

Study Tours to the UAE, Jordan, Malaysia and South Korea:

Observations and
Recommendations by PSD Core
Group Participants

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1 Study Tour to UAE and Jordan

Event:	Study Tour to Dubai, Amman and Aqaba
Objective:	Training and awareness building for government officials to assist the broader Bangladesh PSD reform agenda
Participants:	19 PSD Core Group Members
Date:	19-26 October 2005

Introduction

Consistent with the focus of the PSDSP, the PSD Core Group visited and investigated economic zone infrastructure in Dubai and Aqaba, UAE and also held meetings in Amman, Jordan with various government and private sector representatives. The participants of the study tour were given detailed terms of reference, which included submitting a written report of their experience for contribution into the ongoing PSDSP design process. The study tour gave participants a first-hand look at the best practices in investment/business opportunities and the range of facilities that are implemented in these countries. Below is the summary of all the individual papers, highlighting the key observations and recommendations for Bangladesh.

SEZ Infrastructure and Location

1. The SEZ should be located strategically close to seaports and airports, major highways and/or accessible to multiple modes of transportation.
2. Due to the extreme scarcity of land and dense population of the country, site selection must result in minimal resettlement and encroaching upon crop fields. The FTZ/SEZ zoning strategy must be very strong and well thought out.
3. The suggested sites/locations for the SEZ/FTZ are Teknaf-Cox's Bazar, Sitakunda-Feni, Dhaka-Gazipur, Comilla-Chittagong, Khulna, and Chittagong.
4. The coastlines from Chittagong to Cox's Bazar, and from Teknaf to Cox's Bazar can be developed for sea resorts, tourism, hotels, and seafood (processing and restaurants).
5. There must be pre-built infrastructure and facilities within the zones for renting out.
6. The new zones should make much better use of land and must provide for more services than the existing EPZs. Value added services should include logistical services, professional services (human resources, consultancy, recruitment, etc.), entertainment and leisure, schools, gyms etc.

7. High quality and reliable infrastructure is necessary for the SEZ, such as uninterrupted power supply, high speed internet and phone connectivity, reliable gas and water supply, and expressways.
8. Effluent treatment facilities must be built in the zones. Open and green fields must be kept aside as well.
9. The size of the SEZ in Bangladesh cannot be as large as the SEZ in Aqaba. A suggested size is 40-120 square kms.

SEZ Authority/Organization

1. The zone could be privately managed by a fully independent development authority which would manage planning, development, maintenance, etc. This could lead the way for a private sector-led growth.
2. The one body vested with the authorities of the zone must be truly autonomous and empowered to make decisions at all operational levels. The authority can be headed by a board or under the Prime Minister with members from other ministries. This authority/board would have the sole capacity to acquire and lease movable and immovable property.
3. The authority would be governmental/semi governmental but the funding/financing can be privately arranged.
4. Such authority would be pro-active in advancing and developing its own ideas/plans of investment promotion, diversification of manufacturing/industry, law enactment/implementation, environmental policies, physical development, and upgrading, etc.

Regulatory Reform/Pre-requisites

1. A strong and well devised vision is a pre-requisite to development.
2. Special laws and regulations can be enacted to deal with litigation and also to protect from undue and unfair pressure/influence of politicians, agencies/ministries.
3. Freedom of speech and expression within and outside the zone must be ensured.
4. Customs, immigration, local government and other authorities need to be aligned/streamlined/amalgamated under one authority.
5. Strong commitment from the government and an improvement in the law and order situation must be attained.
6. Full public support and participation must be ensured.
7. Routes must be open and ensured for private sector involvement in the project(s).
8. Customs, taxation, immigration, and registration laws must be streamlined for the special zone.

