

**Meeting Minutes of the Inception Workshop jointly organized by
Support to Sustainable Graduation Project (SSGP), Economic Relations Division (ERD),
Ministry of Finance and SANEM**

NEC-2 Conference Room, ERD

Date: 23rd March 2023 (2:30 PM-5:00 PM)

List of participants: Annex-A

Summary of the discussion:

1. Mr. Farid Aziz, Additional Secretary and Project Director, SSGP, ERD chaired and moderated the workshop. Welcoming the participants, the Chair highlighted the importance of the workshop as the outcomes of it would serve the policy guidelines for the study.
2. Dr. Selim Raihan, Executive Director of SANEM and Principal Investigator of the study titled “Expanding Private Investment in the Context of LDC Graduation” gave a presentation on the inception report of the study.
3. Ms. Priti Chakraborty, Director, Bangladesh Women Chamber of Commerce & Industry (BWCCI) stated that it is imperative that Bangladesh would focus on branding itself to improve its international image. However, even now, foreign investors are not well aware of the investment opportunities that Bangladesh has to offer. Therefore, it is essential to expand the scope of the study to include more chambers, as these organizations have access to critical information that could aid in drawing the inference of the study, she added.

Ms Chakraborty mentioned the issue of market access as one of the significant challenges that Bangladesh is currently facing. This must be addressed to ensure that Bangladeshi businesses can compete on an international level. Furthermore, there is a lack of female participation in business, which could be improved by promoting female entrepreneurship through the Export Promotion Bureau (EPB) to boost exports. Another area that requires attention is financial technology. It is essential to improve knowledge and expertise in this area to take full advantage of the technological advancements being made in this field.

The industry sector of Bangladesh needs to focus more on value addition. In particular, light engineering is a promising sector that can benefit from such efforts. Public-private partnerships (PPPs) hold significant potential for Bangladesh's future development. However, the issue of PPPs has been problematic in the past and must be addressed to ensure their successful implementation. She reiterated that skilled manpower is a crucial aspect that Bangladesh should concentrate on to improve its prospects in the international market. It is vital to invest in the education and training

of skilled personnel and export them to countries where there is a high demand for such expertise.

Additionally, it is concerning that Bangladesh does not earn any income from research, while India has achieved significant success in this area. Lastly, non-performing loans (NPLs) are a major concern for the private sector in Bangladesh, affecting most businesses. Many women entrepreneurs also struggle to access finance as banks frequently require collateral. The Bangladesh Bank (BB) should take a strong stance to ensure that women entrepreneurs can access to loans without collateral to support their businesses.

4. Mr. Mohammad Lutfullah, Senior Private Sector Specialist, International Finance Corporation (IFC) emphasized the need to carefully translate complex models into practical policy measures. Researchers should thoroughly test the models' results to ensure that they align with prior assumptions. Furthermore, it is essential to analyze countries beyond the LDC group (developing countries), including those with similar economic profiles, to identify patterns and the role of private investment. Developing countries rely significantly on FDI to fuel their economies.

Mr. Lutfullah highlighted the importance of competitiveness in the world market for Bangladesh's economic progress. However, competitiveness remains a challenge, and the study must address this issue. As Bangladesh is a significant source of imports for other countries, they are also concerned about Bangladesh's graduation from LDC status. The EU and other countries are taking measures to address this issue, and there is a need for an analysis of the buyer's market. Moreover, it is essential to examine the top ten import sources, FDI sources, and investors to identify any patterns. Additionally, the study should investigate the measures to install confidence in foreign investors to continue or expand their investments after Bangladesh's LDC graduation. He discussed the usefulness of background studies from other graduated countries considering the uniqueness of Bangladesh's market size and GDP.

Finally, bilateral treaties are essential for foreign investors, and those need to be renegotiated before Bangladesh's LDC graduation. Thus, the study should also cover the impact of bilateral treaties on private investment in Bangladesh.

5. Mr. Md. Ariful Hoque, Director, Bangladesh Investment Development Authority (BIDA) highlighted the importance of distinguishing between the impact on investment and trade. While Bangladesh's FDI stock stands at USD 21 billion, 67% of this investment is concentrated in the manufacturing sector. Thus, the study must focus on the sectors and sub-sectors to ensure clear policies and sectoral capacity building to attract more investment. Most of the FDI policies at sectoral and sub-sectoral level are unclear.

