*Last month, **Standard Chartered Bank** and **City Bank** organised a daylong conference to promote the investment case for Bangladesh on the world stage. Titled the Bangladesh Investment Summit, it was attended by representatives from prominent global financial firms, and **The Daily Star** was the media partner of the event. This is the third time that the two banks have joined hands for the cause, a brainchild of SCB. Previous editions of the summit were held in Singapore and London in 2012 and 2013 respectively.*

Asset managers, institutional investors, multilateral financiers, principals from private equity firms and hedge funds attend the second Bangladesh Investment Summit, Asia held in Singapore on September 4.

Bangladesh impresses investors

ZINA TASREEN

Aristotle maintained that women have fewer teeth than men; although he was twice married, it never occurred to him to verify this statement by examining his wives' mouths. The essence of this anecdote could very well be applied to the perception of Bangladesh beyond its national borders.

Upon its birth in 1971, American diplomat Henry Kissinger branded it the "basket case" of South Asia and that reputation more or less seems to have preceded Bangladesh -- even to this date.

It is this misconception that the country's policymakers, businessmen and well-wishers set out to clear at the second Bangladesh Investment Summit, Asia held at Four Seasons Hotel in Singapore on September 4.

"Not that these perceptions were not true, it is that the perceptions have not kept up with the changing scenes in Bangladesh," Gowher Rizvi, prime minister's foreign affairs adviser, said in his keynote speech.

He cited the agricultural advances the country has made in the past 42 years as a case in point.

In 1971, Bangladesh had a population of 70 million and was perennially short of food, according to the historian. "Our agriculture could not cope with 70 million people."

Four decades later, with the population scaling 160 million, there is no shortage of food. Not only that, this fiscal year the country is set to make its maiden large-scale food export -- some 50,000 tonnes of rice to Sri Lanka.

"This agriculture revolution has not happened because of five successful monsoons but is based on solid research, improvised seeds and scientific farming. Our farmers have shown how adept they are in accepting innovations."

Rizvi, who taught at famed institutions like the Harvard Kennedy School and Oxford University, also brought up the solid growth figures the country has been registering, particularly emphasising those of the past five years.

Growth has averaged 6.2 percent the past five years, which Radhika Kak, South Asia economist at Standard Chartered Bank, said is high compared to the average of South Asian economies and other low-income economies.

"So, broadly speaking, it is fair to say that Bangladesh has been a relative outperformer in terms of growth."

But to talk about economics only misses the real progress the country has made -- and that lies in the social sector. "If you look at the social indicators, in every respect Bangladesh has done well," Rizvi said.

This proclamation was corroborated by Johannes Zutt, country director of World Bank, who went on to add that the country has overtaken India "by a considerable margin" in many key development indicators since 1971 despite the fact that its income level is significantly lower than India's.

Gowher Rizvi

"If we had been sitting in a meeting like this around independence and looking forward to 2014, would we have dared to predict that Bangladesh would do as well as it has done? My supposition is that we probably would not have."

He particularly highlighted the pace of GDP growth in the past three decades, which is about 1 percentage point per decade. "It's something very few countries have managed -- hat's a remarkable achievement."

Remarkable, he said, as the country faced serious economic challenges and complications during the period -- that one would have expected to knock back GDP quite badly or at least make it volatile.

"But what we see instead is a very strong and steady improvement in GDP year over year," he said, while particularly praising the macroeconomic management, across both the BNP and Awami League governments.

This strong GDP growth has had two by-products: an equally consistent reduction in poverty rate and a rising middle and affluent class.

Today, there are 15 million or more Bangladeshis who earn $10,000 a year, which is twice the number as in Malaysia, according to Zarif Munir, a partner at Boston Consulting Group.

And Zutt says the solid poverty reduction should not be taken for granted. "I have worked in countries that have had increasing GDP growth but a flat line when it comes to poverty reduction -- this is a commendable achievement."

Corruption is another matter that seems to saddle Bangladesh's image. After all, for five straight years, from 2001 through to 2005, it did top the Berlin-based anti-corruption watchdog Transparency International's index for the world's most corrupt countries.

"But as is often the case for Bangladesh, perception has not kept up with reality," Rizvi said. For the past six years, let alone topping the list of most corrupt, Bangladesh did not come anywhere near the top 20.

