

Standard Chartered Bangladesh and City Bank sponsored a daylong conference in Hong Kong on April 26 to highlight Bangladesh's macroeconomic fundamentals, growth sectors, the investment outlook and the associated challenges. Representatives from prominent global financial firms attended the event styled "Bangladesh Investment Summit, Asia". FinanceAsia, a leading financial journal in the Asia and the Pacific, in association with the AsianInvestor, a magazine focused on financial services in the region, organised the event, which was supported by the Board of Investment of Bangladesh. Sarwar A Chowdhury reports.

A country ready and hungry for investment



From left, Ranjan Mahtani, chairman of Epic Group; Zunaid Ahmed Palak, state minister for ICT; Shahriar Alam, state minister for foreign affairs; Syed Faruque Ahmed, chairman of Aamra Companies, and David Hasanat, chairman of Viyellatex Group, attend a panel discussion on "export potential and ICT development".



AMA Muhith

Bangladesh holds all the key elements to be the most lucrative destination for foreign investors in the Asia Pacific region as China and other rising economies are becoming costlier for doing business. Foreign investors can take advantage of the country's favourable atmosphere, macroeconomic stability, demographic dividends and the expanding domestic market, policymakers and private sector leaders said at the summit. "Never before, Bangladesh was so well prepared to absorb talent, technology and investment from outside. Never before the country was so investment hungry as it is today," Finance Minister AMA Muhith said in his keynote speech at the summit, which was the fourth of its kind. Muhith went on to assure the prospective investors that the environment for doing business will only get better in the coming days.

"We are open to you, to your ideas, innovations and enterprises," he said, adding that the attitude is making the country dream of becoming a developed country by 2041. "Tawfiq-e-Elahi Chowdhury, the prime minister's adviser on power, energy and mineral resources, said: "Bangladesh is an unfolding story. Join us. We will make money, you will make money." Citing the robust growth in power generation over the last seven years, he stressed the need to conserve power for sustainable development. "Still there are unlimited opportunities for investment in the power sector, and we will need to generate some 46,000MW by 2041 with \$15 billion worth of investment," he added. Ajay Kanwal, chief executive officer of Standard Chartered Bank for the Asean and South Asia region, said Bangladesh is a

very strong and resilient economy and has been maintaining progressive growth since its independence. "So, it's a lucrative investment destination," he said, adding that the key factors that can attract foreign investors are there: stable GDP growth, steady currency and a stable government for many years. "For a foreign investor, good returns, capital safety and dividend or capital repatriation are the three major issues. "From our experience in Bangladesh as a foreign investor, we can say that all the three conditions are met," he added. Sohail RK Hussain, managing director of City Bank, highlighted Bangladesh's potential, citing the ratings from agencies such as Fitch, Moody's and others. Hussain mentioned fuel and energy, labour-intensive industries and agro-processing sectors as the high growth opportunities. Zunaid Ahmed Palak, state

minister for ICT, said Bangladesh had previously been featured as a disaster story. "Over the last few years, the image has changed thanks to the steady growth of over 6 percent, demographic dividends and the implementation of the Digital Bangladesh vision. "ICT is a potential area to invest in and now is the best time to do so," he said, while referring to the government's plan to set up 12 hi-tech industrial parks around the country where investors would get complete repatriation and tax benefits. Referring to different international agencies' forecasts on Bangladesh's economy, Shahriar Alam, state minister for foreign affairs, said: "Bangladesh is clearly the preferred next stop for the sourcing caravan." Biru Paksha Paul, chief economist of Bangladesh Bank, delivered a presentation on monetary policy.

Keep the interest of foreigners alive

Foreign investors' interest in Bangladesh is gradually rising, as the country's macro-economic fundamentals are increasingly being watched with a keen eye by many investors. Bangladesh is one of the few countries that have been consistently growing at upwards of 6 percent over the last decade and now is trying to break the 7-percent barrier. Abrar A Anwar, chief executive officer of Standard Chartered Bangladesh, told The Daily Star in an interview. When the economy grows, the demand for infrastructure development and the domestic demand create an opportunity for investment from equity investors or institutional investors, he said. "In economics, investment finds its own destination. If there is potential, it will be done. Bangladesh is becoming a very interesting market for many investors. The Asia-focused British bank is among the largest foreign investors in Bangladesh, and it is continuing its efforts to bring in more foreign investment by displaying its positive experience in the country. "We are operating here for more than 110 years. So, hearing from us is a testimony that Bangladesh is a country where foreigners can invest. Whatever it is, positive or negative, one can invest and have a reasonable business here. That's what we try to project."



