# AmCham JOURNAL

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# NEW YEAR, NEW HOPE

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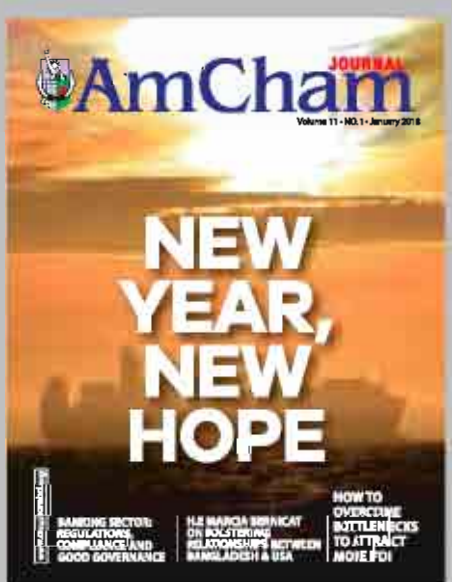



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**Contact:**
AmCham Directorate
Building 3, Ruposhi Bangla Hotel
1 Minto Road, Dhaka-1000, Bangladesh
Phone : 8802-58316000
E-mail : amcham@amchambd.org
arahman@amchmabd.org
Web : www.amchambd.org



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# FROM THE DESK OF EDITOR

**We are pleased to present this issue of the AmCham journal in the year 2018.**

There is no doubt that Bangladesh is a trading nation. However, as we churn out some facts and figures, we see that Bangladesh has been recording sustained trade deficits since 1976 mainly due to a high value of imports, although it decreased to BDT 344.40 Billion in December from BDT 371.72 Billion in November of 2017. Imports in Bangladesh averaged BDT 71.07 Billion from 1976 until 2017, reaching an all-time high of BDT 371.72 Billion in November of 2017 and a record low of BDT 0.57 Billion in November of 1976. India, China, and Singapore are the three largest sources of imports. Most Bangladeshi imports originate from neighboring India. The second most important source is China; then comes Singapore followed by Hong Kong in the fourth position. Main imports are petroleum and oil (11% of the total imports); food items (11%) and textile (10%).

Exports in Bangladesh decreased to BDT 201.62 Billion in December from BDT 212.50 Billion in November of 2017. Exports in Bangladesh averaged BDT 41.95 Billion from 1972 until 2017, reaching an all-time high of BDT 240.22 Billion in August of 2017 and a record low of BDT 0.05 Billion in February of 1972.

Bangladesh is the world's second-biggest apparel exporter after China. Garments including knitwear and hosiery account for 80% of exports revenue; others include jute goods, home textile, footwear and frozen shrimps and fish.

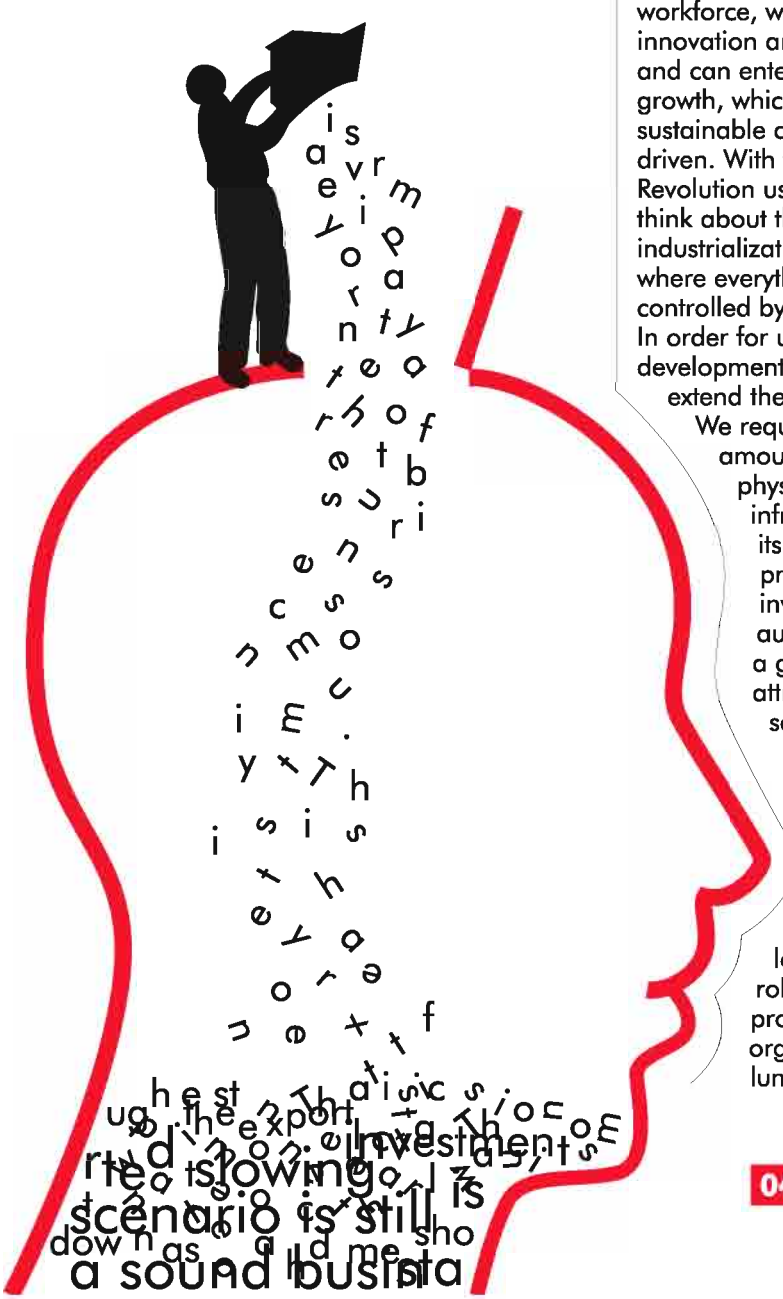
The government of Bangladesh undertook significant steps during the 1980s. Consequently, there was a tremendous increase in the export of ready-made-garments and knitwear, which garnered maximum foreign exchange for the country. Cheap labor and low conversion costs are the major factors behind the growth of Bangladesh's garment industry. Over 4 million Bangladeshis (90% women) are employed in this industry.

Bangladesh shares excellent trade relations with the US, showing noteworthy trade surplus with the latter. The country is an active partner of the Asia Pacific Trade Agreement and the World Trade Organization. A number of export processing zones have been set up by the government to enhance economic growth by attracting foreign investment.

In its long journey, for a quarter century, the US has partnered with AmCham to co-sponsor the annual US Trade Show as the premier showcase of companies selling US goods and services in Bangladesh. Since the first US Tradeshow held in 1992, Bangladesh has experienced steady economic growth and progress; leading to an expansion of bilateral trade from

$1 billion in 1992 to more than $7 billion in 2017, a number that both the countries are working hard to increase. The increasing bilateral trade reflects both Bangladesh's impressive economic growth and increasing opportunities for US companies in Bangladesh and South Asia region.

The 25th Annual US Trade show held in 2018 was another success. A large number of companies joined the show, that include, but not limited to, Metlife, Coca-Cola, PepsiCo International, Ford Motor, Boeing Commercial Airplanes, Chevron, Microsoft, Cisco, Dell, HP, Intel, Cisco, Caterpillar, FedEx, Citi, Mastercard, Johnson & Johnson, YUM! Restaurants International and Visa. Bell Helicopter, Burger King Corporation, Transfast and Uber Technologies joined the show for the first time.



Bangladesh has recently graduated from a least developed country to low middle-income country and is set for a status towards middle income by the year 2021 and a fully developed country by 2041. That dream will be possible to achieve if we can truly harness full trade potential. What do we need in pursuit of that? We need to expand our export basket with more diversified products. Bangladesh has already proved its ability in different fields, particularly in the areas of agriculture, pharmaceuticals, shipbuilding, small and medium enterprises etc. With the right use of demographics dividend we have; by which I mean - developing the skill of huge workforce, we can usher innovation and manufacturing and can enter the next phase of growth, which is planned, sustainable and technology driven. With the 4th Industrial Revolution ushering, we must think about the complicated industrialization of tomorrow where everything might be controlled by automation and Ai. In order for us to do so, the development partners need to extend their hands towards us.

We require a sizable amount of investment in physical and soft infrastructure, and for its nation-building programs. The local investment promotion authority must prepare a good portfolio to attract US investors to seize the opportunities, which will further bolster the bilateral ties between two countries.