In other words, corruption today is far less than it was, but like everything else, efforts are being made to change the scenario for the better.

Mahfuz Anam, editor and publisher of The Daily Star, endorsed Rizvi, adding that the country's bad patch is behind it -- and that it is now well and truly in business.

"And, after this conference, you will want to do business with us for business reasons -- and not for philanthropic or altruistic reasons."

SOCIAL INDICATORS

INDICATOR	BANGLADESH		INDIA		SUB-SAHARAN AFRICA
	1971*	2011	1971*	2011	2011
GDP per capita (PPP$)	n/a	1,833**	n/a	3,876**	2,367
Life expectancy at birth (years)	39	69	50	66	55
Infant mortality rate (per 1,000)	150	37	114	44	69
Access to improved sanitation (%)	n/a	55	n/a	35	30
Mean years of schooling, age 25+	2	4.8	2	4.4	n/a
Literacy rate, age 15-24 (%)					
Female	27	80	40	[74]	65
Male	44	77	66	[88]	76
Child immunisaton rate (%)					
DPT	1	96	6	72	71
Measles	1	96	1	74	74

NOTES: *OR EARLIEST AVAILABLE **2012; [...] ESTIMATE; SOURCE: WORLD DEVELOPMENT INDICATORS

Wobbly infrastructure stifles potential

ZINA TASREEN

It is universally agreed that Bangladesh has immense potential and the key to unlocking it lies in the pace of enhancement of infrastructure.

The inadequate infrastructure is costing the economy around 2 percent in growth per annum, according to Farooq Sobhan, president of the Bangladesh Enterprise Institute, a research organisation.

And frustratingly, there has not been much improvement since 2009. "It's been a flat line. Actually, the headline numbers over time are getting worse," Johannes Zutt, country director of the World Bank, said.

The reason being the present level of investment as a percentage of GDP -- which was 28.70 percent in fiscal 2013-14 -- is simply not high enough.

"If you look at the countries in East Asia that have grown at the rates that Bangladesh is aspiring to, which is 9-10 percent, they typically had investment rates of 33 percent. So, you can see there is a large gap there."

On the flipside, this disparity means there is ample opportunity for private sector investors to park their funds in the infrastructure sector and get attractive returns – and one such opening is in the power sector.

"Everybody knows we have constrained electricity supply -- there just hasn't been enough investment in energy generation. This makes it a very fertile area for public-private partnership."

Another area ripe for private investment is the Chittagong port, through which 97 percent of the containers are shipped. At present, it is on the verge of bursting at the seams.

Zutt said the Chittagong port's capacity has to grow at roughly 1.5 times the growth of the country. "It is not doing that at the moment and soon it will run out of capacity. It is really and truly an urgent problem, meaning there are lots of opportunities for PPP."

Meanwhile, Golam Mostafa, chairman of Deshbandhu Group, recommended developing the northern part of Bangladesh, from where the majority of the blue-collar workers hail, into an industrial hub.

"In that way, Dhaka will not be too crowded and the production costs will be kept low as well."

Nazmul Haque, head of advisory at the Infrastructure Development Company Limited, said the opportunity to invest in the country's infrastructure sector would not be there for an indefinite period of time.

"Whatever gaps are being identified now, if not being met by you, they will be met by somebody else."

PPP OFFICE

The government set up the Public-Private Partnership Office in 2010 to deliver the infrastructure investments required to become a middle-income country by 2021.

Led by Syed Afsor H Uddin, a former senior adviser of the British government's PPP team, the unit aims to increase infrastructure investment from 2 percent to 6 percent of GDP, with 77 percent of the funds coming from the private sector.

At present, the PPP Office has a total of 39 projects in the pipeline, worth upwards of $10 billion. Of them, eight are due to enter the procurement phase in the next 12 months.

Before the projects are presented to the market, rigorous feasibility studies are conducted.

"Execution is critical to ensuring the growth of infrastructure, but the key to execution is feasibility. Without proper planning, no infrastructure project can be delivered properly," he said.

Experts, technicians, transaction advisers and consultants from PricewaterhouseCoopers, KPMG, Deloitte and Ernst & Young are brought in to better understand how the projects can be delivered in a robust, accelerated manner.

