserved forests; nuclear energy p roduction; and security printing (e.g., currency). Industries categorized as reserved are not accessible for private investment. Conversely, as stated in the 2022 National Industrial Policy (Paragraph 3.2.15 - Controlled Industry), there are 22 industries where investments are controlled. These include deep -sea fishing, banking/finance, insurance, power generation, supply and distribution, natural gas/oil exploration and extraction, coal exploration and extraction, other mineral resources exploration and extraction, large-scale infrastructure (e.g., flyover, expressway, monorail, economic zone), crude oil refinery (recycling/refining of lube oil as fuel), medium and large industries using natural gas/condensate and other minerals as raw material, telecommunications (mobile/cellular and land phone), satellite channels, cargo/passenger aviation, sea-bound ship transport, sea -port/deep sea -port, VOIP/IP telephony, industries using heavy minerals accumulated from the sea beach, explosive production, acid production, chemicals, all kinds of sludge, and fertilizer made from sludge, stone crashing. Prior to registering with BIDA/BEZA/Hi -Tech Park/BEPZA, potential investors in controlled industries must obtain a 'No Objection Certificate (NOC)' from the relevant ministry/division.

Alternatively, the government of Bangladesh provides foreign investors with the chance to conduct business in the country by permitting them to invest in a subsidiary or a Joint Venture Companies. Foreign investors have the option to establish a wholly owned company, a subsidiary, or a joint venture in Bangladesh. Common forms of business incorporation are public or private limited companies. These companies must adhere to the Companies Act 1994 and are free to engage in any legal business activity and establish operations anywhere within Bangladesh. The company incorporation process involves several steps which starts with obtaining a name clearance from the Office of the Registrar of Joint Stock Companies and Firms (RJSC) followed by opening of bank accoun t and preparing the Articles and Memorandum of Association and submitting an application for incorporation with RSJC which may take up to 5 weeks.28

In a Joint Venture company, both domestic and international investors collaborate to form an entity while adhering to the legal requirements. It’s important to note that in the context of foreign investment in JV companies, particularly those offering frei ght forwarding services, the ownership structure is regulated. Foreign investors are restricted to a maximum of 40% share ownership, with the remaining 60% mandated for local investors. This 60/40 local -to-foreign shareholding ratio is a prerequisite for establishing a JV Logistics Company and subsequently acquiring a freight forwarding license. Both individual and multiple foreign investors can contribute to a single project, provided there is at least one local investor.29

28 BIDA, FAQ , Trade License/ Company Incorporation, Accessed November 11, 2023, https://bida.gov.bd/details/how-foreign-investors-can-incorporate-company-bangladesh
29 Revenue Aid, , Accessed November 11, 2023, https://revenueaid.com.bd/joint-venture-company#:~:text=Only%2060%25%20local%20shareholding%20and,for%20obtaining%20Freight%20forwarding%20license.

5.13 Exit Policy

After completion of commercial objectives, foreign investors can exit or divest their investment in Bangladesh through the following options

- Share Transfer
- Business Transfer
- Winding Up or Liquidation

An investor has the option to terminate an investment by either convening an annual or extraordinary general meeting. Upon fulfilling the necessary procedures to exit the country, a foreign investor may repatriate the net proceeds following the acquisition of proper authorization from the central bank, which is the Bangladesh Bank.

The current exit policy is considered favorable since it follows international standards and has measures where investors are guaranteed withdrawal. However, the current exit policy may be more titled in favor of big investors, and medium sized foreign investors may find the terms, conditions and dispute settlements fairly difficult.

While the exit policy is quite favorable, the primary concern ultimately revolves around the repatriation of profits, which may not be as straightforward due to procedural requirements, approvals, and potential delays.

5.14 Integration of OSS with National Single Window

On February 22, 2017, the WTO's Trade Facilitation Agreement (TFA), officially known as the Agreement on Trade Facilitation, became effective after receiving ratification from two-thirds of WTO Members, serving as the foundation for this analysis. Primaril y centered around Customs -related matters, the TFA features provisions with varying degrees of binding force, including those that are obligatory (e.g., Art. 1.1 on Publication), those that are encouraged but not mandatory (e.g., Art. 1.3 on Enquiry Points), and others that represent a combination of both (e.g., Art. 1.3 on Enquiry Points). Article 10.4 of this Agreement covers the issue of Single Window which states that " Members shall endeavour to establish or maintain a single window, enabling traders to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single -entry point to the participating authorities or agencies. After the examination by the participating authorities or agencies of the documentation and/or data, the results shall be notified to the applicants through the single window in a timely manner." 30

Single Windows are formally defined as "facilities that allow parties involved in trade and transport to lodge standardised information and documents with a single-entry point to fulfil all import, export, and transit-related regulatory requirements" 31. Projections of World Trade Organization (WTO) indicate that the complete enactment of the TFA could lead to an average reduction of 14.3% in trade costs and potentially increase global trade by as much as $1 trillion annually, with the most significant b enefits accruing to the least developed nations. Govt. of Bangladesh has taken initiatives to implement this TFA provision of Single Window.

30 UNCTAD, "Agreement on Trade Facilitation, Article 10.4", Accessed November 10, 2023, https://unctad.org/system/files/non document/wto-technical-note_ch10a10-04_en.pdf

31 UN/CEFACT Recommendation 33. This is the most known definition of the Single Window concept, Accessed November 10
https://unece.org/DAM/cefact/recommendations/rec33/rec33_trd352e.pdf

NBR is currently implementing a nationwide single window system in Bangladesh, which aims to streamline all customs procedures related to foreign trade through a unified interface. This project is funded by the World Bank and is designed to enhance the ease of conducting business by modernizing international trade processes with a user -friendly system. To oversee the project, a dedicated implementation unit has been established, and Memorandums of Understanding (MoUs) have been executed with 39 different government and non-government entities.

On the other hand, to enhance investment facilitation services in Bangladesh, the government has introduced the “One Stop Service Act 2018.” This legislation grants authority to the Bangladesh Investment Development Authority (BIDA) to implement One Stop S ervices (commonly known as a One Stop Shop) for investors, in collaboration with other investment promotion agencies such as the Bangladesh Economic Zones Authority (BEZA), Bangladesh Export Processing Zones Authority (BEPZA), and Bangladesh Hi-Tech Park Authority (BHTPA). The One Stop Services, administered by BIDA, will function as a unified platform and the sole point of contact between the government and investors seeking investment-related services outside the special economic zones established by BEZA, BEPZA, and BHTPA.

Integrating OSS with the National Single Window poses challenges due to the involvement of multiple agencies in both systems. To facilitate integration, BIDA can take an initiative to identify potential integration points. If both systems function effectively, it could positively impact investors by enhancing the ease of doing business in Bangladesh. However, achieving fully functional and integrated systems, as seen in countries like Singapore with their 'TradeNet,' may take time. ‘TradeNet’ serves as Singapore's National Single Window for trade declarations, streamlining regulatory compliance for imports, exports, and transshipments. By providing a single point of entry for submitting declarations to multiple regulatory agencies, ‘TradeNet’ significantly reduces the time and cost associated with preparing, submitting, and processing trade documents.

5.15 Taxation and VAT Policies

During a dialogue organized by the Foreign Investors' Chamber of Commerce and Industry (FICCI) in August 2023, speakers highlighted the importance of creating a more tax-friendly environment in Bangladesh to stimulate both local and foreign direct investments (FDI).

To attract investors who are considering relocation, several countries have revamped their tax policies. For instance, India has significantly reduced its corporate tax rate from 30% to 22%, and newly established industrial enterprises enjoy an even lower tax rate of 17% 32. Additionally, unlike Bangladesh, countries such as India, Vietnam, and Thailand do not impose VAT requirements on industries operating within economic zones. This competitive landscape necessitates a reconsideration of corporate tax rates and VAT policies in Bangladesh to foster a surge in FDI inflows.

5.16 Encouraging Participation of Women in Foreign Investment

The concept ‘SheTrades’ is an initiative launched by the International Trade Centre (ITC) with the aim of promoting and facilitating the involvement of women in international trade which recognizes the potential of women entrepreneurs and business leaders to contribute significantly to economic growth and development but acknowledges that they face unique challenges in accessing global markets.

32 Light Castle Partners, "FDI inflow in Bangladesh: Time to rethink and redesign policies.", Accessed November 17, 2023, https://www.lightcastlebd.com/insights/2020/10/fdi-inflow-in-bangladesh-time-to-rethink-and-redesign-policies

This concept focuses on empowering women economically by enhancing their participation in international trade through various strategies. One such initiative is encouraging women’s participation in international investment to attract FDI. After examining the BIDA Act, it is found that this act partially addressed this issue through incorporating women member in the different committees. But this issue could also be addressed in the One Stop Service Act, 2018. Moreover, several measures could also be taken t o address the issue of women participation through different policy support measures such as gender-inclusive regulations and incentives for investors led or owned by women. In addition, networking opportunities could also be developed through creating pla tforms and networks that facilitate connections between women entrepreneurs, investors, and relevant stakeholders in the international investment landscape. In the future amendment of the BIDA Act including the OSS Act, such initiatives could be considered.

5.17 Infrastructural Gaps discouraging Foreign Investment

Attracting FDI is paramount for Bangladesh's economic growth. However, existing infrastructural gaps, particularly in logistics and transportation, present significant barriers. Complex regulations and restrictions hinder the development of logistics services, discouraging FDI inflows into this pivotal sector. In 2018, Bangladesh ranked 100th in the Logistics Performance Index56 whereas in the same region India ranked 44th.33 Trade in Bangladesh is paper -heavy and not automated. With the absence of an adequate computerized system, Bangladesh is not realizing the full economic benefits of trade facilitation. In addition, the staff lacks the capacity for new techniques, approaches, and customs practices and procedures.

The Dhaka -Chittagong Corridor (DCC) is a critical component of Bangladesh's trade landscape, handling nearly 66% of the nation's import and export activities. Logistical inefficiencies within the DCC have hindered the promotion of foreign direct investment (FDI). These inefficiencies result in increased costs, delivery delays, logistical instability, and operational challenges for manufacturing facilities. The congested conditions in Dhaka exacerbate these issues, and rail transport remains a limited option.