As always, AmCham would love to play a pivotal role in the whole process. Besides organizing regular luncheon meetings to shed lights on trade and investment policy related issues, the chamber has become a beacon of hope for brave entrepreneurs, that look forward to setting up new standards of manufacturing using homegrown innovative solutions. Since we believe it's also important to impart education about the trading scenario in both the countries and enlightening investors with more information, the trade show witnessed a series of seminars, namely:

- Doing Business in America: Business Visas
- Doing Business in Bangladesh: What Can the US Embassy Do for Your Company
- USAID and Customs Portal Modernization Overview
- Studying in America: Student Visas.

2018 is a very important year for the business community. This is the year of next parliament election. The statistics show that, economy started slowing down as the domestic investment is waning. Though the export-import scenario is still bright, we expect to have a sound business environment around the year, devoid of any big political class, which not only impede local businesses, but also will discourage foreign investors to come to this land of opportunity. With the help of our members, advisors, and well-wishers, we hope and believe that the government will keep supporting the business community to thrive by solving existing trade-related issues as well as providing seamless service when it comes to open a new business. Because we all know that, a sound economy with good governance and democratic practices can ensure the ultimate prosperity of a nation.

Before I conclude, I would like to thank all the members of AmCham, AmCham Executive Committee, Secretariat, contributors and advertisers of this journal. Hope you find it interesting. Happy reading!

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# BANKING SECTOR: REGULATIONS, COMPLIANCE AND GOOD GOVERNANCE

By **Dr. Salehuddin Ahmed**

The global financial and economic crisis started in 2007 as an aftermath of the housing sector bubble coupled with aggressive lending practices in the US subprime mortgage market and lax regulation of the financial sector. The financial crisis, like a contagious disease, spread to the real sector of the US economy and affected both financial and real sectors of the world, making the crisis a global and very serious challenge for economic activities.

The root cause of global recession can be traced back to the mismanagement of banks and financial institutions. Despite all the measures taken by different countries, with the US taking the lead, full recovery has not yet been forthcoming. The year 2015 will be a challenging one. Small economies like Bangladesh are by no means invulnerable to fallouts from global downturns or negative spillover of policies of large economies and therefore have a strong stake in global

**THE WRITER IS FORMER GOVERNOR OF BANGLADESH BANK AND CURRENTLY PROFESSOR, SCHOOL OF BUSINESS OF BRAC UNIVERSITY.**

stability and economic growth. In forums such as the G-20, countries like Bangladesh need to argue forcefully for the same priority in stability as recovery, as well as for stability action agenda going beyond addressing symptoms (i.e. lapses in risk management, inadequacies of regulation and supervision) to addressing underlying causes (i.e. lax policies, non-compliance of prudential and management norms, poor financial reporting, unbridled liquidity expansion that incubate bubbles.)

So what are the implications of the Bangladesh economy minimising external shocks and internal shocks? This paper will mainly address the several challenges faced by the banking sector in creating internal shocks in the economy. Recently, the Hallmark and Bismillah Group financial scams, which started mainly at state-owned commercial banks, have demonstrated cracks in the management of these banks. From the Board of Directors to the management group to the lower level officials, these banks have not shown any sign of good governance, transparency and accountability. The disturbing fact is that these irregularities have permeated to private commercial banks as well. There are several state-owned and private banks that have slightly different governing structures but follow the operational guidelines of Bangladesh Bank in terms of prudential and management norms. The norms provided by Bangladesh Bank are fairly well formulated and follow international standards. The International Accounting Services Board (IASB) under the Bank for International Settlements (BIS) in Basel, Switzerland, has provided three major norms namely Basel I, Basel II and Basel III. Basel I of 1988 required that banks and financial institutions have sufficient capital adequacy, which was originally 8% of risk weighted assets (RWA). Later on, it was raised to 10% for banks, including those in Bangladesh. There are some banks in Bangladesh whose required capital adequacy falls short of the norm. Basel I set up a mechanical, non-market oriented measurement of capital adequacy which could not take care of fundamental risks, e.g. operational risk and market risk. Basel II, introduced in 2004, took care of the different types of risk for financial intermediaries (i.e. banks) as well as the supervisory review process for the management of banks. The global community realised the inadequacies of Basel I and Basel II during the recent global financial crisis of 2007. Basel III was introduced in 2013 and is supposed to be completed in 2020. The major aspects of Basel III are: first, to strengthen the capital framework of banks and to give more emphasis on equity capital (Tier-1, core capital); second, to ensure global liquidity; third, to highlight systematic risks as well as mitigation measures that address the risks. Two major aspects regarding liquidity are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Bangladesh bank has recently issued a circular to implement Basel-III liquidity ratios. Besides the three international Basel norms discussed above, banks follow other guidelines prescribed in the various Acts and regulations in their respective countries.

Financial reporting by banks is very important in ensuring the interest of depositors, as well as that of the clients. I shall now highlight the aspects that are related to the compliance of different rules, regulations and norms, prescribed for banks. In Bangladesh, as pointed out earlier, the regulatory requirements of banks follow international standards. Besides these, the Bank Company

Act provides guidelines for the preparation of reports, including audit reports. On top of that, state-owned commercial banks and specialised banks, like Krishi Bank (RAKAB), follow the requirements laid down in the respective Acts through which they were established. The Registrar of the Joint Stock Company (RJSC) also has certain rules for entities registered under the Company Act and the Societies Registration Act. Similarly, Bangladesh Security Exchange Commission (BSEC) has laid down rules for companies to prepare their financial reports. On the whole, requirements for the financial reports of banks, non-bank financial institutions (regulated under the Financial Institution Act) and various companies are quite satisfactory in Bangladesh. The disturbing part is that these requirements are not properly complied with by various institutions. This means that the implementation (enforcement and compliance) of rules and regulations is the "Achilles Heel". Despite supervision and monitoring by the regulatory bodies such as Bangladesh Bank and BSEC, serious mismanagement and malpractices have occurred in the banking sector as well as in the capital market. The disclosure of banks in their financial reports is prepared by following International Accounting Standards-30 (IAS-30). This has been replaced by International Financial Reporting Standards (IFRS-7). According to this format the financial disclosure is more logical, which means that banks now face higher risk in the investment and management of capital. If the required standard is followed then depositors and clients of the bank and the general people will not face any loss. Besides IAS-30, there are also IAS-32, IAS-39 and IFRS -9, which are prescribed for the management, supervision, and monitoring of financial intermediaries. The government of Bangladesh took an initiative in 2001 to promulgate the Financial Reporting Act, which hitherto has not been done. In 2013, a draft

ICAB opposes on the ground that it is a self-regulatory professional body which is competent enough to ensure proper financial reporting. But a very strong point is made by others that a membership organisation like ICAB cannot perform the job of an independent, accountable and autonomous regulatory council like the proposed FRC.

was circulated to the main stakeholders, one of which is the Institute of Chartered Accountants in Bangladesh (ICAB) and the other the Institute of Cost and Management Accountant in Bangladesh (ICMAB). These two institutions have opposing views regarding the proposed FRS Act and the proposition that the constitutions of the Financial Reporting Council (FRC) be headed by the Governor of Bangladesh Bank. ICAB opposes the establishment of the FRC, while ICMAB supports its establishment. ICAB opposes on the ground that it is a self-regulatory professional body which is competent enough to ensure proper financial reporting. But a very strong point is made by others that a membership organisation like ICAB cannot perform the job of an independent, accountable and autonomous regulatory council like the proposed FRC.

It must be pointed out that a balance must be made between the regulation and independence of a bank. This means that banks should neither be overregulated nor should they be left alone to enjoy complete freedom, which often results in banking disasters. This point has been very aptly articulated by Jean Tirole, the Nobel Prize winner of Economics in a book jointly written with his colleagues. It is important to keep in mind what financial regulation is meant to achieve. The most important objective is to protect depositors, investors, the general public and the real economy (real goods and services) as a whole. The second rationale for regulation is to minimise the domino effect of the systematic risks of the financial institutions which destroy the foundation of economic activities resulting in loss of real output, lower growth, higher unemployment and reduction of human welfare.

Good governance in the banking sector is an important agenda of our country, especially in the present context of the crisis in the banking sector. Transparency and accountability have recently become an issue of greater concern with revitalised importance in the context of public and private responsibility of managing banks. The International Monetary Fund (IMF) has defined transparency as "an environment in which the objectives of policy, its legal, institutional and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and in terms of agencies' accountability, are provided to the public on an understandable, accessible and timely basis" (IMF-1999). Transparency in government operations is an important precondition for macroeconomic fiscal sustainability good governance, and overall fiscal discipline. Accountability, in the words of Lessinger (1970), "is the product of a process which means that an agent, public or private, entering into a contractual agreement to perform a service will be held answerable to perform according to agreed upon terms, within an established time period and with stipulated use of resources and performance standard."

