

# BANGLADESH INVESTMENT BOOKLET 2021



**NORDIC CHAMBER OF COMMERCE AND INDUSTRY IN BANGLADESH**



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2021



**NORDIC CHAMBER OF COMMERCE AND INDUSTRY IN BANGLADESH**

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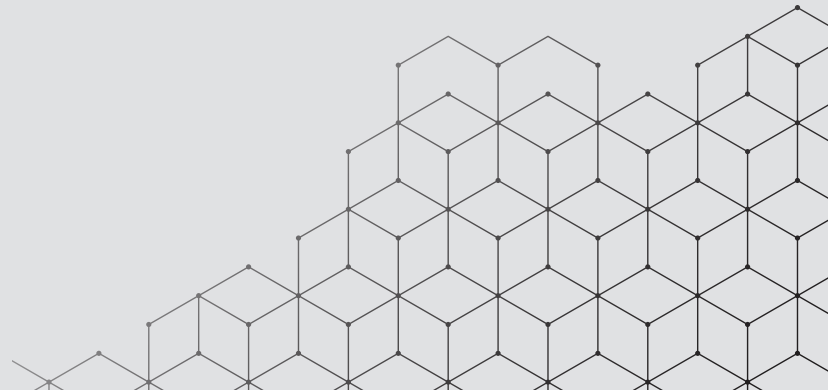
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# PREFACE

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The “Bangladesh Investment Booklet 2021” for Nordic investors is published to attract Nordic investors to Bangladesh. This booklet contains a brief overview of Bangladesh with economic insights, highlighting existing policies and laws in place for the benefit of potential investors. Additionally, the booklet also covers some of the incentives provided by the Government of Bangladesh in various sectors.

The Nordic businesses have a strong presence in Bangladesh. Members of the Nordic Chamber are the market leaders in several sectors - telecommunications, logistics, power, transmission, IT & IT enabled services and readymade garments and its sourcing. Additionally, trade relations between the Nordic countries and Bangladesh have grown steadily over the years and continues to grow.

The Nordic Chamber of Commerce and Industry (NCCI) in Bangladesh was founded in 2010 upon the initiative of the Embassy of Denmark, Royal Norwegian Embassy and Embassy of Sweden, along with Nordic companies operating in Bangladesh. Currently, the membership of the Chamber comprises of numerous Nordic corporates representing diverse industries in Bangladesh.

The NCCI is always looking for opportunities to build closer cooperation with stakeholders in Bangladesh, discussing and exchanging views on business conditions and issues affecting both local and Nordic companies. We also share and disseminate information on the best Nordic business practices, value driven management and issues related to cultural understanding.



## CONTRIBUTORS



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RESEARCH & CONSULTING

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[WWW.EDGERNC.COM](http://WWW.EDGERNC.COM)

**EDGE Research and Consulting Ltd.** is an investment research and advisory solutions provider based out of Bangladesh. Founded in 2018, EDGE combines knowledge and expertise gained from covering international markets with their local on-the-ground presence in the country. In a span of just 3.5 years, EDGE has become the go to investment partner for a diverse set of clients including international fund managers, commercial banks, development finance institutions, technology startups, etc. To this end, the company is widely acknowledged as the expert in matters regarding developments in both the broad macroeconomy as well as the financial sector.

Through its highly experienced team of analysts and strong network of investors, regulators and industry experts (both local and global), EDGE Research has consistently delivered unique perspective and insights into Bangladesh. The company currently provides a wide range of research products (Macroeconomic, Investment, Sector Specific and Bespoke), as well as a variety of advisory solutions (including both buy and sell side advisory, investment due diligence, etc.). Further details on the company can be found at [www.edgernc.com](http://www.edgernc.com).

## CONTRIBUTORS



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**Legal Counsel** is a leading, full-service corporate law firm, having expertise in a broad spectrum of areas and offers exceptional legal advisory and litigation services to its clients. Legal Counsel provides comprehensive legal services in relation to various areas of laws including, but not limited to, Foreign Direct Investment (FDI), Commercial Law, Contracts Law, Corporate and Company Law, Labour and Employment Law, Intellectual Property, Laws related to the Development sector, ICT, Banking and Finance, Taxation etc.

Located at the heart of Dhaka city, the chambers is headed by Barrister Omar H. Khan and the other founding partner is Barrister Miti Sanjana. Legal Counsel's institutional clients are based in 30 countries covering all the continents and it has been acting as the legal advisor firm to all three Nordic embassies in Bangladesh. Legal Counsel is distinguished for its innovative services and utmost professionalism. It has well-implemented internal policies such as Ani-Corruption and Anti-Bribery Policy, Child Protection Policy, Environmental/Green Policy, Professional Codes of Conduct and Pro-Bono Policy.

## CONTRIBUTORS



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Chartered Accountants  
Plot No. 10, Floor No. 3 & 4, Road No. 9  
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**Snehasish Mahmud & Co.**, Chartered Accountants is a professional firm established on 13 March 2013, providing Audit, Tax & Consulting Services. As professional advisors, we help clients to solve complex business problems. Snehasish Mahmud & Co. offers clients a broad range of business support services which includes a) pre-incorporation advisory- assisting the management of the company in selecting the optimum legal structure for carrying out Bangladesh. This takes into account advising on remittance of profits, Royalty, Technical know-how fees, Corporate Income tax, VAT on transactions, other duties, employment of foreign national, etc. (b) Incorporation related services- depending on the decision of the management of the company, we assist the company in setting up a legal entity in Bangladesh and obtaining required licenses from the different regulatory authorities like, RJSC, BIDA, NBR, CCI&E, City Corporation, etc. and once the legal entity is set up we do further render (c) Post Incorporation services- Book Keeping and routine compliances, Payroll Services, Corporate tax services, VAT services, External Audit, Secretarial services and other consulting services.

With a sharp focus to simplify the complexity of today's business environment, we bring together a team with consulting expertise. Our professionals serve companies throughout their business life cycle, helping them in their efforts to emerge stronger.



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**TAHRIN AMAN**  
YEAR : 2021

## NCCI PRESIDENT MESSAGE

It is my pleasure to bring to you the very first edition of “Bangladesh Investment Booklet” for Nordic investors, in association with the Embassy of Denmark, Royal Norwegian Embassy and Embassy of Sweden, in collaboration with EDGE Research and Consulting Ltd, Legal Counsel and Snehasish Mahmud and Company.

The year 2021 marks 50 years of independence of Bangladesh and we have come a long way in the world stage. The Nordic countries recognized Bangladesh soon after our independence and have assisted in our growth in various ways, not just through aid programs. Additionally, our social indicators- infant mortality, life expectancy, education, women’s participation in the labor force - have improved significantly while much more is left to be accomplished. The country is tipped to break into the top 30 largest economies of the world by 2030. Our export has increases and we are an integral part of global trade. The total trade volume with the Nordic countries is worth USD \$ 1.7 Billion and around 5% of the total export goes to the Nordic countries, which are important trading partners.

The Nordic businesses have a strong presence in Bangladesh and NCCI members are the market leaders in several sectors. Nordic countries are leading the way on issues of sustainable growth, innovation and climate action. We believe that Nordic companies can further contribute to the long-term sustainable growth of the country through Foreign Direct Investment. The Government of Bangladesh has adopted robust policies to assist foreign investment in the country. Bangladesh can greatly benefit from the knowledge and Nordic experience, in the coming years. We are working relentlessly to get more Nordic companies to invest here and deepen our friendship.

Nordic Chamber has played an instrumental role, since its inception in promoting the voice of Nordic companies operating in Bangladesh. They have vastly contributed to the growth of the country. We hope to continue on assisting new investors by providing them support and publication of this booklet is just another step in that direction.

I want to express my gratitude, on behalf of the NCCI, to the Nordic Ambassadors for their support of the NCCI and its activities. Additionally, I also want to extend my appreciation to the contributors - EDGE Research and Consulting Ltd, Legal Counsel and Snehasish Mahmud and Company - for their effort in making this booklet a success. Furthermore, I want to thank GraphicPeople for their assistance in designing this booklet.

Lastly, I want to thank our stakeholders and members, for your support and cooperation for the NCCI. We welcome your feedback and look forward to hearing from you. We will continue to be "The Unified Voice of Nordic Business" in Bangladesh.

We hope to see you soon in Bangladesh!



# JOINT MESSAGE FROM THE AMBASSADORS



**H.E. Winnie Estrup Petersen**  
AMBASSADOR OF DENMARK



**H.E. Espen Rikter-Svendsen**  
AMBASSADOR OF NORWAY



**H.E. Alexandra Berg von Linde**  
AMBASSADOR OF SWEDEN

Bangladesh is often described as the land of untapped opportunities. The country offers a large domestic market, strategic location, stability, high profitability, and demographic dividend. It enjoys stunning economic growth, a highly adaptive and competitive workforce and several high potential industrial sectors.

Bangladesh is at a turning point. As the nation celebrates 50 years of independence, it has achieved another important milestone in its pursuit of development, in the form of a final recommendation by the UN to graduate from the least developed country (LDC) category, which is to take place in 2026.

In its development journey, Bangladesh is benefiting from a confluence of positive internal and external forces. The country is starting to receive competitiveness dividends from the economic reforms and public investments in infrastructure and social developments.

Rising costs in East Asia are steering global investors towards South Asia. And Bangladesh is an attractive, cost competitive alternative. At a time of declining global growth and trade, Bangladesh has shown steady growth and holds the potential to greatly contribute to the global economy, both as a major exporter and a consumer market.

