Last month, Standard Chartered and City Bank sponsored a conference in Singapore to present the first-rate opportunities across retail, industrial and consumer sectors of Bangladesh to foreign investors. This is the fourth time in as many years that the two banks have joined hands for the initiative. Some 252 delegates from 191 companies attended the 3rd Bangladesh Investment Summit, Asia, which was organised by FinanceAsia, a Hong Kong-based financial publication. The Daily Star was the exclusive local media partner of the event.

Zina Tasreen *reports.*

From left, **Sohail RK Hussain, MD of City Bank; Tanveer Ali, CEO of Olympic Industries; Selim Chowdhury, MD of G4S Secure Solutions, Bangladesh; Syed Farhad Ahmed, MD of Aamra Companies; and Abrar A Anwar, CEO of Standard Chartered Bangladesh, attend a discussion on CEO insights.**

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Bangladesh ready for take-off

BANGLADESH is ready to turn the corner for good and foreign investors could do well for themselves by hopping on the bandwagon now -- this was the unequivocal message from the third Bangladesh Investment Summit, Asia.

"We are getting ready for take-off. The wheels have started moving," Gowher Rizvi, international affairs adviser to the prime minister, said in his keynote speech at the daylong event held at The St. Regis Singapore.

His bullish stance, after all, is not unfounded.

Last month, the Asian Development Bank upgraded Bangladesh's growth forecasts for fiscal 2015-16 -- while downgrading those of the rest of Asia Pacific save for Fiji and Vietnam.

The Manila-based multilateral lender tipped Bangladesh's gross domestic product to grow at 6.7 percent this fiscal year, up from its March prediction of 6.4 percent.

"These are conservative estimates," said Sohail RK Hussain, managing director of City Bank.

Rizvi echoed the same. The country has averaged 6 percent in GDP growth over the last 15 years, which, he said, is a nice, satisfactory story but nowhere reflective of the true potential.

Abrar A Anwar, CEO of Standard Chartered Bangladesh, said the country is at the inflection point and if appropriate level of investment can be channelled to the critical sectors, the potential can be realised.

"Double-digit growth is within our reach. At the risk of being called hasty and an adventurer, I am going to say that it will come sooner than many of us are anticipating," Rizvi said.

One of the reasons for the optimism is that Bangladesh has clocked in impressive social development, the bedrock for economic progress.

Its performance in this avenue is much better than any country with comparable level of income.

In the region of South Asia itself, Bangladesh is now well ahead of Nepal and Pakistan, and in many areas, have gone ahead of India and Sri Lanka, according to the prime minister's adviser.

"A society that is so broadly based, growing and remaining stable is the place you want to go to," he told a room packed with interested investors.

Over the course of the day, 252 delegates from 191 companies called in to familiarise themselves with the remarkable Bangladesh story.

Gowher Rizvi

The City Bank MD also brought to the investors' attention the "vibrant" private sector and the population of 160 million.

"This means there is more money in people's hands, a larger domestic market," he said, while highlighting the demographic advantage.

Of the total population, more than 50 percent are in the working age bracket, the median age of which is 24-30 years, according to Hussain.

It is an asset that needs to be harnessed, Anwar said.

Subsequently, there are ample opportunities for investors in labour-intensive industries such as readymade garments, household textiles, leather processing, agro products, food and beverages and so on, Hussain said.

Rizvi said all the elements that investors look for are present in Bangladesh.

"The fundamentals are right. Your investment is safe. The returns proportionate to risks are very attractive. There is macroeconomic stability along with policy continuity and predictability."

Furthermore, the country is providing a host of incentives by way of fiscal concessions, tax holidays and so on, which, if not better, are on a par with other countries, he said.

The SCB CEO said the opportunities for investment in the country far outweigh the current challenges.

At the end of the day, investments need to make sense and investors look forward to a decent return, security of their investments and ability to repatriate dividend and capital when required.

"We have been able to do that, and I am sure, all of you who are contemplating investment in Bangladesh would also be able to do that in due course."

Pal Stette, director of project and corporate finance of Telenor, Grameenphone's parent company, shared the Norwegian telecom giant's experience of investing in Bangladesh.

In less than two decades, Grameenphone has logged in turnover of more than $1 billion and is producing very good margins, with EBITDA (earnings before interest, taxes, depreciation and amortisation) in excess of 50 percent.