Transparency is necessary to ensure accountability among the major group of participants in financial markets: borrowers and lenders; issuers and investors; and national authorities and international financial institutions. Transparency and accountability are mutually reinforcing. Transparency enhances accountability by facilitating monitoring, and accountability enhances transparency by providing an incentive for agents to ensure that the reasons for their actions are properly disseminated and understood. A perfect example is the Hallmark scandal of the state-owned Sonali Bank which occurred due to the lack of both transparency and accountability. Both the borrowers and the officials colluded in a non-transparent manner and siphoned off huge amounts of public money. The people who were caught have not yet been subjected to administrative and legal actions, in fact they got "perverse incentives" and the honest and dedicated people working in the same bank and elsewhere are pushed back into inefficiency. As the saying goes, "Bad money drives away the good money."
The transparency of financial statements of banks is secured through full disclosure and by providing fair presentation of useful information necessary for making economic decisions to a wide range of users. In the context of public disclosures, financial statements should be easy for users to interpret. Whereas more information is better than less, the provision of information is costly. Therefore the net benefits of providing more transparency should be carefully evaluated by standard setters. The adoption of internationally accepted financial reporting standards is necessary to facilitate transparency and contribute to proper interpretation of financial statements. In the context of fair presentation, no disclosure is probably better than disclosure of misleading information. Left to themselves, markets cannot generate a sufficient level of disclosure. Here is the vital role of the accountants, as the bulk portion of useful financial

information used by the market participants are provided by the accounting information systems, where the preparers (the employed accountants) provide information which is authenticated by external accountants on the basis of International Accounting Standards (IAS) and International Standards of Auditing (ISA). An accountant should not depend on numbers only, one should engage one's own logic and judgment to analyse a set of numbers.
With the view of strengthening good governance in the financial sector, especially in the banking sector, Bangladesh Bank embarked on several financial sector reforms over the years. A large number of home grown reforms have already been taken and some are underway. Bangladesh Bank attempted to strengthen the legal framework of the financial sector, bring in dynamism, extend autonomy to the central bank, combat money laundering offences, and stop financing for terrorism. There are several other prudential norms already discussed in the previous section in relation to the Basel Guidelines and the guidelines of various Acts of Bangladesh. One important aspect is the management norms, which concern the fit and proper test for CEOs and directors of a bank, restrictions on the composition and functions of the Board of Directors. Banks have been directed by Bangladesh Bank to include one independent director in the Board of Directors. Audit Committees for all banks were mandated with clear guidelines, and TORs and an early warning system (EWS) were introduced. The Core Risk Management Guidelines on five major risks were introduced quite some time back and credit risk assessment by External Credit Assessment Institutions (ECAI) have been recommended for all commercial banks. However, in recent times we have seen that many of these management norms are not followed by banks. There are several privately owned banks where a number of family members are on the Board of Directors, which is contrary to the notion of good corporate governance. Therefore one of the main challenges for the banking sector is to ensure good corporate governance which will benefit the depositors, borrowers and investors; expand potential markets; broaden ownership; create alternative financing options; accelerate growth; increase employment and help reduce poverty in Bangladesh.
To balance the objectives of good governance and ensure compliance of regulations, three major steps are necessary: (a) a strong and independent central bank with more focus on core banking issues, (b) a well thought out set of prudential and management norms of the central bank that are not subject to frequent changes due to external political/administrative pressure, and (c) a system of prompt corrective actions for management of crises and for legal/administrative actions against persons responsible for crises in a particular bank or in the banking 'system' as a whole.

The write up was originally published in the 24th anniversary special issue of the Daily Star.

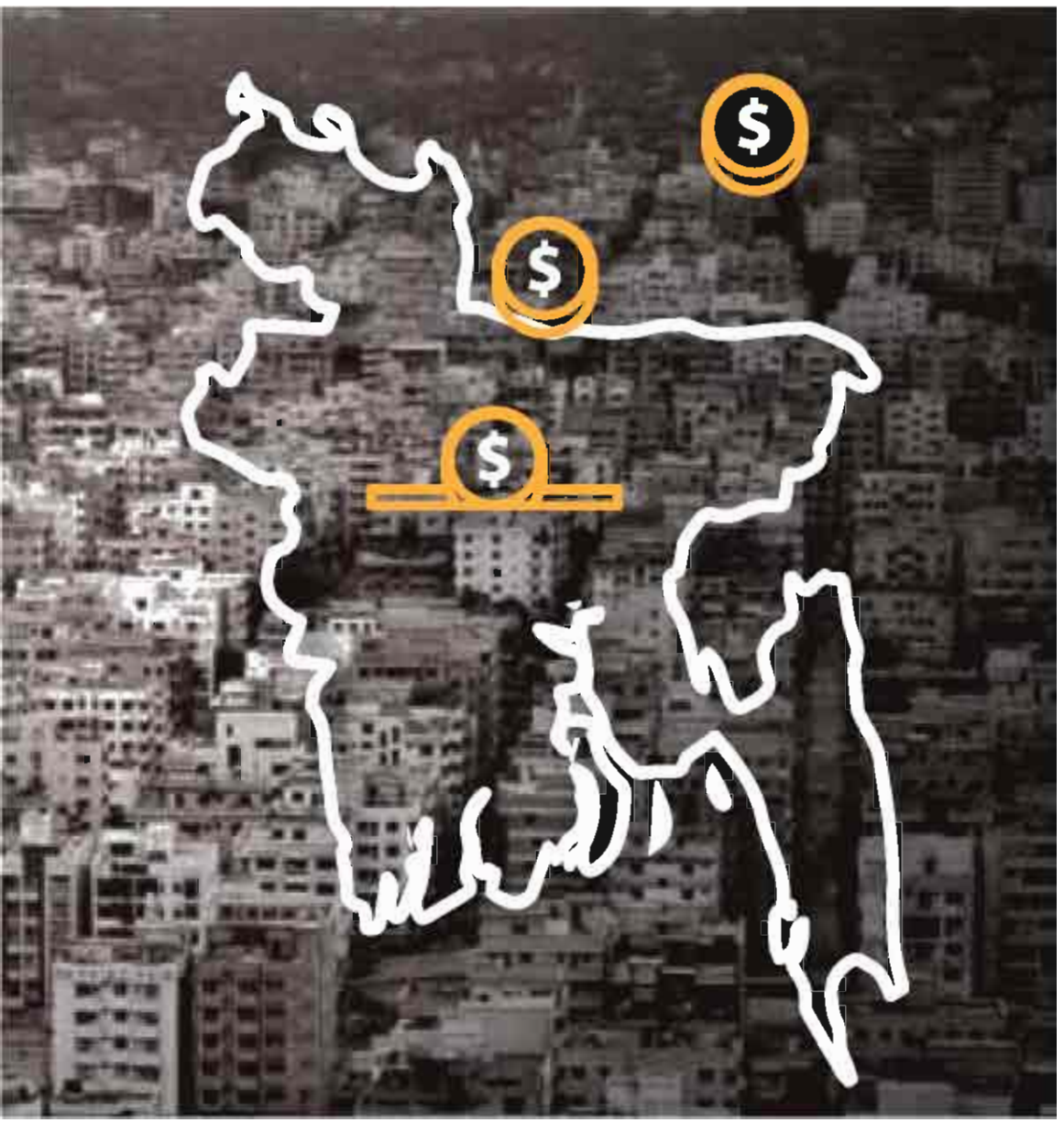
# INADEQUATE LAND, PORT AND LEGAL INFRASTRUCTURE FACILITIES TO ATTRACT FDI

By **Syed Ershad Ahmed**

Bangladesh's steady economic growth by overcoming all obstacles is an example for many countries in the world. The country's GDP growth is over 7 percent today, as well as the country, is progressing to achieve sustainable development goals (SDG). Moreover, despite scarcity for lands, legal and some other infrastructures, its current overall growth is better than many LDC members and even developing countries.

However, in order to obtain developed status soon, some issues must be addressed so that the country would not lag behind in its growth continuation in comparing to other competitive nations.

