



## Economic sustainability requires increasing FDI

**By and large, FDI is a crucial mechanism for addressing the foreign currency crisis. While Bangladesh has made progress in attracting FDI in absolute terms over the past few years, the FDI-to-GDP ratio remains unsatisfactory compared to peer countries in South and Southeast Asia. To improve this situation, Bangladesh requires a paradigm shift through comprehensive policy overhauls and the establishment of political stability to boost investor confidence.**

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still lags significantly behind other Asian countries in this regard. Another critical factor is investor confidence, which depends on a stable political atmosphere and investment-friendly rules and regulations. These aspects have been adversely affected in the past and continue to pose challenges. Political instability, in particular, has been a significant barrier to FDI since the country's independence.

Additionally, bribery and bureaucratic red tape are other pressing issues that need urgent attention. At every stage of file processing, investors reportedly face demands for substantial bribes from public servants, a frequent complaint among foreign investors. Red tape, characterised by sluggish administrative procedures and unnecessary delays in file processing, often occurs without major justification and is instead attributed to trivial reasons. These two issues coexist, perpetuating inefficiency and inertia within the administrative system.

The driving force for boosting FDI is country branding. Bangladesh urgently needs to establish a strong country brand, and in this regard, the Bangladesh Investment Development Authority (BIDA) should take on the role of Chief Communication Officer (CCO) to represent the country to the rest of the world. Another crucial aspect for advancing business-friendly policies is the ease of regulatory frameworks. Broad deregulations can serve as a win-win strategy to attract investment by streamlining VAT and tax regulations, simplifying new business or joint venture (JV) registration processes, and implementing straightforward administrative rules.

Access to physical infrastructure facilities, especially ports, communication networks, customs, the National Board of Revenue (NBR), and respective secretariat departments, must be ensured without obstacles. In this regard, all government departments related to foreign investors should introduce a One-Stop Service (OSS), which must be coordinated by BIDA with strong oversight. Furthermore, foreign investors should be authorised to transfer their organisation's profits to the host country in foreign currency. Alternatively, options should be provided



to reinvest, retain, or venture into new businesses using the generated profits. Enabling profit transfers will significantly boost investor confidence.

Economic diplomacy should be accelerated through the Ministry of Foreign Affairs (MoFA) to promote bilateral trade and investment, as it plays a significant role in fostering cooperation. It involves utilising diplomatic skills combined with economic tools to advance a country's economic, political, and investment interests. Economic diplomacy operates at three levels: bilateral, regional, and multilateral, with bilateral economic diplomacy playing a particularly vital role in shaping economic relations.

Furthermore, strengthening

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relationships with ideologically aligned countries of the GCC, particularly Saudi Arabia, Qatar, the UAE, Oman, and Kuwait, should be prioritised to attract FDI. Since its independence, Bangladesh has maintained friendly ties with these countries, and these relationships need to be further reinforced for future partnerships. Areas of focus should include the exchange of Islamic culture and heritage, trade and investment, strategic collaboration, and the transfer of technical expertise.

By and large, FDI is a crucial mechanism for addressing the foreign currency crisis. While Bangladesh has made progress in attracting FDI in absolute terms over the past few years, the FDI-to-GDP ratio

remains unsatisfactory compared to peer countries in South and Southeast Asia. To improve this situation, Bangladesh requires a paradigm shift through comprehensive policy overhauls and the establishment of political stability to boost investor confidence. Additionally, strong coordination among key institutions such as BIDA, Bangladesh Bank, the Ministry of Finance, the NBR, ports, and customs is essential for restoring and enhancing trust. Economic diplomacy led by the MoFA through bilateral, regional, and multilateral cooperation is also a driving factor in fostering partnerships. Lastly, effective country branding through government initiatives will add significant value in attracting FDI opportunities.

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