Issues ranging from project merits to technical viability, outline project designs to environmental impact, among others are examined.

"All the questions that we believe investors would look at in a project are things that we ourselves look at before we enter market -- and all of that takes a long time," he said.

"The last thing I want to encourage in the PPP office is present a half-baked project to investors. You will jeopardise a 10-15 year transaction for trying to short cut it by six months."

Once the feasibility studies are out of the way, advertisements are posted on the PPP Office website and newspapers for investor applications.

After that, it takes 12-16 months for the contracts to be awarded, which, Afsor H Uddin says, is the optimum timescale. It takes 16 months in Canada, 18 months in Australia, 22 in European Union, 24-26 in the UK, 24 in India and 35 in South Africa.

For instance, the PPP Office launched single-stage procurement for a health project in February this year. The evaluation has already been finished and the wing is hoping to award the contract in October. So, the procurement is expected to be done even before its timescale of 12 months.

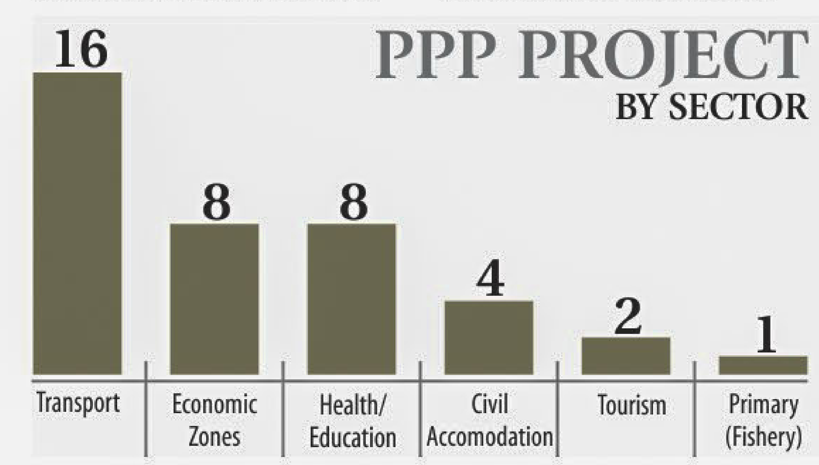
"So in terms of timescale we are doing alright," said Afsor H Uddin, who has degrees from the London School of Economics and Harvard Kennedy School of Government.

In terms of framework, the PPP Office follows the best practices around the world and is incorporating international standards in the terms and conditions of the contracts.

"What we have is no different from what other countries that are practising PPP have. There are parts which are specific to our country but broadly it is all consistent with most other countries."

The government provides a host of financial incentives to investors, which includes subsidy of up to 30 percent of project cost, exemption from income tax, VAT and stamp duty.

From left, Johannes Zutt, World Bank's country director for Bangladesh; Kyle Kelhofer, country manager of International Finance Corporation; Golam Mostafa, chairman of Deshbandhu Group; and Nazmul Haque, head of advisory at IDCOL, attend a dialogue on infrastructure..



IT: The next bright spot

ZINA TASREEN

Bangladesh and readymade garment are almost always spoken of in the same breath nowadays. But, there is life beyond it -- and nowhere is it simmering more than at the software and IT-enabled service sector.

"I see the IT sector becoming something like Bangalore to all the big companies -- it is just a matter of time. The people in Bangladesh are naturally intelligent," Sonia Bashir Kabir, country manager of Microsoft, said.

The south Indian city is a major global hub for lower-end outsourcing services as well as higher-end innovation, with the region's software exports in fiscal 2012-13 hitting the $26 billion-mark, according to data from the Electronic and Computer Software Export Promotion Council of India.

If not as big as Bangalore, she definitely considers it to be the next big sector to come out of Bangladesh after the readymade garments.

Her optimism, after all, is not unreasonable: the sector has seen tremendous growth in the last 4-5 years, with the average growth being around 50 percent, according to Shameem Ahsan, president of Bangladesh Association of Software and Information Services (BASIS).

Its exports have crossed the $300 million-mark and by 2018, it hopes to hit $1 billion. It is also looking to capture a $1 billion local market by then.