Over the decades, both the investors and different trade bodies have been saying about some bottlenecks like legal infrastructure, the inefficiency of sea and airports, making availabilities of energy/power and improving lands under special economic zones with an uninterrupted supply of utility services. Currently, the country is



offering cheaper and competitive labor costs to other countries, uninterrupted supply of energy and business-friendly rules and regulations, but it needs to change or relax several of the existing ordinance and policies for attracting more Foreign Direct Investments (FDI).
The Global Competitiveness Index 2017-2018 has for the first time ranked Bangladesh among the top 100 countries; at 99th position, among 137 countries. The World Economic Forum study stated that Bangladesh had an overall improvement in competitiveness, as the country scored higher in all 12 pillars, mainly in institutions and infrastructure. Bangladesh Business Environment Study 2017, prepared by Centre for Policy Research, a local think tank says, its corruption has reduced to 15.70 percent compared to 16.70 percent last year.
The above pictures show, despite different hurdles, the economic progress is continuing and it could be even better if the government takes some measures in resolving problems in legal infrastructure, improve both sea and airport facilities, develop lands under economic zones with adequate utility services and bring changes to its existing Customs Act 69 and further amendments to Foreign Exchange Regulation (Amendment) Act, 2015.
Although current FDI status is in comfort level in comparing to many LDC members, it could be increased by providing necessary measures. FDI in Bangladesh rose to only USD 51 million in the first quarter (July to September) of the current fiscal year (FY) 2017-18, over the corresponding period of the last FY.
However, the rise is inadequate as per growth achieved in the recent past. FDI in the first quarter of the financial year 2017-18 (FY18) was USD 490 million and it was USD 439 million during same time in the last fiscal whereas FDI in Bangladesh increased by USD 2 billion in 2016 and FDI in Bangladesh averaged USD 1 billion from 2002

**THE WRITER IS THE FORMER PRESIDENT OF AMERICAN CHAMBER OF COMMERCE (AMCHAM) AND FOREIGN INVESTORS' CHAMBER OF COMMERCE AND INDUSTRY (FICCI).**

until 2016, reaching an all-time high of USD 2 billion in 2016 and a record low of USD 276 million in 2004.
As per Bangladesh Investment Development Authority, (BIDA) statistics during July-April of the last year a total USD 2.0 billion foreign/joint venture investments were registered for 130 projects against a proposal for USD 965 million for 41 projects. Apart from FDI, domestic direct investment (DDI) growth is also not satisfactory though the government's target for credit disbursement with controlling inflation is being met as per its monetary policy.
The economy relying on RMG export is bearing the brunt of the inadequacy of labor force is hampering productivity and not letting the sector go up to the global value chain. Adding more salt to the wound, we have poor work ethics in the service sector, making us less attractive to foreign investors and more vulnerable to face sluggish GDP growth in the days to come.
Expediting process of business registration, power & gas supply, land acquisition, necessary legal infrastructure and other supports are of utmost importance for any foreign business. Even though the repatriation of profit option that we offer is lucrative in our country, it's the hassles to start a business which discourages many foreign investors; a system that prevents those recurrent hassles. In addition, it's high time to develop industry-academia ties to ensure an abundance of skilled workforces to enhance productivity.

**SDGs, also known as global goals are set of 17 goals, is a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. In order to quickly reach the SDGs, trillions of dollars in annual funding are needed to implement the 2030 Agenda.**

SDGs, also known as global goals are set of 17 goals, is a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. In order to quickly reach the SDGs, trillions of dollars in annual funding are needed to implement the 2030 Agenda. While many methods are being studied worldwide for strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets. For Bangladesh, the key tools to organize funding have been identified as increase domestic investment and FDI. Therefore, the foremost Plan of Action of BIDA is now to find ways and means to bring a revolution to our SMEs while there is an increased focus on attracting FDI.
Although in the set of seventeen "Global Goals", only 3 goals - 8,10, 17 have been primarily identified as relevant for BIDA with several targets (8.1,8.2,8.3,10.b, 17.3.1, 17.5,17.7) out of total 169 targets, however I feel the BIDA has more to do with the issue of helping the SMEs to flourish.
A global think tank called "Business and Sustainable Development Commission" to address the challenges of SDG has been at work since 2016 which introduced a new economic model and identified new ways of business development and for exporting products from Bangladesh to 60 new destinations aiming to faster expansion of domestic investments thereby boosting economic growth. These markets will be easily accessed by smart, progressive and profit-oriented companies. Achieving this goal is a complex challenge and need full, combined and coordinated attention of government, private businesses, and civil society.
The government launched a public and private partnership cell under prime minister's office which has already been commissioned and working to identify projects from different ministries of the government. It needs to accelerate its activities in developing lands under both private economic zones in partnership with the government.
Meeting problems in lands and in few policy supports, the country can compare itself with any other rising nations and can get more FDI.

*The write up was previously published in The Daily Observer.*

By **Md. Shahadat Hossen**
Executive Director,
The American Chamber of
Commerce in Bangladesh (AmCham)

# OVERCOMING OBSTACLES OF DOING BUSINESS IN BANGLADESH

H.E Marcia S Bernicat, US Ambassador to Bangladesh graced the AmCham October Luncheon Meeting as Guest of Honor and spoke on "Overcoming Obstacles of Doing Business in Bangladesh".

The US envoy in Dhaka said that Bangladesh needs to take steps for removal of some major barriers in a bid to attract foreign direct investment (FDI). She also listed high tariff, unnecessary or arbitrary regulations, the port, cumbersome customs procedures, unreasonable tax orders, corruption and even sanitary and phyto-sanitary requirements that lack scientific basis as some of the barriers of doing businesses in Bangladesh. Other barriers, according to her, include inefficient bureaucracy and biased tendering process for trade and investment climate in the country. She said, "US business can be doing so much better [in Bangladesh]. The really good news is when US businesses do better, Bangladesh does better, and Bangladeshi businesses do better." "Unfair trade barriers prevent that further progress from happening," she said adding that the embassy is keen to break those barriers as priority of the President Donald Trump's trade policy.

Ambassador Bernicat expressed "deep appreciation" to the people and the government of Bangladesh for the "generosity" in responding to the Rohingya crisis by allowing them in, but said, this crisis will also have an impact on the economy of Bangladesh.

While she was speaking on 'overcoming obstacles doing business in Bangladesh' she said the US is still the single largest foreign direct investor and export destination for Bangladesh. The two-way trade volume was $6.8 billion last year which was heavily tilted towards Bangladesh (Details in other article: pg-18).

30.10.2017

# AMCHAM NEW OFFICE PREMISE "CHEQUE HANDOVER"

During the October Luncheon, esteemed members of AmCham Bangladesh came forward with their generous support for establishing a new office premise of the Chamber. In response to the early call for action from president – AmCham, members handed over cheques for different sponsorship schemes, jointly received by the US Ambassador Marcia S. Bernicat, President Md. Nurul Islam, Former President Mr. Aftab Ul Islam and Executive Committee members.

The members who handed over cheques on the occasion were:

- Mr. Towheed Chowdhury, T-Mart Bangladesh in the Gold Category.
- Mr. A.K.M Zaman, FV Bangladesh in the Gold Category.
- Mr. Deepak Kumar Baral, of DSM Commodities in the Bronze Category.
- Mr. Tariqul Waheed, The Graphic Label Bangladesh in the Bronze Category
- Mr. Md. Shah Jalal, M/S Janata Traders in the Bronze Category.

There were few more commitments from the members which we believe can be of great assistance for AmCham Bangladesh having an office of its own and serve better pursuing its core objective of promoting bilateral economic relations between the USA and Bangladesh.

# FAREWELL EVENT IN HONOR OF SCB, BANGLADESH C.E.O

AmCham Bangladesh hosted a lunch to bid farewell to the outgoing Chief Executive Officer of Standard Chartered Bank, Bangladesh, Mr. Abrar A. Anwar on Tuesday, October 31, 2017, 1:00pm at the American Club. On the same occasion, the chamber also welcomed the present CEO of SCB, Bangladesh Mr. Naser Ezaz Bijoy.

AmCham president in his brief remarks appreciated SCB's long standing relationship with AmCham as one of its older members and wished Mr. Anwar all the best in his future endeavor as he was going to take over the same role in SCB, Malaysia which has been an outstanding achievement of a Bangladesh – born to head a MNC in another neighboring country.

# 2017 APCAC EXECUTIVE DIRECTORS' MEETING

Established in 1968, APCAC represents 29 American Chambers of Commerce from 22 economies in Asia Pacific; 20,000-member companies; 50,000 overseas American executives; 10 million employees; USD 620 billion in annual foreign direct investment (FDI) management and USD 1 trillion in annual trade.

Representatives of the Asia-Pacific Council of American Chambers of Commerce (APCAC) gathered in Ho Chi Minh City, Vietnam from October 12-13, 2017 to join the Annual "AmCham Executive Directors Best Practices Meeting". Every year APCAC chamber chairs meet and discuss various issues that include trends, challenges and opportunities, adaption of technology, publications and overall management of AmCham's in this region.

