

FBCCI Submission on Investment Measures for Sustainable Inclusive Development

Introduction: Reducing cost of doing business and at the same time ensuring steady and streamlined flow of trade finance is absolutely imperative for Bangladesh to enable its business to meet the growing twin challenges of Bangladesh's graduation from LDC status in 2026 and supporting trade finance during the COVID-19 crisis.

Bangladesh's trade costs are mostly owing to if red tape, cumbersome administrative and legal procedures, lack of infrastructure support leading to inefficiencies in domestic supply chain and trade logistics. Bangladesh would inevitably need improved efficiencies in domestic supply chains and production networks to offset such disadvantages and generate external competitiveness.

Investment Facilitation: Investment promotion is effective only with a congenial investment environment. Without an appropriate business climate for investment, promotional efforts might actually make foreign investment less likely and can even be counterproductive.

It is extremely difficult to convince an investor to come back if he was disillusioned during his very first investment process. The disappointed investor is also likely to be vocal about his disenchantment and, so, discourage other potential investors.

Investors are highly allergic to unpredictable regulatory framework, lack of transparency, judicial complexities & inefficiencies, lengthy and discrete administrative procedures, lack of structural reforms, and unresolved property ownership issues weigh heavily upon the investment climate.

The most essential and foremost pre-requisites of congenial investment environment are, among others, the following:-

- One-stop services to simplify regulations and mandate a rapid response to investor requests from each relevant ministry;
- Easing business registration requirements
- Quality of available human capital;
- Streamlined administrative procedures to quicken and to reduce the cost of establishing a new investment ensuring post-investment facilitation in most professional way;
- Business friendly laws, regulations and administrative policy environment ensuring most cost effective ease of doing business;
- Investment financing with low transaction costs;

- Cost effective Power, energy, ICT and multimodal transport and communication Infrastructure;
- Appropriate mechanisms for enforcing legal rights, obligations and settlement of disputes.

Sustainable Investment Measures: Business friendly liberal trade and investment regimes combined with an active competition policy generally provide a fertile environment for the transfer of technology which in turn propels the economy keeping pace with time.

To conduct administrative reforms for whole-of government approach for preparing and executing comprehensive strategies in close cooperation and coordination among various ministries and departments in partnership with the private sector.

To reform and streamline our supply and demand-side policies and regulatory regimes for simplification, removal of red-tape, unnecessary costs and time to facilitate a business and environment friendly policy regime in a sustainable and predictable manner.

To adopt appropriate rules of business for line ministries and agencies for respective sectoral trade facilitation responsibilities. Setting up: single window service, online exchange of docs, sectoral help and service desks, Skill & HRD, transfer of technology etc.

Registration & Certification process: To establish single window system with prudent SoP of the respective line agencies and the sponsoring and promotional sectoral bodies for reducing the cost of doing business by simplifying the existing costly and cumbersome at least 30 different registration and certification requirements and processes under a binding Mutual Memorandum of Understanding (BMMoU).

Tax Registration should be the license for investments instead of Trade License issued by the local government bodies.

To expedite setting up sector-specific industrial parks/clusters that will provide necessary support infrastructure, utility services and required logistic backup along with fiscal and financial incentives package. To equip industrial parks/clusters for the specific sectors and CMSMEs that will provide **at breakeven price** along with fiscal and financial incentives package, necessary support infrastructure, including:

- i) ensuring proper infrastructure;
- ii) common facilities centres for sector specific CMSME producers;
- iii) providing special uninterrupted utility services;
- iv) arrangements for waste disposal; and
- v) ensuring obligations on compliance

Following the global trend, Bangladesh needs to develop a multimodal transport network to reduce time and real cost of transport and integrate itself with the regional and global transport network to derive the benefits of growing regional and international trade.

To expedite cost effective and commercially viable power sector business structure to ensure uninterrupted and incremental power supply at most economic and competitive rates in order to minimize labour and raw material waste. The industry should have the facility of getting priority power connection and gas supply.

To rationalize tax and tariff regimes to integrate Bangladesh business most effectively with the global value chain and also strengthen a rational, transparent and efficient revenue policy and trade facilitation system.