Samsung, the global leader in consumer electronics, has already set up a research and development centre in Dhaka, while Accenture has already shifted its payroll processing here.

The reason for the wave of optimism surrounding the IT sector, Ahsan says, is the country's large youth demographic, who happen to be very receptive to the latest technology.

Of the country's total population of 160 million, 60 percent are below the age of 35. "Our youth are very pro-IT and are easily trainable," he said, adding that more than 5,000 IT graduates are coming out every year.

Furthermore, the expatriate Bangladeshis are doing well and are moving up in the decision-making ladder of big tech-companies such as Google, Microsoft and Facebook.

"All of it has created a global ecosystem," he said, while citing the Aamra Group and TigerIT as examples of beneficiaries of the network.

The government, too, is very committed to nurturing the sector. It has been granted tax exemption for the next five years and 300 acres of land in Kaliakoir to develop an industrial park.

BASIS is also working with the government to formulate the best policies for the sector, he added.

But what the sector really needs for the definite leap is thought leadership and infrastructure, said Kabir, who built up her curriculum vitae in Silicon Valley.

The void of thought leadership can be filled by foreign companies like Microsoft, Intel, Cisco, Juniper and Dell, she said.

"When multinationals come, they do not just bring their brand, they bring thought leadership and global best practices, all of which create a valuable talent pool."

The employees in the local entities of Microsoft and Dell, for instance, can choose to work at any of their offices around the world, according to Kabir.

In other words, the foreign companies train the locals to their standards to enhance their own human resource database, which, ultimately, can be leveraged for the benefit of the country.

That creates another problem, which is of brain drain. But Kabir said local companies like Aamra Group are getting around that problem by incentivising competitively.

As for the infrastructure issue, it is both a bane and a boon, she said.

"Because we have nothing to replace, we can get straight to the most modern technology out there. We can morph from zero to state-of-the-art."

Kabir cited the introduction of short message service in Bangladesh as a case in point: it arrived here before the US.

About possible areas for growth, she said: "IT is an enabler and the next sector to take advantage of it would be education."

"The way of teaching is changing -- we now have interactive media training and digital classrooms. The donors are spending a lot of money -- and are enforcing the government -- to incorporate all of that in the classrooms."

Plus, the fact that there are 30 million students enrolled in schools in Bangladesh at any given time make it a lucrative proposition for all IT companies, she said.

"Again, this is another area we will morph from zero to state-of-the-art. The US and other developed countries would not have digital classrooms everywhere -- for that, their existing infrastructure would need replacing."

Ahsan though tipped the internet and e-commerce to be the next big money churners, as, after all, in the next five years, the government is looking to make half of its 160 million population full-fledged internet users by 2018.

He highlighted the recent spike in values of the local jobs portal bdjobs.com and e-commerce sites like Flipkart and Alibaba as case in point.

In April, Australian job portal SEEK International acquired a 25 percent stake of bdjobs.com for Tk 38.5 crore, meaning it valued the site in its entirety at Tk 150 crore.

Indian e-commerce site Flipkart has become a $7 billion company, while its Chinese counterpart Alibaba, which made its trading debut recently, saw its first shares change hands at $92.70, which is well above the $68 initial price that some investors paid.

Alibaba's shares finished the day at $93.89, giving the company a market value of $231 billion, which is larger than Procter & Gamble Co.

"All big companies in the world are looking to Bangladesh. We feel that we are near the cusp of riding that big wave. We will be at inflection point in a few years from now," Kabir concluded.

From left, Mahmudul Huq, managing director of Sadat Jute Industries; Shameem Ahsan, president of BASIS; Mahfuz Anam, editor and publisher of The Daily Star; Iqbal Ahmed, chairman of Seamark Group; MKM Mohiuddin, former president of CSE; and Sonia Bashir Kabir, country director of Microsoft Bangladesh, attend al discussion on export diversification.

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The sleeping giant

Technology has made sure that jute fibres now have a mind-boggling range of uses: the most notable is the alternative to wood pulp and forest destruction

From left, Mamun Rashid, senior adviser at SwissPro Invest; Shahwar Nizam, country partner of DFDL; and Alamgir Murshed, Standard Chartered Bangladesh's head of financial markets, attend a dialogue on mergers and aquisitions.

