

# Seminar on

## “Key Issues for Economic Zones in Bangladesh: An Effective One-Stop-Shop and Sales into the Local Market”

Jointly Organized by  
Institute of Management Consultants Bangladesh and  
Bangladesh Investment Climate Fund (BICF)

Topic-2: **Effective One-Stop Shop**

By

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# INTRODUCTION

According to this strategic approach, it is recommended to designate the priority regions as “Special Industrial Development Regions (SIDR)”, to which resources should be allocated on a priority basis. Apart from the mobilization of priority resources, various institutional incentives should be given to the SIDRs so that they should attract more FDI and promptly grow to the internationally acknowledged” Designated Economic Regions”.




In Bangladesh, the following four regions would have the potential to be designated as SIDR:

**Dhaka Region**

**Chittagong Region**


**Sylhet Region**

**Khulna Region**



It is also recommended that within the SIDR area, a Special Economic Zone(**SEZ**) should be designated and legislation put in place in response to the following needs of the CTGD:

- To make provision for the development to be as all embracing as possible, in terms of its applicability to the development of the Chittagong Region as a whole;
- To accommodate as wide a range of activities as possible, with the overall objective of promoting both foreign and domestic investment in manufacturing, distribution and any other relevant activities;

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- To address and, insofar as possible, accommodate the interest of potential investors, whose strategic market interest may include the domestic Bangladeshi market; and
  - To contain a duty free area, bonded warehouse, business and commerce functions, banking organs, and other pertinent functions and facilities.

**Table 1.1** shows a Development Scenario for Chittagong, indicating the general development director as well as the general physical expansion within CIDP.

**Table 1.1: DEVELOPMENT SCENARIO FOR CHITTAGONG**

		SHORT-TERM	MID-TERM		LONG-TERM	
	Unit	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
		5 Year Plan 1995-2000	5 Year Plan 2001-2005	5 Year Plan 2006-2010	5 Year Plan 2011-2015	5 Year Plan 2016-2020
<b>Policies for Inducement and Augmentation of Industries</b>		Inducement of FDI companies  Privatization and agglomeration of indigenous industries	Establishment of a regional technology center  Substantiation of vocational education	Introduction of advanced technology industries  Encouragement of technology oriented venture business	Encouragement of &D related industries	Encouragement of locally-based creative venture business
<b>Development of Major Urban Infrastructure</b>		New EPZ and GIP  Improvement of overall urban infrastructure focusing on solution of bottle necks	New CBD in the south of the River  Inner Ring with a new crossing  Containerization of existing harbor  Projects for prevention of disasters	Outer ring with a new crossing  Exhibition and convention centers  New deep-sea port with handling capacity of ocean going containers  Water front physical distribution center	New airport in the south of the River  International logistics center  Regional highway and railway network	Establishment of proper operation and maintenance systems

		SHORT-TERM	MID-TERM		LONG-TERM	
	Unit	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
		5 Year Plan	5 Year Plan	<b>5 Year Plan</b>	<b>5 Year Plan</b>	<b>5 Year Plan</b>
		1995-2000	2001-2005	<b>2006-2010</b>	<b>2011-2015</b>	<b>2016-2020</b>

<b>Institutional Building</b>		<b>Establishment of the Bangladesh Industrial Development Authority (BIDA)</b>  <b>Establishment of Chittagong Development Authority (CDC)</b>  <b>Proclamation of Special Industrial Development Regions (SIDR)</b>  <b>Enactment of Special Economic Zone (SEZ)</b>				
<b>Environmental Improvement Plan and Programme</b>		Establishment of regional environment monitoring systems  Establishment of regional environmental administration machinery	Enforcement of environmental conservation  And protection laws and regulations	Sea water-front and river sides beautification and landscaping projects		