Chittagong Port, serving as the primary gateway, manages over 90% of Bangladesh's foreign trade. Data from World Bank and S&P Global Market Intelligence indicate that Bangladesh's main seaport in Chittagong is Asia's least efficient port. However, despite its significance, Chittagong Port faces challenges in terms of transportation conditions and related services, marked by complexities, lengthy procedures, stringent customs regulations, and corruption. Logistical inefficiencies within the DCC have hindered the promotion of foreign direct investment (FDI). These inefficiencies result in increased costs, delivery delays, logistical instability, and operational challenges for manufacturing facilities. The congested conditions in Dhaka exacerbate these issues, and rail transport remains a limited option. 34

The facilitation of foreign investment, particularly in sectors like agriculture and pharmaceuticals, relies heavily on the establishment of a robust logistics and cold chain infrastructure. However, Bangladesh faces formidable challenges in its existing logistics system, marked by regulatory complexities and restricted access to Inland Container Depots (ICD) for managing perishable imports. Through the simplification of regulations and the introduction of incentives for investments in cold chain facilities, Bangladesh can significantly enhance its capacity to export perishable commodities such as fruits,

33 World Trade Organization, "Trade Policy Review," WT/TPR/S/381/Rev.1 • Nepal, February 27, 2019, wto.org, Accessed Jun
https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/S381R1.pdf&Open=True.

34JICA, Project for Promoting Investment and Enhancing Industrial Competitiveness in the People's Republic of Bangladesh Fi
Attachment (Component 1). (2022, May), Accessed November 15, 2023, https://openjicareport.jica.go.jp/pdf/12336715.pdf

vegetables, pharmaceuticals, and premium meat. Such improvements will not only make the nation more attractive to foreign investors but will also elevate its overall economic development prospects.35

Besides, to address congestion and operational challenges, the Government of Bangladesh (GoB) initiated projects to develop new deep -sea ports in Matarbari and Payra. Furthermore, efforts are underway to enhance Chittagong Port's capacity. Inland Container Depots (ICDs) and Container Freight Stations (CFSs) have been encouraged to alleviate congestion. However, these facilities also experience congestion, necessitating plans for additional container terminals.

Though rail transport offers a promising mode for container movement between Chittagong Port and Dhaka, characterized by lower freight rates, reduced cargo damage risk, and enhanced customs services, its utilization falls short al due to limited train freq uency and short train lengths, attributed to various constraints. Firstly, the existing wagon braking system imposes a speed limit of just 29 km/h, inhibiting efficient transportation. Additionally, the railway -linked Inland Container Depot (ICD) located i n Dhaka faces limitations in handling capacity, causing delays and inefficiencies in cargo movement. Furthermore, certain sections of the railway system, primarily serving passenger trains, experience high demand while grappling with a shortage of wagons a nd locomotives. This dual pressure hampers the railway's ability to provide timely and reliable freight services.36

Additionally, the lack of research and development (R&D) infrastructure is identified as a significant barrier to the growth of industries in Bangladesh. Moreover, need for greater investment in digital infrastructure, collaboration between stakeholders, and the development of a holistic digital strategy to streamline port operations and enhance trade facilitation in Bangladesh.37 Diversifying exports beyond the RMG sector, addressing vulnerabilities in the financial sector, and promoting sustainable urbanization all hinge on a robust and efficient infrastructure. Given Bangladesh's vulnerability to climate change and natural disas ters, investments in resilient infrastructure are imperative. Green growth strategies are essential for ensuring the sustainability of development outcomes for future generations.

5.18 Institutional Challenges within BIDA

The Bangladesh Investment Development Authority (BIDA) faces key institutional challenges as follows. Enhancing these areas is vital for BIDA's role in investment promotion, facilitation, and policy advocacy.

Manpower Shortage: Frequent officer transfers hinder knowledge continuity. Strengthening BIDA's team through capacity development and expanded roles is essential.

Internal Coordination: A key challenge is coordinating between HQ and Divisional Offices for human resource development and information management. Although HQ organizes training for officials, Divisional Office staff should also be included. Due to their proximity, Divisional Offices have a crucial role in interacting with registered foreign companies and communicating with domestic and foreign

35 The Business Standard," Ali, J. N. a. S. Foreign investment in cold-chain infrastructure: Bangladesh needs a sound logistics
October 23)," Accessed November 11, 2023, https://www.tbsnews.net/features/panorama/foreign-investment-cold-chain-infrastr
bangladesh-needs-sound-logistics

36 JICA, Project for Promoting Investment and Enhancing Industrial Competitiveness in the People’s Republic of Bangladesh F
Attachment (Component 1). (2022, May), Accessed November 15, 2023, https://openjicareport.jica.go.jp/pdf/12336715.pdf
https://openjicareport.jica.go.jp/pdf/12336715.pdf

37 The Daily Star, "Haq, K. E. Digitising our ports, embracing innovation, (2020, February 15)." Accessed November 15, 2023,
https://www.thedailystar.net/supplements/29th-anniversary-supplements/reimagining-growth-the-digital-age/news/digitising-our-
embracing-innovation-1868437

investors. There should be a coordination mechanism for HQ -registered investors, facilitating information sharing and Divisional Offices' monitoring responsibilities.

Integration of OSS Services: BIDA's One -Stop Service (OSS) is underutilized due to incomplete integration of procedures and insufficient coordination with other authorities.

Investment Monitoring: Effective monitoring is necessary to track investment progress and address issues faced by investors. This data is crucial for improving services and policy reform.

After-care: Post-registration support for investors is lacking. BIDA should establish mechanisms for regular communication and updates to investors.

Disseminated Information Quality: Enhancing the quality and practicality of information provided to investors is crucial, including details on market size and investment procedures.

Being under the direct supervision of the Prime Minister’s Office, BIDA is in a strategic position to exert more influence on institutional frameworks, which could significantly enhance the investment climate.

6. Comparison with the International Good Practices

Viet Nam38 India39 Thailand40 Malaysia41

Main Policy and Legal Instruments

Vietnam's revised Law on Investment (LOI 2020), effective since January 1, 2021, takes precedence over other sector-specific laws in cases of conflict, except for the Securities Law, the Law on Credit Institutions, the Law on Insurance Business, and the Law on Petroleum.

Vietnam has committed to

international investment agreements (IIAs), including 62 Bilateral Investment Treaties (BITs), of which 49 are currently in force, and 26 Treaties with Investment Provisions (TIPs), with 20 in force. Additionally, Vietnam is a party to 75 Double Taxation Avoidance Agreements
India regulates foreign investment through the Foreign Exchange Management Act, 1999 (FEMA) and related regulations. FEMA aims to streamline foreign exchange matters, facilitate foreign investment, support external trade and payments, and ensure the orderly development of India's foreign exchange market.
India's current Foreign Direct Investment (FDI) policy is outlined in the Consolidated Foreign Direct Investment Policy Circular of October 15, 2020. The Department of Promotion of Industry and Internal Trade (DPIIT) is the government agency responsible for formulating and updating the FDI
The main law governing foreign investment in Thailand is the Foreign Business Act B.E. 2542 of 1999 (FBA), as amended. Another significant law affecting foreign investors is the Investment Promotion Act B.E. 2520 (1977) (IPA).

Thailand has also established international investment obligations through various agreements, including 36 Bilateral Investment Treaties (BITs) and 20 Treaties with Investment Provisions (TIPs) that are currently in effect. Additionally, Thailand is a party to 71 Double Taxation Avoidance Agreements (DTAAs) that are
Malaysia lacks a unified, comprehensive law specifically governing foreign investment within the country. Instead, regulations and requirements pertaining to foreign investors are typically industry-specific and managed by relevant government agencies or sectoral regulators. Key instruments at the national level overseeing foreign investment include the Income Tax Act (1967), the Promotion of

Investment Act (1986, as amended in 2014), and the Malaysian Investment Development Authority (MIDA) Act (1967). Before 2012, foreign investments were subject to regulation under the Foreign Investment Committee (FIC)

38 2022 INVESTMENT POLICY AND REGULATORY REVIEW, Vietnam. (n.d.). World Bank Group., Accessed November 11, 2
https://documents1.worldbank.org/curated/en/099010209062233021/pdf/P1739380c178d50340a5e30b51d6df72784.pdf
39 2022 INVESTMENT POLICY AND REGULATORY REVIEW, Vietnam. (n.d.). World Bank Group., Accessed November 17, 2
https://documents1.worldbank.org/curated/en/099250001122317918/pdf/P17393805f173108a0b578068cc073e8012.pdf
40 World Bank. , "KherPriyankaKusekPeterEltgenMaximilian, P. a. A. (n.d.). Thailand - 2019 Investment policy and regulatory r
https://documents.worldbank.org/en/publication/documents-reports/documentdetail/656861585846372606/2019-investment-pol
41 2022 INVESTMENT POLICY AND REGULATORY REVIEW, Vietnam. (n.d.). World Bank Group., Accessed November 11, 2
https://documents1.worldbank.org/curated/en/099250101122335107/pdf/P173938095f9e801e0893c02e9bd2e38d65.pdf
41

Viet Nam38 India39 Thailand40 Malaysia41
(DTAAs).

Policy, with updates communicated through press notes and press releases issued by India's central bank, the Reserve Bank of India (RBI), as amendments to FEMA.
India has a significant number of international investment agreements (IIAs). It has signed 11 bilateral investment treaties, of which 7 are currently in effect, along with 13 treaties containing investment provisions, 9 of which are in force. Furthermore, India is a party to 94 Double Taxation Avoidance Agreements (DTAAs) that are currently in effect, impacting how foreign investors and investments are taxed in the country.
currently in effect, impacting its authority to tax foreign investors and investments.
Guidelines. The decentralized nature of foreign direct investment (FDI) laws and regulations in various sectors contributes to a complex and sometimes unclear legal framework.

Malaysia has also committed to international investment agreements (IIAs). It has ratified 66 Bilateral Investment Treaties, with 54 currently in force, and signed 26 Treaties with Investment Provisions (TIPs), with 23 currently in force. Additionally,

Malaysia is a party to 74 Double Taxation Avoidance Agreements (DTAAs) currently in effect, which influence the taxation of foreign investors and investments.
Key Institution for Investment Promotion
The Ministry of Planning and Investment (MPI) supervises the Foreign Investment Agency (FIA), which functions as the central administrative body responsible for investment matters at the national level
Invest India is India's central agency for promoting foreign investment, providing services such as market entry support, expansion advice, joint venture facilitation, sector-specific and state-specific information, and compliance guidance to foreign
The Thailand Board of Investment (BOI), an agency operating under the Office of the Prime Minister, serves as the primary national-level investment promotion authority. Its primary mandate is to encourage both Thai and foreign investments
In Malaysia, foreign investment is governed on a sectoral basis, with investment promotion responsibilities typically assigned to various national, regional, and state government agencies, as well as sector-specific regulators. The Malaysian Investment Development Authority (MIDA)

Viet Nam38 India39 Thailand40 Malaysia41
investors. At the ministerial level, DPIIT oversees foreign investment promotion in India, operating under Ministry of Commer and Industry’s (MOCI) administrative oversight. Established in 2009, Invest India is a public-private joint venture involving DPIIT, industry chambers, NASSCOM, and state governments, working to enhance investment promotion in a structured and comprehensive manner.
within Thailand, as well as to promote investments overseas.
serves as the primary agency responsible for investment promotion.
Investment Incentives
Vietnam's investment incentives are applicable to both domestic and

foreign investors and typically include tax holidays, allowances, accelerated depreciation, as well as exemptions from value-added tax (VAT) and customs duties.
The incentive framework aims to attract investments in specific sectors, boost development in less-developed regions, and stimulate exports of goods and services.
Each state government has its own incentive policy, which offers various incentives based on factors like the priority industry, investment amount, location, and job creation, as outlined in the state's industrial policy. These incentives may encompass exemptions like stamp duty for land acquisition, value-added tax
BOI Announcement No. 2/2557 outlines the criteria for project approval, foreign shareholding, and the awarding of both activity-based and merit-based tax and non-tax incentives. Activity-based incentives are categorized as Group A or B, depending on the significance of the activity, such as infrastructure development, electricity production, advanced technology utilization, and more.
Merit-based incentives are granted based on the project's merit, including areas like research and development, intellectual property
MIDA hosts an online portal containing crucial Malaysian tax and financial incentives for foreign investors.
During the COVID-19 pandemic, the Malaysian government implemented stimulus packages as part of the National Economic Recovery Plan (PENJANA) in response to the economic downturn.