Abrar A Anwar

Since 2012, SCB has been sponsoring the Bangladesh Investment Summit, a daylong event held every year to showcase the money-spinning opportunities that are waiting in the country. This year, the annual event took place in Hong Kong, a centre of today's east-focused global economy. "Hong Kong is the hub of Asia Pacific financial centre and if you look at the Hong Kong investors, they have been investing outside their country - in China or Vietnam." But the investors are looking for manufacturing bases away from China and Vietnam, where the cost of doing business is going up. Besides, there are lots of investors from Hong Kong already in Bangladesh. "So, it's the hub and there are lots of funds,

family offices, asset management companies and primary equity funds, and institutional investors who are investing in frontier markets or emerging markets." The purpose of the investment summit was to invite this type of investors who would like to know more about Bangladesh and try to find potential engagement. "But it does not mean that investment will increase overnight - it will grow gradually." This year's summit was special in that the finance minister, prime minister's energy adviser, the state minister for foreign affairs and the state minister for ICT all came out to highlight the government's commitment to providing policy support and other incentives to foreign investors. "The investors saw a direct commitment from the government high-ups," Anwar said, while expressing his satisfaction with the outcome from this year's summit. When an investor intends to come in the country, they basically look at whether they will be able to get back their returns, whether they will be able to repatriate their funds and if their investment is safe in the country. "And an investor can find all the ingredients here." Previously, there was a problem to find land for foreign investors, but that too has been solved to a certain extent after the government came up with the idea of special economic zones. "People can now find nice land for their manufacturing units," he said. The infrastructure bottlenecks also offer

immense opportunities to the investors. "Many investors who are there in Bangladesh have not left us," said Anwar, citing Unilever and Grameenphone as examples. The career banker said the assets of SCB are increasing as the country's conditions are getting better. The bank's assets are now more than \$5 billion. Referring to the seventh five-year plan, he said the country is targeting aggressively to go beyond the 7 percent growth rate. "Will it happen just like that? It will not. The biggest challenge would be to finance this." Currently, the investment to GDP ratio is about 29 percent and it needs to go beyond 30 percent. "It means we need investment of around \$60 billion every year. So, where will it come from? It will come from domestic resource mobilisation and also in the form of foreign direct investment and other capital." Anwar said the increasing domestic demand can also play a vital role in attracting foreign investment. "With the increase in purchasing power of people, we have seen the surge of domestic demand, which itself is a good opportunity," he said. Seven years back the country's budget size was only \$10 billion, and this year the finance minister will be announcing a \$50 billion budget. "It indicates the extent of domestic resource mobilisation and also the hunger for investment." The SCB is also exploring the possibility of issuing sovereign or quasi-sovereign bonds, such as a power bond, an energy bond or a port bond, to cater to projects for a particular sector. Many would say that there is no need to issue sovereign bonds when the country has a good reserve, of almost \$30 billion. "It's not about raising money; it is for creating a benchmark and telling the foreign investors that Bangladesh has entered the global capital market. It's more likely to keep the investors engaged," Anwar added.

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Bangladesh story needs fresh packaging

Large investments in power and energy and other big infrastructural sectors in order to achieve a sustainable 7 percent economic growth rate, and foreign investors can take the opportunity, said a local banker. "As Bangladesh economy is forecast to grow by 7 percent in the coming years, an ambitious public infrastructure investment programme is necessary to support economic activities and help Bangladesh become a middle-income country by 2021," said Sohail RK Hussain, managing director of City Bank. There are no arguments about which key areas need large-scale investment support. There are certain sectors where lots of works need to be done, where the growth potential and return potential for the investors are very high, he said. "The sectors include infrastructure, energy and power, leather, apparel, food processing, pharmaceuticals, tourism, agro business and ICT. Besides, there are a number of public-private partnership projects that would provide foreign investors lucrative returns, he said. Hussain's comments came in an interview with The Daily Star on the sidelines of the Bangladesh Investment Summit, Asia, which took place last month in Hong Kong. He said country-level investment summits are significant events that can showcase a country's growth potential to a sizeable foreign audience. These summits are important to attract both direct and non-direct foreign investments into a country. At such summits, investors can gather valuable information on the key sectors of investment as well as learn the technical details related to making the investments. "We at City Bank act as intermediaries between the investors and the destination country, which, in our case, is Bangladesh," he said, adding that this type of conferences is necessary for Bangladesh in many ways. The summits offer the Bangladeshis businessmen and also the public sector a platform to get closer to prospective foreign investors. Hussain said the country has pursued a series of liberalisation policies to attract foreign investments. "These reforms, combined with a stable political situation, have helped in achieving the impressive GDP growth rate that we are now enjoying for many years. He said this year's summit was a unanimous success.