Mr. Haque further stressed the need for detailed sub-sector data, as investors require a value chain analysis to make informed investment decisions. The study should examine how to make sectors competitive and identify the policies required from each agency involved in the investment sector. Additionally, Bangladesh has signed 32 investment treaties, and while there have been no disputes to date, it is crucial to

address any treaty-related issues after LDC graduation. Therefore, the study should also cover the impact of investment treaties on private investment in Bangladesh.

6. Mr. Md. Sameer Sattar, President, Dhaka Chamber of Commerce & Industry (DCCI) shared his experience of interacting with the Vietnamese counterparts to understand why Vietnam is attracting four times more FDI than Bangladesh, and the answer is bilateral treaties and FTA. Legal infrastructure is crucial, and contract enforcement is essential for attracting foreign investment. DCCI is advocating for shifting contract enforcement cases from the district court to the high court or establishing a commercial court like Singapore.

Bangladesh needs to retain its comparative advantage by reducing costs through efficiency gains, particularly by focusing on backward linkages. The study should focus on linking backward linkages and suggest policy to become self-sufficient SMEs are the lifeline of the economy. MSMEs cannot grow due to lack of financial access. Because scheduled banks do not give loans without collateral and the SME policy should be revised to exclude medium enterprises from MSME and include MSME in the capital market.

7. Ms. Shahida Sultana, Director General, Prime Minister's Office, has emphasized that the language of the study should be easy to understand. Otherwise, it becomes difficult to communicate and implement the policies. The study should go into detail about opportunities of graduation from LDC category and it should also clearly outline the scopes for potential investors. These would enable the policy makers to intervene strategically, she hoped. Ms. Sultana opined that the loan distribution across units (divisions/ districts) should be homogenous to ensure equitable distribution.

The experience of post-graduation journey of other countries (LDC graduated) is crucial for this study, focusing on factors that aided them in attracting investment. Bangladesh can develop its own strategy based on this knowledge.

A crucial aspect is to examine the link between the study on market access assigned to PRI) and the study on private investment expansion assigned to SANEM. It is advisable not to expand the scope of the study needlessly. She also underscored the need for conciseness in reporting.

8. During the open discussion session, Mr. Mamun Askari, Bangladesh Trade and Tariff Commission (BTTC) highlighted the following point:
 - The BTTC has conducted feasibility studies for signing FTAs on 40 countries.
 - Three difficulties are encountered when negotiating FTAs with developed countries:
 1. Implementation of Intellectual Property (IP) regulations.
 2. Investment regulations.
 3. Service regulations.
 - Bangladesh lags behind in IP implementation and previously did not commit to FTAs as it received preferences from those countries.
 - Value addition is crucial for successful FTAs.

- Mr. Quaium, Ministry of Commerce highlighted the following points:
 - Investors in Vietnam feel comfortable there.
 - The study should include an angle on the knowledge gap, focusing on understanding foreign markets by engaging with buyers and understanding their expectations and perspectives.
 - The study should delve deeper into the experiences of foreign investors who invested and those who chose not to invest any further. What are the buyers looking for?

- Mr. Anwar Hossain, Joint Secretary, SSGP, ERD highlighted the following points:
 - How can local investors access foreign capital markets?
 - Local capital markets should support long-term financing, but Bangladesh has not been able to secure the necessary privileges. India's market capitalization to GDP ratio is over 100%, while Bangladesh's market capitalization is less than 10%. The study should address this issue.
 - How can Bangladesh prepare for an investment regime as a non-LDC? How can resilience be built? How can risks be minimized?
 - What are the investment opportunities in the service sector?

- Representative from MCCI highlighted that:
 - The study should focus on sector-wise investment opportunities for the private sector.

- 9.** While responding to a couple of questions from the Q&A session, Mr. Aziz informed that ERD is currently conducting couple of studies on market access and export diversification, industrial production, upscaling RMG sector, etc. SANEM should communicate with all chambers regarding this study and review the terms of reference (ToR) of all studies to avoid any overlapping work.

- 10.** The Chair thanked all the guests, panelists, participants and formally concluded the meeting.