

## **LDC Graduation: BIDA's Reform Initiatives for Boosting FDI Inflows**

*A Workshop Jointly Organized by:*

*Support to Sustainable Graduation Project (SSGP), Economic Relations Division, and  
Bangladesh Investment Development Authority, Prime Minister's Office*

A workshop on 'LDC Graduation: BIDA's Reform Initiatives for Boosting FDI Inflows' was jointly organized by the Support to Sustainable Graduation Project (SSGP) of the Economic Relations Division (ERD) and the Bangladesh Investment Development Authority (BIDA) on 20 June 2023 at the NEC2 Conference Room of ERD. Executive Member of BIDA Ms. Mohsina Yasmin attended the workshop as chief guest while Executive Member of BIDA Dr. Khandoker Azizul Islam was present as special guest. Additional Secretary of ERD and the Project Director of SSGP Mr. Farid Aziz chaired the event. The purpose of the Workshop was to evaluate the progress of the 110 reform initiatives coordinated by the seven working groups. Key members of the seven working groups, representatives from implementing agencies and institutions, both from the government and private sector, involved in BIDA's efforts to identify reform initiatives participated in this workshop. Discussions and recommendations coming from the workshop are documented below.

### **Welcome remarks from Mr. Farid Aziz, Additional Secretary, ERD & Project Director, SSGP**

Mr. Farid Aziz, in his welcome remarks, noted that the increased inflow of Foreign Direct Investment is a major prerequisite for enhancing the economic growth of the emerging economies like Bangladesh. He also observed that LDC graduation would create necessary impetus for enhanced inflow of FDI in the country. He also informed the audience about the initiatives that had been taken by the government under the direction of National Committee on LDC graduation and with support from the SSGP to ensure a smooth and sustainable LDC graduation. He thanked BIDA for teaming up with SSGP in organizing the workshop. He said that the event would help to sensitize the relevant stakeholders about the reform proposals that had been formulated under the Bangladesh Investment Climate Improvement (BICI) Program. He also hoped that the event would provide important suggestions on attracting more FDI in the country against the backdrop of LDC graduation.

### **Presentation on 'Progress of BIDA's Initiatives for Improving Business Climate and Support Sustainable Graduation' by Mr. Jibon Krishna Saha Roy, Director General, BIDA**

Mr. Roy, in the beginning of his presentation, provided a detailed background of the Bangladesh Investment Climate Improvement (BICI) Program. He also explained the relationship of BICI Program with SSGP. Later, he also highlighted the goals, key features and proposed approach of the proposed BICI program. He presented the proposed pillars for evaluating the improvement of the Bangladesh Investment Climate which include the following:

1. Business Entry, Exit, and Technology Adoption
2. Industrial Infrastructure and Logistics
3. Cross Border Trade and Business
4. Commercial Dispute Resolution and Labor Regulations
5. Tax Regime
6. Financial and Non-financial incentives
7. Access to Finance

Later, he also explained the process and timeline of this annual exercise. Lastly, he presented the reforms proposal or action plan that had been prepared under those 7 Pillars for the fiscal year 2023-

2024. He informed that the workshop had been arranged to confirm the implementation status of the reforms.

### Open Floor Discussion:

At this stage, the floor was opened for feedback and recommendations from participants. During this session, the following feedback came from them:

- Deputy Secretary of the Finance Division Mr. Mohammad Moniruzzaman said that the focal points from all the concerned ministries or agencies should be identified for ensuring better institutional coordination and consistency.
- Deputy Secretary of the Local Government Division Ms. Mahbuba Ireen informed that most of the city corporations had already rolled out online issuance of trade licenses. She also informed that a uniform template had been introduced for all sorts of trade licenses. She also said that the Dhaka North City Corporation and the Dhaka South City Corporation had already been integrated with the OSS scheme.
- Mr. Md. Mobarok Hossain from RAJUK noted that many of the reform proposals related to RAJUK are linked with industrial establishments. As such, he said that the scope of the term 'industrial establishments' should be made more specific and well defined. RAJUK officials also observed that complying with the timeline and implementation period mentioned in the reforms proposals would require some software related as well as regulatory modifications. As such, they called for reconsidering the length of the implementation periods.
- Participants observed that many organizations are yet to be integrated into the OSS scheme. They also opined that the Working Groups might also play a strong monitoring role in the implementation of this scheme.
- Joint Director of Bangladesh Bank Mr. Rajib Saha informed that government had taken the initiative to amend the bankruptcy act and Bangladesh Bank Order. He also informed that the government is working to formulate a 'Secured Transaction Act'. Mr. Saha also recalled that the central bank had eased the process of profit repatriation for foreign investors. Citing an example, he informed that the requirement of acquiring prior approval for the repatriation of dividend had been waived. He said that Bangladesh Bank is currently working to enhance the awareness among the bankers regarding such policy reforms.
- Executive Director of the Foreign Investors' Chamber of Commerce & Industry (FICCI) Mr. T I M Nurul Kabir claimed that the foreign investors are still facing difficulties in profit repatriation. He claimed that central bank reform initiatives mentioned above are not being implemented at the ground level by the banks. He informed banks are still claiming that they would require approval from Bangladesh Bank for dividend repatriation. He called for creating enhanced awareness among the banks about the recently initiated reforms. He also observed that many government entities are yet to be integrated with the OSS scheme. Focusing on the Income Tax Bill which had been passed in the parliament recently, Mr. Kabir said that the bill would be detrimental for the investors for many reasons. Opining that the bill had been passed in a hurried manner—he also claimed that the bill contains many errors and inconsistencies.
- Mr. Asif Ayub from the Metropolitan Chamber of Commerce and Industry suggested that BIDA might create a separate tab in its website on the BICI program. He also suggested that the tab might contain the objectives, action plans, reforms tracker and a list of the working group members. He also observed that the selection of the working group members might be based on designations to ensure increased consistency. He also called for the introduction of 'Alternative Dispute Resolution' scheme in the country to ensure quick settlement of business

disputes. He also claimed that the 'Income Tax Bill' which had been passed in the parliament, had been formulated without any stakeholder consultation.