Source: JICA Report, 1995

		SHORT-TERM	MID-TERM		LONG-TERM	
	Unit	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
		5 Year Plan 1995-2000	5 Year Plan 2001-2005	5 Year Plan 2006-2010	5 Year Plan 2011-2015	5 Year Plan 2016-2020
<b>Development Frame</b>						
• <b>Population</b>	<b>Thousand</b>	<b>6,970</b>	<b>7,771</b>	<b>8,664</b>	<b>9,529</b>	<b>10,466</b>
• <b>Employment Manuf.</b>	<b>Thousand</b>	<b>302</b>	<b>433</b>	<b>622</b>	<b>893</b>	<b>1,283</b>
• <b>CRDP</b>	<b>Mil Taka</b>	<b>99,339</b>	<b>150,339</b>	<b>226,801</b>	<b>358,061</b>	<b>575,220</b>
• <b>Manuf. GRDP</b>	<b>Mil. Taka</b>	<b>38,313</b>	<b>67,521</b>	<b>118,995</b>	<b>209,710</b>	<b>369,582</b>
• <b>Per Capita Income</b>	<b>Taka</b>	<b>14,252</b>	<b>19,346</b>	<b>26,177</b>	<b>37,576</b>	<b>54,961</b>
<b>Development Strategy and Goals</b>		Preparatory Phase  Formulation of a consensus on CIDP as a national project Legal, institutional, organizational arrangements  Initiation of a pilot project  Preparation for mobilization of public sector investments	Starting Growing Phase  Attraction of as much FDI as possible  Inducement of increase in production  Solution of bottle-neck infrastructure  City planning guidance to create a new CBD in the south of the River	Accelerated Growing Phase  Improvement of infrastructure to be compatible with a full-fledged CIDP  Diversification of indigenous industries  Enhancement of the quality of products and resultant competitiveness for exportation	Consummating Growing Phase  Provision of high-order infrastructure and amenity such as new airport, tele-port, urban landscape, recreation/sports facilities, etc.  Transformation of industries towards more advanced and value-added structure	Maturing Phase for Subsequent "Take-off"  Provision of adequate operation and management of infrastructure  Preparation and initiation for the "next generation" industrial development




		SHORT-TERM	MID-TERM		LONG-TERM	
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		5 Year Plan 1995-2000	5 Year Plan 2001-2005	5 Year Plan 2006-2010	5 Year Plan 2011-2015	5 Year Plan 2016-2020
<b>Conceptual Development Target</b>		Quantitative enlargement of production with cheap labor force and locally available resources	Diversification of Products focusing on increase of export competitive products	Enhancement of quality of products with advancement of industrial structure	Augmentation of the ability of products development with R&D functions	Maintenance of quality and quantity production with ripple effects to other regions
<b>Requirements for Production Structure</b>		<ul style="list-style-type: none"> <li>Supply of industrial raw material</li> <li>Evolving and Strengthening of indigenous industries</li> <li>Stable supply of industrial energy</li> </ul>	Development of processing industry  Introduction of assembling industry  Evolving and strengthening of export-oriented industry	Continuous growth of assembling industry  Introduction of advance technology industry  Accelerated growth of export-oriented industry	Continuous growth of advance technology industry  Development of R&D type industrial parks	Achievement of well-balanced industrial structure and its operation and management at then international level
<b>Development of Industrial Estates</b>		<ul style="list-style-type: none"> <li>Expansion of EPZ</li> <li>Development of general industrial parks (GIP)</li> </ul>	Enhancement of quality and quantity of EPZ and GIP to accommodate diversified industries	Development of water-front type industrial parks adjacent to port facilities  Establishment of physical distribution centers	Development of industrial parks with R&D functions	Development of "air-front" (adjacent to international airport) type industrial parks

## **Incentives are to be adopted for SEZ include:**

- tax rate relief,
- capital allowance for commercial development,
- double rent allowance against trading income,
- corporate tax exemption, and
- employment subsidy and training incentives.

Development of the SEZ should be carried out under comprehensive partnership between the public sector and private sector. Since SEZ should have the potential to completely transform the physical, economic and social environment of the Chittagong District, CDC should promote development and involvement of support industries outside the SEZ.



The long term goal of the program is a wholly private Special Economic Zones and at least two Economic Zones under a PPP model licensed; 60% of all firms in Zones are compliant with Zone labor and environment standards; and that there is increased investment promotion and facilitation in zones, leading to job creation.