More than two million young people are reaching working age every year, and a burgeoning middle class is actively boosting the economy. Challenges to the country's competitiveness and business environment remain but are gradually being addressed by the government and the private sector alike.

It is our hope that this booklet will be useful for Nordic investors in making decisions to explore, partner and grow along with the progress of Bangladesh. We welcome the efforts by the Nordic Chamber of Commerce and Industry for promoting Bangladesh to the Nordic business community through the publication of this handy booklet.



**EMBASSY OF DENMARK**



Norwegian Embassy



**Embassy of Sweden  
Dhaka**

# JOINT MESSAGE FROM THE CONTRIBUTORS



**ASIF KHAN, CFA**

Managing Partner

EDGE Research & Consulting Limited



**BARRISTER OMAR KHAN**

Managing Partner

Legal Counsel



**SNEHASISH BARUA**

Founding Partner

Snehasish Mahmud & Co.

Growing at over 7% per annum, Bangladesh is one of the fastest growing economies of the world with a large population and addressable market. The country is moving from strength to strength and has exceeded per capita income of US\$2,000. It is now attracting increasing global interest as an investment destination and a potential market for products.

Bangladesh is already being recognized as a thriving investment hub, and this is reflected in the country's growing foreign direct investment (FDI) inflows. The numerous foreign investment success stories in industries including, the manufacturing, service, power, oil and gas sectors, demonstrate that Bangladesh is a land of immense opportunities that can be seized with the right guidance.

We, EDGE Research & Consulting Limited, Legal Counsel and Snehashish Mahmud & Co , are delighted to have contributed to the preparation of this Bangladesh Investor Booklet 2021 for the Nordic Chamber of Commerce and Industry (NCCI) in Bangladesh. The Booklet is launched in 2021, which is an important year for Bangladesh, as in this year Bangladesh is celebrating the 50th anniversary of its independence. We are hopeful that the Booklet will highlight the potential of Bangladesh as a prime investment destination not just to the Nordic companies but to companies around the world. It is our desire that the Booklet will further strengthen the already strong bilateral ties between Bangladesh and the Nordic countries.

The Booklet contains general and technical information, data and statistics which are up to date till the date of publishing the Booklet and the same are covered essentially in three chapters, namely, Laws and Procedures, Taxation Policy and Sector Profiles. This can be used as a preliminary source of information and for basic understanding of the investment climate. It is strongly encouraged that before making an actual investment decision, the investor(s) seek professional advice.

Sincerely yours,

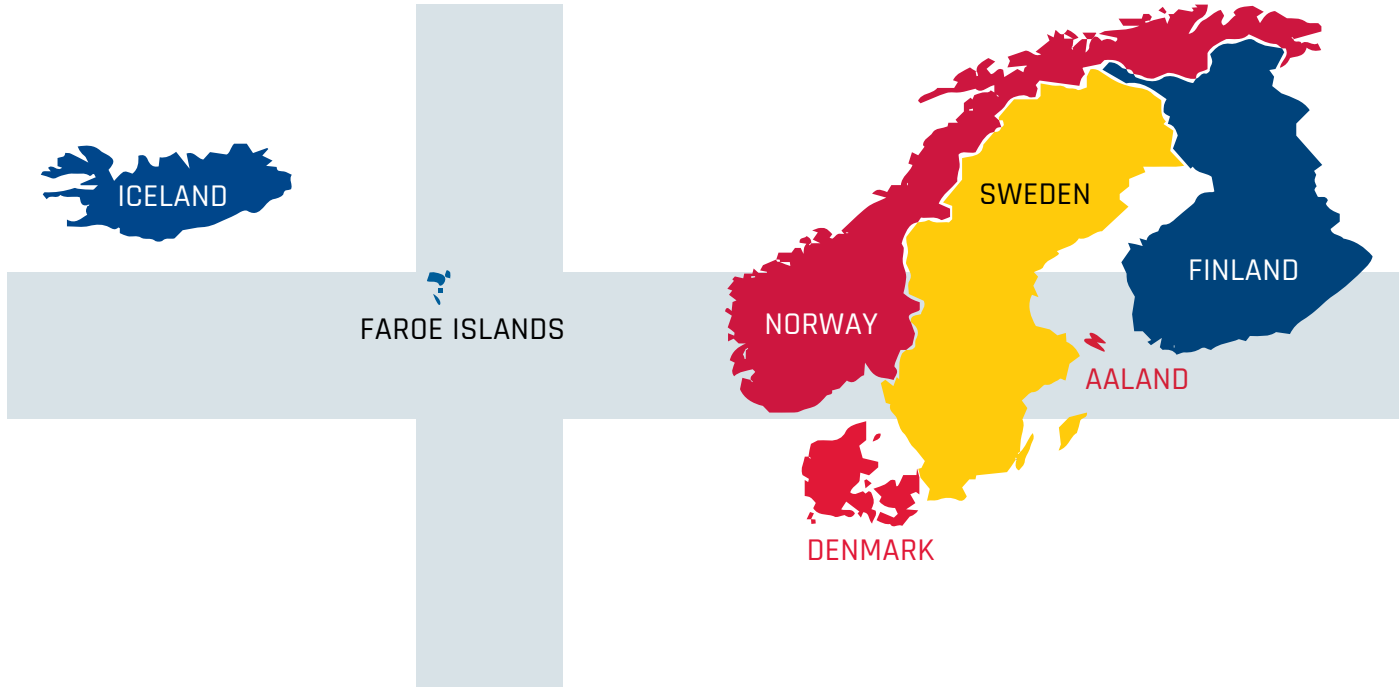
**EDGE**  
RESEARCH & CONSULTING



**Snehashish  
Mahmud & Co.**

# NORDIC FACTSHEET

SWEDEN, DENMARK, NORWAY, FINLAND, ICELAND



## NORDIC COUNTRIES



Country	Denmark	Norway	Sweden	Finland	Iceland	Faroe Islands
Capital	Copenhagen	Osla	Stockholm	Helsinki	Reykjavík	Tórshavn
Population	5,822,763 (2020)	5,367,580 (2020)	10,327,589 (2020)	5,525,292 (2020)	356,991 (2019)	52,967 (2020)
Population in Capital	1,295,686 (2016)	1,281,127 (2016)	2,389,923 (2020)	1,138,502 (2016)	216,878 (2016)	22,371 (2017)
GDP per Capita (\$)	\$60,298.45 (2020)	\$63,197.98 (2020)	\$55,068.77 (2020)	\$51,556.53 (2020)	\$55,216.03 (2020)	
Currency	Danish krone (DKK)	Norwegian krone (NOK)	Swedish krona (SEK)	Euro (EUR)	Icelandic krona (ISK)	Danish krone (DKK)
Total Area	43,561 km <sup>2</sup>	323,781 km <sup>2</sup>	447,435 km <sup>2</sup>	338,430 km <sup>2</sup>	103,492 km <sup>2</sup>	1,396 km <sup>2</sup>
Official Website	<a href="http://www.denmark.dk">www.denmark.dk</a>	<a href="http://www.norge.no">www.norge.no</a>	<a href="http://www.sweden.se">www.sweden.se</a>	<a href="http://www.finland.fi">www.finland.fi</a>	<a href="http://www.iceland.is">www.iceland.is</a>	<a href="http://www.hagstova.fo">www.hagstova.fo</a>

# BANGLADESH SNAPSHOT



The country's borders were established in 1947 with the creation of East and West Pakistan. In a movement fueled by nationalism and determination, Bangladesh became a sovereign state in 1971. Bangladesh strongly adheres to a “friendly to all, malice to none” diplomatic stance. This is vindicated by Bangladesh’s participation in SAARC and by its strong ties with United States, European Union, China, India and Nordic countries. The Nordic countries officially recognized Bangladesh on 4 February 1972 and since then, relations between Bangladesh and the Nordic countries have both deepened and broadened with regards to development cooperation and commercial relationship.

Sources: World Bank, Ministry of Foreign Affairs, CIA World Factbook, Britannica

**\$324bn GDP**

41st largest in the world in 2019

**\$2,064 GNI per Capita**

Exceeded that of neighboring countries

**FY22 GDP growth target: 7.2%**

Lowest forecast of 5.2% for FY22f by World Bank

**5.56% Inflation in FY21**

Government has set a target of 5.3% for FY22; general band of 5-6%

**13.4% Ext. Debt/GDP**

Never issued dollar bonds

**36% Public Debt/GDP**

Lowest in South Asia as of FY20

**\$44bn FX Reserves**

8-9 months of import cover

**\$25bn Remittances**

6%+ of GDP; driven by MENA region. Top source countries were KSA, USA, UAE and the UK.

**\$45bn Export Earnings in FY21**

3rd largest clothing exporter with 6.3% global market share (2020); US and EU are key destinations

**\$60bn imports in FY21**

Largest import source is China. Key import products are mineral oils and derivatives, and cotton & cotton related products.

**1.9% CA deficit**

Expected to be stable at ~2% in FY22

**84.8 USD/BDT**

Only 13.7% depreciation in 10 years

Sources: World Bank; CEIC data; Ministry of Finance; Bangladesh Bank

"Despite all challenges, Bangladesh has maintained its per capita income substantially higher than neighboring countries. Among South Asian economies, Bangladesh is touted as a rising star and an attractive destination for investment."

- Tahrin Aman, President, NCCI and Managing Director, Aman Spinning Mills Ltd.