Viet Nam38 India39 Thailand40 Malaysia41
(VAT) refunds or exemptions, and electricity duty waivers.
Additionally, there are incentives such as tax holidays, contingent on industry and region, weighted tax deductions for research and development (R&D) expenses within approved in-house facilities and accelerated and additional

depreciation for certain industries
and assets.

There is no single portal for all tax
incentives available to foreign
investors. Information can be
found on various government
websites like DPIIT, the Ministry
of Finance, Invest India, and Make
In India, which are periodically
updated.
acquisitions, advanced technology
training, and product design.
Additionally, investors can also
access incentives through the Thai
International Business Center (IBC)
Scheme.
Foreign Investment Promotion Strategy
Vietnam's investment promotion
strategy, applicable to both domestic
and foreign investors, can be drawn
from Decree 31.
a. Arranging effective investment
promotion activities suitable for
India established its foreign
investment promotion strategy in
2008 with the introduction of the
Scheme for Investment Promotion,
which was launched under the XI
Five Year Plan 2007-2012. The
Department for Promotion of
Industry and Internal Trade
(DPIIT) is responsible for
The current investment promotion
strategy of the country is laid out in
its Seven Year Investment
Promotion Strategy (2015-2021).
The primary focus of the
investment promotion policies is to:
1. Encourage R&D, innovation, and
value creation in the agricultural,
There is no publicly available
consolidated foreign investment
promotion strategy document issued
by the government.

different contexts and conditions at
specific times.
b. Balancing funding and delegations
for practical investment promotion.
c. Developing a list of projects to
attract foreign direct investment
capital in each period, in
accordance with the country's
overall planning and investment
development plan.

administering the Scheme and establishing a dedicated investment promotion agency, Invest India, to attract foreign investment to the country. The Scheme has been renewed twice since its inception, with the government approving its continuation for 2017-2020 and again for an additional five years from 2021-2026, as of November 2021.

industrial and services sectors, small-and-medium enterprises (SMEs), fair competition, and inclusive growth to promote investment that enhances national competitiveness.

2. Drive balanced and sustainable growth by promoting activities that are environmentally friendly, save energy, or use alternative energy.

3. Create investment concentration by promoting clusters in accordance with regional potential and strengthening value chains.

4. Develop the local economy in Southern Thailand by promoting investment in border provinces, supporting security efforts in the area

5. Establish special economic zones, particularly in border areas, both inside and outside industrial estates, to create economic connectivity with neighboring countries and

Viet Nam38 India39 Thailand40 Malaysia41

prepare for entry into the ASEAN Economic Community (AEC).

6. Enhance the competitiveness of Thai businesses and Thailand's role in the global economy by promoting Thai overseas investment.

Investment Entry and Establishment

1. The Law on Investment (LOI 2020) allows foreign investors to invest in any sector under the same conditions as domestic investors, as long as the sector or business

activity is not prohibited or restricted.

2. Vietnamese laws do not set any specific quotas on the number of foreign service providers, enterprises, or market players that can operate in a given sector.

3. Foreign investors who engage in non-equity contract-based investments may need to fulfill registration requirements.

4. The Law on Enterprises generally permits foreign investors to establish a commercial presence in

1. India prohibits foreign investment in certain sectors contained in a “negative list” (Prohibited Sectors) and restricts foreign participation through equity caps and/or other restrictions in certain others (Restricted Sectors).

2.Foreign investors can generally hold any type of shares in a local entity and establish a commercial entity, such as a private limited company or a limited liability partnership, subject to the applicable FDI restrictions (if any).

3. While there are no overarching minimum investment

1. Foreign investors can generally hold any type of shares in a Thai-incorporated company. There is no special requirement or restriction on the type of local entity a foreign investor may invest in or establish, subject to obtaining the necessary regulatory approvals.

2.The amount of minimum investment requirement is determined by the type of investment.

3. There are no overarching local sourcing requirements or local R&D investments needed in order to establish business in Thailand.

1. Foreign investment is strictly prohibited in certain sectors and sub-sectors (Prohibited Sectors) and limited in certain others through “Equity Conditions”

placing restrictions or equity caps
on foreign participation.

2. Foreign individuals and
companies can generally hold any
type of shares in a Malaysian
incorporated company (for
example, ordinary shares and
preference shares).

3. Foreign investors cannot set up a
partnership in Malaysia unless
they have permanent residency in
Malaysia.

46

Viet Nam38 India39 Thailand40 Malaysia41
Vietnam through a liaison office,
branch, representative office, or a
company (including shareholding or
limited liability company).
5. There are no broad restrictions on
the appointment of foreigners to the
boards of local companies or key
managerial positions, but sector-
specific laws may impose some
limitations.
6. Although the Law on Investment
explicitly states that investors
cannot be compelled to source
locally, certain sector laws may
require local sourcing and a
minimum proportion or percentage
of local inputs.
requirements, in certain sectors
minimum investment
requirements for foreign
investors exist.
4.In certain regulated sectors
restrictions may be imposed on
the constitution of the board and
appointment of foreign citizens
to serve on the board or in key
managerial positions.
5. Work permits, or employment
visas are granted to foreign
nationals for technical and
managerial jobs. Further,
employment visas are not
granted to citizens of Pakistan.
Ministry of Home Affairs has
published a handbook detailing
the types of visas granted by
India, as well as the process of
obtaining employment visas.
6. There are no overarching local
sourcing obligations imposed on

foreign investors.
4. An Investment Promotion Certificate (IPC) is issued by the BOI to an investor, whether Thai or foreign, who wishes to invest in Thailand.
4. There are generally no mandatory quantitative limits on the number of foreign service providers, enterprises or market players that can operate in a given sector, except for certain professional services sectors such as legal services.

5. In certain specific sectors and sub-sectors minimum paid-up capital requirements are imposed on companies with foreign ownership.

6. There is no overarching legal requirement that subjects foreign investors to local sourcing requirements in order to establish business in Malaysia.

7. There is no overarching FDI license or approval requirement. However, since foreign investment regulation in Malaysia is sector specific, approval of sector-specific ministries, government agencies and/or regulators may be required.
Investment Protection

Viet Nam38 India39 Thailand40 Malaysia41
Dispute Settlement: Foreign investors have the choice of using the following means of dispute settlement: (i) International Arbitration; (ii) Domestic Courts; (iii) Domestic Arbitration; (iv) Mediation.

Profit Repatriation: Foreign investors must fulfil all financial obligations required under Vietnamese law prior to remittance.

Exit Policy: Vietnam's exit policy allows foreign investors to transfer funds abroad when concluding their direct investment activities in the country. To be eligible for such a transfer, the Vietnamese company that received the investment must first

fulfill its financial obligations to the State in accordance with Vietnamese regulations. Additionally, the company is required to submit audited financial statements and enterprise income tax declarations to the relevant Vietnamese tax authorities. It must also adhere to all obligations as stipulated by the Law on Tax Management. This policy ensures that investors can smoothly exit their
Dispute Settlement: A variety of dispute settlement options are available to foreign investors — including international arbitration, domestic courts and domestic arbitration, unless otherwise agreed upon in writing by the parties to an investment transaction. India is considering the enactment of a domestic law for protection of foreign investments in India with a robust and fast track dispute resolution mechanism to settle disputes between investors and the government.

Profit Repatriation: Under FEMA regulations, foreign investors can freely transfer profits, capital gains, royalties, interest payments, and other investment-related funds, provided they comply with standard requirements and after accounting for applicable taxes. This applies unless the investment is non-repatriable. While current account transactions are fully liberalized, specific capital account transactions, such as acquiring and transferring immovable property in India, still necessitate government
Dispute Settlement: Foreign investors have access to international arbitration, domestic courts, and domestic arbitration. Thai arbitration law does not separate arbitration law regimes between domestic and international arbitrations. Therefore, both arbitrations seated in Thailand and those seated abroad are subject to the same act, which is the Arbitration Act B.E. 2545 (2002). Thailand has entered into international investment agreements that guarantee protection to foreign investments against certain

government measures, including expropriation, which may unduly harm the investment. As such, these treaties generally afford some protection against expropriation of investments belonging to nationals and companies of the countries that are party to these treaties, although the scope differs.

Profit Repatriation: Foreign investors face no specific requirements or restrictions when bringing funds into the country. Instead, Thai residents are subject
Dispute Settlement: A foreign investor in Malaysia can generally avail itself of dispute settlement through domestic courts, or domestic or international arbitration. In response to the COVID-19 pandemic, the Malaysian government introduced a new legislation to relieve the impact of the pandemic lockdown on certain categories of contracts.

Profit Repatriation: There are minimal restrictions or approval requirements for the inflow of funds into Malaysia or the repatriation of proceeds from Malaysia, with the exception of applicable taxes and standard compliance procedures.

Viet Nam38 India39 Thailand40 Malaysia41
investments while maintaining compliance with local regulations.
approval.

to reporting obligations under exchange control laws, while foreign investors are not. However, for outbound transfers, obtaining prior approval from the Bank of Thailand (BOT) is typically necessary, except when the transfer aligns with a "permissible" transaction as defined by the BOT.
Table 8 Comparison with the International good Practices (Vietnam, India, Thailand, Malaysia)

7. Findings from the Primary Survey (KII and FGD)

Institutional Capacity of BIDA: BIDA has been proactive in its initiatives to attract foreign investment. They conduct roadshows, seminars, and pre -consultation stages to provide investors with information and promote the advantages of investing in Bangladesh. Furthermore, BIDA is developing an Investment Relationship Management Software, which will facilitate online communication between BIDA and investors, allowing for profile sharing, inquiry submission, matchmaking, and feedback. BIDA's after -care wing offers support for operational investments, and an online monitoring form within the OSS system helps keep investor information updated. However, there are no mandated services related to Aftercare that have been established, though a report published by JICA in 2022 has indicated that an Investment After Care Unit has been set up.42

BIDA has received positive feedback for its timely services and guidance related to OSS and its website. No issues have been reported in accessing OSS services. However, KII respondents have recommended capacity building initiatives to build on technical expertise. Moreover, to retain institutional knowledge, permanent technical staff should be appointed. Moreover, for the convenience of investors, BIDA’s official website may include a detailed tutorial video for OSS usage. Concerns have been raised about insufficient manpower and an outdated website at BIDA, emphasizing the need for marketing strategies to enhance visibility and appeal to foreign investors.