In short, it is one of the star performers of Telenor's portfolio.

It took Grameenphone six years to get its first million subscribers and six months for the next million, Stette said to demonstrate the rising appetite and means of the country's consumer market.

Bangladesh is a country where honey is not pouring from the sky but it is growing from the ground, said Mahfuz Anam, editor and publisher of The Daily Star.

"Today, I can stand in front of you confidently and say that we will not disappoint you," Rizvi said as he wrapped up the event.

Power: the safest bet

BRITISH statesman Winston Churchill once said that a pessimist sees difficulty in every opportunity and an optimist finds opportunity in every difficulty. The power sector of Bangladesh is now at such a juncture.

By 2030, the government is aiming to more-than-triple its installed power generation capacity to 38,700 megawatts to befit its growth ambitions -- an exercise that will require about $55 billion of investment.

"It's a challenge and an opportunity for investors," said Mohammad Hossain, director general of the power ministry's power cell.

Getting the primary energy would be a big task, according to Humayun Rashid, managing director of Energypac Power Generation Ltd.

So prospective investors can look to get involved with coal, gas or fuel supplies, he said. "There would be steady returns on their investment for the next 15-20 years."

Coal projects would be the ones to look out for down the line, according to Nazmul Haque, director of investment and head of advisory of Infrastructure Development Company Ltd (IDCOL).

After all, the government is looking to generate majority of the 38,700MW of electricity from coal, as the domestic gas reserves are fast depleting, Hossain said.

In the Power Sector Master Plan 2010, 19,650MW was earmarked under coal. But for the moment the government is focused more on setting up power plants running on imported coal, and it will be reflected when the Master Plan 2015 is revised this year.

For financing projects of up to 500MW, there is adequate domestic capacity now, but it is the larger ones, of about 1,300MW, that can be done with foreign investments, Haque said.

Environmental concerns though often hold back foreign investors from putting their money in coal projects.

But Hossain said that all coal projects in the pipeline are above 600MW and they are all based on the ultra-supercritical (USC) technology.

The USC technology requires less coal per megawatt-hour, leading to lower emissions (including carbon dioxide and mercury), higher efficiency and lower fuel costs per megawatt.

Besides, the power sector is one of the most well-structured sectors of the country, Haque said. "There is very little risk for investors, with the government bearing most of them, such as fluctuations in fuel prices in the world market."

"It's a proven system. It has worked successfully for two decades which is why private participation is blooming in the sector," Hossain said.

There is sovereign guarantee from the government and the Bangladesh Power Development Board has never defaulted on its payment.

Rashid, who runs an independent power plant, validated Hossain's claim, saying that the BPDB always makes sure to clear their dues on time.

"It is totally protected, so investors can be very comfortable. They are all bankable documents."

He said the government needs to be lauded for taking this matter very seriously and doing it properly.

There is an attractive incentive package too for investors.

ROADMAP FOR 2030

ELECTRICITY	38,700mw
TRANSMISSION LINE	19,089km
SUBSTATIONS	102
POWER PLANTS	54

From left, **Nazmul Haque, director of investment of IDCOL; Humayun Rashid, MD of Energypac Power Generation; Mohammad Hossain, director general of the power ministry's power cell; and Tanjib-ul-Alam, partner of Tanjib Alam and Associates, attend a discussion on the power sector.**

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For instance, there is a tax holiday for 15 years and no value-added tax, customs duties and other surcharges on plants and equipment.

Repatriation of equity along with dividends is allowed, and the foreigners working in the plants are also not left out: they get tax exemption and repatriation facility on royalties, technical know-how and technical assistance fees.

Due to many bilateral agreements, double taxation would be avoided.

Other than generation, there are investment opportunities in transmission and distribution too.

The country is very much comfortable with the direction being taken for generation, but more needs to be done with transmission and distribution, Hossain said.

"It is not because of a lack of planning or vision. First you have to generate, then transmit and distribute. It is the sequence that things happen, and in the past we have not followed that."

Before 2009, there were thousands of kilometres of transmission lines with no power to distribute.

To mitigate the transmission problem, the government plans on taking up independent system operators which will create scope for private investment. Some of the segments of the grid will be developed under a public-private partnership.

The distribution too would be opened up to the private sector.

Another area for investment is renewable energy.

The government has targeted to generate 3,000MW from renewable sources, but has managed only 175MW so far.