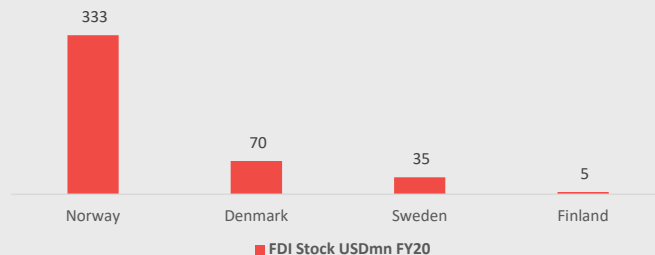
## Bangladesh Significantly improved its Doing business rank from 176 to 168 between 2019 and 2020



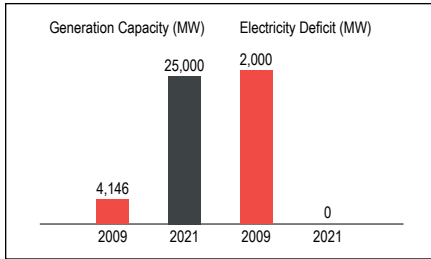
	FY20	VISION 2041
Per Capita income (today's prices)	\$2064	\$12,500
Investment to GDP	31.6%	40.0%
FDI to GDP	0.4%	3.0%
Export earnings (USD)	34.0 bn	300.0 bn
Infrastructure Investment	17.3bn	1,150.0bn

Vision 2041 is a national strategic plan to develop the country and aims to achieve (some of) the above objectives by 2041.

Nordic countries have been invested in Bangladesh's development and Norway remains one of the top 10 sources of FDI for the country

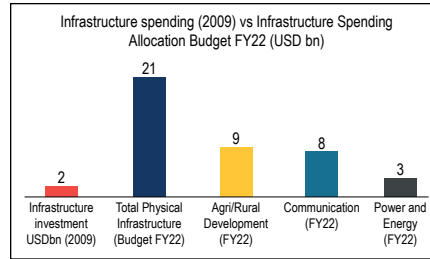


Sources: Doing Business reports 2019 and 2020, Bangladesh Planning Commission, Bangladesh Bank, Export Promotion Bureau



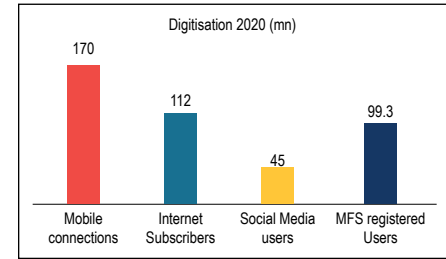
## ELECTRICITY

The government has made tremendous headway in providing access to electricity. Presently, ~97% of the population have access to electricity compared to 57% a decade ago. In total, 12,283 km (Circuit Km) transmission lines and 5,77,479 Km distribution lines make up the power system network. According to PSMP 2016, the government plans on generating 40 thousand MW by 2030 and 60 thousand MW by 2041.



## INFRASTRUCTURE

Infrastructure development has boosted overall connectivity in the country. The high population density means each project connects significantly more people, resulting in a very high ROI. The Padma Bridge (set to be functional by June 22) will connect the South-west to other regions and is expected to add 1% to annual GDP growth. The Dhaka Chattogram 4-lane road improved the connectivity between the two major cities, cutting transport time by half (this route accounts for ~90% of trade goods).



## DIGITIZATION

Likewise, the digital space has shown remarkable growth in the last decade. Mobile connections grew to 170mn in March 2021 (the country had ~54% unique customer penetration). Currently, the 4G network covers 95% of the population. Internet subscribers grew from 30,000 in 2012 to ~110mn in 2020. The most remarkable growth came in the Mobile Financial Services (MFS) space, where registered accounts grew from 59mn (2017) to ~98mn in May 2021 with average daily transactions of BDT23bn. MFS adoption was essentially accelerated by Covid-19, as people flocked to cashless modes.

Sources: World Bank, Bangladesh Power Development Board, Bangladesh Bank, Ministry of Finance, GSMA, BTRC

“Bangladesh is a highly climate vulnerable country whose emissions are less than 0.35% of global emissions. Despite being one of the least polluting countries, Bangladesh had made bold commitments to reduce its carbon footprint and become more sustainable”  
- Ziaur Rahman, Regional Country Manager, H&M

## Bangladesh Environmental Conservation Act 1995

This Act is the basis upon which the Department of Environment is formed, the Director General (DG) is appointed, Environment Impact Assessment is carried out and Ecologically Critical Areas are determined.

## The Brick Manufacturing and Brick Kilns Establishment (Control) Act 2013

This Act was passed to regulate brick manufacturing processes

## 2015 Paris Agreement

Bangladesh has promised to cut its GHG emissions by 5% from Business as Usual (BAU) levels by 2030 in the power, transport and industry sectors.

## Bangladesh Bank Sustainable Finance Policy 2020

Acknowledges the need for banks and other financial institutions (BFIs) to advocate sustainability

## The Wildlife (Conservation and Security) Act 2012

This law was passed with a view to conserving Bangladesh's biodiversity, wildlife and forests.

## Bangladesh Water Act 2013

Provides for the right to water when it is used for the purposes of drinking, sanitation and sewage disposal, water control, protection, and conservation of water resources.

## National solar energy action plan 2020 (Draft)

Targets almost 40 GW of renewable energy generation capacity in 2041.

## BSEC Debt Securities Rules 2021

Introduces the procedure for issuance of Green Bonds



# LAWS & PROCEDURES

CONTRIBUTED BY:  
**LEGAL COUNSEL**

- The Foreign Private Investment (Promotion and Protection) Act, 1980
- The Foreign Exchange Regulation Act (FERA), 1947
- The Companies Act, 1994
- Laws related to Intellectual Property (Patents and Designs Act, 1991; Copyright Act 2000, Trademarks Act, 2009)
- Employment Laws
- The Income Tax Ordinance, 1984
- The Arbitration Act, 2001
- VAT & Supplementary Duty Act, 2012



- Bangladesh Bank [foreign exchange, banking etc.]
- National Board of Revenue (NBR) [income tax, VAT, customs etc.]
- Chief Inspector of Labour [OHS and employment]
- Registrar of Joint Stock Companies and Firms (RJSC) [company register]
- Bangladesh Investment Development Authority (BIDA) [FDI]
- Bangladesh Export Processing Zone Authority (BEPZA) [EPZ]
- Directorate of National Consumers' Rights Protection
- Competition Commission
- Information Commission
- Sector specific regulators (DGDA, BTRC etc.)

# THE FOREIGN PRIVATE INVESTMENT (PROMOTION AND PROTECTION) ACT, 1980

- Enacted to safeguard interests of foreign investors.
- Guarantees non-discriminatory, fair and equitable treatment to foreign private investment in Bangladesh.
- States that the terms of any sanction, permission or license shall not be unilaterally changed.
- Ensures protection against nationalization and expropriation, unless the same is required for a public purpose.
- Guarantees repatriation of proceeds and investment.

## COMPANY

The most flexible vehicle for foreign investors. The foreign investor may also incorporate the company under a Joint Venture Agreement. One Person Company allowed since 2020.

## BRANCH OFFICE

Unlike locally incorporated companies, are not separate legal entities; requires permission from BIDA; activities are restricted to those allowed under the BIDA terms and conditions and usually excludes revenue generating activities. However, branch offices may earn profit subject to obtaining a waiver with proper justification from the BIDA allowing profit-earning activities.

## LIAISON OR REPRESENTATIVE OFFICE

May only engage in non-revenue generating activities; similar to branch offices.

# INCORPORATION OF A PRIVATE LIMITED COMPANY

- Obtain name clearance from the RJSC;
- Open an interim Bank Account with any Authorized Dealer (AD) bank;
- Collect encashment certificates of the paid-up capital from bank;
- Online filing of Memorandum and Articles of Association along with the other required documents and prescribed forms with the RJSC;
- Pay registration fees to a designated bank; and
- Collect Certificate of Incorporation from the RJSC.

**Time:** 7-10 Days from filing of application

**Govt Fee:** registration fee is based on authorized capital

# SETTING UP OF A BRANCH OFFICE/ LIAISON OFFICE

- Obtain approval of BIDA to open a branch/liaison office through an application with supporting documents;
- Open a bank account to remit the minimum sum of USD \$50,000.00 (US Dollar Fifty Thousand);
- Filing Documents with RJSC;
- Permission from Bangladesh Bank under section 18A of FERA; and
- Obtain Security Clearance from Ministry of Home Affairs.

**Time:** 15-45 Days from filing of application

**Govt Fee:** BDT 25,000.00

Foreign exchanges are regulated by the Bangladesh Bank ('BB').

## KEY LEGISLATIONS

- The Foreign Exchange Regulation Act, 1947;
- Guidelines for Foreign Exchange Transactions ('GFET'); and
- Circulars issued by BB from time to time.

## INWARD REMITTANCES

- Generally no restrictions on inward remittance;
- Foreign investors are free to invest in companies in Bangladesh through Authorized Dealer ('AD') banks;
- No permission of BB is required to set up such companies if the foreign investors use their own funds for equity investment. If such an investment is made using foreign loans, prior authorization of BIDA shall have to be obtained; and
- No minimum paid up capital amount. However, USD\$ 50,000 is expected for Work Permit.

## OUTWARD REMITTANCES OF DIVIDENDS AND SALE PROCEEDS INCLUDING CAPITAL GAINS

- Foreign companies may remit post-tax dividends through their AD banks by applying to their AD bank in the prescribed form;
- Repatriation of dividends may be made without any prior approval of BB; and
- Full repatriation of capital by foreign investors may be made, subject to certain share valuation requirements of BB.

## PROCEDURES AND TIMEFRAMES

- The AD bank shall ensure that the remittance is being made in BDT. Then the value in BDT is converted into the equivalent foreign currency using the conversion rate published by the BB on the date of remittance.
- The actual remittance process is expedited as no prior approval from BB is required and usually takes about 2 (two) working days.
- Usual remittance charges are applicable.