This year mostly all the members focused on Doing Business with the Trump Administration to advance American competitiveness in the Asia–Pacific region and to encourage economic growth, APCAC members exchange ideas across the two-day retreat. Mr. Md. Shahadat Hossen, executive director of AmCham, Bangladesh participated the program and represented the chamber in all programs with a view to uphold the image of its operation in Bangladesh.

# IN HONOR OF DG (AMERICAS WING) OF MINISTRY OF FOREIGN AFFAIRS, BANGLADESH

AmCham Bangladesh hosted a lunch to bid farewell to the outgoing Director General (Americas Wing), Ministry of Foreign Affairs & Bangladesh Ambassador to the Republic of Korea, Ms. Abida Islam on Tuesday, December 5th, 2017 at the American Club. On the same, the chamber also welcomed the upcoming DG, Americas Ms. Ferdousi Shahriar who was working as DG - External Publicity Wing in the same ministry.

Ms. Abida had always been a big supporter of AmCham, Bangladesh and extended her cooperation to the chamber and its members whenever they needed any such. We wish her all the best in the new role as Ambassador of Bangladesh to the Republic of Korea.

In the following two pages, you will see pictures taken during the handover ceremony of AmCham Business Award in past years. The first of its kind business award recognized the stalwarts of Bangladeshi corporate world and business arena for several years. In these pictures dignitaries from the US Embassy, AmCham Presidents during different terms and awardees are seen.

AMERICAN CHAMBER OF COMMERCE IN BANGLADESH
Annual Business Awards Presentation Ceremony

AMERICAN CHAMBER OF COMMERCE IN BANGLADESH
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AMERICAN CHAMBER OF COMMERCE IN BANGLADESH

# FOUR TAKEAWAYS FROM AMBASSADOR'S SPEECH AT THE AMCHAM LUNCHEON

Photo: Look Below

Ambassador Mercia Bernicat attended the AmCham Luncheon in October 2017. The topic of the luncheon discussion was "Overcoming Obstacles of Doing Business in Bangladesh". Kazi M Aminul Islam, executive chairman of the newly formed Bangladesh Investment Development Authority, also attended the event and laid out the government's initiatives for attracting FDI. In her speech, Ambassador Bernicat shared her thoughts on the current investment scenario and ways to go forward. Below are a few key points from her speech:

The RMG sector is still bearing the brunt of Rana Plaza Tragedy back in 2013 killing more than 1100 people. The building collapse sent a shockwave to the international community but with the initiatives of government and development partners, many factories ensured compliance and environmental safety. Nevertheless, this kind of upgradation is a continuous process and henceforth, requires time and adequate monitoring.

## BANGLADESH IS A PROMISING MARKET

"Our net FDI into Bangladesh over the most recent fiscal year was $450 million, putting us in the first place. The accumulated value of US investment -- what we call "stock" measurement -- is $3.2 billion, also putting the US in the first place."
To expound upon that: American companies have certainly found Bangladesh to be investment-friendly. The existing companies are already well conversant with the dynamics of trading and business ventures. The new ones will follow their footstep and should have no qualms in exploring the "surging" consumer market that no one saw coming, as stated by Boston Consulting Group (BCG).

## MUCH MORE IS NEEDED TO ENSURE BUSINESS FRIENDLINESS

"The US is a nation that truly values informational transparency, and for that reason, the annual investment climate statements also include market challenges like inadequate infrastructure, governmental and bureaucratic delays and concerns over workers' rights and safety."
To expound upon that: Many reports have shown that there is room for improvement when it comes to investment friendliness in Bangladesh. Many investors have found the paperwork needed to get a license for a business to be lengthy and cumbersome; It is almost no news that manufacturing sector has been grappling with problems like lack of power and energy.

## COMPLIANCE IN FACTORIES IS OF UTMOST IMPORTANCE

"There is a growing concern among the US buyers about the poor working conditions and less freedom of association in Bangladesh."
To expound upon that: The RMG sector is still bearing the brunt of Rana Plaza Tragedy back in 2013 killing more than 1100 people. The building collapse sent a shockwave to the international community but with the initiatives of government and development partners, many factories ensured compliance and environmental safety. Nevertheless, this kind of upgradation is a continuous process and henceforth, requires time and adequate monitoring. The country is now aiming to go up the value chain in the apparel industry, which is why more and more buyers are willing to ensure that they are not purchasing from a factory that doesn't follow ethical work practice or labor law. The government should, as almost all development agencies voiced, ensure proper implementation of the law to ensure freedom of association of the workers.

## BANGLADESH'S RESPONSE TO ROHINGYA CRISIS IS PRAISEWORTHY

"I want to express my deep appreciation for the people and the government of Bangladesh for their generosity in responding in urgent need to Rohingya refugees fleeing to this country."
To expound upon that: The Bangladesh government earned massive kudos for sheltering millions of Rohingya refugees. However, the influx of 655,000 to 700,000 Rohingya since 25 August 2017 has been posing threat on many grounds because providing basic needs like food and shelter to such a huge populace posed an enormous pressure on Bangladesh's emerging economy. Good news is many international organizations have rendered their assistance. As of yet, the US contributed nearly $140 million in assistance for the Rohingya people. Right at this moment, Bangladesh is working hard to ensure the safe return of these people back to their country.

## Introduction

What is the first country that pops in your head when you think about doing business or investing in something? Most common folks will probably think of a first world country, whereas a seasoned businessman is more likely to answer with a third world country. Why is that? What is it that the business men know that the common folk don't? Well, it's quite simple. One of the biggest premise of doing a successful business is simply to ensure that you make as much profit as is possible i.e. maximize your shareholder's wealth. Now, you can go about this in two ways, either you drive up your revenue through increased sales or you tone down your operational expenses through stringent business practices. Usually, it is a mixture of two and it is of course a lot easier said than done.

In developed nations, most expenses are higher in comparison to their underdeveloped counterparts. Labor costs in third world countries are grossly price competitive than in first world countries. Same goes for a lot of other general and administrative expenses. So, naturally the smarter businessmen opt for third world countries to do business over the first world ones.

Now, even among the third world countries, which one would you pick to do business in? Does Bangladesh enter your when you think of it? Stick around till the end of the article and it definitely will.

## Performance overview

Based on the 12 pillars of the world economic forum Bangladesh currently ranks 99th out of 137 in the Global Competitive Index. Respondents to the World Economic Forum's Executive Opinion Survey were asked to select the most

# CURRENT SCENARIO OF DOING BUSINESS IN BANGLADESH

problematic factors for doing business in their home country. Corruption topped the list for Bangladesh. However, the positive from here is that, given the political stability of the past decade of Bangladesh, this corruption is likely to go down. On the other end of the spectrum, restrictive labor regulation was the least problematic factor for doing business in Bangladesh, and rightly so, as the greatly profitable RMG sector, or in fact any sector of the country churns out profitability mainly due to the price competitive labor.

**Based on the 12 pillars of the world economic forum Bangladesh currently ranks 99th out of 137 in the Global Competitive Index. Respondents to the World Economic Forum's Executive Opinion Survey were asked to select the most problematic factors for doing business in their home country.**

## Readiness for the Future

For a country with a population of roughly 161.5 million its GDP is $227 billion, and its GDP per capita is $ 1,411.

Some key production indicators that suggest that the future of business investment in Bangladesh is promising:

- Manufacturing Value Added - $32,262 million
- Manufacturing Value Added as a % of GDP – 19.3
- Manufacturing Employment (% of working population) – 12.4
- Manufacturing Value Added Growth (Annual %) – 9.8
- CO2 Emission per unit of value added (kg/USD) – 0.4

The noteworthy values here are those of CO2 emission and annual growth of manufacturing value added. It clearly shows that Bangladesh is becoming eco-friendlier and is likely to become more so in the near future. On top of that, there will be an exponential growth in the manufacturing value added.