# Malaysian Industrial Development Authority (MIDA)

## Corporate Mission

### **"POSITIONING MALAYSIA FOR GLOBAL COMPETITIVENESS"**

The Malaysian Industrial Development Authority (MIDA) is the government's principal agency for the promotion of the manufacturing and services sectors in Malaysia. MIDA assists companies which intend to invest in the manufacturing and services sectors, as well as facilitates the implementation of their projects. The wide range of services provided by MIDA include providing information on the opportunities for investments, as well as facilitating companies which are looking for joint venture partners. MIDA also assists companies interested in venturing abroad for business opportunities.

To further enhance MIDA's role in assisting investors, senior representatives from key government agencies are stationed at MIDA's headquarters in Kuala Lumpur to advise investors on government policies and procedures. These representatives include officials from the Department of Labour, Immigration Department, Royal Malaysian Customs,

Department of Environment, Tenaga Nasional Berhad and Telekom Malaysia Berhad. MIDA also evaluates the following applications for projects in the manufacturing and its related services sectors:

- Manufacturing licenses
- Tax incentives
- Expatriate posts
- Duty exemptions on raw materials, components, machinery and equipment



## **Functions of MIDA**

- to promote foreign and local investments in the manufacturing and services sectors
- to facilitate cross border investments and assist Malaysian companies to identify markets and investment abroad
- to undertake planning for industrial development in Malaysia
- to recommend policies and strategies on industrial promotion and development to the Minister of International Trade and Industry
- to evaluate applications for manufacturing licences and expatriate posts; tax incentives for manufacturing activities, tourism, R&D, training institutions and software development; and duty exemption on raw materials, components and machinery



- to assist companies in the implementation and operation of their projects, and offer assistance through direct consultation and co-operation with the relevant authorities at both the federal and state levels


- to facilitate the exchange of information and co-ordination among institutions engaged in or connected with industrial development;



## ***Client Charter***

MIDA committed to provide services in a professional, efficient and ethical manner to industrialists and potential investors in the manufacturing and services sectors by:

- Responding to all investment enquiries in a prompt and courteous manner
- Disseminating accurate and up to-date information on investments
- Assisting investors in the implementation of their projects



MIDA committed to complete the evaluation of applications from the date applications are received with complete information within the time-frame as stipulated below :

### **Manufacturing Sector**

- Manufacturing Licence - **4 weeks**
- Incentives - **6 weeks**
- Exemption from Custom Duties - **4 weeks**
- Expatriate Posts:
  - **7 working days** for existing companies
  - **4 weeks** for new companies

### **Services Sector**

- Status of Regional Establishment - **4 weeks**
- Status of Research & Development Company - **4 weeks**
- Incentives - **6 weeks**
- Exemption from Custom Duties - **4 weeks**
- Expatriate Posts:
  - **7 working days** for existing Operational Headquarters, International Procurement Centre and Regional Distribution Centre
  - **4 weeks** for new companies



**MIDA's CLIENT CHARTER**  
**BASED ON MAIN ACTIVITIES FOR APPLICATION APPROVED FOR JULY - SEPT 2009**

No	Main activities in the Client Charter		Client Charter	Approved			
				No.	Conforming to charter	Not conforming to charter	Achievement
1.	Manufacturing Licence	Fast Track	<b>7 working days</b>	64	64 (100.00%)	0 (0.00%)	100.00
		Normal Track	<b>4 weeks</b>	6	6 (100.00%)	0 (0.00%)	100.00
2.	Incentives	Normal Track	<b>6 weeks</b>	23	23 (100.00%)	0 (0.00%)	100.00
3.	Manufacturing Licence with Incentives	Normal Track	<b>6 weeks</b>	25	25 (100.00%)	0 (0.00%)	100.00
4.	<b>Tax Exemptions</b>						
	a. Machinery and Equipment (JPC1)*	Fast Track	<b>2 weeks</b>	251	251 (100.00%)	0 (0.00%)	100.00
		Normal Track	<b>4 weeks</b>	659	659 (100.00%)	0 (0.00%)	100.00
	b. Raw Materials and Component (JPC2)	Fast Track	<b>2 weeks</b>	324	324 (100.00%)	0 (0.00%)	100.00
		Normal Track	<b>4 weeks</b>	642	642 (100.00%)	0 (0.00%)	100.00
5.	Expatriate Post*	Fast Track	<b>7 working days</b>	64	64 (100.00%)	0(0.00%)	100.00
		Normal Track	<b>4 weeks</b>	83	83 (100.00%)	0(0.00%)	100.00
6.	Incentives (Related to Services Sector)	Normal Track	<b>6 weeks</b>	7	7 (100.00%)	0(0.00%)	100.00