To adopt cost-effective compliance friendly regulations to facilitate business to adopt appropriate measures for sound disposal of wastes and environment-friendly recycling with necessary technical and financial assistance package. Bangladesh does not have a proper waste disposal system causing serious threat to environment and health. Outdated and traditional technologies make waste management and recycling process unclean, hazardous and inefficient.

To expedite appropriate cost-effective and compliance friendly waste disposal practices and establish effective recycling chain with necessary technical and financial assistance package is an integral part of economic governance.

To set up Sectoral Internationally Accredited Standard Certification Bodies preferably on PPP basis to facilitate marketing of products in local and global markets and also set up common testing laboratories in each economic zone and cluster assigned to specific sector. Technical and Financial support for obtaining accredited quality certificates for exported and imported goods and services.

MSMEs and most of other industrial sectors lack capacity in meeting international quality & standards. Internationally accredited standard certification bodies on most of our products do not exist in Bangladesh. It is impossible to engage in global trade without accredited certification of Export products.

Priority Sectors for FDI:

Blue economy: Coastal and Deep-Sea mining; LPG and Fuel Plants; Marine Fisheries and Fish Processing; Logistics Infrastructure and Shipping including Multimodal Trans-Shipments; Coastal Tourism;

High-tech value added leather products, Jute & Plastics Industry; Man-made Fibre Industry; Clean Energy & Power from Fossil Fuel; Harnessing Sub-Himalayan Regional Renewable Energy Resources.

Facilitating investment abroad to promote export and facilitating prudent imports by establishing warehouses, marketing outlets & distribution network and after Sales Service Centers in target markets.

Trade Finance Measures: Trade Finance, an integral part of commercial activity, has significant influence on trade promotion, commercial transaction and financial inclusion. Reducing the cost of doing business and ensuring steady and smooth flow of trade finance are absolutely imperative for Bangladesh in enabling its businesses environment facing the upcoming challenges of financial markets, particularly at the trajectory of its journey to graduation from the LDC (Least developed countries) status in 2026 and supporting trade finance during the COVID-19 crisis.

The trade finance facility should ensure, among others, to provide working capital, using the underlying products or services being imported/exported/transacted as security/collateral, to be more competitive to both suppliers and customers, by reducing payment gaps in trade cycle by facilitating beneficial supply chain relationships and growth.

It is important to note that trade finance focuses more on the trade than the underlying borrower. Therefore, small businesses can use trade finance to trade significantly larger volumes of goods or services and work with stronger end customers.

Cottage, Micro, Small and medium-sized enterprises (CMSMEs) : CMSMEs are the backbone of the national economy in Bangladesh. CMSMEs are particularly suitable for the densely populated countries like Bangladesh where these sectors can provide huge employment opportunity with much lower investment.

The contribution of CMSME sector to the GDP of Bangladesh is 25 percent. Creating employment, increasing income, achieving economic growth and alleviating poverty and social progress are major coverings from CMSME`s.

There are 6 lakh economic institutions in the country (cottage - 8.52%, micro - 1.33%, small - 10.99%, medium - 0.09%, Large - 0.08%). About 99% of the total economic institutions of the country belong to the CMSME sector. The MSME sector (including cottage industries) employs about 2.1 crore people directly and indirectly. All these organizations provide 60-70% industrial employment.

Major problems of Trade Financing for CMSMEs SMEs are:

- Higher interest rate and lack of long-term loans
- Creditworthiness of the SMEs as the importer/exporter
- Comparatively high rate of interest (in case of trade finance/credit)
- Higher rate in case of add-confirmation (by the international banks)
- Inadequate trade financing products/funds by the local banks targeting CMSMEs
- Lack of innovative/SME friendly trade financing products by the local banks
- Higher cost of discounting, KYC and transaction costs by the CMSMEs
- Capacity gap of banks to address special needs of CMSMEs

Acknowledging the critical importance of trade finance for inclusive and sustainable development FBCCI submits following strategic proposals to ensure access to trade finance for all:-