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## Export Processing Zones

One of the greatest strengths of the business scenario of Bangladesh is its EPZs. Export Processing Zones (EPZs) are export oriented industrial enclaves which provide the infrastructures, the facilities, administrative and support services for a wide variety of enterprises. Bangladesh's highly successful EPZs in Dhaka and Chittagong are now complemented by new EPZ developments and other valuable real estate developments around the country. There are currently eight zones:

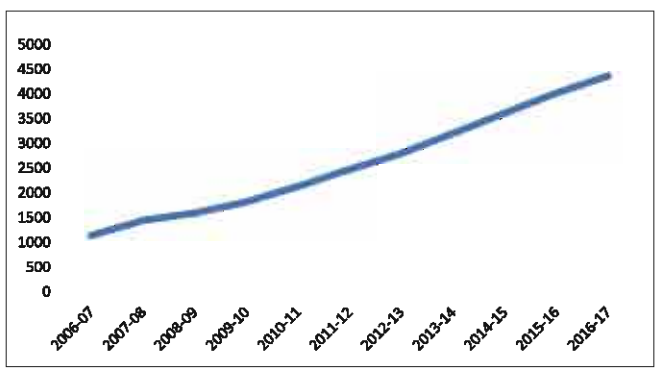
- EPZ-Adamjee
- EPZ-Chittagong
- EPZ-Comilla
- EPZ-Dhaka
- EPZ-Ishwardi
- EPZ-Karnaphuli
- EPZ-Mongla
- EPZ-Uttara

Because of the success of these EPZs, the Government, or rather The Bangladesh Export Processing Zones Authority (BEPZA) is planning to establish further new EPZs that will in turn greatly aid the business scenario of the country.

Since 2006-07 BEPZA has continuously been investing in EPZs. From the trend line above we can see that the cumulative investment by BEPZA in the last 12 years has increased from approximately 1,100 Million USD to 4,300 Million USD and as per the trend the investment will keep increasing exponentially, consequently further improving the business investment scenario of Bangladesh.

In fact, just recently the government said that it will set up three separate commissionerates for the foreigners working at Mongla, Uttara and Ishwardi Export Processing Zones (EPZs). The NBR has already asked the relevant commissioners to give approval to the EPZs to set up the three commissionerate in the aforementioned EPZs.

In an interview with BSS, General Manager of the Public Relations Division of BEPZA Nazma Binte Alamgir said that around 400 foreigners, mainly from China, Japan and South Korea are working in these three EPZs and once set up, they will get duty free facilities from these commissionerates.




*Cumulative Investment (Million US$)*

## Conclusion

Given the rising expenditure of the government behind EPZs, coupled that with price competitive labors of Bangladesh, the country is certainly set to be more business friendly, than it already is, in the near future. With the vision of Digital Bangladesh, on top of that, more avenues of investment will open up in the country, and with favorable government policies and political stability for a prolonged period of time, Bangladesh will soon become a gold mine for investors, if they just know when and where to invest. Because investing in Bangladesh has never been more favorable.

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# PRIMADOLLAR TRANSACTIONS IN ABSENCE OF FACTORING

By **M.S. Siddiqui**

In international trade, both buyers and sellers are concerned with the completion of a deal. The buyer wants to be sure that he receives the goods of the quantity and quality agreed. On the other hand, the seller is eager to receive payments on time and in the currency required once seller has sent the goods.

In order to meet these demands, various methods of payment have been developed. There is another more important factor is the cost of money. The cost of finance is not simply the rate that is charged - it is also the restricted availability. Exporters in Bangladesh has crisis of working capital like any other developing economies.

The policy of government and Central Bank is very clearly mandated for all out

**THE WRITER IS A LEGAL ECONOMIST AND CAN BE REACHED AT SHAH@BANGLA CHEMCIAL.COM**

financial support for working capital. Exporter has experience of local banks asking for collateral for back to back LC for raw materials and other working capital against master export LC. FIs hardly consider good will of the company and insist on collaterals for each categories of credit. The collateral based credit policy is a weakness of banking system.

But this story plays from the other side as well - of course, finance is also limited for buyers, and, believe it or not, it is also limited for Western FIs. Importers very often request for deferred payments of their import Lc/ contracts. The trade finance remains stubbornly an issue for everyone - creating an unwelcome frictional cost in the bargains that rational companies want to make.

The situation seems in gridlock of orthodox financial policy for garments which, contributes 80% of the total export. Historically the working capital of both exporters and importers also another challenge, since the garment trade require more working capital than any other business due to longer lead time of every deal.

Another factor is at play on deciding the investment of FIs. First: after many years of discussion, new regulations (Basel 3) are now in force across international markets. One requirement is that banks maintain a leverage ratio. This is the ratio between their core equity and their total balance sheet. A high financial leverage ratio means that the company is using debt and other liabilities to finance its assets -- and, everything else being equal, is more risky than a company with lower leverage.

FIs in other countries now prefer to work with contract than L/c. The new finance product "Factoring" now reduces the leverage of bank since the risk are taken over by the Factoring companies. FIs in Bangladesh now can earn quick return and easy return on their investment on international transaction through L/c. This is because of the old fashioned financial sector. But unlike Bangladesh, the western banks have different market.

The Letter of Credit or other trade finance occupies a lot of balance sheet, but delivers only a low return for the provider.

Consequently, LC is falling out of favor - as banks would rather use their balance sheet capacity, as restricted by the leverage ratio for higher margin activities.

From the sellers and buyers perspective of terms of payment is now an issue to concern. There are basically four methods of making payment for international transactions. These are

i) cash in advance
ii) open account
iii) documentary collection and
iv) documentary credit.

There is a solution to the payment terms, crisis of fund and reduction of cost of transactions through different types of trade financing for both exporter in developing country and importer in developed country. The buyers are forced to adjust the price with cost of products on the basis of payment terms. Some time, the additional cost of transaction with L/c that the exporters and the importers are shared between them. These either case the burden of cost has impact on sourcing of products. But alternately buyers prefer open account basis without Lc and also factoring of transactions to reduce cost and time of transactions.

For Bangladesh, this is important to understand. Historically, exporters could rely upon buyers offering them an LC as financial support, which could be used for back-to-back finance in the local market. Buyers were happy to do this - LC's been not that expensive to organize - banks were willing to provide. Exporters could obtain working capital loan against exporter L/c against further collateral security. Bangladesh exporters offering lower prices but same time even better quality than competitors until recent time.

But the situation has gradually changes. As credit from local banks and LC becomes scarcer, buyers become reluctant to provide LC. This is driving them into the hands of Indian, Vietnamese and even Chinese factories who are better capitalized than typical Bangladeshi manufacturers - and who can work without LC and offer open account and delayed payment.

There are some finance companies came with new product the "Factoring". This is a new finance for Bangladesh. It is a hybrid between factoring, which is quite new in Bangladesh and the sellers and FIs are trying to understand. It is an agreement between an exporter and factor whereby the factor purchases the trade debt from the exporter and provides the services such as finance, maintenance of sales ledger, collection of debts, and protection against credit risks.

There are various forms of international factoring. It may be simply defined, it as a purchase of receivables by factor from its client and collect it during the maturity from the debtor. Usually the factor pays the client about 80% of the value of the receivable and remaining is paid by collecting from the debtor after the deduction of charges. There are few categories such as (1) Bulk Factoring, (b) Maturity factoring, (c) Agency Factoring, (d) Invoice discounting etc. Factoring is flexible form of finance and with the help of factoring it is very easy to predict the cash flows. The factors immediately finance up to a certain percentage of the eligible export receivables.

The buyers now asking for export against contact or open account and the payment supported factors. Bangladesh can use this new financing product and work with good quality buyers around the world on equal terms with the Chinese and the Indians. Equal terms means that the buyer is simply not troubled by the financing required in order to bridge the time from "order to cash". The letter of credit also involved addition demand for margin deposit for L/c.

> There is a solution to the payment terms, crisis of fund and reduction of cost of transactions through different types of trade financing for both exporter in developing country and importer in developed country. The buyers are forced to adjust the price with cost of products on the basis of payment terms. Some time, the additional cost of transaction with L/c that the exporters and the importers are shared between them. These either case the burden of cost has impact on sourcing of products. But alternately buyers prefer open account basis without Lc and also factoring of transactions to reduce cost and time of transactions.

The buyer can get deferred payment facility without any additional collateral.

This is good news for the buyer - because his scarce credit resources are used for his own purposes. This is good news for the buyer's bank, which can refocus his credit supply onto higher margin lending and services, and away from low margin trade finance. Bangladesh need a legal and policy support from Central Bank for factoring of international deal. The local banks can support their exporter client with back-to-back Lc for raw materials if Central Bank gives policy support for back-to-back Lc against contract.

Factor Company is a new breed of finance company that can level the playing field for Bangladeshi factories - and allow them to trade with buyers on open account with delay of payment and without LC. In South Asia factoring services has come up in 1990 after its successful launching in India and Sri Lanka. Bangladesh exporter can bargain better payment terms like deferred payment, export against contact (open account) or factoring etc. Western buyers are ready to pay more for better and less expensive payment terms. Exporters can now offer the same deal to the buyer that their stronger international competitors can. Bangladesh can compete with other competitors with better finance and better business terms with acceptance of factoring and innovative financing of trade.