Note : \*Covering the Manufacturing & Services Sectors




# **THE STUDY ON INDUSTRIAL DEVELOPMENT OF CHITTAGONG REGION IN THE PEOPLE'S REPUBLIC OF BANGLADESH**

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)  
BOARD OF INVESTMENT  
THE PEOPLE'S REPUBLIC OF BANGLADESH ( July 1995 )

The Draft final Report is composed of two Main Texts, i.e,

**Part 1: "Industrial Development Plan in Chittagong" and**

**Part 2: "Implementation Plan for Chittagong Special Economic Zone Project"**

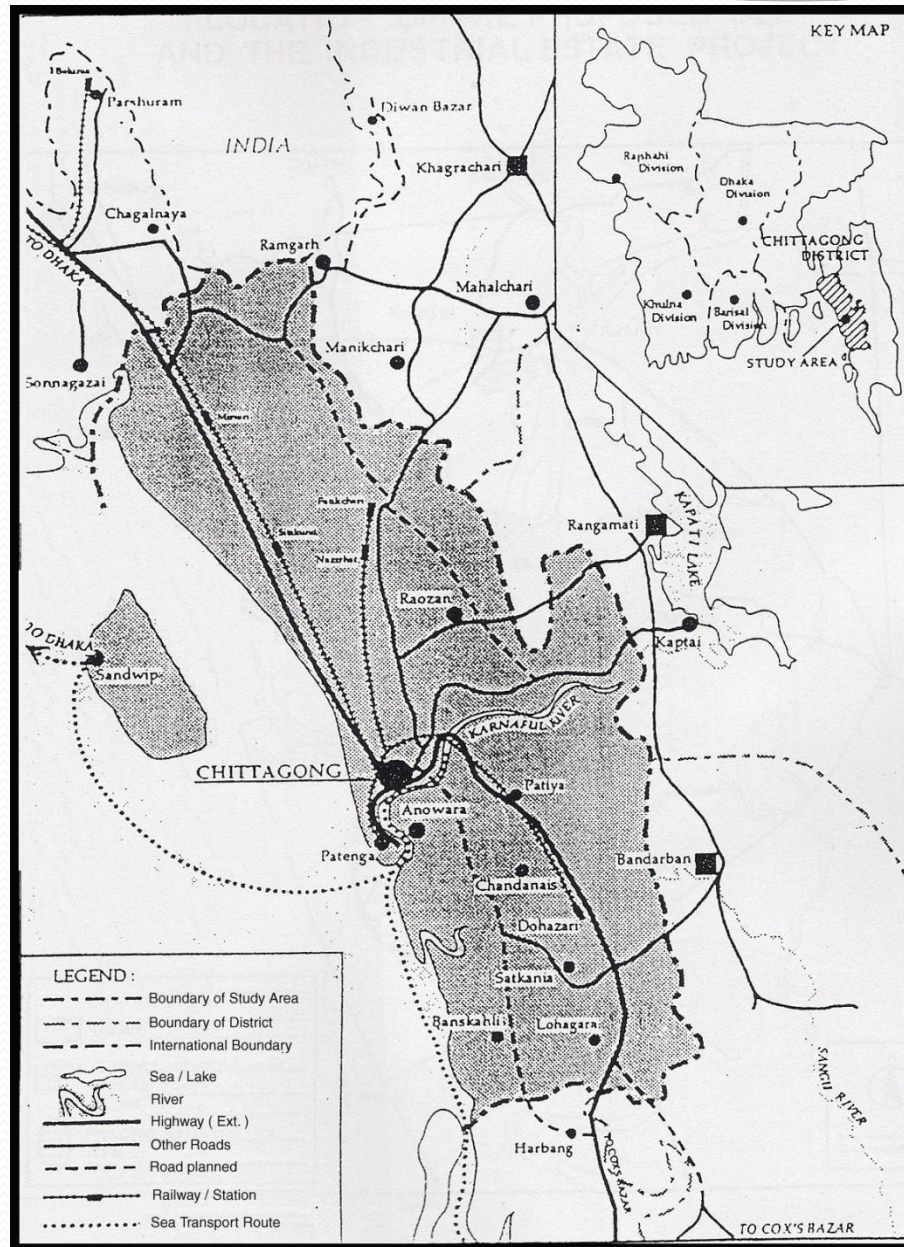


"As a result of the Study, it is firmly believed that industrial development of Chittagong is of the prime importance and significance to improve the social and economic position of Bangladesh, and that the proposed Chittagong Special Economic Zone Project would be a strategic stimulator and starter for a fully-fledged industrialization programme for the country.