1. Creation of a grant and low interest credit facility for Trade financing for all including CSMEs through Govt budget allocation, financing by the donour agencies and funds made available by the concerned grant and loan disbursing banks.
2. More than 70% of manufacturing sector in Bangladesh in terms of manufacturing value added is now export oriented. Therefore there should be policy cohesion on manufacturing for export as well as imports for domestic markets, for example ensuring Trade (Export-Import) financing for all including CSMEs including other fiscal and monetary policy supports.
3. To provide low-cost loans without collaterals, to be underwritten in lieu of collateral by Bangladesh Bank and international donour agencies, to CMSMEs duly authenticated by the respective association/designated support agency.
4. The Bank client relationship should not be meant to be the unilateral discretion of respective Banks. The term Bank client relationship should be clearly defined on the basis of preset criteria to evaluate the prospects of financing in a particular unit as per Govt Policies and Regulations.
5. Technical competence of the borrower, operational flexibility, and economic viability of the project, rather than the security which the borrower can offer, should be considered in evaluating a credit scheduling proposal.

Trade finance should also include the following:-

1. To provide financial assistance to build in house capacity in terms of human resource skill development, technological upgrading, product design market intelligence and export marketing.
2. Establishment of Technology Development/Upgradation Fund for promoting diversified and quality exports specially for CMSME sectors of Bangladesh. The fund allocation should be raised to Tk. 10,000 crore for the modernization and technological development for the CMSME export oriented industrial and Agro ventures and integration of SMEs in global digital trade and e-commerce;
3. To set up sectoral Accredited Standard Certification Bodies preferably on PPP basis to facilitate marketing of products in local and global markets and also set up common testing laboratories in each economic zone and cluster assigned to specific sectors.
4. To extend Technical and Financial support for obtaining accredited quality certificates for exported and imported goods and services. and also, for obtaining global registration of IPR for our products and services.
5. Facilitating investment abroad to promote export and facilitating prudent imports by establishing warehouses, marketing outlets & distribution network and after Sales Service Centers in target markets.
6. To effectively establish and activate network of Factoring Services and ICC Incoterms 2020 for facilitating cost effective ease of mutual import and export transactions at home and abroad.
7. Bangladesh Bank should harmonize and rationalize various service fees charged by the individual banks in imports export transactions.

Implementation of Monetary Policy (MP):

MP: Pre-shipment credit refinancing scheme @ IR (BB to banks): 2% and IR (banks to customer): 5.0%: Allocation 50 bTK ; 5.44% disbursement 2.72 bTK. Performance of Banks is very poor despite 3% lucrative margin. Defaulting Banks should be asked to clarify. ***Each bank should be given mandatory targets for disbursement. Focus of this scheme should be on CMSME exporters.***

MP: Credit Guarantee Scheme (CGS) for CMSMEs (Against 274 applications): Allocation 20 bTK; disbursement 0.29b TK: Credit Guarantee Scheme (CGS) for CMSMEs only against 274 applicants demonstrate lack of interest to reach the target group. Defaulting Banks should be asked to

clarify. **Allocation should be increased to 50 bTK and each bank should be given mandatory targets for disbursement. Focus of this scheme should be on rural firms and CMSMEs.**

The BB fund allocation should be raised to Tk. 20,000 crore for the modernization and technological development for the following priority sectors:-To promote new entrepreneurs and encourage self-employment opportunities to around 20 lac new entrants per annum in the employment market the ‘Start-up Fund’ by BB and the scheduled banks should be raised to minimum 20,000 crore to be operationalized by the BB in partnership with the respective stakeholder line agencies and private sector including FBCCI.

Equitable Investment Facilitations Measures: To rationalize, streamline and harmonize our trade and investment facilitation regulatory regime upholding the global principles of MFN and National Treatment for both FDI and local investments the incentives for all investments should be harmonized with the Common Investment Facilitations Measures to provide all sectoral local and foreign investments without discrimination provided that incase of direct tax measures the global best practice of application of normal tax rates shall prevail as under:-

SL	Present Fiscal Incentives	Proposed Measure
1	The private power companies shall be exempt from corporate income tax for a period of 15 years.	Normal Direct Tax (Global Best Practice)
2	The companies will be allowed to import plant and equipment and spare parts up to a maximum of ten percent (10%) of the original value of total plant and equipment within a period of twelve (12) years of Commercial Operation without payment of customs duties, VAT (Value Added Tax) and any other surcharges as well as import permit fee except for indigenously produced equipment manufactured according to international standards.	Indirect taxes should be harmonized with General Investment Facilitations Measures provided to all sectoral local and foreign investments without discrimination.
3	Repatriation of equity along with dividends will be allowed freely.	Repatriation of equity along with dividends will be allowed as are provided to all sectoral foreign investments without discrimination.