- Bangladesh has ratified 35 International Labour Organisation (ILO) Conventions, including 7 fundamental conventions
- The Bangladesh Labour Act, 2006 read with the Rules is the only private sector employment related legislation.
- However, applies only to "workers". Management staff and expats are governed by the terms of employment. BLA not applicable.
- Applies to all private organizations equally with no exemption or differentiation based on sector, origin, type, size etc. of the organizations.
- Each establishment must obtain Establishment License from Chief Inspector, annually renewable. Time: up to 3 weeks
- Service Rules must be approved by the Chief Inspector. Time: 90 days, practically may be 200 days+.
- No general minimum wage. Minimum Wages Board determines sector wise minimum wages.
- Specialized Labour Court and Labour Appellate Tribunal.
- Creates both civil and criminal provisions.

- **Working hours:** 8 hours plus 1 hour interval (S.100 of BLA, 2006); Overtime: 2 hours (maximum)
- **Benefits**
  - ◆ Two festival bonuses, each amounting to 1 (one) month's basic salary (R. 111 of BLR, 2015)
  - ◆ Maternity Benefit: 16 weeks leave with salary plus financial allowance (S.45-51 of BLA, 2006)
  - ◆ Death Benefit (S.19 of BLA, 2006)
  - ◆ Provident Fund (S.264 of BLA, 2006)
  - ◆ Group Insurance (S.99 of BLA, 2006)
  - ◆ Gratuity/Compensation : 1/1.5 basic salary for each year of service (S.2 (10) of BLA, 2006)
- **Leave**
  - ◆ Festival Holidays - 11 days (S.118 of BLA, 2006)
  - ◆ Annual Leave - 1 day for every 18 days of work. (S.117 of BLA, 2006)
  - ◆ Sick Leave - 14 days (S.116 of BLA, 2006)
  - ◆ Casual Leave - 10 days (S.115 of BLA, 2006)
  - ◆ Weekly holiday: 1 day (factories) 1.5 days (other establishments) (Section 103 of BLA)
- **Separation of Employment**
  - ◆ Termination Simpliciter (S.26 of BLA, 2006)
  - ◆ Resignation and Resignation by conduct (Ss.27 (1) (2) (3) & (3A) of BLA, 2006)
  - ◆ Retrenchment on grounds of redundancy (S.20 of BLA, 2006)
  - ◆ Dismissal (S.23 & 24 of BLA, 2006) and others



- Expats are required to obtain Work Permits (WP) from BIDA.
- Issues to be considered by an expatriate employee:
  - ◆ Industry or commercial enterprise has to be duly registered or permitted by BIDA.
  - ◆ Ratio: 1:20 (foreign: local) in factories and 1:5 (foreign: local) in commercial offices.
  - ◆ Apply in the prescribed form with supporting documents.
  - ◆ Initial employment can be for 2 (two) years which may be extended based on merits of case. It is also possible to apply for 1 (one) year. After 5 years, special justification may be required before extension.
- WP is a two-stage process: Apply for E-VISA recommendation, obtain E-VISA, arrive in Bangladesh, Apply for WP within 15 days.
- Security clearance is to be obtained from the Ministry of Home Affairs.

- After obtaining the WP, the expatriate employee needs to open a bank account and register a Tax Identification Number (TIN).
- GFET authorizes an expatriate employee who is a resident in Bangladesh and who has an income in Bangladesh to make monthly remittances to their countries out of their current savings up to 75% of their net income in line with the prescribed application form (Appendix 5/81).
- The Authorized Dealer (AD) bank branch that receives the pay checks from the employer for credit of the personal account of the foreign national shall process and approve such remittance applications submitted as per Appendix 5/81 along with Form TM and attested copy of the employment contract duly approved by the BIDA or other relevant Govt. authority (renewed/revalidated up to date, where needed).
- Salary on which remittance entitlement is calculated would exclude monetary value of various facilities, such as, free house, transport, servants, boarding etc., as also cash payments towards conveyance, entertainment, house rent etc. The term 'net income' would in this context signify gross income of the applicant less all compulsory deductions such as, income tax, provident fund and pension fund, house rent and other deductions which are of a fixed nature. Bonus or commission receivable by foreign nationals cannot be added for calculating monthly entitlement in anticipation of the grant of bonus or commission, the inclusion will be made only after the net amount of bonus or commission has been actually paid by the employers and will be spread over the subsequent twelve months.

## LETTER OF CREDIT (LC) AND HOW IT WORKS

A written document presented by the importer's bank on their behalf, assuring the exporter that the issuing bank will make the payment to the exporter for the international trade conducted.

### TYPES OF LC

- Revocable LC
- Irrevocable LC
- Standby LC
- Confirmed LC
- Unconfirmed LC
- Transferable LC
- Back-to-Back LC
- Payment at sight LC
- Deferred Payment LC
- Red Clause LC

### HOW IT WORKS?

- ◆ A contract between parties for the sale of goods is formed
- ◆ The buyer applies to his bank (issuing bank) to open a Letter of Credit (LC) in favor of the seller
- ◆ After approving the LC application, Bank issues the Letter of Credit to the seller's bank (advising bank)
- ◆ After receiving the LC, the seller ships the goods to the buyer as per the terms of the contract
- ◆ Then the seller obtains all the required documents to present the advising bank or confirming bank
- ◆ Advising bank transfer all the documents to the issuing bank
- ◆ The issuing bank examines all the documents and pays the seller
- ◆ The issuing bank sends all the documents to the buyer and collects the payment.

- Importation of goods are regulated by the Ministry of Commerce as per the Import and Export (Control) Act, 1950.
- The importer must need to be registered with the licensing authority. Various documents are required for opening an LC for import, such as IRC, Trade License, Valid membership certificate from local chamber of commerce of related association, TIN, BIN, etc.
- The importer must obtain other relevant documents such as the application of letter of credit, indent / Proforma invoice / purchase order / contract / agreement, Letter of Credit Authorization Form (LCAF) duly sealed & signed, insurance cover note, certificate of origin, etc.
- Importer must have to be a customer of the bank opening the LC.

## OTHER RULES & GUIDELINES RELATING TO IMPORTS AND EXPORTS:

- Uniform Customs and Practice for Documentary Credits (“UCP”) 600 (For LCs)
- Foreign Exchange Regulation Act, 1947, as amended.
- Bangladesh Bank Circulars & Guidelines;
- Customs Act 1969.



TM

## TRADEMARKS

Word, name, symbol, device, or any combination, used to identify and distinguish the goods/ services



## DESIGNS

The features of shape, configuration, pattern or ornament applied to any article by any industrial process



## COPYRIGHT

A type of legal right which allows the creator/owner of a creative work to protect it.



## PATENTS

An exclusive right granted for an invention

- Intellectual Property Rights are territorial in nature.

Nature of IPR	Law	Authority	Registration time	Protection period
Trademark	Trademarks Act, 2009	Department of Patents, Designs and Trademarks (DPDT)	150 (one hundred and fifty) working days from the date of filing (provided it is compliant with the conditions and there are no defects).	7 (seven) years.
Copyright	Copyright Act, 2000	Bangladesh Copyright Office	No specific time provided; usually takes about 6 (six) months	<ul style="list-style-type: none"> <li>• Literary, dramatic, musical or artistic work- Lifetime of the author + 60 (sixty) years following the year in which the author dies.</li> <li>• Cinematograph films, sound recordings, photographs- 60 (sixty) years following the year in which the work was published.</li> </ul>
Patent	Patent and Design Act, 1911	DPDT	Within 24 (twenty-four) months from the date of filing (if no objection found).	16 (sixteen) years.
Design	Patent and Design Act, 1911	DPDT	No specific date provided; usually takes 1-2 (one to two) years	5 (five) years.

## TREATIES THAT BANGLADESH IS A SIGNATORY TO

### WIPO administered treaties-

- Berne Convention 1886
- Paris Convention 1883
- WIPO Convention 1970

## OTHERS

### WTO administered treaties-

- Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) & GATT
- Universal Copyright Convention 1952

- **Replicas:** 'counterfeit products', selling of which is punishable under section 486 of the Penal Code 1860.
- **Parallel Importation:** Declared illegal by the High Court Division.

- **Civil Remedies-** District Court may grant:
  - Injunction;
  - Damages or an account of profits;
  - Order for destruction of infringing goods.
- **Criminal Remedies-** Punishment and fine of various kinds;
- **Border Measures** under the Customs Act 1969;
- **Passing off** for unregistered marks.



## COPYRIGHT INFRINGEMENT

### Remedies:

- **Civil remedies-** Injunction, damages, accounts and otherwise as conferred by the law
- **Criminal remedies-** imprisonment and fine with enhanced penalty for already being convicted before.