ZINA TASREEN

A sinking ship is what comes to mind when one thinks of the country's jute sector. But it need not be like that going forward, given the fibre's biodegradable nature and the growing clamour for eco-friendly lifestyle.

"Jute should not be spoken of in the past tense. That is far from the case," said Mahmudul Huq, managing director of Sadat Jute Industries Ltd and deputy managing director of Janata Jute Mills.

Gone are the days when it was used only to manufacture sacks and ropes, as modern technologies have made sure that jute fibres now have a mind-boggling range of uses, the most notable of which is as an alternative to wood pulp and forest destruction. Indeed, it is now being used to make paper.

Huq, whose two mills champion diversified use of jute, is in discussions with Japanese electronics giant Panasonic to build boards with 82 percent jute for their Smart Houses project. The boards would be earthquake-resistant as well.

Owing to its soft fabric structure, jute is also used to make imitation silk, comfortable cardigans, undergarments, shoes, ghillie suits and high-performance technical textiles.

It is strong, durable, colour- and light-fast, and anti-static; it provides UV protection, sound and heat insulation and low thermal conduction. All of these properties make it a wise choice for home textile, either replacing cotton or blending with it.

Jute is now an essential component of the automotive industry as well, where it is used for interior padding. It also found its way to soil erosion control, seed protection, weed control, and many other agricultural and landscaping uses.

Not least, the ban on plastic shopping bags around the world progressively means a whole new market has opened up for the sector. The global demand for shopping bags is estimated to be 500 billion pieces and worth around $500 billion a year, according to International Jute Study Group.

There is also a move going on to include jute as part of the composite materials for the building industry, according to Huq.

The best quality jute is produced along the Ganges delta, 80 percent of which is in Bangladesh. In other words, owing to its geographical location the country has an edge in taking advantage of the changes taking place in the global jute industry.

All that the sector now needs are investment, know-how, ideas and drive, and that is where entrepreneurs like Huq and foreign parties come in.

FISHERIES AND SPICES

Agro-based industries are another area that holds immense potential, according to Iqbal Ahmed, chairman and chief executive officer of Seamark Group, which specialises in seafood business.

One of the products his company exports is the black tiger shrimp, which is increasingly getting rarer to find in the Western world, with many dubbing it the new lobster owing to the high prices they retail at.

Black tiger shrimps though can be cultured organically, but the country is unable to take advantage of the possibility as it lacks the resources and know-how to do so, said Ahmed.

"If we can move to semi-scientific method of farming, we can produce 20 times more than what we are doing now -- just imagine the potential."

Export of spices is another lucrative business, as around 12 million Bangladeshis live abroad, said Ahmed, also the founder chairman of NRB Bank Ltd.

"Bangladeshis, wherever they live, cannot live without their food. If you can fulfil that requirement, we can export twice more than garments," he said, adding that suppliers from India, Pakistan and Nepal cater that market at present.

Ahmed, who was made the Officer of the Most Excellent Order of the British Empire for services to international trade in 2001, also said that huge opportunities exist in Bangladesh for foreign investors with funds, knowledge and technology.

"Bangladesh is God-gifted in agriculture. Name any product, you can grow it here -- the sky is the limit."

LEGAL FRAMEWORK

When it comes to committing money in a foreign land, one of the first things that investors look at is the country's legal framework and structure and the certainty that their money would be safe.

Shahwar Nizam, country partner of DFDL, the Southeast Asia-focused law firm headquartered in Singapore, said the picture is positive.

"In my view, Bangladesh's legal platform is the most investor-friendly among the developing countries in the region like Myanmar, Laos, Vietnam and Cambodia."

It is English common law-based; the concepts and the structures that are accepted in, say, New York, London, Dubai, Singapore and Hong Kong are also applicable to Bangladesh.

"That is the biggest plus point," said Nizam, whose firm provides tax and legal expertise to clients investing in Cambodia, Laos, Thailand, Myanmar, Vietnam, Indonesia, Singapore and Bangladesh, as well as further afield across the Middle East.

However, there are problems on the practical level, which can be worked around, the lawyer said. "We do things in a different way."