Sohail RK Hussain

"Lots of investors, global and regional players, private equity funds, banks and industry giants from Hong Kong and other countries like Malaysia, China, Singapore and Middle East participated in the summit, and so did a few big family funds." Bangladesh's strategic economic vision is integrated with and tied to China's 'One Belt, One Road' programme, according to Hussain. "We want to reap the benefits of pushing this long-term strategy across Asia, and the starting point of that marathon run should, logically, have been Hong Kong." The banker said there is no doubt that Bangladesh is still not getting the expected level of FDI. "The outside world seems still not fully convinced about our political stability and our consistency in good economic growth performance." The other factors such as energy shortage, limited infrastructure, overlapping administrative policies and unexpected delays in drawing up feasibility for projects have also contributed somewhat negatively, he said. The country needs to take further effective steps to overcome these issues, some of which are perception-based and some real. "Both the public and private sectors need to cooperate in developing the infrastructure and implementing economic reforms, he said. "We also need to modernise the laws relating to business and investment operations putting emphasis on adopting international best practices." The development of new industrial parks can play a very important role as well. Economic and commercial diplomacy too, at both global and bilateral levels, can help overcome a lot of the perception related hurdles. "In short, the new narrative of a rising and a new Bangladesh needs to be proactively formulated and told in a systematic, consistent manner." Being one of the leading financial institutions in the country, City Bank believes it can play a part in that, he said. City Bank has been a part of the Bangladesh Investment Summit since the beginning of the event. "Over the years, we have basically developed certain expertise in holding international events like this." Besides, City Bank has all the required gears to fully facilitate the banking operations of foreign investors, Hussain said. "We are equipped with all the know-how of cross-border financial transactions in this regard. We can provide the investors an easy and hassle-free banking platform and all the associated solutions they need." When the bank deals with foreign investors, it talks about the country's latest achievements, ongoing developmental projects in the pipeline and the expected macro level outcomes from those, Hussain said. "We also highlight the government's commitment towards nation building, and emphasise the large, young and hard-working workforce that we have. We also stress the vibrant private sector and a large local market," he added.



Paban Chowdhury, executive chairman of Bangladesh Economic Zones Authority, delivers a presentation on 'investing in the economic zones'.

Economic zones in Bangladesh would be the most preferred place for foreign investors who intend to come in the country and want to set up fully-owned or joint venture companies, as the designated areas offer hassle-free, unbound, diverse and long-term investment opportunities. "We are establishing the economic zones mainly to attract investment from both home and abroad," said Paban Chowdhury, executive chairman of Bangladesh Economic Zones Authority (BEZA). "The economic zones offer one of the best tax incentives in the region - in terms of fiscal and non-fiscal incentives." By setting up a production unit in an economic zone, a foreign entrepreneur can easily enjoy Bangladesh's significant market access to developed and neighbouring countries, demographic dividends, the domestic consumer market and most importantly, the cheap labour force. Bangladesh offers the most low-cost workforce in the region. "Monthly minimum wage in Bangladesh is only \$70, the lowest in the region." He said the government also intends to provide similar fiscal and financial incentives and benefits to the industrial units as provided to the units in the export processing zones. Developers will enjoy tax exemption for 12 years, while investors will get the same exemption for 10 years, he said at Bangladesh Investment Summit while presenting a keynote paper on "investing in the economic zones". "The location of the economic zones has been chosen based on regional connectivity, abundance of labour force and backward linkage opportunities," he said. He said Bangladesh is the second easiest place in the region to do business as well as to start a business. The country stood first in a survey in terms of ensuring investor protection and paying taxes, he said. Referring to a recent Jetro survey, he said Japan considered Bangladesh as their top favourite investment destination in South Asia. Bangladesh has the access to a regional market of 1.5 billion people through regional and bilateral integrity in South Asia, he said. The BEZA executive director said the country has preferred market access to large developed markets. European Union accounts for about 53 percent of Bangladesh's exports, while the US accounts for 21 percent, he said. "Asean and East Asian investors can utilise Bangladesh as an export springboard," said Chowdhury. Bangladesh also has a large domestic market of nearly 160 million people with a fast growing middle class and increasing purchasing power, he said. Despite ups and downs in the global economy and the subsequent slump in growth, Bangladesh's economy has been maintaining an impressive

Prospects brighten for power investors

Bangladesh's power sector offers boundless opportunities for foreign investors as the country looks to generate 60,000MW of electricity by 2041 - a move that will require investment worth \$20 billion. Tawfiq-e-Elahi Chowdhury, the prime minister's adviser on power, energy and mineral resources, invited foreign entrepreneurs to invest in gas and coal-based power projects. "We need this investment so that we can smoothly supply power to the industries and entrepreneurs." The investment opportunities are not restricted to generation of power; the country will require another \$20 billion of investment in transmission and distribution, he said. "Although there is monopoly in transmission, we want to come up with innovative ways for the private sector to participate, either as investors or financiers in transmission." Bangladesh recorded robust growth in power generation over the last seven years, he said. During the period, the sector saw \$8 billion of investment flow in public-private partnerships, while another \$13 billion is waiting in the pipeline. The investment has resulted in access to electricity for nearly 80 percent of the population; seven years ago, it was only 47 percent.