Special Conditions/Rules Recommended for the Zone(s)

1. The zone must be investment friendly (one stop service) and must be equipped to look after all the requirements of the clients (with fees).
2. There should not be any restriction on:
 - capital repatriation
 - employing foreign employees
 - 100% ownership
 - currency
3. No land development tax.
4. Corporate tax holiday for 15-50 years (renewable) and no personal income tax.
5. There should not be any restriction on selling of products to the local market after paying due taxes and customs duties.
6. No import duties should be payable to goods consumed inside the zone.
7. Highly qualified persons should be recruited.
8. Customs and immigration offices, staffed with officials trained particularly in zone needs, should be housed within the zone to facilitate the smooth operation of the zone and its clients.
9. There should be provision for research and development in terms of products, services, and procedures.
10. Ample provision for leisure, entertainment, education, tourism, sports and accommodation must be secured.
11. Security of the premises must be assured.
12. Poor performing and unprofitable industrial estates and factories can be handed over to this authority for development.
13. Training and human resources development should be a part of the zones' development.

Challenges for Bangladesh in setting up an SEZ

1. Scarcity of land
2. Dense and huge population
3. High unemployment
4. Political instability
5. Lack of firm and committed leadership
6. Poor infrastructure
7. No vision or planning
8. Corruption
9. Complicated taxation policy
10. Deteriorating law and order situation

Strengths and Advantages that Bangladesh enjoys in terms of SEZ and investment

1. The GoB is committed to the idea of SEZ
2. 120 km coastline
3. Strategically located
4. Abundant and cheap labour
5. Rich in natural gas and other mineral resources
6. Mandated to promote development
7. Favourable diplomatic relationship within and beyond the region.

Miscellaneous Recommendations

1. A PSD desk/kiosk can be set up in the PSD associated ministries/agencies/offices to facilitate the growth process.
2. PSD related training can be made available to more GoB officials for sensitizing and making them aware of the issues.
3. More visits can be organized for top decision making GoB officials because “seeing is believing”.
4. SEZs can have slogans in line with the vision (e.g. “Have your business/factory in a week”).
5. Public awareness raising campaigns can be undertaken.
6. Private universities can be clustered in the SEZ. Also the internet cities and media cities can be set up at a smaller land area.

2 Study Tour to Malaysia and South Korea

Event:	Study Tour to Malaysia and South Korea
Objective:	Training and awareness building for government officials to assist the broader Bangladesh PSD reform agenda
Participants:	21 PSD Core Group Members
Date:	11-19 December, 2005

Introduction

Consistent with the focus of the PSDSP, the PSD Core Group visited and investigated economic zone infrastructure in Malaysia and South Korea and also met with various government agencies in each country. The participants of the study tour were given a detailed terms of reference, which included submitting a written report of their experience for contribution into the ongoing PSDSP design process. The study tour gave

the participants a first-hand look at the best practices in investment/business opportunities and the range of facilities that are implemented in these countries. Below is the summary of all the individual papers, highlighting the key observations and recommendations for Bangladesh.

Infrastructure and Location

1. Establish social capital like schools and hospitals in economic zones, alongside residential areas.
2. Infrastructure related to transport by sea, air, road and rail should be upgraded or developed immediately.
3. Uninterrupted supply and availability of all utility services, like power, water, gas, should be ensured.
4. Communications services, like internet and telephone, should be easily available in the zones.
5. The management of Chittagong Port should be improved to world class standards to facilitate transport from economic zones.
6. The Chittagong, Dhaka and Comilla EPZs should be expanded early on in the PSDSP.
7. Warehousing, transshipment, logistics services and service-oriented industries should be allowed in the zones.
8. The cargo handling capacity of zones should be enhanced.
9. A suitable location needs to be selected that covers an adequate area and has easy access to air or sea ports.
10. Each zone should be at least 40 square kilometers in size.
11. EPZs and SEZs should be at least 1000 acres in size.
12. The location and selection of SEZs should be on the basis of feasibility studies, and not on political will.
13. Ideal locations for an SEZ in Bangladesh are: the Dhaka-Comilla corridor, the Comilla-Feni-Chittagong corridor, the Jamuna Bridge-Bogra corridor, the Dhaka-Tangail corridor, the Dhaka-Mymensingh corridor, and the Cox's Bazar-Chittagong corridor.
14. SEZs may be built in and around ports, to expedite exports and shipment of products.
15. The SEZs should incorporate industrial, commercial and residential facilities, combined with efficient transport infrastructure.
16. New economic zones should be developed with provisions for future expansion and development.
17. SEZs aimed at producing goods for domestic consumption may be located in an accessible, well-connected area for easy market access, whereas export-oriented SEZs should be located near transport hubs.