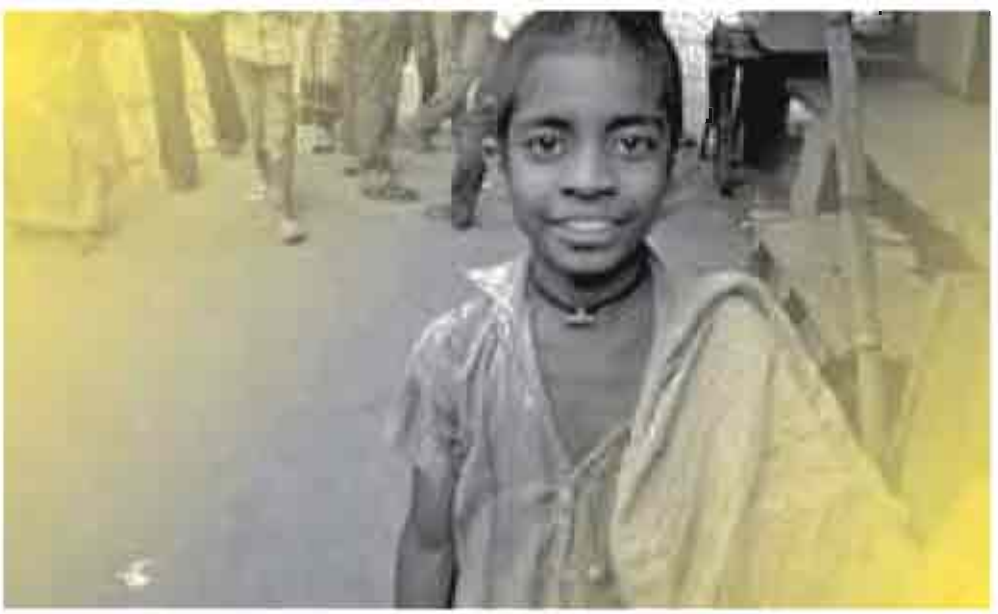
Bangladesh Bank is working on Factoring and a policy paper has been prepared by a team of experts under leadership of Professor Proshanta K. Banerjee of BIBM. The export policy order 2015-18 also has mention of new transaction facility through "Factoring" to promote export. These actions are indication of positive direction for introducing Factoring in export finance in Bangladesh. Now she needs a law and/or a binding rule to cover the transaction under this new banking product.

There are already international non-bank financial institutions in the Bangladesh namely Primadollar from UK. They have now developed a new international trade finance product suitable this market in absence of legal and policy support for Factoring. There will be more players in the market Primadollar type finance products to facilitate export finance. These new entrants are filling a gap that is created by the shifting rules of international finance and easy transaction without any other risk of exporters and local and overseas FIs as well as buyers in other countries.

*This article was originally published in the Asian Age.*

# CAN BANGLADESH ELIMINATE EXTREME POVERTY BY FY2031?

By **Sadiq Ahmed**



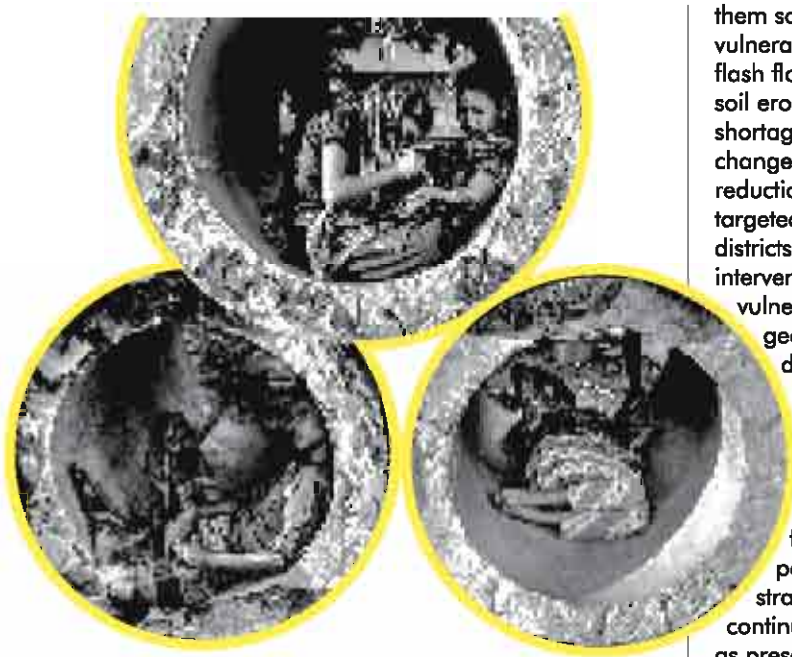
Bangladesh has set an ambitious target to eliminate extreme poverty by FY2031. The results of the latest Household Income and Expenditure Survey done in 2016 (HIES 2016) suggest that this is a feasible target but by no means assured. HIES 2016 shows that moderate poverty (percent of population below the Upper Poverty Line or UPL) has fallen from 31.5 percent in 2010 to 24.3 percent in 2016, while extreme poverty (percent of population below the Lower Poverty Line or LPL) has declined from 17.6 percent to 12.9 percent over the same periods. Research shows that several factors have contributed to continued progress with poverty reduction in Bangladesh including rapid economic growth, public spending on health, education, social protection and infrastructure, rapid inflow of external remittances and expansion of micro-credit programmes. Continued progress on these fronts will be important for further poverty reduction.

These research findings have been internalised in the government's poverty reduction strategy and related policymaking. But there is one major policy gap that has not received adequate attention. Research shows that poverty and the population's vulnerability to natural disasters are positively correlated. Those falling in the extreme poverty group are most susceptible to natural disasters owing to the absence of adequate coping mechanisms. Yet, policy progress with reducing the vulnerability of the poor to natural disasters has been weak. Continued neglect of this aspect of poverty strategy could jeopardise the government's ability to eliminate extreme poverty by FY2031.

The importance of this policy challenge is well illustrated by the results of HIES 2016. District level data indicates that the poverty reduction progress has been highly uneven. The chart shows that the top 10 poorest districts of Bangladesh have poverty incidence ranging from 70 percent to 42 percent (based on UPL) as compared with the average poverty incidence of 24.3 percent. Indeed, the poverty gap between the poorest district (Kurigram with 70 percent poverty rate) and the least poor district (Narayanganj with a poverty rate of only 2.6 percent) is astounding.

A 70 percent poverty

**THE WRITER IS VICE-CHAIRMAN OF THE POLICY RESEARCH INSTITUTE OF BANGLADESH. HE CAN BE REACHED AT SADIQAHMED1952 @GMAIL.COM.**



incidence found in Kurigram even after 45 years of independence is truly worrisome. A deeper analysis of the determinants of these large spatial variations in poverty incidence must be done to inform policymaking. An important factor is the role of geography and exposure to natural disasters.

Kurigram is an extreme example of this. Year after year Kurigram suffers from massive flooding from the overflow of the Brahmaputra river. It is little comfort to give the exposed population annual dose of relief supplies, small financial handouts, access to microcredits and better toilet facilities. Unless a permanent solution to the river flooding problem can be found, Kurigram will continue to show high poverty and thwart the government's efforts to eliminate extreme poverty.

More generally, the location map of the top 10 poorest districts shows that they are either a part of the Barind Tract area of North-West Bangladesh (Dinajpur and Rangpur) or a part of the river and estuary belt (Lalmonirhat, Kurigram, Gaibandha, Jamalpur, Magura and Kishoreganj). Because of location, they face a range of vulnerabilities presented by river-flooding and water-logging in the monsoon and water shortages in the fall and winter dry seasons. The remaining two (Bandarban and Khagrachhari) are a part of the Chittagong Hill Tracts with little access to usable water combined with difficult land terrain and episodes of flash flooding and land-slides from water runoffs. The environmental problems are compounded by over-exploitation of ground water and deforestation.

All these districts are heavily dependent upon agriculture for livelihood that makes them so much more vulnerable to river flooding, flash floods, water logging, soil erosion and water shortages. Without a sea change in the poverty reduction strategy that is targeted to benefit these districts through specific interventions to reduce the vulnerabilities imposed by geography, natural disasters and climate change, there is a huge risk that these districts will not benefit in a sustained manner from the current poverty reduction strategy and will continue to be left behind as presently. This will likely compromise the government's ability to eliminate extreme poverty by FY2031.

What is the way out? The adoption of the government's Delta Plan 2100 (BDP 2100) will be a major step forward. The BDP 2100 identifies the major sources of vulnerability of the population of Bangladesh to geography, natural disasters and climate change and seeks to address these vulnerabilities at source through a well-thought strategy comprising policies, regulations, institutions and investment programmes.