Startup procedures and corporate forms are governed by the Companies Act (1994). Establishing a company typically follows a standard process, including name clearance, filing company documents (such as the name clearance certificate and memorandum/articles of association) for registration with the Registrar of Joint Stock Companies and Firms (RJSCF), registering with the National Board of Revenue (NBR) for corporate taxation (tax identification number) and VAT (VAT code), and obtaining permits from the Bang ladesh Bank (BB). Additionally, the paid -up capital of the new company must be deposited in a local bank, and an encashment letter must be issued. Some of these licensing procedures are now available online, which has significantly reduced processing times . To further expedite the company establishment process (startup), the Government of Bangladesh enacted the OSS Act 2018. Despite recent online improvements, the length and costs associated with startup procedures continue to rank Bangladesh at 131st place on the "Starting a Business" indicator in the Doing Business 2018 report. Similarly, the country ranks 130th on the "Dealing with Construction Permits" indicator. Foreign investors have raised concerns about the unclear procedures and lengthy processing t imes for some licenses.

In terms of repatriation of money, while exiting is relatively straightforward, the process of repatriating funds can be time -consuming and requires approval from BIDA. Issues related to exit laws and tax avoidance have been cited as potential deterrents f or foreign investors. BIDA is actively working to expedite commercial dispute resolution by proposing a dedicated commercial court, which is in its final stages of development. The existing tax avoidance process is recognized as requiring substantial time and is seen as a discouragement for foreign investors.

Inter-agency Coordination: Effective coordination among Investment Promotion Agencies (IPAs) poses challenges, particularly in the realm of issuing import licenses. Despite BIDA's recommendations to relevant stakeholders, there is a lack of adequate responsiveness. Unfortunately, B IDA faces limitations in terms of legal mandate and decision -making authority, impeding its ability to directly

42 JICA,” Project for Promoting Investment and Enhancing Industrial Competitiveness in the People’s Republic of Bangladesh”, November 9, 2023, https://openjicareport.jica.go.jp/pdf/12336699.pdf

assist foreign investors. Although the OSS Act mentions a monitoring committee chaired by the finance minister, meetings have yet to be convened. To enhance collaboration and provide investors with transparent information, BIDA is working towards establish ing a unified window for improved IPA coordination. 40% of KII participants suggested that there is room for improving inter -agency coordination regarding the OSS. 15% of respondents said that a monitoring mechanism, preferably cross-institutional, needs to be set up to maintain the quality of services.

One Stop Service (OSS): Investors' interaction with the One-Stop Service (OSS) begins after securing land in an economic zone, initiating a streamlined process for investment. They can apply for investment clearance online, receive tax receipts, and obtain approvals for land use planning and building construction, all accessible online. Similarly, online procedures are available for machinery imports and the issuance of commercial operation certificates. Integration efforts with various departments, including the Environmental De partment, Fire Department, and Surokkha, are underway, with some nearing completion. Key focal points within these departments play a pivotal role in assisting investors, and collaboration with ministries and agencies has led to the establishment of a Stan dard Operating System. Technical support from the Japan International Cooperation Agency (JICA) has been instrumental through consultancy services.

The adequacy of the current policy framework is emphasized, but there is room for improvement in service timelines, as the target of providing services within 7 days often falls short. Consistency in policies is stressed to avoid creating a negative impact on foreign investors. Despite challenges, the OSS initiative is praised for providing legal compliances through a single window, and the Bangladesh Economic Zones Authority (BEZA) has been acknowledged for addressing issues within the banking system.

Challenges Faced by Investors: Stakeholders in Bangladesh have identified several challenges affecting the business environment in the country. One significant issue is the complexity of the Companies Act of 1994, which has posed difficulties for both local and foreign investors. It is suggested that this act should be replaced with a more modern framework to facilitate business operations, similar to the Indian Companies Act. Additionally, mismatches in financial years between Bangladesh and India have led to confusion for Indian companies with subsidiaries in Bangladesh regarding double taxation avoidance agreements. Outdated government websites have been a concern, affecting foreign investors' perception of Bangladesh and hindering effective client interactions. Stakeholders emphasize the need for more engagement with legal professionals in Bangladesh to promote foreign direct investment. Concerns also arise from political instability, trust issues, government administrative challenges, frequent policy cha nges, uncooperative junior government officials, lack of business security, and bureaucratic hurdles. Land availability, security concerns, and complex interdependencies among government organizations further contribute to the challenges faced by investors in Bangladesh.

International Best Practices: In the context of enhancing Bangladesh's investment climate and attractiveness to foreign investors, stakeholders have put forth a series of valuable recommendations. First and foremost, investors propose that Bangladesh consider aligning its legal framework with the Indian Companies Act, a move aimed at simplifying business operations and regulations. This alignment is expected to reduce complexities and improve the ease of conducting business for both domestic and foreign investors. The successful implementation of the Goods and Services Tax (GST) in India, conducted entirely online, serves as a noteworthy example. It underscores the potential advantages of digitizing government processes, particularly in tax -related matters, offering opportunities to streamline operations in Bangladesh.

Drawing insights from China, stakeholders highlight the proactive role played by the Chinese government in supporting business operations, particularly in relation to machinery imports. They contend that similar governmental support in Bangladesh, especial ly concerning machinery imports, could substantially enhance the overall investment environment. Additionally, stakeholders suggest considering Malaysia's practice of accommodating foreigners by allowing them to engage in activities outside of local cultur al norms. This approach could significantly enhance the experience for foreign investors and professionals working in Bangladesh, contributing to a more welcoming and inclusive business environment.

Despite economic challenges, Sri Lanka has effectively addressed certain issues through its economic strategies. Stakeholders recommend studying and learning from Sri Lanka's experiences to better understand how to tackle challenges and create opportunities within Bangladesh's economic landscape. Lastly, stakeholders underscore the importance of compiling a comprehensive list of incentives offered by other nations to gain insights into international competitive advantages. This knowledge can guide Bangladesh in tailoring its incentive offerings strategically, thus making the country a more compelling destination for foreign investors.

Changes in Policies: Bangladesh has made efforts to strengthen IP rights protection over the years, but it still faces some challenges. The country is a member of the World Trade Organization (WTO) and has implemented various international agreements related to IP rights, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). These agreements require member countries, including Bangladesh, to provide a minimum level of protection for IP rights. While the legal framework for IP rights protection exists, effective enforcement remains a challenge due to factors like limited resources and capacity. 15% respondents believe a robust legal framework for IPR will attract foreign companies and investors after LDC graduation in 2026.

As per several respondents, Bangladesh needs to consider the fact that it will lose special treatment after

LDC graduation in 2026. Therefore, to retain investment and trade, it is imperative the government considers signing free trade agreements, preferential trade agreements, or regional treaties/agreements. Signing agreements will benefit Bangladesh especially in the case of technology transfer, investments, and transfer of knowledge. Respondents have specifically suggested signing an FTA with Viet Nam to benefit from knowledge transfer . Moreover, KII respondents have expressed that Bangladesh should sign more Double Taxation Treaties and follow Viet Nam as an example in this regard as Viet Nam has signed over 80 DTTs and Bangladesh has signed only 40 till date. Similar views have been reflected in FGD findings.

Tax Incentives (NBR's Perspective): As indicated in a KII with an officer from the National Board of Revenue (NBR), the NBR is key in promoting investments through tax policies, essential for sector growth and consumer welfare. Currently, the NBR is revising tax exemptions to increase revenue and efficiency. This includes setting strict guidelines for tax breaks and streamlini ng exemptions, particularly in value -added tax and import duties, to prevent misuse and support local industries. Moreover, he stated that the tariff system is quite well -structured with varying tax rates for different goods: under 5% for raw materials, 5-15% for intermediate goods, and 15-25% for finished products.

Trade Diversification Prospects: In assessing Bangladesh's economic landscape, several noteworthy investment prospects have come to light. Firstly, there is substantial untapped potential within the chemical industry, characterized by its relatively lower capital requirements, making it an appealing avenue for diversification and expansion. A strategic move forward involves exploring opportunities for backward integration with existing pharmaceutical companies, which has the potential to stimulate substantial growth within the chemical sector. Additionally, there are compelling opportunities within

the IT sphere, spanning software, hardware, mobile assembly, cables, and telecommunications sectors. Lastly, the freelance sector, which plays a pivotal role in contributing to remittances, should be subject to effective government monitoring. This monitoring, underpinned by meticulous regulation, is crucial to ensuring the sector's sustainability and its positive impact on Bangladesh's economy.

Customs Clearance Concerns: KII findings have shed light on the prolonged clearance time for imports as a major issue. One respondent briefly mentioned how a study done by the World Customs Organization revealed that while customs procedures take up a minor portion of the time, the pre - declaration stage, mainly the Bill of Entry submission, constitutes the bulk of the delay.

8. Recommendations/ Way Forward

Improvement of Investment Climate

- Increasing Manpower and Capacity Building Programs: Concerns were raised about insufficient manpower to operate within BIDA, which may be addressed through recruitment of permanent employees who are not subjected to frequent transfers.
- Capacity Building and Training: BIDA can conduct a few capacity building and training sessions on investment promotion activities, methods, and proactive service delivery which will be applicable for all officers working at IPAs.
- Policy Advocacy: Policy advocacy is considered one of the vital functions that BIDA is expected to fulfill. This involves the formulation of investment policies and the facilitation of regulatory reforms to benefit investors. Among government institutions, BIDA is uniquel y positioned to take the lead in policy advocacy. This role extends beyond merely participating in policy dialogues between the public and private sectors. In this regard, BIDA can establish regular channels of communication with investors to gather their feedback and demands concerning government policies and regulations related to investments. Subsequently, BIDA can identify commonly observed issues and propose policies or measures to address these challenges. They can then submit these pr oposals to the relevant authorities responsible for policy and regulatory reforms.
- Streamlined Administrative Processes: To fully realize the benefits of incentives, there is emphasis on streamlining administrative processes responsible for delivering these benefits. Investors should be handled on a case -by-case basis to ensure they are briefed adequately. Simplifying and e xpediting these procedures can encourage more investors to choose Bangladesh as their investment destination. In addition, BIDA may update its existing handbook/ guidebook to document streamlined procedures.