The achievement is not too encouraging, so there is enormous scope for foreign investors, Hossain added.

IT: the next bright spot

BANGLADESH and readymade garments 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 services sector.

It all started in 2008, when Prime Minister Sheikh Hasina laid out the vision of building a digital Bangladesh by 2021.

Since then, lots of great things have happened in the ICT sector, said Shameem Ahsan, president of the Bangladesh Association of Software and Information Services (BASIS).

For instance, it has attracted the likes of South Korean electronics giant Samsung, which set up a software research and development centre in Dhaka in 2010, and global outsourcing firm Accenture, which has a large business process outsourcing (BPO) outfit.

Gartner, an American IT and research firm, counts Bangladesh among the top 30 outsourcing destinations in the world, and the country came in at No. 26 of Chicago-based global management consultancy firm AT Kearney's index of top 50 offshoring destinations.

It has gone on to become a huge hub for freelance work via online marketplaces such as Upwork, punching with heavyweights like India and the US and coming higher in the rankings than China, Canada and the UK.

Today, the IT sector in Bangladesh is a $600 million industry, with more than 1,500 firms and 40 offshore development centres -- and is steaming ahead with wind under its sails.

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

To harness it, the Asian Development Bank, the World Bank and finance ministry have taken up projects to train about 59,000 IT professionals over the next 3-4 years.

The government, too, is very committed to making sure that the sector reaches its full potential: it has granted tax exemption until 2024, withdrawn value-added tax from e-commerce and given 300 acres of land in Kaliakoir to develop an industrial park.

It has also passed the national ICT policy virtually unchanged from the version that BASIS handed over.

"This kind of partnership between the public and private sectors is very rare," said Ahsan, a general partner of Silicon Valley-based venture capital firm Fenox, which launched a $200-million fund to invest in Bangladesh's technology, internet and media sectors.

But what the sector really needs for the definite leap now is thought leadership and infrastructure, according to Sonia Bashir Kabir, country manager of Microsoft.

But the infrastructure issue could be a boon too: when there is infrastructure, there are inventory issues.

From left, **Abdul Mannan, chairman of Banglalion Communications; Shameem Ahsan, president of BASIS; Sonia Bashir Kabir, country manager of Microsoft Bangladesh; Sharful Alam, chief operating officer of Aamra Technologies; and Kazi S Munir, MD of ITC Ltd, are seen at a panel discussion on the ICT sector.**

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"You just can't take up the latest and the greatest in technology like Bangladesh did with Telenor and Grameenphone. That is something to consider from an investor perspective," she said.

To address the gap in thought leadership, Syed Farhad Ahmed, managing director of Aamra Companies, said world-class institutions can be invited to set up campuses in Bangladesh.

"We have a vibrant, knowledge-hungry youthful force that needs to be empowered with the right skills set and confidence."

And solid, global institutions can fast-track that process, he said.

"Bangladesh is on the right track. It will excel in ICT -- there is no doubt about it. But the question is, do we do it in 10 years or three years?"

About the major investment opportunities, Abdul Mannan, chairman of Banglalion Communications, said: "Broadband internet and 4G are the future."

But it is costly to build the infrastructure for it: just to cover the urban areas, a few hundred million dollars will be needed. So, the country could do with overseas investment in this area.

Sharful Islam, chief operating officer of Aamra Technologies, too highlighted internet infrastructure as an area ripe for foreign investment.

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

He shed light on the 25 percent acquisition of local firm bdjobs.com by Australian job site SEEK International last year as the potential of the sector.

SEEK invested in the company with a $20 million valuation, and the individual who made an investment in bdjobs.com seven years ago got 28 times the return.

"That's the kind of return on investment you can expect if you put your money in Bangladesh."

PPP: bridging infrastructure gap

Syed Afsor H Uddin, CEO of PPP Office, gives a presentation on the achievements and opportunities in the PPP sector.

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FOR Bangladesh to become a middle-income country by 2021, its investment in infrastructure needs to increase from 2 percent to 6 percent of gross domestic product, and for that the government has pinned its hopes on public-private partnerships.

In 2010, it formed the Public-Private Partnership Office, and in 2012, it drafted in a former senior adviser of the British government's PPP team, Syed Afsor H Uddin, to rudder the unit to success.