POWER GENERATION PLAN IN MEGAWATTS

	Existing	2021	2031	2041
Coal	300	4,300	20,000	26,000
Gas/LNG	7,800	9,800	8,500	17,500
Nuclear			4,000	6,500
Regional grid	600	1,100	4,500	4,000
Others	3,800	8,800	3,000	6,000
Total	12,500	24,000	40,000	60,000

according to Chowdhury. "We are investing in additional facilities, which would raise the cost for a while but would protect or mitigate the likely environmental impacts." Chowdhury also said liquefied natural gas will be in place by 2017 or early 2018. In a discussion on energy and power, Mohammad Hossain, director general of the power cell at the power, energy and mineral resources ministry, said the country is not compromising on the environment by introducing coal-fired power plants. "But when we talk about a 1,300MW plant, we need long-term financing. We will need a combination of foreign investment, equity and debt." Humayun Rashid, managing director of Energypac, said Bangladesh is hungry for electricity as the country's per capita power consumption is one of the lowest - only around 370KW. The existing power generation

Economic zones promise dividends

growth rate of more than 6 percent on average over the last 10 years, he said. He said energy prices in Bangladesh are much cheaper compared to the neighbouring countries. "Bangladesh still offers low-cost power and energy compared to Myanmar and Vietnam," he said. Beza has set an ambitious target of building 100 economic zones across the country by developing about 75,000 acres of land. "We want to create employment opportunities for about 10 million people by 2030." Beza awarded licences to seven private economic zones in the last one year, and construction work of two of those - Abdul Monem Economic Zone and AK Khan Economic Zone - is going on. Beza also signed an agreement with PowerPac for developing the first economic zone under public-private partnership in Mongla. It is also setting up three other economic zones modelled on PPP: Mirsarai Economic Zone in Chittagong, Srihatta Economic Zone in Moulvibazar and Sabrang Tourism Park in Cox's Bazar. Of these, Mirsarai Economic Zone is under development. Beza also signed a memorandum of understanding (MoU) with China Harbor Engineering Company to develop Anowara-2 Economic Zone in Chittagong. "We have also signed MoU with India, China and Japan to develop economic zones," said Chowdhury.

INVESTMENT REQUIREMENT IN BILLIONS OF \$

	FY 2016-21	FY 2022-31	FY 2032-41
Generation	9	13	20
Transmission	4	6	10
Distribution	3	5	10
Total	16	24	40

plants. "We have adopted the latest technologies to address the environmental concerns." The government has decided to import LNG and a couple of terminals are under construction, he said. Bangladesh imports 600MW of capacity is around 12,000MW. "By 2021, we have to get 24,000MW and by 2030 we have to get 36,000MW to 40,000MW in power generation. That's the opportunity and I don't think my friends [foreign investors] will miss the



From left, Sohail RK Hussain, managing director of City Bank; Humayun Rashid, managing director of Energypac; Tawfiq-e-Elahi Chowdhury, the prime minister's energy affairs adviser; Mohammad Hossain, director general of the power cell at the power, energy and mineral resources ministry; Naser Ezzaz Bijoy, head of corporate banking of Standard Chartered Bangladesh, and Mamun Rashid, managing partner of PwC Bangladesh, attend a panel discussion on 'power and energy'.

opportunity to invest in Bangladesh." He, however, said problems in transmission and distribution, instrumentation and controls are the biggest challenges today. "It's the government's task to turn all these challenges into opportunities." He said the exit policy is one of the exciting factors for a foreign entrepreneur to invest in the power sector, as anyone can exit or get back the investment easily. "Many countries do not have the exit policy." Mamun Rashid, managing partner of PwC Bangladesh, said the country's power and energy sector is grappling with several challenges such as a widening gap between demand and supply, ageing power generation assets, inadequate gas supply, increased dependence on furnace oil and overdependence on natural gas. "Assessing patterns in sectoral gas consumption is necessary for efficient allocation of gas resources and exploring opportunities for fuel diversification." The existing power generation