## PATENT INFRINGEMENT

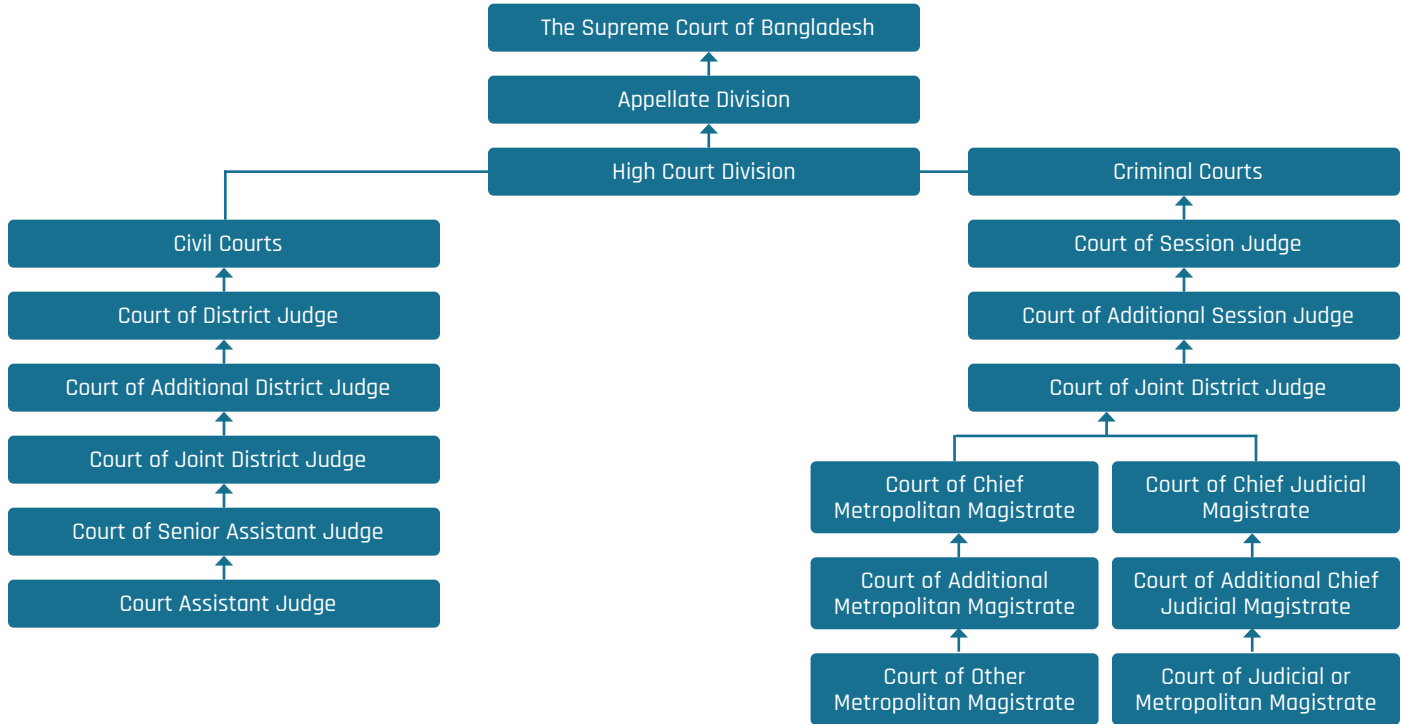
### Remedies:

Injunction, inspection.

**Piracy of designs- Section 53 of the Patents and Designs Act 1911-** Fraudulent or obvious imitation of design of another.

**Remedies-** Fine, damages and injunction.

# STRUCTURE OF COURTS



- Arbitration can be 'institutional' or 'ad hoc'.
- Governing Law: The Arbitration Act 2001.
- The Act is based on UNCITRAL Model Law.
- How to invoke:
  - ◆ Signing an arbitration agreement; or
  - ◆ Having an arbitration clause included into the legal instrument.

### **The Parties may decide on the following:**

- Number of Arbitrators
- Place and Venue of Arbitration
- Language of Arbitration
- Procedural Rules
- Where there is no prior agreement between the parties regarding the aforesaid, the same shall be determined by the Arbitral Tribunal.
- Timeline of Arbitral Proceedings and final award: To be decided by the Tribunal.

- **Arbitral Awards are final and binding:** An arbitral award made by the arbitral tribunal is final and binding on both the parties and on any persons claiming through or under them.
- **Challenge to the Arbitral Award:** Arbitral awards may be challenged as well.
- **Application for setting aside an arbitral award:**
  - (1) Other than international commercial arbitrations, District Courts have the power to set aside arbitral awards upon receipt of an application by the aggrieved within 60 (sixty) days from the receipt of the award.
  - (2) The High Court Division may set aside any arbitral award made in an international commercial arbitration held in Bangladesh on the application of a party within 60 (sixty) days from the receipt of the award.

## SECTION 45 OF THE ARBITRATION ACT 2001-

- Any foreign award may be treated as binding on the contracting parties and may be relied on by way of defence, set off or otherwise in any legal proceedings in Bangladesh.
- A foreign arbitral award shall, on the application being made to it by any party, be enforced by execution by the Court under the Code of Civil Procedure, in the same manner as if it were a decree of the Court.

## CONVENTIONS TO WHICH BANGLADESH IS A SIGNATORY

- The Convention on the Recognition and Enforcement of Foreign Arbitral Awards, otherwise known as the **New York Convention**, adopted by the United Nations in 1958 applies to the recognition and enforcement of foreign arbitral awards and the referral by a court to arbitration. Bangladesh became a signatory to the New York Convention on May 6, 1992.
- Bangladesh has also signed the **International Center on the Settlement of Investment Disputes Convention ('ICSID Convention')** in 1979. The ICSID is an international arbitration institution established in 1966 for the resolution of legal dispute and conciliation between international investors and states. The ICSID is part of World Bank Group allowing the member states to obtain access to investment dispute settlement under the ICSID Convention and other additional facilities.

- **ADR Institutions:**

- International:

- ◆ Bangladesh International Arbitration Center (BIAC);

- Others:

- ◆ Bangladesh International Mediation Society (provides mediation service to help resolve civil and commercial disputes of both domestic and international nature.);
- ◆ Bangladesh Council for Arbitration (BCA) of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI); and
- ◆ Bangladesh International Chamber of Commerce (ICC).

- **Others:** State-funded legal services are provided by the National Legal Aid Services Organization (NLASO) which oversees District Legal Aid Offices (DLAO). DLAO provides mediation services.



## TAXATION POLICY

CONTRIBUTED BY:  
**SNEHASISH MAHMUD & CO.**

Companies	Tax Rate
Private Limited Company	30.0% (standard rate)
Public Listed Company	22.5%
One Person Company (OPC)	25.0%
Listed Bank, insurance, and other financial institutions (except merchant banks)	40.0%
Non-Listed Bank, insurance, and other financial institutions (except merchant banks)	37.5%
Merchant banks	37.5%
Export of Ready-Made Garments/Factory having internationally green building certification (specified through SRO)	10.0%/12.0%
Companies qualifying as ITES (Until 30 June 2024)	Tax exempted



**Companies are required to pay minimum tax based on gross receipts as mentioned below:**

Type of assessee	Tax Rate
Mobile phone operator	2.0% of gross receipts
Manufacturer of tobacco-based products	1.0% of gross receipts
Industrial undertaking engaged in manufacturing of goods for first 3 years of commercial operation	0.1% of gross receipts
Any other cases	0.6% of gross receipts

**SOURCE OF INCOME OF A TAXPAYER CAN BE BROADLY CATEGORIZED AS FOLLOWS:**



SALARY



INTEREST ON SECURITY



HOUSE PROPERTY



AGRICULTURE



BUSINESS / PROFESSION



CAPITAL GAINS



OTHER SOURCES

Any payment made to an entity where such payment constitutes as income of the entity, will be subject to tax deduction at source at the applicable rate. Deduction of source tax shall apply in case of payment made to both resident and non-resident (i.e., payment remitted abroad), and the person making the payment will be responsible for deducting the tax and depositing to the government treasury.

**For example: Deduction of source tax will apply on:**

- Payment of salaries
- Payment against supply of goods, execution of contracts
- Payment against services
- On income from house property
- On capital gains

## EXAMPLES OF SOME RATES OF WITHHOLDING TAX

Particulars	Withholding Tax Rate
When remitting payment of Royalty abroad	20%
When remitting dividend abroad	20%
When remitting interest abroad	20%
Payment against supply of goods/execution of contract to local supplier	Ranging from 3% to 7% based on base amount
Payment against services	10%/12%

Withholding tax at the time of payment to non-resident (foreign remittance) can be minimised in light of tax treaty between Bangladesh and the country where the money is remitted to. Reduced rate of withholding tax certificate may be obtained through application to NBR.

Bangladesh has signed tax treaties with more than 35 countries. Hence double tax impact can be avoided at the time of repatriation of fees and other payments to non-resident subject to taking approval from National Board of Revenue (NBR).

DTAA Countries				
Bahrain	Germany	Mauritius	Poland	Turkey
Belarus	India	Myanmar	Romania	UAE
Belgium	Indonesia	Netherlands	Saudi Arabia	UK
Canada	Italy	Nepal	Singapore	USA
China	Japan	Norway	Sri Lanka	Vietnam
Czech Republic	Korea	Oman	Sweden	
Denmark	Kuwait	Pakistan	Switzerland	
France	Malaysia	Philippines	Thailand	

As per Bangladesh transfer pricing regulations, Bangladeshi companies engaging in related party transactions with foreign entities will need to maintain transfer pricing documentation for all international transactions, as well as submit transfer pricing return on annual basis.

**A company is required to maintain certain tax compliances as per law:**

Particulars	Frequency
Withholding tax return - other than salary (under Rule 18)	Monthly
Withholding tax return - Salary (under Rule 21)	Monthly
Advance tax	Quarterly (15 March, 15 June, 15 September, 15 December)
Withholding tax return (u/s 75A)	Half yearly
Salary tax return (u/s 108)	Annually (1st September)
Statement (u/s 108A)	Annually (30th April)
Corporate tax return	Annually
Transfer Pricing (TP) Return	Annually

# PERSONAL TAX

## RESIDENT VS. NON-RESIDENT

An individual is considered as resident in Bangladesh if he/she has been in Bangladesh either for 182 days or more in a year; or for 90 days or more provided that the individual has previously stayed in Bangladesh for 365 days or more during four years preceding that year.