If the government is serious about eliminating extreme poverty by FY2031 it must move speedily to adopt the BDP 2100 and initiate its implementation.

Tinkering at the margin in these districts with small scale safety net or micro-credit programmes will likely be a wasteful use of resources when measured against sustained long-term impact. Sources of vulnerabilities must be addressed to achieve sustained progress with poverty reduction and this will involve large scale public investments in flood control, river training, irrigation, water storage, piped water supply and proper operations and maintenance (O&M) practices.

Degradation of land and underground water resources from deforestation, soil erosion and over-exploitation of ground water must be checked and reversed through regulations, investments and sustainable cropping practices.

Institutions must be established and cost recovery policies instituted to ensure participation of beneficiaries in policymaking, adoption of correct O&M practices and sustainable financing of investments. Production diversification must be ensured to create off-farm jobs in small scale manufacturing, transport, trade and other services.

Improving access to international migration will be helpful by increasing the income base of the vulnerable families.

Better access to microcredit and social protection programmes will also help reduce poverty on a sustainable basis provided these interventions are a part of the broader strategy that seeks to reduce poverty by addressing vulnerabilities at the source.

The write up was initially published in the business column of the Daily Star

# THE CHANGING RETAIL MARKET LANDSCAPE

By P. R. Datta

Over the past decade, the story of the Bangladesh retail industry has been nothing less than a revolution shaped and developed by high quality service provisions, world class design and sizeable local and international investment. Bangladesh is one of the fastest growing economies in the world with average growth rate of over 6.2 percent for the past decade, it is the 46th largest economy in 2016 (WB) in terms of GDP and 33rd largest economy in terms of PPP, with over 226bn dollar GDP and with only less than a 4.1 percent unemployment rate in 2016 making this country very promising for both domestic and international markets, although according to ease of doing business index we are ranked 174th out of 189 countries. To overcome this may be a great challenge for all of us in relation to attracting FDI (Foreign Direct Investment) but with adequate government attention this can be improved over time.

Bangladesh presents a great opportunity in its domestic market and global market too as a promised land. Over the past 13-14 years it has been witnessing a retail revolution and fast changing retail landscape. The organised retail industry is gradually inching its way forward to be the next most booming sector in Bangladesh like readymade garments; only if appropriate concerted strategies can be taken. The industry itself has expanded its growth over the past several years and organised retailing is undergoing a metamorphosis and expected to scale up over the next

decade. Bangladesh has an undoubtable depth of poverty, but has been one of the 'Next-Eleven tier' of developing economies keeping industrial development as priority. Modern 'superstores' are the next developing industry in the industrialisation of Bangladeshi cities. Although Bangladesh consists of agriculture being its main source of income for citizens, superstores are a new source of income, and profit for the working-class, business owners and the state, pushing the development of the state further added.

The traditional retail environment in Bangladesh has been one in which people have been served by local traders and markets, where there is an ample scope to scrutinise seasonal fruit and vegetables as well as purchase foodstuffs commensurate with any budget. Most food has been grown and packaged locally, with some being imported from neighbouring countries such as India, to supplement the local stock. Society has become more connected and fallen under the influence of concerted and often sophisticated advertising campaigns. A gradual shift has taken place in recent decades, which in some quarters at least has added an aspirational aspect to shopping. Whilst most citizens are never able to leave the country, they are increasingly familiar with the goods and offerings from elsewhere. The media in the form of television, print, radio and social media for the younger generations at least has become a powerful tool for accessing potential customers as well as consolidating and developing a brand or raising awareness. In addition, the extensive Bangladeshi diaspora has played its part in offering new experiences, which have proved especially attractive to the burgeoning middle class.

Whilst daily grocery shopping remains very much the same as it has done for years, organised retail (present superstore format of retailing) is undergoing a period of near unprecedented expansion, something that is driving further demand, as well as creating opportunities for further enterprise. Retail stores in Bangladesh, irrespective of product line and price, have begun to appear in diverse shapes and sizes, with convenience stores, discount stores, department stores and superstores a recent phenomenon. Changing tastes and expectations have seen retail shopping move into the realms of being an experience, one where the shopper or

The traditional retail environment in Bangladesh has been one in which people have been served by local traders and markets, where there is an ample scope to scrutinise seasonal fruit and vegetables as well as purchase foodstuffs commensurate with any budget.

visitor enjoys clean air-conditioned and secure surroundings, Some Middle-Class Bangladeshis, who are used to living in gated communities, prefer the new shopping experience at these superstores as they feel more familiar with the shopping style than they would be visiting overcrowded, open 'wet' markets for their everyday grocery shopping. Customers soon notice what they are encountering is something that is of an international standard and thus something that elicits a positive response, pride and a desire to spend time in the congenial surroundings.

However, the retailing sector in Bangladesh is undeveloped, structurally weak and fragmented, compared to its South Asian counterparts. For example, Indian retail industry is the 5th largest in the world, contributing over 30 per cent to the GDP and second largest employer in the country (30 million people) and has been ranked 15th attractive nation for retail investment by the Global Retail Development Index 2015. On the other hand, the rate of growth of retailing in Bangladesh over recent years was 7.0 percent based on the Gain report 2013. The sector is one of the biggest contributors of national employment that is at 12 per cent and made a 14.3 percent contribution to the national GDP during 2011-2012 together with wholesaling.

We must remember that in Bangladesh perspective the concept is new and has started emerging since early 2000 and during this course of time it managed to attract many investors, creating positive perceptions and drawing greater government attention. Various data sources indicate that the organised retail sector is only over 1.0 per cent of the total retail sector and, according to Bangladesh Superstores Owners' Association (BSOA), the total market turnover was Tk 15 billion in 2013 with 15 per cent annual sales growth. Around 30 companies with over 200 outlets are operating mainly in the capital city. According to the same source, the total retail market worth is Tk 747.50 billion and predicted to reach Tk 3028 billion by 2021 at an anticipated annual growth rate of 30 per cent. The dramatic changes in sales growth are attributed to rapid changes in urban expanded middle and upper-class consumers' purchasing behaviour. The Euromonitor (2014) identified Bangladesh as one of the 20th most promising future markets that will bring great opportunities for consumer goods companies worldwide. The growth of urbanisation and peri-urbanisation, coupled with the changes in demographic factors, increased employment and income level, along with an increased educated young population with profound influence on consumer shopping behaviour.

In Bangladesh only 20 percent of high income and social cluster accounts for over 45 per cent consumption and over 15 million people reside only in the capital city, and over 20 percent of the population which account for 35 million are part of expanded middle class which is more than the combined population of Finland, Ireland, Denmark, Sweden and Norway. Hence, its future potential is considerable.

Irrespective of its potential the sector has many challenges. These must be addressed adequately and need concerted strategies. Some of these challenges are: Limited market

The retailing sector in Bangladesh is undeveloped, structurally weak and fragmented, compared to its South Asian counterparts. For example, Indian retail industry is the 5th largest in the world, contributing over 30 percent to the GDP and second largest employer in the country (30 million people) and has been ranked 15th attractive nation for retail investment by the Global Retail Development Index 2015.

**DR P. R. DATTA, FCIM, FCMI IS EXECUTIVE CHAIR, ACADEMY OF BUSINESS & RETAIL MANAGEMENT (ABRM), LONDON, UK AND EDITOR-IN-CHIEF OF THE JOURNAL OF BUSINESS & RETAIL MANAGEMENT RESEARCH (JBRMR)-A SCOPUS INDEXED & SCIMAGO RANKED JOURNAL, UK**

intelligence, supply chain management system is still poorly established, shortages of skilled labour force including management, lack of available suitable retail space, very narrow urban customer base focusing on major 1-2 cities, high taxation, inadequate power supply, access to finance due to corruption, high cost of capital and finally there is no official machinery which regularly releases retail statistics. A few private sources which give information on various aspects of retailing cannot be vouched as the most credible and authentic source.

Bangladesh as a country has developed to a great extent with the creation of superstores, which give civilians the insight into the convenience of industrialisation, bringing fresh insights and a new source of income to boost the growth of its current economy. In the coming years, Bangladesh should not be undermined as economists see it as having a paramount amount of potential for foreign-investment-led growth. Not only will supermarkets create a bigger, better economy, visual civilians will be able to capitalise and grow on this idea with business opportunities, competition and a constant growth toward complete quality and control. Therefore, it is the time for the sector, retail owners, The government, regulatory bodies and other interested stakeholders to become more proactive and develop a concerted strategy to address various challenges and make this sector another booming area in the future which will bring investment, world class services, knowledge, technology and pride.

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