

A PIAG NOTE  
 Abdur Rab  
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SOME RECENT POLICY CHANGES

The Bangladesh Government has recently introduced some policy changes for investment deregulation and export-oriented development. The changes which seem particularly worth noting are:

- \* Introduction of a process of automatic registration of proposed investment projects with the Board of Investment (BOI);
- \* Full exemption of duties on imported machinery for 100 percent export-oriented industries outside the Export Processing Zones without requiring any bank guarantee;
- \* Increase of cash compensation to local fabric producers from 15 percent to 25 percent of the value of such supplies to readymade garments producers for export in lieu of duty drawback; and
- \* Exemption of duty on raw hides and skins for leather producers with a bank guarantee.

For the first of these changes, PIAG could claim some legitimate credit as PIAG's recommendation to this effect was pursued seriously by the Advisor working with the BOI. For the other changes all representing export policy improvements, PIAG can take some satisfaction since one of its policy papers (PIAG Report #3: "Export Performance and Export Policy: Some Interim Recommendations", June 8, 1993) explicitly made the same or similar recommendations.

These new policy changes are likely to have significant positive impact on investment, (export-oriented) growth and enhancement of backward linkages in the Bangladesh economy.

An initial big spurt in the registration of proposed foreign investment immediately in the wake of introduction of the automatic registration process looks particularly striking. This process was put in place from the beginning of March, 1994. During this month, total proposed investment in fully foreign-owned and joint-venture projects registered with the BOI rose to Tk 21,152.6 million (roughly US \$528.8 million), a figure which far outweighs the total of such investments registered during the last three years since March 1991 (See attached tables). Although no conclusion about the trend of foreign investment seems warranted at this stage unless we see the proposals to get off the ground, these figures certainly appear to signal some ray of hope for the actual turn-around in investment to take place in the coming days.

Some of the proposed investments, which are large projects, are worthy of note:

-A Saudi-Bangladeshi joint venture proposal (with Saudi company's equity share of 96%) for methanol manufacturing involving a proposed investment of Tk 11,388.4 million (US \$284.7 million)

-A 100% Malayasian Company's investment proposal of Tk 8,507.8 million (US \$212.7 million) for an integrated textile mill

-A Chinese-Bangladeshi joint venture (49-51) proposal for an investment of Tk 620.4 million (US \$15.5 million) in soda ash manufacturing

Joint Venture or 100% Foreign-Owned  
Investment Registered with the BOI (Book Value)

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(Tk million)

	Number of Projects	Local	Foreign	Total
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Upto 1971	22	180.177	203.513	383.690
1972-86	119	1235.689	1251.140	2480.216
1987-Feb 91	80	5619.701	7492.199	13119.000
<b>Sub-Total</b>	<b>141</b>	<b>6855.390</b>	<b>8743.339</b>	<b>15599.216</b>
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1991 (Mar-Dec)	24	291.477	328.506	619.983
1992	22	452.998	1170.309	1623.307
1993	34	906.517	754.570	1661.087
1994 (Jan-15 Mar)	21	864.994	19935.389	20800.383
<b>Sub-Total</b>	<b>101</b>	<b>2515.986</b>	<b>22188.774</b>	<b>24704.760</b>
<b>Grand-Total</b>	<b>264</b>	<b>9551.553</b>	<b>31136.113</b>	<b>40687.666</b>

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**Source:** Board of Investment

**LIST OF THE FOREIGN INVESTMENT PROPOSALS  
REGISTERED AUTOMATICALLY WITH  
RE-ORGANISED BOI SINCE 01-03-94**

Sl. No.	Name & Address of the Project	Area of Investt.	Registration No. with Date	Total Investment (Million Taka)	Total Equity in %		Foreign Investing Country	Present Status
					Local	Foreign		
1	2	3	4	5	6	7	8	9
01.	M/S. Labonnya Chemical Cosmetics Complex (Pvt) Ltd., & Chemical Shahjalal Villa, House No. 56, Road No. 11, Kallanpur, Dhaka.		9403001H 06-03-94	10.000	50%	50%	Pakistan	Proposed
02.	Bhagwan Paper Machine (Pvt) Ltd., 162, Shantibagh, Dhaka.	Media Paper	9403004H 06-03-94	9.000	0%	100%	India	- do -
03.	Sun Methanol, Bangla-desh Ltd., 2/9, Block-D, Lalmatia Housing Estate, Dhaka.	Methanol Mfg.	9403005H 06-03-94	11388.400	4%	96%	Kingdom of Saudi Arabia	- do -
04.	Meghna Engineering Works Ltd. Ali Mansion, Sadarghat Road, Chittagong.	Mini Steel Mill	9403006H 07-03-94	426.000	60%	40%	United Kingdom	-do-
05.	Hualon Corp. BD Pvt. Ltd., Level 9/10, Wisma Goldhill, Jalan Raja Chulan 50200, Kuala Lumpur, Malaysia.	Integrated Textile Mill	9403013H 10-03-94	8507.776	-	100%	Malaysia	Proposed
06.	Biella Knitting Ltd., Plot-326/A, Tongi I/A, Tongi, Dhaka. Office- House-17, Road-28, Bonani, Dhaka.	Woolen Sweater	9403014H 10-03-94	12.500	10%	90%	Italy	Existing
07.	Hussain Chemical Complex Ltd., 263, Tejgaon I/A, Tejgaon, Dhaka.	Soda Ash mfg.	9403030H 20-03-94	620.421	51%	49%	China	Proposed
08.	Muslin Textile Mills Ltd., 519, Chatar, Gazipur.	Composite Knitwear mfg.	9403027H 20-03-94	132.50	85%	15%	United Kingdom	Proposed
09.	Shendha Knitting and Garments Ltd., 468, DIT Road, Malibagh, Dhaka.	Knitted Fabrics & Garments	9403035H 23-03-94	34.000	58%	42%	China	Proposed
10.	Hotel Sunny Beach International (Pvt.) Ltd., 27, Dilkusha C/A, Dhaka.	Hotel	9403040 27-03-94	12.000	40%	60%	Germany	Proposed

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U.S \$ 528.8 mil.