It is generally understood that industrialization is a key factor to boost per capita income and thus stabilize the national economy. Also, in the light of the relationship between industrialization in developing countries, it can be rightly said that industrialization is an effective tool for equitable income distribution at an international scale. Bangladesh should, at any rate, win her reasonable share of this flow of FDI.

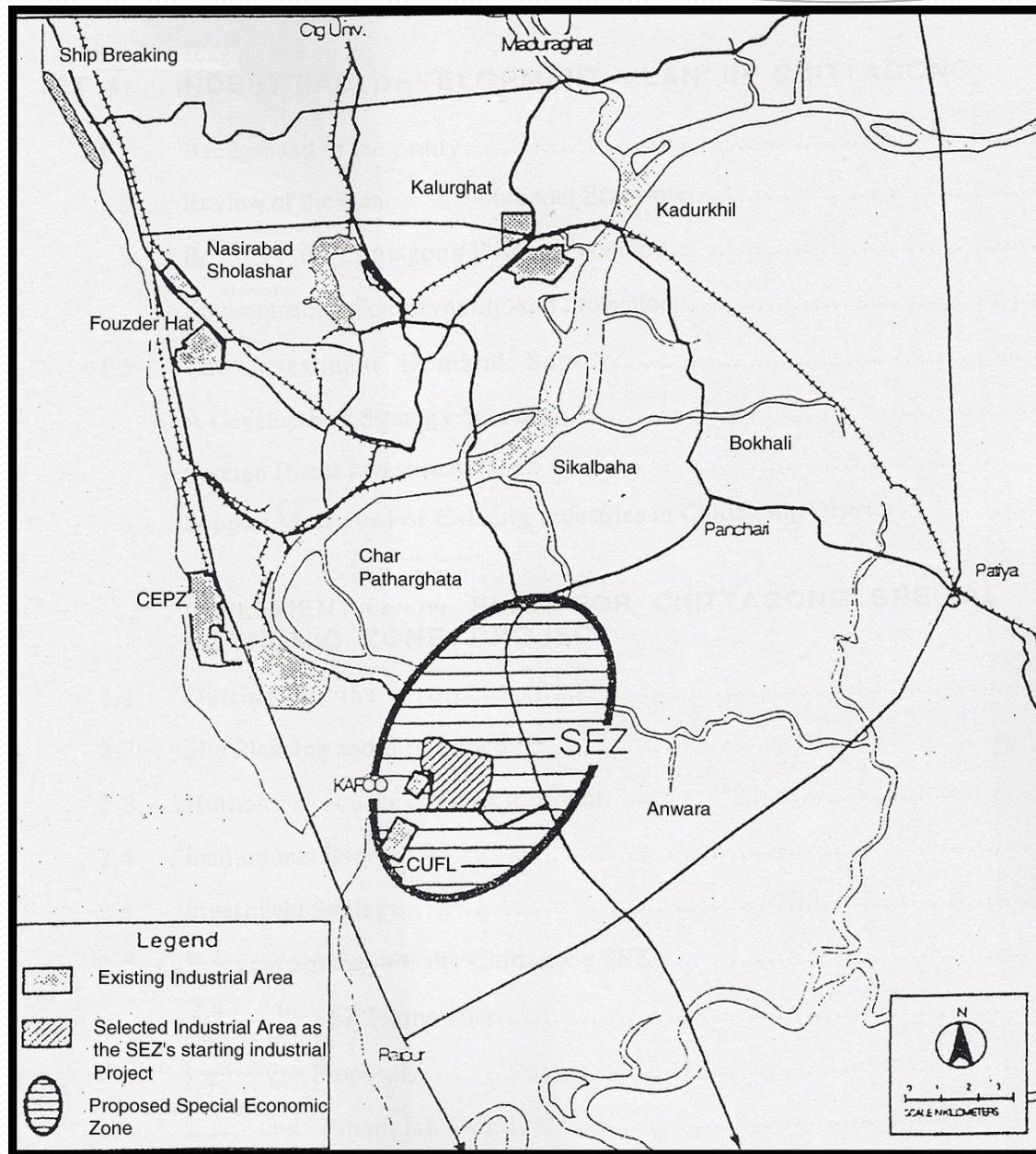
Bangladesh, as a latecomer to this fiercely competitive environment, should make strenuous efforts with creative and innovative concepts and approaches to lessen the gaps with forerunning neighboring industrial economies."

