

GOVT. POLICY TOWARDS SPECIAL ECONOMIC ZONES IN BANGLADESH

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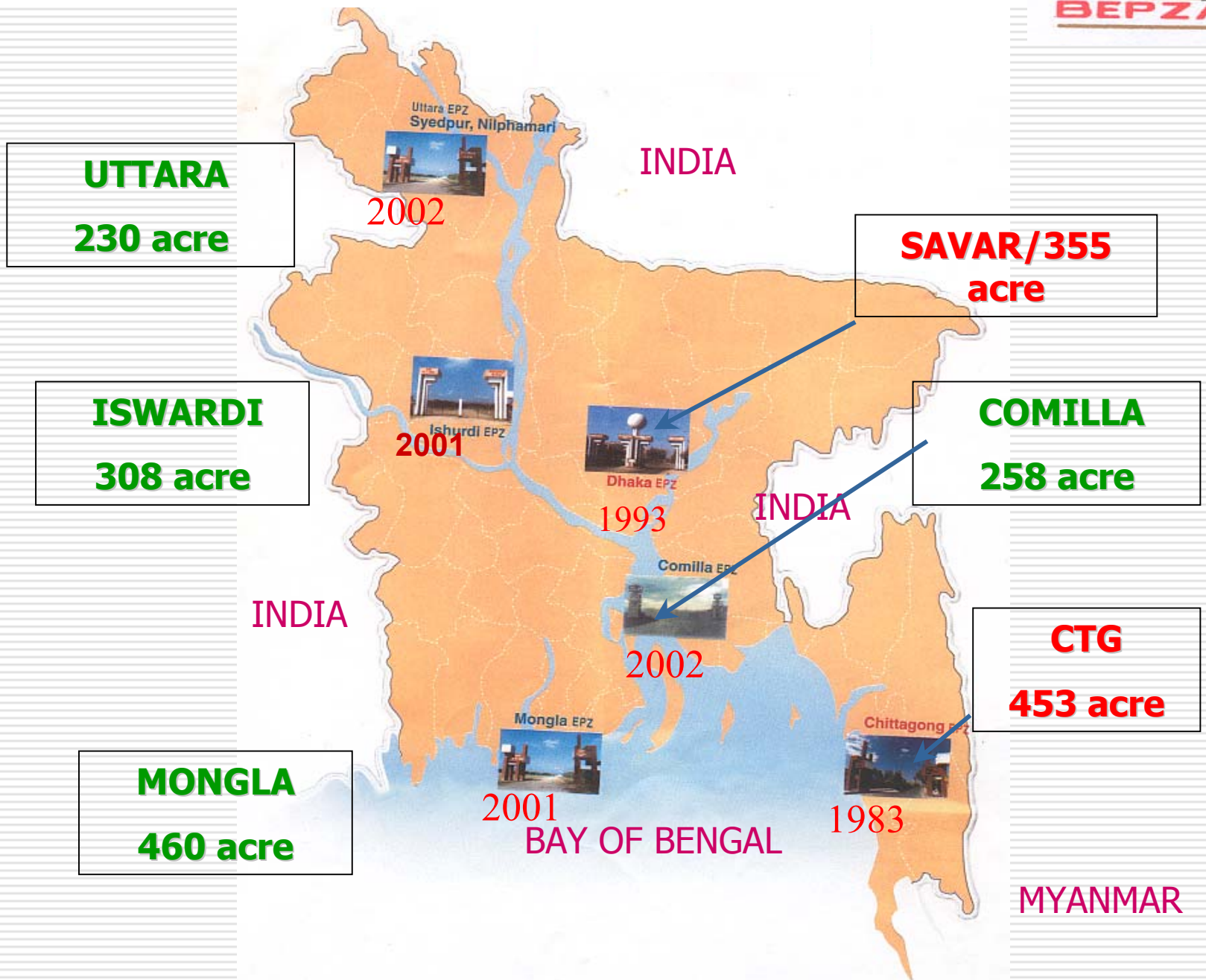
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WHAT IS AN EXPORT PROCESSING ZONE (EPZ) ?