• Dispute resolution: Foreign investors in Bangladesh favor arbitration over litigation for dispute resolution due to judicial delays. The FPIPPA 1980 ensures fair treatment but lacks specific investor-state dispute provisions. Investors often use the Arbitration Act of 2001 a nd 2004, ICSID, and the New York Convention for disputes. The Bangladesh International Arbitration Centre (BIAC) handles commercial disputes locally. To enhance protection, explicit dispute resolution clauses in the FPIPPA and the BIDA Act are needed, including a grievance redress system within the OSS framework and a provision for High Court or commercial tribunal jurisdiction over BIDA-related grievances.
• Separate Cell or Court for Dispute Resolution: The High Court may establish a dedicated court or cell solely responsible for dealing with foreign investments related disputes. This would speed up the process and encourage investors to continue business in Bangladesh.
• Exit Policy: An investor has the option to terminate their investment through a resolution passed at either an annual or special general meeting. After fulfilling the necessary exit procedures in Bangladesh, a foreign investor is permitted to transfer the net proceeds out of the country, provided they have obtained the requisite authorization Bangladesh Bank. While the Exit Policy is relatively smooth, the process becomes complicated due to the process of outward remittance.
• Cross-Institutional Monitoring: The government is urged to employ cross -institutional monitoring systems to oversee and prevent procedural hindrances. BIDA may conduct or oversee the process of monitoring in this regard.
• Improving Inter-Agency Coordination: To address challenges in sectors like IT, software, hardware, and telecommunications, stakeholders recommend improving coordination among government organizations. Reducing interdependencies and fostering a culture of timely service delivery can enhance the investment climate.

• Promote women's participation: Advocate for increased participation in foreign investment through gender-inclusive policies, regulations, and initiatives such as SheTrades.
• International Best Practices: Several countries in the region provide valuable insights for enhancing Bangladesh's investment climate. For instance, Malaysia's practice of accommodating foreigners by allowing them to enjoy recreational activities outside local cultural norms could con tribute to a more welcoming environment for foreign investors and professionals in Bangladesh. Additionally, Thailand and Vietnam have undertaken policy reforms to create investor-friendly business climates, actively promoting their strongest sectors to attract investments. Vietnam's extensive network of double taxation treaties (DTTs) with around 80 countries compared to Bangladesh's 40 underscores the need for Bangladesh to expand its DTT coverage. Furthermore, revising tax an d value -added tax (VAT) policies, following the example of countries like India, Vietnam, and Thailand, by offering lower corporate taxes and VAT exemptions in economic zones, could significantly boost both local and foreign investments in Bangladesh. Thes e insights from neighboring countries provide valuable guidance for Bangladesh's efforts to attract and retain foreign investment.
Post LDC Measures:
• Free Trade Agreement or Preferential Trade Agreements: Bilateral agreements with other countries can lead to tariff relaxation, reducing the cost of doing business for both parties.
• Intellectual Property Rights: Intellectual Property Rights (IPR) enforcement has a flexible framework, but foreign investors need to be aware of these facilities, particularly in the Hi - Tech industries. Policy reforms and addressing IPR issues may attract multinational corporations.
• Diplomatic Channels: Build strategic alliances with countries such as Vietnam and use consulates, embassies, and missions to promote investment and international business understanding (knowledge and technology transfer).
• Exploring Diversification Opportunities: There is potential for diversification, especially in industries like chemicals and IT. Recommendations include promoting backward integration with existing industries and addressing specific sectoral barriers.
• Establish Backward Linkages: Bangladesh can still process other materials locally, functioning as a substitute for imports. This strategy eliminates the need to import raw materials, subsequently reducing lead times and costs. By manufacturing products locally, it ensures diversification within the domestic market. Additionally, other countries might also

find value in these backward linkage products, leading to an expansion of Bangladesh's export portfolio. Bangladesh might have limited natural resources, the country.

• Technology transfer: To diversify its industries, Bangladesh needs to focus on industrial diversification and attract Foreign Direct Investment (FDI) for technology transfer. Learning from Thailand and Vietnam's approaches to technology transfer in foreign investments can guide Bangladesh. Establishing a dedicated division within Investment Promotion Agencies for this purpose is also recommended.

8.1 Recommendations on the Act 43

Recommendations - Bangladesh Investment Development Authority Act, 2016

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
Section: Short
title and
Introduction 1
1) This Act shall be known as the Bangladesh Investment
Development Authority Act, 2016.
2) This Act shall come into force on such date as the Government
may, by notification in the Official Gazette, specify.
N/A N/A N/A
Section 2:
Definition-
Unless there is
anything
contrary to the
subject or
context, in this
Act—
1) “permit” means a permit granted under sub-section (3) of section
15 in respect of setting up any industry in the private sector;
2) “approved industry” means any industry approved in the private
sector under sub-section (3) of section 15;
3) “Authority” means the Bangladesh Investment Development
Authority established under section 4;
4) “Chairman” means the Chairman of the Governing Board;
5) “Executive Chairman” means the Chairman of the Executive
Council;
6) “Executive Council” means the Executive Council constituted
under section 9;
7) “executive member” means a member of the Executive Council;
8) “rules” means rules made under this Act;
9) “regulations” means regulations made under this Act;
10) rules mean rules made under this Act;
11) "person" shall include any citizen of Bangladesh, any foreign
citizen, association, association, partnership and company;
12) "private sector" means any such industrial or commercial sector
established by the Government or declared to be reserved for the
Government;
13) “Member” means any member of the Governing Board;
14) “Secretary” means the Secretary of the Finance Authority; and
15) “Government industry or commercial establishment” means—
N/A N/A N/A

43 The Act has been translated to English for the purpose of the report. English version of the Act was not made available by BI

Recommendations - Bangladesh Investment Development Authority Act, 2016
Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
a) any industrial or commercial establishment owned or controlled
by the Government or `any corporation, trust, board, company
established, established, managed or formed thereby; or
b) any other type of institution which the Government is entitled to
transfer; and
c) the industrial or commercial establishment mentioned in clause
(Ka) and any other right including any part, ownership, interest or
right of management or management of the Government or such
establishment in the establishment mentioned in clause (b).
Section 3:
Precedence of
law
Notwithstanding anything contained in any other law for the time
being in force, the provisions of this Act shall prevail.
N/A N/A N/A
Section 4:
Establishment
of Authority
1) As soon as this Act comes into force, there shall be established an
authority to be called the (Bangladesh Investment Development
Authority (BIDA).
2) The Authority shall be a statutory body and shall have permanent
continuance and a common seal and shall have power to acquire,
hold and transfer property, both movable and immovable, and
shall be able to institute suits in its own name and be sued against
it.
N/A

N/A N/A
Section 5:
Office of the
Authority
The head office of the Authority shall be at Dhaka and the Authority
may, if necessary, with the prior approval of the Government, set up
its branch office at any place.
N/A N/A N/A
Section 6:
Governing
Board
1) The Governing Board shall consist of the following members,
namely: —
a) the Prime Minister, who shall also be its Chairman;
b) the Minister in charge of the Ministry of Finance, who shall also
be its Vice-Chairman;
c) the Minister in charge of the Ministry of Industry;
d) the Minister in charge of the Ministry of Power, Energy and
Mineral Resources;
N/A N/A The Act may

incorporate
provisions for
including more
representatives from
the private sector and
individuals with
research backgrounds
58

Recommendations - Bangladesh Investment Development Authority Act, 2016
Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
e) the Minister in charge of the Ministry of Commerce;
f) the Minister in charge of the Ministry of Textiles and Jute;
g) the Minister in charge of the Ministry of Planning;
h) the Minister in charge of the Ministry of Agriculture;
i) the Minister in charge of the Ministry of Housing and Public
Works;
j) Executive Chairman;
k) the Governor, Bangladesh Bank;
l) Secretary, Ministry of Home Affairs;
m) Secretary, Department of Internal Resources;
n) Chairman, Bangladesh Securities and Exchange Commission;
o) President, Federation of Bangladesh Chambers of Commerce and
Industries; and
p) 2 (two) representatives of the Specialized Chamber nominated by
the Government, out of which 1 (one) shall be a woman.
2) The Executive Chairman shall serve as the member-secretary of
the Governing Board.
3) The Governing Board may co-opt any person as a member if
necessary.
4) The Governing Board may invite to its meetings any person who
is capable of making a special contribution to any matter under
discussion.
5) No proceedings of the Board shall be invalid due to vacancy of
any member of the Governing Board and any defect in the
constitution of the Board and no appeal shall be raised in this
regard.
on the Governing
Board to ensure a
comprehensive
approach.
Section 7:
Meetings of
Governing
Board
1) Subject to the other provisions of this section, the Governing
Board shall determine the procedure for its meetings.
2) All meetings of the Governing Board shall, with the consent of the
Chairman, be convened by its Member-Secretary.
There is an internal
rule that stipulates
the minimum
frequency of
necessary meetings.

N/A N/A
59

Recommendations - Bangladesh Investment Development Authority Act, 2016
Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
3) The Chairman shall preside at all meetings of the Governing Board and in his absence the Vice-Chairman of the Governing Board and in their absence any member nominated by the Chairman shall preside at the meeting.
4) The quorum of a meeting of the Governing Board shall require the presence of a majority of its total members.
5) Every member present at a meeting of the Governing Board shall have one vote and in the event of an equality of votes the person presiding shall have the right to cast a second or casting vote.
6) Any person presents by special invitation to assist in decision-making at the Governing Board meeting may express his opinion at the meeting; But he will not have the right to vote.
Section 8:
Functions of
the Authority
The functions of the Authority shall be as follows, namely:
1) To provide all facilities for the investment of domestic and foreign capital for the purpose of rapid industrialization in the private sector;
2) implementation of government policies on capital investment in private sector industries;
3) formulation of private sector industrial investment schedule and provision of special facilities for said sector;
4) formulation of area-schedule for establishment of industries in the private sector and determination of special facilities for such areas;
5) Approval and registration of industrial projects involving domestic and foreign capital in the private sector;
6) Identification of industrial investment sectors and opportunities in the private sector and measures to promote them widely in the country and abroad;
7) Develop and implement specific strategies to promote industrial investment in the private sector;
N/A

N/A The Act may include inter-agency cooperation as one of the functions with a view to resolving issues arising from the investors.