# STUDY AREA MAP






# LOCATION OF THE PROPOSED SEZ AND THE INDUSTRIAL ESTATE PROJECT



# **Recommendations**

- 1. ESTABLISHMENT OF BANGLADESH INDUSTRIAL DEVELOPMENT AUTHORITY (BIDA):  
BOI/BEPZA/SEZ AUTHORITY-MERGER**
- 2. BIDA OFFICE OVERSEAS**
- 3. SECURITY: SEZ/INDUSTRIAL POLICE**
- 4. NEW INDUSTRIAL POLICY**
- 5. COSTAL BELT DEVELOPMENT STRATEGY**
- 6. 20 M JOB CREATION BY 2020**

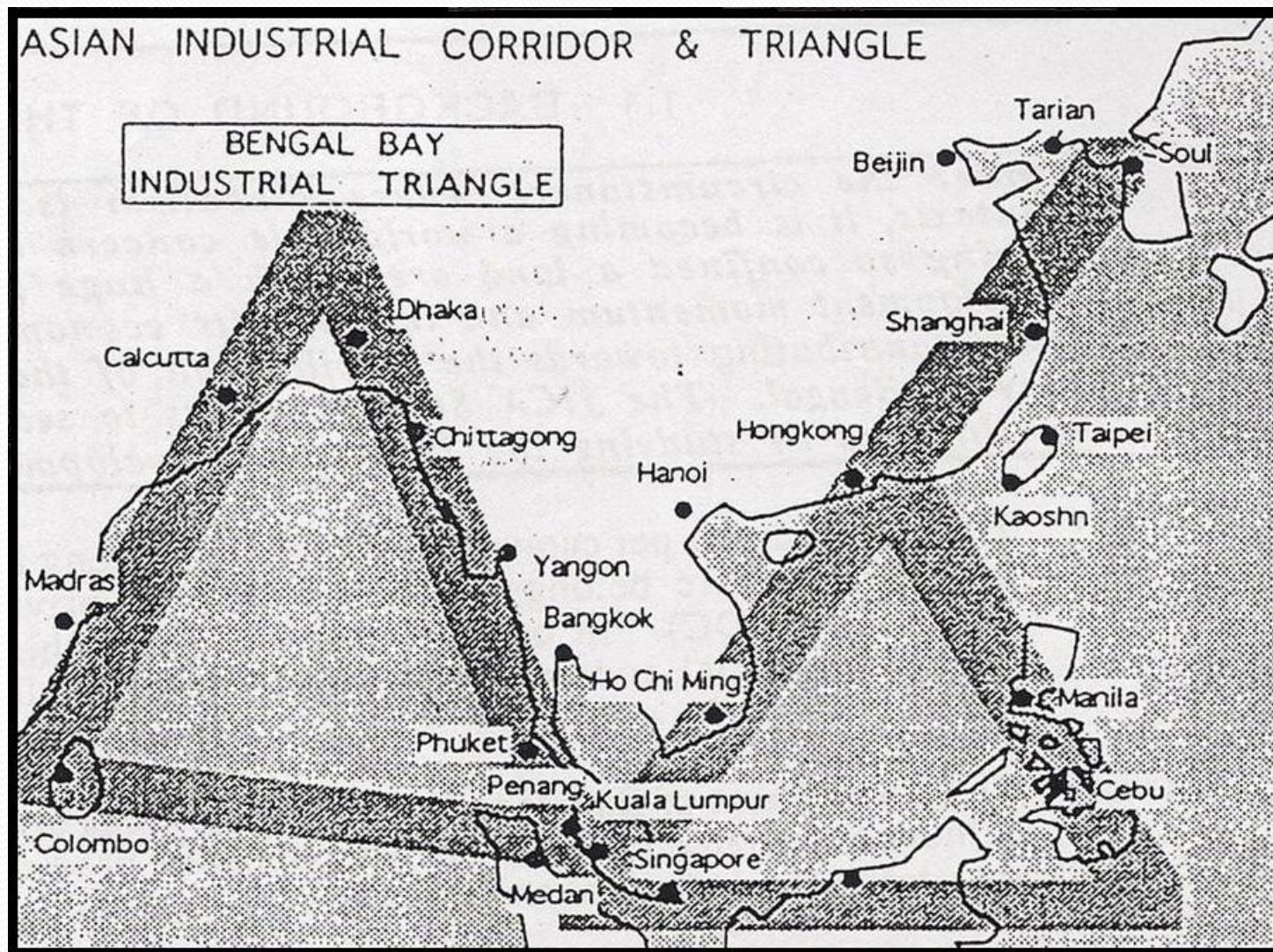


In this context, the Chittagong District is one of the country's regional growth poles and an important industrial center, having the country's biggest port and an international airport, and furthermore, a suitable industrial location with an already existing EPZ.

In effect, the industrial development in Chittagong is of national importance and significance, implying not merely developing the regional industrial base but building g the national industrial base for the benefit of the whole country and the region surrounded by the Bay of Bangal as well. Figure 1.1 illustrates a concept of the Asian Industrial Corridors and Triangles.



**Figure 1.1: ASIAN INDUSTRIAL CORRIDORS AND TRIANGLES**



**Bay of Bengal Growth Triangle**

SAARC / INDIA

ASEAN + 3




# Conclusion

## Bay of Bengal Growth Triangle

South Asia- we need to have a long term vision for the region the JICA Report 1995 termed it as the Bengal Bay Industrial triangle- on the one side SAARC/ India on the other Asean and China to the North.

The concept of the Bay of Bengal Growth Triangle, with Bangladesh at the apex

**The Hon PM said in Japan that due to Bangladesh's location as a bridge between South and South East Asia, with regional connectivity has the potential to become the hub of bustling economic activity in the Region- (this the long term vision we need to project to potential investors in the East and West)**



The Economic History of the World is changing before our eyes- with the paradigm shift of economic power to Asia with the rise of China and India-wedged between these two mega economies – Bangladesh has no option but go up the developmental ladder. Our youthful workforce – in an age of “Greying Tsunami” hitting the more matured developed country, a dynamic international competitive private sector,. With Govt. facilitation – economic transformation which used to take centuries can now be achieved in decades and Bangladesh is destined to become not only an MIC by 2021- but the 30<sup>th</sup> major economy of the World by 2030 as projected recently by the Dhaka Chamber of Commerce and Industry (DCCI). We would need the SEZ frame work to make all these visions a reality.