- Residents are taxed on their worldwide income
- Non-residents are taxed only on the income generated in Bangladesh or in connection to Bangladesh

### DEADLINE FOR INCOME TAX RETURN

Individuals (other than company) are required to submit income tax return within 30th November each year.



**For resident individual, tax will be applicable in the following slab rate:**

Total Income	Tax Rate
Upto tax-free threshold	Nil
Next Tk. 100,000	5%
Next Tk. 300,000	10%
Next Tk. 400,000	15%
Next Tk. 500,000	20%
Rest of Total income	25%

For non-resident individual, tax @30% will be applicable

# PERSONAL TAX

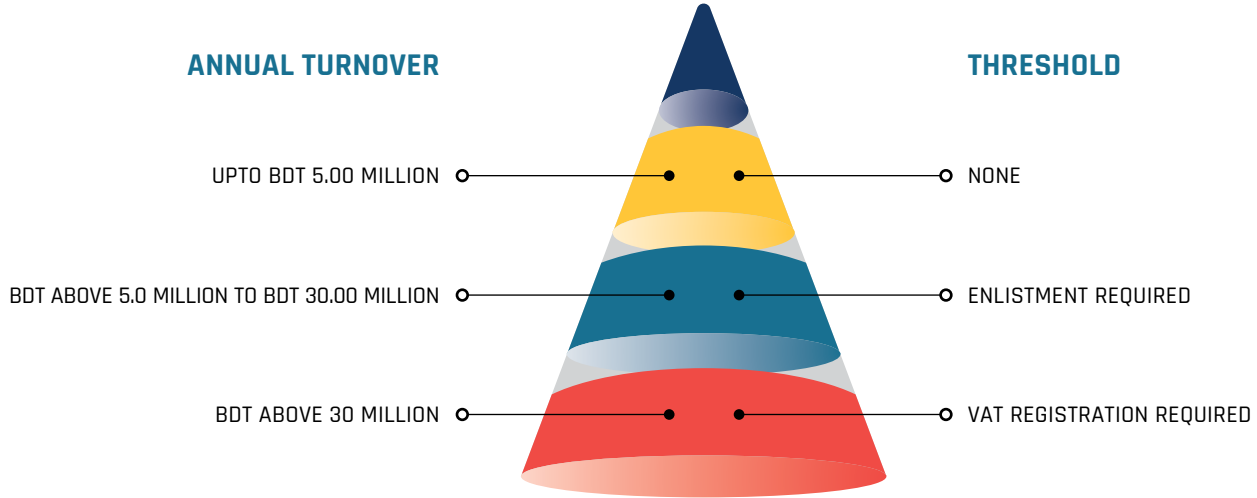
## TAX FREE THRESHOLDS

Criteria	Amount
General tax payers	300,000
Women, third-gender and senior citizens aged 65 years and above	350,000
Person with disability	450,000
Gazetted war-wounded freedom fighters	475,000

## RATES OF SURCHARGE APPLICABLE TO INDIVIDUALS

Net wealth	Surcharge Rate
Up to Tk. 3 crore	Nil
More than Tk. 3 crore but not exceeding Tk. 10 crore Or Ownership of more than one motor car Or ownership of house property having an aggregate area of 8,000 sqft in a city corporation	10%
More than Tk. 10 crore but not exceeding Tk. 20 crore	20%
More than Tk. 20 crore but not exceeding Tk. 50 crore	30%
More than Tk. 50 crore	35%

# VAT REGIME REGISTRATION THRESHOLD



However, there is a General Order (GO) which requires certain manufacturers, service providers and traders to be registered irrespective of their turnover.

Standard Rate	Other than Standard Rate	Other Than Standard Rate
<ul style="list-style-type: none"> <li>● 15.0%</li> </ul>	<ul style="list-style-type: none"> <li>● Other VAT rates are:               <ul style="list-style-type: none"> <li>○ 5.0%</li> <li>○ 7.5%</li> <li>○ 10.0%</li> <li>○ Specific Tax amount</li> </ul> </li> </ul> <p>All Traders are liable to pay VAT @ 5% except Trader of Petroleum Nature Products and Medicine</p>	<ul style="list-style-type: none"> <li>● 2%-               <ul style="list-style-type: none"> <li>○ Petroleum nature products &amp; LPG</li> <li>○ 1-1,600 SFT for Building Construction Firm</li> <li>○ Land Development Organization</li> <li>○ Flat re-registration</li> </ul> </li> <li>● 2.4% - Medicine</li> <li>● 4.5% (only for above 1,601 SFT for Building Construction Firm)</li> </ul>

# VAT REGIME

## PERSONS LIABLE TO PAY VAT

<b>Taxable Import</b>	<b>Importer</b>
<b>Taxable supply in Bangladesh</b>	<b>Supplier</b>
<b>Taxable supply of Imported Service</b>	<b>Recipient of supply</b>
<b>Other cases</b>	<b>Supplier or recipient of supplier</b>

Any non-resident foreign company which carries out business in Bangladesh without having any office in Bangladesh, will need to appoint a VAT Agent in Bangladesh.



# VAT REGIME

## SUBMISSION OF VAT RETURN

Every registered person is required to file return on a monthly basis within the 15th of the next month.

Return can be filed both manually and via the VAT online portal.



**Every registered person will need to maintain the following books and records:**

- Mushak-6.1: Books of Accounts for purchase
- Mushak-6.2: Books of Accounts for sale
- Mushak-6.3: VAT Invoice
- Mushak-6.4: Invoice for contractual production
- Mushak-6.5: Invoice of transfer of goods
- Mushak-6.6: Certificate for tax deduction at source.
- Mushak-6.7: Credit Note.
- Mushak-6.8: Debit Note.
- Mushak-6.9: Turnover Tax invoice
- Mushak-6.10: Invoice data for purchase/sales over two lakh taka

# CUSTOMS DUTY

## DUTY STRUCTURE IN BANGLADESH

### Goods imported into Bangladesh are subject to various duties/taxes namely:

- **Customs Duty (CD)** - Collected on all imported goods at the rate(s) ranging from 0% to 35%
- **Regulatory Duty (RD)** - levied @ 0% to 5%
- **Supplementary Duty (SD)** - payable on the import of goods at the rate ranging from 0% to 60%
- **Value Added Tax (VAT)** - imposable @15% on the importation of goods or services
- **Advance Income Tax (AIT)** - collected @ 5% on importation of goods
- **Advance Tax (AT)** - payable @ 3% (as per Finance Act 2021) on import of goods

The rates imposable depend on the nature of goods imported into Bangladesh and are prescribed in Bangladesh Custom Tariff Schedule.

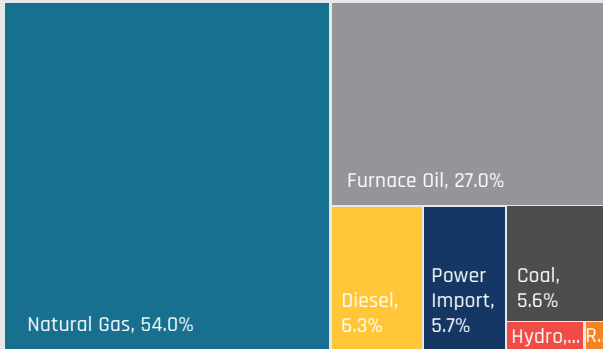


## SECTOR PROFILES

CONTRIBUTED BY:  
**EDGE RESEARCH AND CONSULTING LTD.**

The country expects to see a large rise in energy demand in the near future. The government has shown considerable interest in diversifying energy sources and exploring opportunities in the renewable energy sector.

**Generation by Source 2020**



Total energy generated (including imports) was 71,419 GW in 2020. However, generation using hydro and renewable sources only accounted for 1.3% of total. The expectation is that government will steer away from coal and move towards greener options. Most recently, it scrapped 10 coal projects.

## RENEWABLE ENERGY

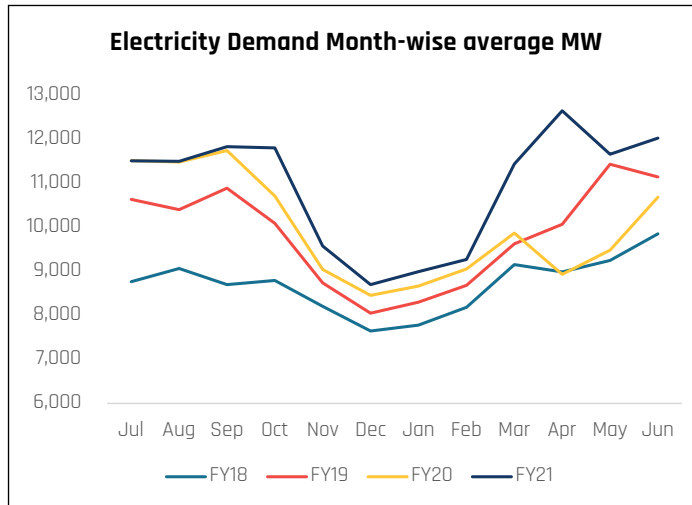
The Renewable Energy Policy 2008 had set a goal to produce 5 per cent of electricity from renewable sources by 2015 and 10 per cent by 2020. Bangladesh was unable to achieve these targets but there has been progress in the form of:

- 5.8mn Solar homes for 18mn beneficiaries
- 60.6MW of rooftop Solar Panels for government and private buildings

**The government has set a new target to generate 1,700MW via utility scale solar plants and 250MW from solar home systems by 2030.**

Sources: UN, Bangladesh Power Development Board, Power Division, Our World in Data, The Daily Star.