4	<p>1) Exemption from income tax in Bangladesh for foreign lenders to such companies.</p> <p>2) Exemption of income tax for upto three years for the expatriate personnel employed under the approved industry.</p>	Normal Direct Tax (Global Best Practice)
5	The companies will be exempted from the requirements of obtaining insurance/reinsurance only from the National Insurance Company, namely Sadharan Bima Corporation (SBC). Private power companies will be allowed to buy insurance of their choice as per requirements of the lenders and the utilities.	All requirements for Insurance Coverage should be harmonized with General Investment Facilitations Measures provided to all sectoral local and foreign investments without discrimination.
6	The Instruments and Deeds required to be registered under local regulations will be exempted from stamp duty payments.	The stamp duty payments against Instruments and Deeds required to be registered under local regulations will be as prescribed in the General Investment Facilitations Measures provided to all sectoral local and foreign investments without discrimination.
7	<p>1. Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.</p> <p>2. Tax exemption on interest on foreign loans.</p> <p>3. Tax exemption on capital gains from transfer of shares by the investing company.</p>	Normal Direct Tax (Global Best Practice)
8	Avoidance of double taxation in case of foreign investors on the basis of bilateral agreements.	Pay Tax where earned (Global Best Practice)

Bangladesh need to integrate with the [140 members](#) of the OECD/G20 Inclusive Framework on Taxation. As of 8 October 2021, 140 countries and jurisdictions have joined the **Two-Pillar Solution** to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate. (Annex OECD-G20 Framework)

Pillar One – Re-allocation of taxing rights: Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms there have a physical presence there. Under Pillar One, taxing rights on more than USD 125 billion of profit are expected to be reallocated to market jurisdictions each year.

Pillar Two – Global anti-base erosion mechanism: Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases. The global minimum corporate income tax under Pillar Two - with a minimum rate of 15% - is estimated to generate around USD 150 billion in additional global tax revenues annually. Additional benefits will also arise from the Stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

To streamline cost effective import and export transactions of Bangladesh around the world the following measures should be adopted:-

1. Bangladesh in parallel with US SWIFT should also use alternative network of financial transactions like ECB and Russian SPFS and others on the basis of cost efficiency, risks of transactions and avoid sanctions.
2. The existing mutual banking relations mostly via costly third bank guarantee should be streamlined by opening direct correspondent accounts by using convenient and agreed-upon financial messaging System(s) between the transacting banks for the purpose of facilitation of bilateral settlements in mutually agreed currencies.
3. Bangladesh Bank should sign Currency SWAP Agreements with trading partners specially ECB, Bank of Russia, Bank of China and others on USD and EUR and other strategically selected currencies to facilitate efficient and cost effective mutual transactions offsetting the volatility of exchange rate fluctuations.

HRD and Skill Development: 1. A Standing Human Resource & Skill Development (HRSD) National Committee consisting of PMO, MoI and other line ministries, agencies, private sector stakeholders should be constituted along with Sectoral Subcommittees.

2. Line agencies in collaboration with Sectoral Associations and Chambers will carry out activities to facilitate business related required supports to its industry members such as knowledge on technology, skill an HR development, trade expansion, market penetration, efficient production process, research and innovation, entrepreneurship development etc.