The Act may also include the provision of a database on market and industries can be built to serve planning trade

promotion policies
and support the
improvement of trade
promotion capacity
for organizations and

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
8) creation of infrastructure facilities for industry in the private sector;
9) determining the conditions for the appointment of foreign officials, experts and employees necessary for private sector industries;
10) formulation and implementation of policies for transfer of technology to the private sector and phased local production;
11) taking necessary measures regarding industrial-investment-capital formation in the private sector;
12) collection, compilation, analysis, distribution and establishment of databases for all industrial data;
13) Government industrial or commercial establishments and their unused land or premises for use in more useful economic activities—
a) identifying and taking appropriate measures in the manner prescribed by rules for the purpose of transfer or allotment;
b) allotment and transfer of partial or full shares to domestic and foreign investors;
c) assessment in the manner prescribed by rules for the purpose of making transfer or allotment and taking necessary action in this behalf;
d) Advise the Government by conducting necessary surveys to make the policies related to transfer or allocation and investment more efficient and effective;
e) regularly inform the Government of the results obtained by evaluating the success of the implementation of the policies relating to devolution or allocation;
f) take any legal or administrative measures to remove any impediments to transfer or allotment;
g) Advising concerned ministries or departments of the government to take necessary action to facilitate transfer or allotment.
businesses; support
providing market and
industry information
to agencies,
businesses, and
domestic and
international trade
promotion
organizations.

Section
Number &

Title
Related provisions Unchanged Extension/
modification New Addition
14) Assessing, monitoring and reviewing the progress of the work of the transferred or allotted government industries or commercial institutions and regularly informing the government;
15) conducting research on the need, utility and benefits of investment and informing the public about the same; and
16) Other activities prescribed by the Government from time to time.
Section 9:
Constitution of
Executive
Council and its
functions.
1) The Authority shall have an Executive Council, Which will consist of an executive chairman and not more than 6 (six) executive members.
2) The rank, tenure and terms of service of the Executive Chairman shall be determined by the Government.
3) The Executive Chairman shall be the Chief Executive Officer of the Authority.
4) Executive members from among the officers of Additional Secretary to the Government or above Will be assigned to the mission.
5) Executive Council—
a) Will provide advice and assistance to the Authority for the smooth performance of its functions;
b) Will be responsible and accountable for the implementation of all decisions of the Governing Board; and
c) exercise all powers and duties assigned by the Governing Board;
6) If the post of Executive Chairman becomes vacant or due to absence, sickness or any other reason if he is unable to discharge his duties, as the case may be, a new Executive Chairman is appointed in the vacant post.
Until he assumes office or the Executive Chairman is unable to perform his duties again, the senior most member of the Executive Council will serve as the Executive Chairman.
N/A N/A N/A

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
Section 10:
Meeting of the
Executive
Council
1) Subject to the other provisions of this section, the Executive Council shall determine the meeting procedure.
2) All meetings of the Executive Council shall be convened by the Secretary at the direction of the Executive Chairman.
3) The Executive Chairman shall preside at all meetings of the Executive Council and in his absence, the senior most member of

the Executive Council will preside over the meeting.
4) A majority of the members of the total number of members for a quorum of a meeting of the Executive Council Attendance will be required.
5) Every member present at the meeting of the Executive Council shall have one vote and in the event of an equality of votes the person presiding shall have the right to cast a second or casting vote.
6) The Executive Council is capable of making special contributions on any matter discussed in its meetings.
Any person may be invited but shall not have the right to vote.
N/A N/A N/A
Section 11:
Secretary
1) The Authority shall have a Secretary, who shall be Additional Secretary to the Government or He will be appointed from among the officers of higher rank.
2) Secretary—
a) Convening a meeting of the Executive Council subject to the permission of the Executive Chairman Issue notice;
b) record and preserve the minutes of the meetings of the Executive Council;
c) Arrangements for keeping accounts, preparing accounts and auditing accounts of the authority.
d) formulate the budget of the Authority and present it for approval; And
e) Perform other duties assigned or specified by the Executive Chairman.
N/A N/A N/A

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
Section 12:
Other officers,
employees etc.
of the
Authority
1) Authorized by the Government Subject to the organizational structure, authority is necessary for the proper discharge of its duties and responsibilities a number of officers and employees can be appointed.
2) The appointment and conditions of service of the officers and employees of the Authority shall be prescribed by regulations.
N/A N/A N/A
Section 13:
Committee
1) One or more Committees can be formed to assist the Authority in the discharge of its duties.
2) The number of members of the committee and its duties and procedures shall be determined by the authority.
N/A N/A N/A
Section 14:
Registration

and
permission
1) All unregistered industries established in the private sector, except for the ones under any authority or body established by law, must be registered in the prescribed manner as per regulation. However, it is provided that, until regulations are made, the Authority may, for the purposes of this sub-section, issue necessary orders.
2) Establishment of local (Bangladesh) branches, liaison, and representative offices of private commercial companies registered abroad requires permission to be obtained in the manner prescribed by the authority. Any industry registered or permitted under this section in connection with its application all facilities prescribed by existing laws shall be available.
N/A N/A The Act may specify the OSS Act 2018 here since the registrations and permissions are sought using the one-stop service platform.

The Act and FPIPPA do not explicitly define the acceptable forms of foreign investment. In contrast, Vietnam's Investment Law provides a clear enumeration of permissible investment forms. Therefore, it is advisable to include a

Section Number & Title
Related provisions Unchanged Extension/ modification New Addition
similar provision in the FPIPPA.
Section 15: Approval of industrial projects in the private sector, etc
1) Any established by law Establishment of industries in the private sector other than industries or commercial establishments under authority or organization. Every aspirant shall seek approval from the authorities for his proposed industrial project. Application should be made in the prescribed manner.
2) The authority to facilitate consideration of an application received under sub-section (1) to the applicant may provide instructions for supply of necessary information and proposed industrial project-

related any other institution or person concerned may take advice.
3) If the application received under sub-section (1) is considered admissible, the Authority approve the scheme and issue an approval letter to the applicant and said the approval letter specifies the time frame for implementation of the project and commencement of production therein.
4) In approving any industrial project under sub-section (3), the Authority shall thoroughly address all matters necessary for its execution. Specifically, the Authority will provide a clear decision on all relevant aspects within the scope of the matter. The concerned person or authority is then responsible for transmitting this decision, namely:—
(a) Foreign Debt, Supplier Debt (Supplier’s Credit) and Deferred Debt, Amounts and Terms;
N/A If the project has been granted as admissible, the Authority shall write the investment incentives, bases, and conditions for provision of investment incentives on the approval letter or advise concerned departments of the governments (in cases of Ezs, EPZs, Hi-tech parks) to write the investment incentives, bases, and conditions for investment incentives which Under (9) of Section 15, the Act may add that jurisdiction for approved industrial schemes which will follow the Companies Act, 1994 (Act No.18 of 1994) and other amendments to follow as a recent amendment was passed in 2020.

The updated Companies Act may be cross-referenced here by incorporating a new provision for 'Power of Attorney' under either Section 14 or Section 15, as deemed appropriate44.

44 The Companies (2nd Amendment) Act, 2020 brought about revisions to the existing Companies Act, 1994, incorporating pro
companies (OPC), wherein only one natural shareholder is required. Notable changes within the amended law, spanning sectio
two key points upon examination. Firstly, the mandatory use of a common seal, official seal, or common seal has been abolishe
Company is now empowered to appoint, through written authorization, any individual within or outside Bangladesh to act as its a
execute documents on behalf of the company.

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition

(b) Land allocation in industrial areas owned or controlled by the government or any local authority, except for industrial or commercial entities under any authority or body established by the law;
(c) Time limit for the provision of electricity, gas, and water connections;
(d) Time limit for providing sewerage connection;
(e) time limits for establishing all types of telecommunications;
(f) Clearance by customs authorities in respect of imported machinery, parts, and raw materials time limit.
(g) Time limit for issuance of environmental pollution clearance; and
(h) Other facilities necessary for expediting industrial establishment.

5) Every decision passed by the authority under sub-section (4) is official or law. It shall be considered as the decision of the concerned person or authority empowered to give decision accordingly and it will be implemented accordingly.

6) If any decision is sent to any person or authority under sub-section (4), the said the person or authority shall take appropriate steps within the specified time to implement the said decision.

7) The individual or authority in question must, within the period specified by the authority under sub-section (6), undertake the necessary actions. In the event of failure or inability of the authorities to take appropriate action, the matter may prompt the issuance of suitable directives to enforce the previously determined decision after a thorough review. The specified person or authority is then obligated to carry out the required actions as per the provided instructions.

8) Without the prior permission of the Authority under sub-section (4), no individual shall provide for any use of the facility for a purpose other than the associated industrial project, or alter the type of permitted industry, or change ownership.

will be
mentioned on the
approval letter.

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition

9) Approved Industrial Schemes fall under the jurisdiction of the Companies Act, 1994 (Act No. 18 of 1994). In the case of a

registered company, the issuance of capital and the issuing of
shares are regulated processes. The Authority, facilitated through
the Bangladesh Securities and Exchange Commission, oversees all
relevant matters. The government holds the authority to exercise
its powers and fulfill its duties in these regards.
10) For the timely implementation of any industrial project, as
stipulated in its approval letter, and to address any challenges
hindering the commencement of production, the entrepreneur has
the option to apply to the authority. Upon receiving such an
application, the authority will offer suitable assistance to address
the identified difficulties and facilitate the project's progress.
11) The authority may, at various intervals, request the project
entrepreneur for updates regarding the implementation of
approved industrial projects and may seek the necessary
information to ensure effective oversight and progress tracking.
Section 16:
One Stop
Service
1) To meet the requirements of authorized industrial establishments,
an inter-ministerial one-stop service center will be established to
ensure the prompt delivery of infrastructure services as needed.
2) The Government, through a notification in the Official Gazette,
may designate the formation of the One Stop Service Assurance
Committee.
3) The One Stop Service Assurance Committee will promptly
confirm the provision of immediate services as required.

N/A The Act may
include a
provision for a
minimum
frequency of
meetings for the
One Stop Service
Assurance
Committee which
should be picked
from the OSS Act
2018.
The Act may specify
inter-agency
cooperation since for
the efficient
functioning of OSS,
creation of a
framework for inter-
agency collaboration
is crucial. The inter-
agency cooperation
should include a
monitoring
committee to oversee
the implementation of

Section
Number &

Title
Related provisions Unchanged Extension/
modification New Addition
services being offered
to investors.