While electricity demand has risen over the years, the caveat is low energy use per person (2,995kWh) compared to India (6,924 kWh) and Pakistan (4,567kWh); this implies there is potential for growth in the sector (2019).



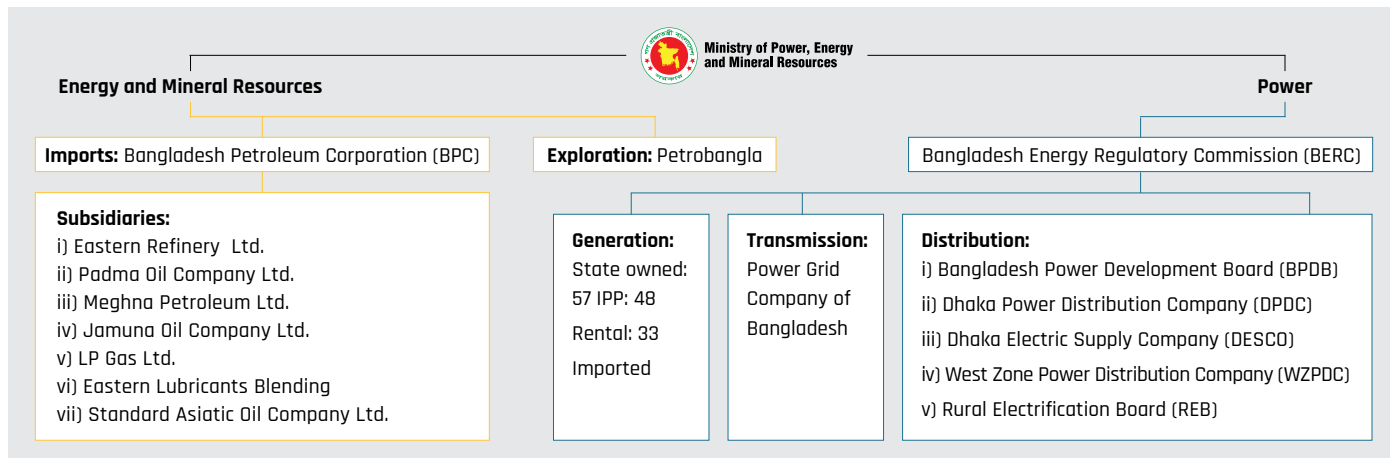
## ELECTRICITY GENERATION TARGET

The Power System Master Plan 2016, sponsored by JICA, outlines the targets up to 2041 and focuses on diversifying the sources of power, which is currently gas-reliant. Under the basic development plan:

- Build generation capacity of 57,000 MW by 2041 against demand of 51,000MW
- Generation sources – 35% coal, 35% gas/LNG, 15% RE, 10% Nuclear and 5% oil

**Bangladesh Power Development Board plans to add 22,000MW within 2025.**

Sources: UN, Bangladesh Power Development Board, Power Division, Our World in Data, The Daily Star.



## \*SOME NOTABLE PLAYERS

- Confidence Power Ltd.
- Solaric Global
- Summit Power Ltd.
- UPGDCL

\*Not an exhaustive list. Companies in alphabetical order.

## NOTABLE INCENTIVES

Applicable for companies starting commercial operation before 31 December 2022:

- Tax exemption on income generated from electricity production, from the commencement of their business to 31 December 2034 and Income tax exemption for expatriates employed in the company, from their arrival to next 3 years
- Withholding tax exemption when remitting interest against loan taken from abroad by the company and on remittance of Royalties, Technical Know-how, and Technical Assistance fees by the company
- Any renewable energy plant such as solar power plant or windmill set up between 1st July 2019 and 13th June 2024 will be exempted from tax for 10 years at slab rate beginning from the commencement of commercial operation
- Raw materials, machinery and spare parts of Solar Panel Manufacturing Plants are exempted from customs duty and for power generation plants are exempt from VAT and Customs duty

Key opportunities in the digital space exist in providing growth capital to fast growing tech companies, sourcing IT talent from Bangladesh and providing equipment and services to the large telecom sector.

## IT Sourcing

While the IT and ITES sectors of the country are still comparatively small, there has been sizeable growth in freelancing and in providing services locally. The focus on 'Digital Bangladesh' has been an integral part of Vision 2021. However, there is scope for improvement in both labor productivity and internet connectivity.

**IT & ITES industry grew 40% annually since 2010.**  
Declared a thrust sector by the government

**112mn internet subscribers.**  
Only ~8% broadband users

**ICT exports of USD1bn by 250+ companies to 60+ countries**

**1500+ registered IT related companies**  
From only 17 companies 3 decades ago

**2nd largest supplier of online labour**

**Sector employs 1mn skilled labour**

**Sector Drivers: Young workforce, lower cost of human resources, government initiatives and digitization drive**

## Communication

Bangladesh's telecommunication industry benefitted largely from the country's dense population, witnessing tremendous growth in the last decade. A barrier in the supply side is that the current licensing regime is complex with multiple players in the service delivery value chain. The key players are the operators, followed by distributors and retailers, infrastructure providers, and handset and content providers.

**3 Global (Grameenphone, Robi and Banglalink) and 1 Local (Teletalk) operator.**  
Oligopoly multi-sim market dominated by global players

**9th largest mobile market globally, 5th in Asia Pacific**  
In terms of unique users

**USD16bn of economic value, equivalent to 5.3% of GDP**  
From mobile tech and services

**34% industry revenue growth expected in next 5 years**  
Included in top 16 emerging sectors by USAID

**47% 2G, 25% 3G and 28% 4G users.**

**Sector employs ~0.8mn workers directly**

**Sector Drivers: Low cost smartphone availability, young population and internet-dependent services growth**

Sources: Lightcastle Partners, International Trade Administration (US Department of Commerce), GSMA, The Daily Star.

## STARTUPS

The startup scene is on a promising trajectory, with 1,200+ active startups in 2021. Local startups are seeing major success and attracting smart capital while on the funding side, a homegrown investor base is developing. Majority of the funding, however, is still foreign. Major challenges involve finding the right talent pool and funding, as well as some regulatory barriers.

**Start-ups have raised a total of USD330mn**

USD300+ Global funding and USD20+mn Local funding

**1200+ active startups**  
94 funded companies  
188 funding deals

**1.5mn+ employed**  
5,000+ IT graduates per year

**USD36mn already raised in 1H21**

USD39mn was raised in all of 2020

**Largest segments in term of Investment – Fintech (42%),  
Logistics (23%), Ecommerce (13%) and Healthcare (6%)**

**Sector Drivers: economic growth, young demographic,  
government support and digitization drive.**

## NOTABLE INCENTIVES

- 100% Corporate Tax exemption until June 2024
- Access to 10% cash incentive (since July 2017) on total export revenue, to further encourage investment by global companies in the IT-ITES sector
- Reduced rate of VAT applicable on IT enabled services at the rate of 5%, instead of the standard rate of 15%.

## GOVERNMENT SUPPORT

- Deployed the National ICT Policy in 2009 to become Digital Bangladesh by 2021.
- Government Setting up 28+ Hi-Tech Parks to drive growth
- Multiple Incubation and training centres being built at KUET, CUET and Bangabandhu Sheikh Mujib Hi Tech Park
- FY 22 budget has an allocation of BDT17bn for ICT sector, 20% higher YoY

## \*SOME NOTABLE PLAYERS

Aamra Outsourcing	Chaldaal	Fiber @ Home Limited	Robi	Summit Communications Limited
Augmedix	Digicon Technologies	Genex Infosys	Pathao	Summit Towers Limited
Banglalink	Edotco Bangladesh	Grameenphone	Service Engine BPO	Taskeater
bKash	Enosis	Graphic People	Shohoz	

\*Not an exhaustive list. Companies in alphabetical order.

Sources: Lightcastle Partners



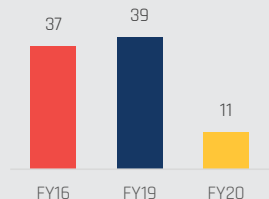
The agriculture and agro-processing sectors have seen marked improvement in production efficiency. Supported by the healthy growth in private consumption, there is great potential for further improvements, especially in logistics, credit access, farmer support and advising, etc. So far, Bangladesh has managed to achieve self sufficiency in key staple food items (rice, fish, poultry, etc.)

**Agriculture accounts for 13% of GDP (2020)**  
 The share was 14% of GDP at current prices (2016)

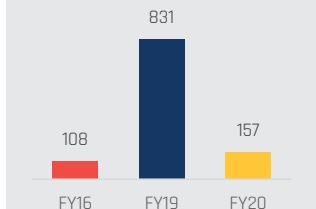
**Accounts for ~38.3% of total employment (2019)**  
 Down from 43.5% in 2015

**4th largest rice producer in the world (2019)**  
 Taking up 70-80% of agriculture area

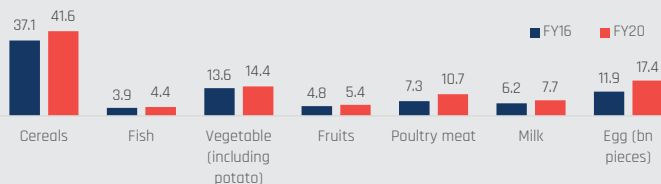
### FDI inflow (net) into Agriculture and Fishing USD mn



### FDI inflow (net) into Food Manufacturing USD mn



### PRODUCTION IN MN METRIC TONS



### \*SOME NOTABLE PLAYERS

Abdul Monem Group	IFAD Multi Products Ltd.
ACI Foods Ltd.	Ispahani Foods Limited
Ahmed Food Products (Pvt.) Ltd.	Kazi Farm Group
Akij Food and Beverage Ltd.	Meghna Group of Industries
BD Food Ltd.	PRAN Foods Ltd.
Bengal Meat Processing Industry	Square Food and Beverage Ltd.
Bombay Sweets & Co. Ltd.	Syngenta Bangladesh Limited
BRAC (Aarong) Dairy Citygroup	WorldFish

\*Not an exhaustive list. Companies in alphabetical order.