3. All line ministries should constitute respective sector specific sub-committees on infrastructure and logistics consisting of agencies, private sector and other stakeholders to facilitate and oversee the following:-

- To establish sector specific facilitation centres to facilitate product development, standardization of production, innovation and market research. The project should be undertaken as a public private partnership (PPP) project.
- To expedite setting up sector specific industrial parks, clusters to provide inbuilt necessary support infrastructure, utility services and required logistic backup along with fiscal and financial incentives package.
- To set up warehousing facilities for sourcing, storage and supply of indigenous and imported raw materials to industries in sector specific clusters.
- To facilitate and expedite efficient and cost effective production management, widen and deepen complementarity in production programmes of large, medium and small industrial sectors through sub-contracting arrangements.
- To Conduct regular training courses for entrepreneurship development, mastering managerial and marketing as well as accounting techniques by the Sectoral Subcommittees in collaboration with related line institutions and private sector stakeholders.
- To provide industry and MSMEs with technical and financial and fiscal incentives to build in house capacity in terms of human resource skill development, technical or vocational training, technological upgrading, product design market intelligence and marketing. The industry should be entitled, for the purpose of the income tax to deduct the amount of expenses incurred by it for the long-term benefit provided to its workers and employees including training, housing, life insurance, health facilities, education and training.

4. Establishment of Technology Development and Upgradation Fund for promoting diversified and quality exports specially for all CMSME sectors of Bangladesh. The fund allocation should be raised to Tk. 10,000 crore for the modernization and technological development and integration of CSMEs in global digital trade and e-commerce.

5. Credit Linked Capital Subsidy Scheme for Technology up gradation should be taken up aiming at facilitating technology up gradation by providing upfront capital subsidy for induction of improved technologies approved under the scheme.

- Assistance up to 80% for setting up Sectoral Facilities and Tools Centers.
- Testing Centers: Assistance up to a 80% for setting up Sectoral Testing Centers

6. Technology Institutes, polytechnic institutes and selected Regional and other Engineering Colleges & Universities should serve as Technological Information, Design and Development Centers in their respective command areas.

7. SMEF/BSCIC/Small and Cottage Industries Training Institute (SCITI), Bangladesh Institute of Management (BIM), Bangladesh Industrial Technical Assistance Center (BITAC) and National Productivity Organization (NPO) where a lot of equipment, infrastructure and other resources are in place---should undertake regular schemes and courses to ensure sustainable integration of Bangladesh business and CSMEs in the global digital trade.

8. Institutional coordination should be established for development of investment among various Ministries of the government and the public institutions, having significant capacity for both product- and process-innovation of real value, (such as Atomic Energy Commission (AEC), Bangladesh Council of Scientific Investigation & Research (BCSIR), Leather Training Institute (LTI), the Textile colleges, the Ceramics Research Institute, the public universities, etc.).

9. To set up sectoral Accredited Standard Certification Laboratories preferably on PPP basis to facilitate marketing of products in local and global markets and also set up common testing laboratories in each economic zone and cluster assigned to specific sectors.

Enhancement of Productivity :

1. To undertake Sectoral HRD schemes for expediting sustainable flow of skilled workforce in Industries and MSMEs in particular;
2. To undertake running schemes to provide training to workers in technical Institutions and also by facilitating on the job Skills development programme particularly focusing, among others, on:-
 - a. Industry machines operation and maintenance;
 - b. Production Chain Engineering;
 - c. Product design;
 - d. Work safety & compliance issues;
 - e. Waste management; and
 - f. Standardization and quality control.

3. To undertake capacity development schemes of the Training Institute and the on the job training entities, among others, through:

a. Technical and financial assistance with supply of necessary equipments and other logistics;

b. Technology and know-how transfer;

c. Employment of Expert Master Trainers for workshop training as well as for Training the Trainers.

Research and Development:

1. To undertake research and capacity building schemes for enabling effective compliance with the mandates of multilateral trade systems and global market requirements with focus, among others, on the following:

i) global compliance issues;

ii) certification requirements for products and services;

iii) global business practices;

iv) Global registration of IPR.

2. To provide technical and financial support for obtaining accredited quality certificates for goods and services

3. To provide technical and financial support for obtaining global registration of IPR (Trademark, Patent & Design) for value added marketing of our products and services.

4. To adopt appropriate rules of business for Govt/Agency officials to carry out respective sectoral trade facilitation responsibilities.

5. A Technology Development Cell (TDC) should be set up in the SMEF/BSCIC, which would provide technology inputs to improve productivity and competitiveness of the products and services. The TDC would coordinate the activities of the Technology transfer, Process-cum-Product Development Centers (PPDCs) that must be established throughout the Country and would also interact with the other industrial research and development organizations to achieve its objectives.