SANEM conducted a
policy review of the
Foreign Private
Investment
Promotion and
Protection Act 1980
where they discussed
the methods of
dispute resolution,
but the FPIPPA
doesn’t have any
provision for investor
– state dispute. Since
dispute resolution is a
part of FPIPPA,
grievance redress
system (GRS) in this
Act may be added
through which
investors may get
remedies.
Section 17:
Determination
of import
rights
1) In the process of determining import rights, if an approved
industrial establishment needs to import machinery, parts, raw
materials, and packaging materials, the concerned establishment
must apply to the authority. The application should adhere to the
manner and form prescribed by the rules.
2) Upon reviewing the application received under sub-section (1),
the authority will issue the required permit for the importation of
N/A N/A The Act may include
a separate section for
incentives. One of the
many incentives
offered to investors is
an exemption or
reduction of import

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
the specified plant, parts, raw materials, and packaging materials,
by the criteria determined by the authority.
tax on goods
imported the
government provides,

however, the
provision of import
taxes falls under
NBR.
Section 18:
Royalty And
Fee
If an approved industrial organization is obligated to pay a royalty fee, technical knowledge, technical assistance fee, or franchise fee to a foreign person or organization, that industrial organization must, in the manner specified by the authority, apply to the authority for the determination of the applicable royalty or fee. Subsequently, the concerned industrial organization is required to remit the determined royalty or fee as per the authority's directives.
N/A N/A The Act may include
a separate section
with the same
procedure of section
18 for granting
permission to take
out or remit abroad
money in foreign
currency if the
approved industrial
organization
represents
(1) an investment
capital which the
promoted person
brought into
Bangladesh and
dividends or other
returns on such
capital;
(2) a foreign loan
under a contract
approved by the
Authority which the

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
approved
organization brought
in to invest in the
promoted activity,
including the interest
thereon.45

The Act may mention
that Foreign
Exchange Regulation
Act 1947 will be
followed here.

Section 19:
Approval
Cancellation
If any approved industry breaches any provision of this Act or the
rules established under it or fails to comply with any condition
outlined in the approval, the authority reserves the right to revoke its
approval. The cancellation will be carried out following the
procedures prescribed by the rules.
N/A The Act may add
'In the case
where the Board
is of the opinion
that any activity
announced to be
eligible for
promotion no
longer requires
to be promoted, it
may announce a
temporary or
permanent
cancellation of
N/A

45 In the context of this report, it's important to note that profit repatriation/ outward remittance in countries such as Vietnam, Inc
country-specific regulations that aim to ensure compliance with standard requirements while keeping restrictions to a minimum.
country analysis of investment protection mechanisms across these countries.

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
promotion for
that activity'
Section 20:
Inspection,
inspection,
inquiry,
investigation,
industrial
reform etc.
1) For this Act, the Government, authority, or any person or
institution appointed by it shall—
a. The authority is empowered to inspect the progress of
the sanctioned industrial project's implementation and
submit the inspection report to the authorities or the
government; And
b. The authority is authorized to enter and inspect any
government industrial or commercial establishment,
and conduct inquiries or investigations therein, and
the relevant institutions associated with such entry,
inspection, search, or investigation shall provide all
necessary facilities.
2) Through conducting an inspection, search, or investigation under
clause (b) of sub-section (1) or analyzing information obtained by

other means, the authorities may implement reforms in the
institution for the public interest. If deemed necessary, appropriate
measures can be taken, and for this purpose, the concerned
institution can receive specific instructions.
N/A N/A N/A
Section 21:
Declaration of
industrial area
or change of
name of
existing
industrial area
or
establishment.
The government, for the fulfillment of the objectives of this Act, can
declare, through a notification in the Official Gazette, one or more
areas mentioned therein as an industrial area, or alter the name of an
existing industrial area or establishment.
N/A The Act may add
the provision of
classifying the
type of industrial
area since three
distinct
authorities are
responsible for
economic zones,
export processing
N/A

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
cones and hi-tech
parks.
Section 22:
The
acquisition of
land for
industrial
areas is
governed by
Section 21
1) Any land located in an industrial area, as declared under this
section, shall be considered necessary for an approved industrial
project if it serves the public interest. To fulfill this necessity, the
land shall be acquired in accordance with the provisions outlined
in the Acquisition and Requisition of Immovable Property
Ordinance, 1982 (Ordinance No. II of 1982).
2) The land acquired under sub-section (1) shall not be utilized for
any purpose other than the intended purpose for which it was
acquired, except with the permission of the Authority.
3) Land acquisition shall not be necessary in cases where the
establishment of such industrial areas primarily involves the

utilization of government industrial establishments. The
identification of such areas shall be carried out by the authority,
taking into consideration the input of the relevant ministry or
department responsible for industrialization. The allocation of
land for these purposes shall be approved by the Cabinet
Committee on Economic Affairs.
N/A N/A The Act may, in sub-
section of section 22,
contain that the land
which is acquired
following the
provisions of the
Acquisition and
Requisition of
Immovable Property
Act, 2017 (Act XXI
of 2017) for an
industrial area or for
a requiring approved
organization shall be
offered to the
approved
organization under a
lease agreement
characterizing it as a
lease in perpetuity.
Section 23:
The process of
utilization of
government
industrial or
commercial
establishments
and their
unused land or
1) The Government shall, through a notification in the Government
Gazette, develop policies to encourage investment in the country,
foster the establishment of industries in the private sector, and
optimize the utilization of Government industries or commercial
establishments, along with their unused land or premises, for more
advantageous economic activities.
2) Under the policy, the authority shall identify public industries or
commercial establishments eligible for allocation in more suitable
economic activities. Any public industries or commercial
N/A N/A N/A

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
premises for
more useful
economic
activities -
establishments listed by the Government under sub-section (2),

along with their unused machinery, land, or buildings whose estimated value is communicated to the asset-liability authority under sub-section (3), shall prompt the authority to take requisite measures for their transfer or allocation.
3) Both domestic and foreign investors with an interest in the matter can secure allotment for the management and operation of government industrial and commercial institutions through a partnership arrangement. Additionally, they have the option to lease unused land for specified purposes.
4) The shares of any government industrial or commercial establishment shall be transferred following the provisions of the Articles of Association of the concerned establishment and the Companies Act.
5) Irrespective of the other provisions in this section, if the transfer price of any government industry or commercial establishment, inclusive of long-term debt payable by the transferee (if any), surpasses Taka 100 (one hundred) crores, the transfer decision authority is empowered to conclude the transfer. However, if the transfer price exceeds 100 (one hundred) crores, the approval of the Cabinet Committee on Economic Affairs must be sought before finalizing the transfer decision.
6) In case of transfer of shares in any government industry or commercial establishment, the concerned shares shall be transferred by direct tender or through stock exchange.
7) When consenting to the transfer or allotment for the management and operation of any government industry or commercial institution, the government shall ensure that the officers, employees, and workers of the concerned organization or institution are not deprived of their rightful dues. In doing so, the

Section Number & Title	Related provisions	Unchanged	Extension/ modification	New Addition
	government will adhere to the existing laws and other relevant policies as necessary.			
Section 24: Deed of transfer or assignment	1) Any government industrial or commercial establishment and its unused land or premises intended for more suitable economic activities shall be transferred to the Bangladesh Export Processing Zone Authority, Bangladesh Economic Zone Authority, or any other relevant authority or organization engaged in economic activities, or to domestic or foreign investors. Upon reaching the final stage of the allotment process, the concerned authority will finalize the necessary agreement with the transferee or allottee. 2) The Authority may take necessary steps or proceedings to enforce the agreement executed under sub-section (1). 3) Actions or activities undertaken under sub-section (1) and (2) shall be considered as actions or activities taken by the Government.	N/A	N/A	N/A
Section 25: Earned Money				

1) Any government industrial or commercial establishment and
its unused land or premises, designated for more suitable
economic activities, shall be transferred to the Bangladesh
Export Processing Zone Authority or the Bangladesh
Economic Zone Authority. Alternatively, funds obtained
through allotment to domestic or foreign investors shall be
deposited in any Scheduled Bank as a separate account of the
Authority.
2) From the money earned as mentioned in sub-section (1), the
preceding liabilities of the concerned industry or institution
shall be settled per existing laws, and the remaining amount
shall be deposited into the Consolidated Fund of the Republic.
N/A N/A N/A
Section 26:
Extradition of
transfer due to
failure to
If the allottee of a government industrial or commercial institution
fails to operate the institution, the said institution shall transfer all
utility bills, along with possession, to the government. In the event of
any loss or damage to the assets of the institution, the government
N/A N/A N/A

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
manage the
institution
shall coordinate and compensate the transferee according to the terms
stipulated in the agreement.
Section 27:
Taking
possession for
breach of any
condition of
the contract.
In the event of a violation of any condition specified in the contract
concerning the transfer or allocation of a government-industry or
commercial institution, the government or the authority reserves the
right to take possession of the institution by the said contract. If
deemed necessary, appropriate actions, including the cancellation of
the contract and related documents, may be taken per the law.
N/A N/A N/A
Section 28:
Delegation of
power
The Governing Board is authorized to delegate any of its powers or
duties to the Executive Chairman, Executive Members, Secretary, or
any designated officer through a written resolution.
N/A N/A N/A
Section 29:
Authority
funds
1) The Authority will have a fund into which will be deposited the

following sums, namely: -
a) money received from the Government; And
b) money received by the Authority from any other source.
c) The approved fund amount shall be deposited in the name
of the authority, and withdrawals from the fund shall be
made following the procedures prescribed by law.
d) The fund shall meet all expenses of the Authority.
N/A N/A N/A
Section 30:
Budget
Annually, the authority is obligated to submit the budget statement for
the upcoming financial year to the government within a specified
timeframe. This statement outline the amount of funds required by the
authority from the government for that year. However, the authority
shall make efforts to enhance its income to meet its recurrent
expenditures.
N/A N/A N/A
Section 31:
Maintenance
and Audit of
Accounts.
1) The Authority shall properly maintain its accounts and prepare an
annual statement of accounts.
2) The Auditor-General and Comptroller of Bangladesh, referred to
as the Auditor-General, shall annually audit the accounts of the
Authority. Subsequently, one copy of the audit report shall be
submitted to both the Government and the Authority.
N/A N/A N/A

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
3) In addition to the audit mentioned in sub-section (2), the accounts
of the Authority shall also be audited by a chartered accountant as
defined in sub-section 2(1)(n) of the Act, 1973 (C.G.G. 2nd Act of
1973). For this purpose, the Authority may appoint one or more
Chartered Accountants, and the appointed Chartered Accountants
shall be entitled to remuneration as fixed by the Government.
4) To audit the accounts of the Authority, the Auditor General or
any person authorized by him, or the Chartered Accountant
employed under sub-section (3) of the Authority, shall have the
authority to inspect all records, documents, annual balance sheets,
cash or bank deposits, securities, warehouses, and other
properties. Additionally, they can interrogate the Executive
Chairman, Executive Member, Secretary, or any officer or
employee of the authority.
Section 32:
Report
1) The authority is required to submit to the Government an annual
report on its activities within 90 (ninety) days after the conclusion
of each financial year.
2) If deemed necessary, the Government has the authority to request
a report or statement from the Authority on any subject, and the
Authority is obligated to provide such information to the

Government.
N/A N/A The Act may contain, in a section, a guarantee and protection clause against appropriation of investments of the approved organization.
The Act can also contain, in a section, a dispute resolution clause empowering the High Court Division of the Supreme Court of Bangladesh or the court (preferably a

Section Number & Title
Related provisions Unchanged Extension/ modification New Addition

commercial court/tribunal) against any grievance arising from any action or inaction of the Authority or the approved organization.46 The court/tribunal can follow the procedure as laid down in the Code of Civil Procedure, 1908 and the Arbitration Act, 2001. Additionally, there can be a grievance redress mechanism too.