On paper, the government seemed to have stumbled upon a formula to close its infrastructure gap. But the reality was far from it: the unit is yet to deliver on an infrastructure project and for that it has come under fire from various sections.

Afsor though says the commotion is due to people's unfamiliarity with the concept.

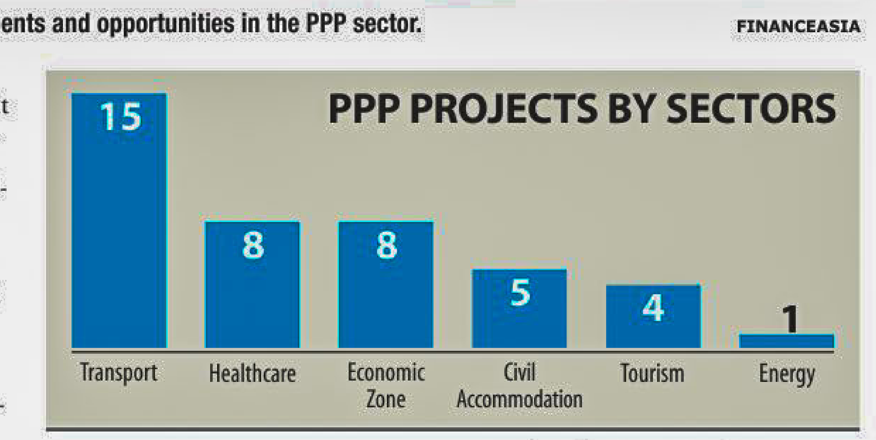
He cited the case in the UK where a good 10-12 years had passed before the concept well and truly took off. It was the same in neighbouring India, where the movement started in the mid-90s but it was not until the mid-2000s that the momentum came.

"No country has delivered PPPs overnight -- it has never happened."

The reason being the adage about infrastructure: that it can either be done fast or well.

"These two cannot go hand in hand. There is going to be a compromise," said Afsor, who previously worked at PricewaterhouseCoopers consulting the UK government departments on how best to structure their PPP projects.

Over the last few years, the PPP Office, which reports directly to the prime minister, has been working to get an environment in place that gives investors the confidence that it has really thought through on how to get the projects done in a structured manner.



One of the exercises was to frame the PPP Bill 2015, which was passed in parliament on September 7.

Isobel Chatterton, manager of International Finance Corporation's Asia-Pacific PPP Transaction Advisory Services, validated Afsor's claim, saying: "Rarely have we seen such a systematic approach as the one in Bangladesh."

In fact, the Asian Development Bank has highlighted Bangladesh and the Philippines as the two models for emerging markets to follow when it comes to developing PPP programmes.

At present, there are 43 PPP projects in the pipeline in Bangladesh, worth about $43 billion, with the highest being in the transport sector, 16.

With respect to emerging countries, Bangladesh has the best pipeline of projects after the Philippines, according to Afsor.

Contracts worth $1.3 billion have been signed for six of the projects, which include the Dhaka Elevated Expressway, blocks – 2,3 and 5 of Kaliakoir hi-tech park, and two dialysis centres in Dhaka and Chittagong.

Some seven projects, worth $250 million, are in the procurement stage, including the one for setting up the Mongla Economic Zone, the construction of two jetties at Mongla port and the Mohakhali IT Park.

In the development stage are projects worth about $1 billion. These include the Dhaka Bypass, Mirershorai Economic Zone, Shantinagar-Mawa Flyover, development of the Chittagong and Khulna railway stations and Khanpur inland river port.

The development stage involves rigorous feasibility studies, which take about 12-18 months. Issues ranging from project merits to technical viability and project designs to environmental impact are examined.

PPPs typically fail when not enough work is done to understand the commercial, legal and technical aspects of the projects, Afsor said.

To avoid such a scenario, experts, technicians, transaction advisers and consultants from leading global accountancy firms are brought in to better understand how the projects can be delivered in a robust and accelerated manner.

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

"The last thing I want to do in the PPP Office is to issue a tender that is not prepared thoroughly. A badly prepared project will fail, I can guarantee. Maybe in the first year, or the fifth year, but it will fail."

But the unit is working in a very structured mechanism -- with strictly no ad hoc processes -- so a fixed deadline is being followed for all the stages.

The procurement stage goes on for 12-16 months on average and Afsor feels the processes for it can be fast-tracked.