Authority/Organization of the Zone(s)

1. Zone management should be made transparent and efficient through the automation of zone administration functions.
2. Highly professional, experienced, dynamic and investment-oriented officials should be hired to manage economic zones in Bangladesh.
3. Capacity building of zone officials is necessary to ensure that they provide world class service to investors.
4. Effective one-stop service centres need to be established in the zones to ensure ease of investment.
5. To ensure effective one-stop service, the related officials of Customs, Gas, Power, Water, Telecommunication, Environment, Immigration and Passport, NSI, Special Branch of Police, Company Registration and EPB should be deployed under the full administrative control of the Zone Authorities.
6. Security and environmental issues should be addressed more comprehensively by the zones.
7. The operation and management of future zones may be delegated to the private sector.
8. The government may consider acting as facilitators of zone development, by leasing land to private sector operators to build, operate and manage future zones.
9. Alternatively, the operation and management of future zones may be delegated to the local government agencies in the relevant areas.
10. Zone authorities should be taught efficient crisis management skills.

Regulatory reform/Pre-requisites

1. Legislation should be introduced to grant the zone authorities autonomous authority.
2. A streamlined regulatory and legal framework is a must for the development and success of economic zones in Bangladesh.
3. It will be necessary to chalk out a road map for total e-governance in Bangladesh.
4. A key first step will be an inventory of all business-related rules and regulations and the reform of these, through consultation with chambers and private sector experts.
5. The monitoring of regulatory reform, including the application of regulatory compliance surveys, should be strengthened.
6. Efforts for RIA and seeking alternatives to direct regulations should be strengthened and pursued.
7. To enhance regulatory reform in Bangladesh, a Regulatory Reform Committee may be established under the Prime Minister's Office.

8. The RRC should be chaired by the Prime Minister, and should consist of 20 members – 10 from the private sector and 10 from the government.
9. Each ministry should establish its own Regulatory Reform Working Group to review all new or amended legislation, prior to submission to Parliament.

Special conditions/rules recommended for the zone

1. Industrial parks can benefit from the formation of industrial clusters.
2. Clusters that are innovative and have growth potential in Bangladesh should be encouraged.
3. Trading offices, liaison offices and semi-processing industries should be allowed in the zones.
4. Unlimited local sale in the domestic tariff area should be allowed on payment of the appropriate duties and taxes.
5. A wide range of competitive fiscal and non-fiscal benefits should be provided.
6. Investors should have easy access to low interest loans.
7. World class banking connectivity with global financial markets is a must.
8. SEZs should provide land to investors on long term leases.

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Miscellaneous recommendations

1. National vision, political will and commitment, good governance, decentralization of administration, introduction of a national human resource policy and accelerating privatization are major macro issues the government should aim to improve.
2. The zones may act as catalysts for wider national policy and economic reform.
3. Vocational, technical and Human Resources training centres should be established in the zones.
4. Technology transfer from existing zones to the local economy should be increased.
5. It will be important to strengthen backward linkages between the zones and the local economy.
6. An IT village may be established near the capital to use the skills of the many science graduates from Bangladesh universities.
7. BOI and BEPZA should be equipped with the skills necessary to nurture investment in the least developed areas in Bangladesh.
8. Technical knowledge and know how of government officials should be developed.
9. Government officials should be trained on financial, commercial and legal issues.
10. Government officials should be imbued with negotiation skills
11. Bangladesh missions abroad should be equipped with investment promotion skills to enable them to serve as catalysts for increased foreign investment.