In addition to, a provision may be added in the clause to periodically review and revise the Act every two to three years. This will ensure that the

46 Section 6, titled 'Comparison with International Good Practices,' presents a comparative analysis of investment protection m
Vietnam, Malaysia, India, and Thailand. These four countries all offer access to inte rnational arbitration, domestic courts, and d
related disputes.

Recommendations - Bangladesh Investment Development Authority Act, 2016
Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
provisions remain
aligned with
international
standards and adapt
to global changes.
Section 33:
Power to make
rules
The Government may, by notification in the Official Gazette, make
rules to carry out the purposes of this Act.
N/A N/A N/A
Section 34:
Power to make
regulations
-- The authority may, with the prior approval of the Government and
by notification in the Official Gazette, make regulations for carrying
out the purposes of this Act.
N/A N/A N/A
Section 35:
Revocation
and Custody
1) Upon the commencement of this Act, the Board of Investment
Act, 1989 (Act No. 17 of 1989) and the Privatization Act, 2000
(Act No. 25 of 2000) shall be repealed. Additionally, the entities
established under the two repealed Acts, namely, the Board of
Investment and the Privatization Commission will be abolished.
2) Notwithstanding the repeal under sub-section (1), any act done or
any measure or decision taken, rules, regulation or policy made,
any order issued, circular or notification, any permit or notice
given, notwithstanding the repeal under sub-section (1), any
industry registered, transfer deed or contract executed, any tender
invited or any work in progress shall be deemed to be done,
received, made, issued, given, registered, executed, invited or in
progress under this Act:
Provided that the Privatization Act, 2000 (Act No. 25 of 2000) any
government industrial or commercial establishment specified for
privatization and its unused land or facilities for use in more suitable
economic activities instead of privatization to the Bangladesh Export
Promotion Zone Authority or Bangladesh Economic Zone Authority
or to a domestic or foreign investor. Allocation will be provided.

N/A N/A N/A

Section
Number &
Title
Related provisions Unchanged Extension/
modification New Addition
3) The Board of Investment and Privatization Commission abolished

with the coming into force of this Act----
a) All stable and movable property and other property arising in or from the said property all rights and interests, cash and bank deposits, investments, all accounts excerpts, records, and other documents handed over to and on authority shall be vested.
b) All debts, liabilities, and obligations of and by, on behalf of, or in connection with all debts, liabilities, and obligations of the Contracting Authority executed and by it, it shall be deemed to be a contract executed on behalf of or with him;
c) Suits or legal proceedings instituted against or by the Authority or shall be deemed to be a suit or legal proceeding filed by the authority and it shall be settled; accordingly, And
d) All officers and employees shall be considered officers and employees of the Authority. The conditions under which they were employed immediately before the commencement of this Act shall continue until modified by the authorities. In case of any dispute, the prevailing provisions of the Government will be followed for resolution. However, until the approval of the organizational structure, an interim system will govern their engagement with the authorities. Once the organizational structure is approved, they will be appointed or posted according to the approved structure. If any officer or employee does not comply with the organizational structure of the new institution, the government will handle the disposition of the surplus officer or employee under the relevant provisions.

Recommendations - Bangladesh Investment Development Authority Act, 2016

Section Number & Title	Related provisions	Unchanged	Extension/ modification	New Addition
Section 36: Publication of translated texts in English	1) After the commencement of this Act, The Government shall, by notification in the Official Gazette, publish an authentic English version of the original Bangla version of this Act. 2) In case of conflict between the Bengali and English texts, the Bengali text shall prevail.	N/A	N/A	An English version was not made publicly available for BIDA Act 2016, and hence the Act may add a provision which ensures that translated versions will be made available within 30 days.47

Table 9 Recommendations - Bangladesh Investment Development Authority Act, 2016

47 In Bangladesh, the task of translating gazettes and policies is typically handled by the Bangladesh Government Press (BGP)
Public Administration, is responsible for printing and publishing government gazettes, incl uding laws, regulations, and policy do

9. Conclusion

In conclusion, this report has provided a comprehensive analysis of the current state of foreign investment in Bangladesh, shedding light on various aspects of its investment landscape. It has not only recognized the achievements and progress that Bangladesh has made in attracting FDI but also identified several areas that require att ention and improvement to further boost its position as an attractive investment destination. Bangladesh has undoubtedly made significant strides in creating a conducive environment for foreign investors. The establishment of BIDA and the enactment of the One Stop Service (OSS) Act in 2018 represent significant milestones in this regard. These initiatives have simplified administrative procedures, reduced bureaucratic hurdles, and enhanced the overall ease of doing business in the country. Moreover, Banglad esh's proactive approach in signing bilateral investment treaties (BITs) and engaging in regional trade agreements demonstrates its commitment to providing a secure and reliable investment climate.

However, this report has also shed light on certain challenges that persist. While Bangladesh has made strides in this area, further improvements are necessary to ensure that investors have access to timely and impartial dispute resolution processes. One o f these challenges is the need for an efficient and effective inter-agency coordination mechanism. Streamlining communication and collaboration among various government bodies involved in foreign investment promotion and facilitation is crucial to provide a seamless experience for investors. Findings have revealed a compelling need for improved coordination among various government agencies engaged in the OSS process. This lack of coordination has resulted in service delays, negatively impacting the investor experience and potentially discouraging foreign investment. Hence, incorporating inter -agency coordination provisions into the BIDA Act can further enhance the effectiveness of the OSS. The complexities surrounding outward remittances and profit repatriation have been highlighted in this report. While regulations and guidelines exist, there is room for simplification and clarification of these processes like Viet Name, Malaysia and Thailand, which can significantly benefit investors and contribute to a mo re investor -friendly environment.

In terms of dispute settlement, Bangladesh faces challenges with its judicial system's independence and efficiency, leading foreign investors to prefer arbitration for resolving cross -border commercial disputes. Foreign investors in Bangladesh prefer arbitration due to delays in the local litigation process. Bangladesh offers various dispute resolution options, including the 2001 and 2004 Arbitration Acts, participation in ICSID, the ability to use third-country forums like Singapore for dispute settlement, and membership in the SAARC Agreement for an Arbitration Council since 2005. Bangladesh is also a signatory to the New York Convention, recognizing international arbitration awards' enforcement. The FPIPPA currently lacks any provisions for investor-state disputes, which are typically found in bilateral agreements. A provision on investor-state dispute should be explicitly stated in the Act and designed to be as comprehensive as possible, providing foreign investors with ample freedom and protection. In most treaties, parties' consent to settling investor -state disputes through international arbitration mechanisms, typically ICSID. When investors commit significant funds to a project, they often seek legal support to ensure their protection. They may not s olely rely on the FPIPPA for clarity and may refer to other documents like bilateral investment treaties or joint investment agreements. Furthermore, the OSS can incorporate a grievance redress system aimed at addressing investor concerns and resolving them.

The integration of the One Stop Service (OSS) with the National Single Window, as mandated by the World Trade Organization's Trade Facilitation Agreement (TFA), is a positive step toward modernizing

international trade processes. Nonetheless, addressing the challenges arising from the involvement of multiple agencies in both systems is essential to fully realize the potential benefits of this integration. Research indicates that IP plays a multifaceted role in fostering FDI, with several facets underscoring its importance in drawing and maintaining investments. Given this evidence, it is advisable for Bangladesh to prioritize robust Intellectual Property pr otection as a means to attract higher levels of

FDI.

FDI plays a vital role in transferring necessary technology for this purpose. Bangladesh can learn from Southeast Asian countries like Thailand, which have provisions for technology transfer through the Foreign Business Act of 1999. To facilitate better technology transfer, improving the investment environment is cruci al. This involves simplifying the repatriation of royalties and fees, streamlining expatriate work permits, revising import tariffs, and strengthening connections between FDI assemblers and local suppliers. Establishing a dedicated division within IPAs for linkages is also essential.

Furthermore, this report has emphasized the importance of promoting women's participation in foreign investment. Initiatives like "SheTrades" highlight the significant role that women entrepreneurs and leaders can play in contributing to economic growth and development. Incorporating gender-inclusive provisions into relevant policies and regulations is essential to create a more equitable and inclusive investment environment.

Lastly, aligning Bangladesh's foreign investment practices with established international standards is key to enhancing its competitiveness in the global investment landscape. By benchmarking against global best practices and adopting necessary reforms, Ba ngladesh can continue to attract foreign investment and stimulate economic growth. Thailand and Malaysia have successfully diversified their economies. Thailand has moved from agriculture-based to more technology and manufacturing-driven, while Malaysia has transitioned into higher-value industries like electronics, automotive, and medical devices. Bangladesh can emulate this by diversifying its economy beyond the textile sector.

In conclusion, Bangladesh has made notable progress in attracting foreign investment, and there is immense potential for further growth. The recommendations outlined in this report serve as a roadmap for the government and relevant stakeholders to address the identified challenges and capitalize on the opportunities. By implementing these recommendations and fostering an environment that is welcoming, efficient, and inclusive, Bangladesh can position itself as a prime destination for foreign investment, driving economic prosperity and development for the nation and its people.

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Annex 1: List of Key Informant Interview (KII) Participants

No.	Name	Designation	Organization
1	Mustafizur Rahman	Deputy Secretary Manager (OSS & Co-ordination)	Bangladesh Economic Zones Authority (BEZA)
2	Kum Kum Sultana	Director (Policy)	Export Promotion Bureau (EPB)
3	Md. Khairul Kabir Mia	First Secretary (Customs: Policy and Budget)	National Board of Revenue (NBR)
4	Fazlul Haque Mazumder	Additional Executive Director (Investment Promotion); Additional Executive Director (OSS)	Bangladesh Export Processing Zones Authority (BEPZA)
5	Yamada Fiji	Senior Representative	Japan International Cooperation Agency (JICA)
6	Ifrat Ara Begum	Additional Secretary General, Research and Planning Wing	Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)
7	Shyamol Saha	CEO	Ismartu Technology BD Limited
8	S. K CHHABRA	Managing Director	Sakata Inx
9	Prodip Kumar Dhar	General Manager	CHT German
10	TIM Nurul Kabir	Executive Director	Foreign Investors' Chamber of Commerce & Industry (FICCI)

86

Annex 2: BIDA Act 2016

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