- ❑ **A territorial enclave:** an exclusive geographical area or zone.
- ❑ **An economic enclave:** Here economic laws are different from typical economic laws of the country.
- ❑ **A case of value addition:** After import goods are stored, repacked, manufactured & exported.
- ❑ **A case of duty exemption:** Reduction of duties / minimum intervention by customs (custom-bonded area).

EPZs OF BANGLADESH



HISTORICAL PERSPECTIVE

- ❑ **World Bank President Robert McNamara explained benefits of EPZ to late President Ziaur Rahman in '76.**
 - ❑ **GOB played pioneering role in creation of export processing zone (Govt key player)**
 - ❑ **Construction of Ist EPZ started in CTG-port city in '78 because of privileged location.**
 - ❑ **Statutory provisions.**
 - ❑ **Public EPZ :6+1,Private:2(Korean+1 local)**
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Policy Package:

- ❑ **Bangladesh Industrial Policy played +ve role.**
- ❑ **ACTS OF PARLIAMENT WORKED AS MILESTONES:**
- ❑ ***Export Processing Zones Act,1980.**
- ❑ ***Foreign Private Investment Promotion & Protection Act,1980.**
- ❑ ***Private Export Processing Zone Act,1996.**
- ❑ **Public/Private EPZ: two policy dimensions.**
- ❑ **PMO-key policy maker (ministry) of EPZ authority.**

BASIC TENETS OF GOB INDUSTRIAL POLICY

- **Strengthen economic base by promoting FDI & local investment**
- **OPEN-DOOR POLICY**
- **Role of Govt promotional rather than regulatory(create enabling environment for private sector) .**
- **Permit public undertaking where essential.**
- **Promotion & diversification of export.**

BASIC TENETS OF GOB INDUSTRIAL POLICY (contd.)

- Develop backward/forward linkages.**
- Follow “Build ,Operate Own” or “Build ,Operate ,Transfer” approach.**
- Transfer of technology & upgradation of skill (including managerial).**
- Generate rapid growth of employment esp. female .**
- Offer special incentives for ‘thrust Sectors’ (jute,textile,tourism,frozen food etc)**

BEPZA Act,1980-a milestone

Features:

- ❑ Board of Governors- the apex policy making body >1st tier of admn.**
- ❑ Hon'ble Prime Minister heads the Board of Governors .**
- ❑ `Board of Governors `consists of 7 ministers ,7 secretaries..=21 members**
- ❑ Executive Board-secretariat of Board of Governors >2nd tier of admn.**
- ❑ Executive Board consists of Executive Chairman & 3 other members appointed by Govt.**
- ❑ A Consultative Committee assists/advises the Executive Chairman.**

SALIENT FEATURES OF BEPZA Act,1980 (contd.)

- ❑ Power to create new zones -frontiers of investment.**
- ❑ Power to establish Public Warehouse anywhere.**
- ❑ Provision of bonded facilities-no customs duty, sales tax,octroi ,excise duty, import licence / permit fee etc on import to or export from any zone.**
- ❑ Power to acquire land.**
- ❑ Power to exempt zones from operation of 16 laws(for smooth functioning).**

AUTHORITY OF BEPZA BOARD OF GOVERNORS:

□ As per clause 5A(2) of Act of 1980:

“The policies formulated, orders given and instructions issued by the Board shall be deemed to be the policies formulated, orders given and instructions issued by the Government and shall be followed accordingly; and they shall not require any formal approval of any Ministry or Division dealing with matters for their implementation.”