- Ms. Kaniz Fatima from BUILD said that the unresolved issues regarding license renewal should be raised during the next meeting of the 'Private Sector Development Policy Coordination Committee'. She also put emphasis on creating awareness about the five-year based license renewal provision through popping it up on BIDA website as well as through stakeholder consultations. She also queried about the latest initiatives regarding the necessary policy changes for the introduction of five-yearly license renewal at the union parishad level.
- It was queried that whether the reforms proposals outlined under the BICI program also includes the 63 services included in the OSS portal.
- The participants also queried that what is the mode of coordination between the BICI program and the recently formed National Logistic Development and Coordination Committee.
- It was also queried that whether this program had taken into consideration the industry specific issues.

#### **Response from Mr. Jibon Krishna Saha Roy, Director General, BIDA**

Focusing on the feedbacks coming from participants, Mr. Jibon Krishna Saha Roy observed that the online issuance of trade licenses should be introduced in the municipalities as well. Noting that although a circular had been issued from the Local Government Division regarding the issuance and renewal of trade license after every 5 years—strong monitoring would be required for its effective implementation. Referring to the points raised by RAJUK officials, he said that the timeline or the implementation periods can be readjusted through further discussion and analysis. However, he put emphasis on initiating the reform process beforehand. He also called for more active involvement of the Working Group members in this whole exercise. He also informed that the reforms proposals formulated under the BICI program are in addition to the 67 services provided under the OSS scheme. He also informed that the reforms proposals had been developed through wide stakeholder consultations.

#### **Remarks from Designated Discussant: Ms. Shahida Sultana, Director General, Executive Cell and PEPZ, PMO**

Ms. Shahida Sultana, in her remarks, identified an investment friendly environment as one of the three major preconditions for smooth and sustainable graduation. She also put emphasis on greater ownership of the relevant agencies for successful roll out of OSS. She also called for ministry wise rearrangement of BICIP clusters. She underscored the need for sensitizing the relevant departments and agencies on this issue. She also called for identifying the reform schemes that had already been achieved. Lastly, she put emphasis on stronger monitoring of the implementation of the reform schemes.

#### **Remarks by the Special Guest: Dr. Khandoker Azizul Islam, Executive Member, BIDA**

Dr. Khandoker Azizul Islam, in his remarks, called for digitization and automation of the OSS scheme. Focusing on the potential impacts of LDC graduation, He also observed that LDC graduation would create necessary impetus for enhanced inflow of FDI in the country. He also put emphasis on diversification of export items and markets to cope with the challenges of LDC Graduation. Lastly, he thanked SSGP for teaming up with BIDA in organizing the workshop.

### **Remarks by the Chief Guest: Ms. Mohsina Yasmin, Executive Member, BIDA**

Ms. Mohsina Yasmin observed that although some of the reform proposals had been inherited from the OSS scheme, many of them have been generated from various stakeholder consultation. She also informed that the reforms proposals would be reviewed and modified by the working groups on an annual basis. She also informed that a dedicated website would be developed for the BICI program. She also said that a meeting of the concerned committee for the implementation of OSS could be organized to discuss the difficulties and hindrances various government organizations are facing in integrating with the OSS. She also affirmed that a working level meeting could be organized prior to that. Recalling that the government is working to establish 500 dedicated commercial courts, she observed that such courts would help to speed up the process of resolving commercial disputes. She also hoped that the Secured Transaction Act, which is currently being formulated, would enable the use of moveable assets as collateral for bank loans and would make it easier for the SMEs to receive bank loans. Lastly, she called for changing the mindset of the relevant government agencies for effective implementation of the reform proposals.

### **Concluding Remarks from the Chair**

The Chair, in his concluding remarks, thanked BIDA for providing a detailed presentation on the proposed reforms initiatives. Noting that there are scopes for further awareness creation on this initiative, he called for sensitizing the relevant stakeholders. He also called for effective implementation of the regulatory reforms brought by BIDA for creating better investment climate. He also requested BIDA for playing an effective coordinating role in the implementation of OSS by bringing all the agencies under this scheme in collaboration with the Prime Minister's Office. Lastly, he thanked all the participants for their active contribution and feedback.

### **Recommendations:**

The Workshop came up with the following major recommendations:

- There should be further discussions on the targets that have been set under the reform proposals.
- Based on such discussions, the targets should further be reviewed and modified as necessary.
- The reviewed and modified targets should later be forwarded to the PMO.
- A meeting of the concerned committee for the implementation of OSS can be organized to discuss the difficulties and hindrances various government organizations are facing in integrating with the OSS.
- A working level meeting can also be organized prior to that meeting.