Sources: Bangladesh Bureau of Statistics, World Bank, WEF, Ministry of Fisheries and Livestock, Department of Fisheries Bangladesh, Dhaka Tribune .

## PRODUCTION

At the production level, the market is highly segmented and largely consists of multiple local small farmers operating individually. Working at and reaching this level, particularly regarding procurement and education, is quite complex. The commoditized nature of products, fragmented market and policy makers' drive to keep prices affordable mean that margins are thin. Bangladesh uses a public procurement system where the government purchases large amounts of rice from producers (influencing supply) and uses it as an instrument for buffering domestic rice stocks and intervening in retail markets (to control prices). The main challenge to this sector appears to be climate or geographic threats such as flooding or the lack of arable land. Most price shocks are usually passed down to farmers, undermining their livelihoods.

## PROCUREMENT

Reaching the farmer level is quite difficult and usually done through layers of middlemen. This group tends to see significant markups as bottlenecks at this level are mainly related to storage and transport facilities.

## PROCESSING

The main trend here is a shift to the formalized sector and an expansion of the local market due to increases in income. This level is dominated by large local companies controlling various parts of the market. The processed food markets have both pure play food processors as well as large conglomerates. This level has seen major modernization in the last two decades, and this trend is expected to continue.

## NOTABLE INCENTIVES

- 10-year tax exemption available to new agro entrepreneurs in the following sectors i) Locally grown fruits and vegetables ii) Milk and dairy production iii) Manufacturing of agricultural machineries iv) Baby food from locally grown agri-products
- Special rebate of 20% electricity consumption available for the companies operating in agro-processing sector
- Tariff free access facility for export to the EU and cash incentives for selected export products ranging from 5% to 20% depending on the product
- Any industrial establishment producing Jute products will be subjected to tax rate of 10% for the AY 2020-21, 2021-22 & 2022-23

Readymade garments (RMG) are the largest export earner for Bangladesh. It is also a major source of employment and therefore, a key cog in the Bangladesh economy. Opportunities exist in supplying specialty raw materials, capital machinery, etc. to this large industry. In addition, there is scope for efficiency improvements and design support- these can propel the industry to new heights.

RMG is a key growth driver of the country, accounting for 81% of exports in FY21. The sector has seen rapid growth and modernization over the past decade. Between 2011 and 2020, Bangladesh's RMG industry increased its share of global garment exports from 4.7% to 6.3%.

The textile sector is the chief backward linkage, providing yarn and fabric. This sector imports cotton for its production processes. Bangladesh is actually the world's largest cotton importer (current demand ~8mn bales, local production 0.2mn) and also a major importer of textiles. Overall, considering equipment and machineries, this industry is highly dependent on imports (~75% of export value, RMG sector's net contribution to foreign exchange is ~25%). Bangladesh aims to increase local production of cotton, with a target of 2.2mn bales by 2041. 80% of garments are made of cotton. Makers of woven garments can add value ranging from 35 to 40%; value added in knitwear is even higher. 90% of raw materials for knitwear and 40%, for woven, are provided by local spinners.

**Major Challenge:** i) Tough competition in the export markets- Vietnam preferred amongst US executives according to Mckinsey's 2019 CPO survey and the country overtook Bangladesh in global clothing exports in 2020. ii) High dependence on imports and iii) Margin pressures stemming from rising raw material prices and bargaining power of international buyers.

**Opportunities:** i) Growth in non-traditional markets, ii) diversification and upgrade of product offerings, and iii) branding

**RMG contributed  
11.2% to GDP (in FY19)**  
Growth of 7%+ annually  
between 2011 and 2019

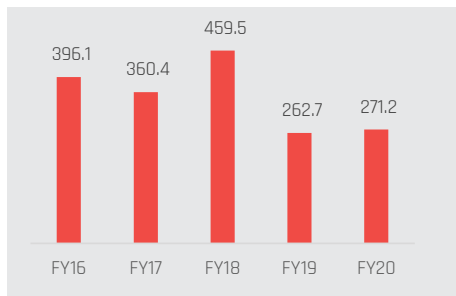
**RMG comprised 81% of  
exports in FY21**  
Down from 84% in FY19

**BGMEA members employ  
~4.2mn people**  
Majority (80%) of whom are women

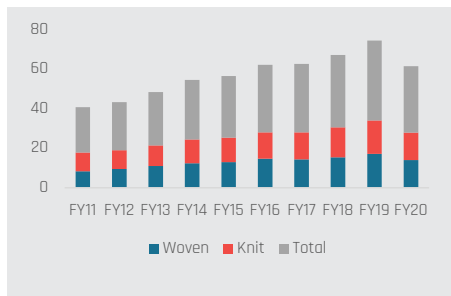
**1,500+ companies certified  
by Global Organic Textiles**  
2nd highest in the world

Sources: United States Department of Agriculture, McKinsey, ADB, UNB, The Financial Express.

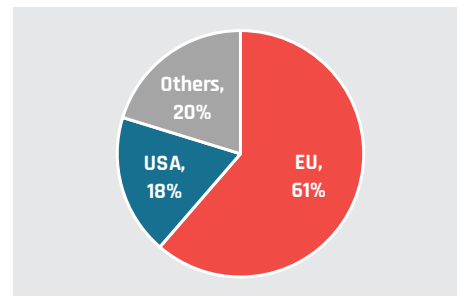
## FDI INFLOWS (NET) FOR TEXTILES AND WEARING USD MN



## RMG EXPORTS USD BN



## RMG EXPORT MIX, FY20



**6,507 registered and 527 unregistered garments and textile factories**  
433 spinning mills and 796 textile weaving mills

**91 LEED (Leadership in Energy & Environmental Design) certified factories**  
Highest in the world; 6 out of top 10 rated in Bangladesh.

### \*SOME NOTABLE PLAYERS

Ananta Apparels Limited	Esquire Knit Composite Limited
Beximco Fashions Limited	Ha-meem Group
DBL Apparels	Square Fashion Limited
Envoy	Urmi Group
Epyllion Group	

\*Not an exhaustive list. Companies in alphabetical order.

### NOTABLE INCENTIVES

- Exports to traditional markets will fetch a cash incentive of 1%, and exports to non-traditional markets will earn an incentive of 5%
- As per Finance Act 2020, RMG sector to enjoy 10/12% corporate tax for two years
- VAT is 0% for 100% export oriented garments manufacturers
- Exemption of VAT on input of goods and services

Sources: United States Department of Agriculture, Textile Today

Logistics have substantial room for improvement and as stated earlier, Bangladesh's high density means that minute improvements translate to copious rewards

## LOGISTICS OVERVIEW

- 12** Land ports
- 03** Sea ports
- 29** Inland river ports
- 03** International Airports
- 08** Domestic Airports
- 05** logistics hubs
- 21** MSU for common storage

## ONGOING REGIONAL ROAD CONNECTIVITY PROJECTS

- i) Asian Highway
- ii) BCIM Economic Corridor
- iii) SASEC Road Corridor
- iv) SAARC Highway Corridor
- v) BIMSTEC Road Corridor

In FY20, land and water transportation comprised ~8% of GDP. This sector employs around 4mn people (with 3.3mn involved in land transportation). 91% of the transportation sector is land-based while in the seaport arena. The Chattogram and Mongla ports are the dominant ports, handling ~90% of cargo movement. Following arrival at port, the goods are transported via the Dhaka-Chattogram Highway which was recently upgraded to a 4-lane road. The new road helped reduce travel time by almost half to ~6 hours.

Logistical challenges are akin to Bangladesh's Achilles heel. However, the government has undertaken some major infrastructure projects to improve the current scenario. Presently, Bangladesh has a score of 2.58 out of 5.00 in the Logistic Performance Index (100th place out of 160 countries; up 8 places since 2014). The transportation and communication sector received the second highest allocation (12%) in FY22 budget (of BDT720bn). Over 50% of the allocation will be spent on the implementation of mega projects related to connectivity.

This sector has seen a plethora of different startups that have eased many local logistical challenges. As of June 2021, there were ~51 logistics startups in the country.

**Key Advantages:** i) Density Dividend, each dollar invested reaps greater benefit due to the high density of the country. ii) Strategic location of the country (can take advantage of land transport with India, Nepal, Bhutan and Myanmar, and has an open South side, meeting the Bay of Bengal for sea transport).

**Challenges:** i) High Maintenance costs and requirements of the infrastructure already in place ii) Currently, logistics remain the key challenge due to hold-ups at ports, traffic, and poor road conditions, iii) The country is especially vulnerable to weather related problems.

**According to the World Bank, reduction of logistics costs by 26% can boost total exports by 19%.**

Sources: World Bank, The Financial Express, Dhaka Tribune, Reliefweb

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*The Digital Banker, 2020*



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IN BANGLADESH**

*AsiaMoney, 2020*



**BEST BANK IN  
BANGLADESH**

*Global Finance, 2020*



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*Euromoney, 2020*



**EXCELLENCE  
IN DEBIT BUSINESS**

*MasterCard, 2019-2020*



**BEST GREEN DEAL**

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