FOREIGN PRIVATE INVESTMENT (PROMOTION AND PROTECTION) ACT 1980

Salient features:

- A milestone to promote & protect foreign investment,**
- Security against expropriation & nationalisation.**
- Indemnification of losses due to civil commotion, riot, insurrection etc.**
- Terms of sanction/permission, licence not to be changed unilaterally.**
- Protection and equitable treatment to foreigners.**
- Repatriation of Investment if liquidated.**

Private EPZ Act 1996-another milestone

- ❑ Board of Governor-top policy making organ chaired by Hon'ble Prime Minister.**
- ❑ Private EPZ to be declared by Board.**
- ❑ Board to acquire land for a zone.**
- ❑ Executive Cell headed by a DG,PMO to implement decisions of Board.**
- ❑ Board to issue permission letter to a Sponsor Co. (registered under Companies Act 1996) for selection of site for a zone.**

Salient Features of Private EPZ Act 1996 (contd.)

- ❑ Sponsor Co to issue permission to investor to set up industry in a zone.**
- ❑ Sponsor Co to provide infrastructure facilities etc to investors.**
- ❑ Concessional facilities like BEPZA allowed to a zone.**
- ❑ Sponsor Co to encourage foreign & domestic investment.**
- ❑ Zone exempted from operation of 21 laws (for smooth functioning)**

POLICY BENEFITS IN EPZs

- **Economic enclaves of excellence with investor-friendly environment.**
- **EPZs are protected and fully secured areas.No trespassing .**
- **Land and factory building available on rental basis.**
- **Electricity, Water, gas, telecom, courier /banking services provided .**
- **Import/Export permits issued from 'one window the same day'.**

POLICY BENEFITS IN EPZs (contd.)

- **Tax holiday for 10 years/lower rate for 5 years.**
- **Exemption of income tax on interest on borrowed capital.**
- **Duty free import of machineries, equipment, construction materials and raw materials.**
- **Relief from double taxation.**
- **Duty free import of two/ three vehicles.**

POLICY BENEFITS IN EPZs (contd.)

- Exemption of income tax of foreign technicians for 3 years .**
- Exemption from dividend tax for foreign nationals .**
- Remittances of post-tax profit, royalties, technical fees etc allowed.**
- Food stuff and beverages easily available for foreigners (religious tolerance) .**

POLICY BENEFITS IN EPZs (contd.)

- ❑ All Foreign Investments secured by law**
- ❑ No ceiling on extent of foreign investment.**
- ❑ Full repatriation of profit and capital permissible.**
- ❑ Liberal employment of foreign technicians/experts allowed.**

POLICY BENEFITS IN EPZs (contd.)

- ❑ 100% foreign ownership permissible.**
- ❑ Repatriation of capital investment including capital gains.**
- ❑ Re-location of existing industries from abroad allowed.**
- ❑ Back to back L/C facility allowed.**
- ❑ Exemption of CDST on imported motor vehicles for Executives .**

POLICY BENEFITS IN EPZs (contd.)

- Arbitration facility under ICSID available.**
- Security/safeguards under MIGA available.**
- Inter/ Intra zone exports/imports allowed.**
- 10% export to Domestic Tariff Area (DTA) allowed.**
- Export of raw materials/accessories to and from DTA allowed.**

VITAL INFO OF EPZs

- **TOTAL ZONES: 6 (SIX)+ 1(new)**
- **TOTAL INDUSTRIES:196**
- **TOTAL PLOTS: 1131 (alloted 895)**
- **PRESENT EMPLOYMENT : 1,35,916**
- **FEMALE : 82,909 (61%)**
- **MALE : 53,007 (39%)**
- **EXPATRIATE : 1,044**

VITAL INFO OF EPZs

- **EXPORTS** in 2002-03:- **\$1.2 billion**(19% of national exports)
- **TOTAL INVESTMENT:\$708.85ml**
- **Total countries (investors): 26 (incl. host country)**
- **One Korean firm & one local firm started functioning in Ctg pte EPZ**

THANK YOU

FOR YOUR ATTENTION

:QUESTION & ANSWER: