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**Trade Policy Review Body**

**TRADE POLICY REVIEW**

REPORT BY THE SECRETARIAT

BANGLADESH

This report, prepared for the fifth Trade Policy Review of Bangladesh, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Bangladesh on its trade policies and practices.

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## SUMMARY

1. Since the last TPR in 2012, real GDP has grown at an average annual rate of approximately 6.8%, and reached nearly 7.9% in 2017/18. Growth has been driven mainly by the ready-made garment (RMG) sector; consequently, the economy has continued to diversify away from an agrarian to a more manufacturing-based economy, supported by abundant low-cost labour. Growth has resulted in a decline in poverty levels, which fell to 21.8% in fiscal year (FY) 2018, and an improvement in other social indicators. In addition to providing a stimulus to growth, sound macroeconomic policies have contributed to stable inflation, moderate public debt, and greater resilience to external shocks. As a result, Bangladesh reached the World Bank's threshold for lower-middle-income country status in 2015, and is on course to graduate from least developed country (LDC) status in 2024. Furthermore, growth has been led by strong domestic demand, with private consumption contributing to about two thirds of the growth. However, the informal nature of a considerable portion of the economy implies that GDP is significantly underestimated, and it possibly undermines the effectiveness of government policy.

2. Sustaining growth would depend on continued reforms. To address structural impediments, action was taken in areas such as taxation, improving the business environment, enabling private participation in public infrastructure projects – particularly in the power and transport sectors – and labour policy. The authorities have also tried to address these and other trade-related impediments in their reform and growth agenda, which is detailed in the 7<sup>th</sup> Five-Year Plan (FY 2016-FY 2020).

3. During the review period, the focus of monetary policy has remained unchanged, namely to contain inflation and ensure an uninterrupted supply of credit to the productive sector of the country. The easing of the monetary policy stance in FY 2018 was prompted by the tightening of the liquidity condition, due to the widening current account deficit and the weakening of the balance of payments. Bangladesh continues to have a managed floating exchange rate, with the central bank intervening in the foreign exchange market to keep the exchange rate relatively stable against the US dollar. During the period under review, the fiscal deficit has remained in the 3%-5% of GDP range. In FY 2017, the fiscal deficit was 3.5% of GDP, below the budgeted target of 5%, while in FY 2018 it rose to 5.0%, also below the budget target. This was achieved through a prudent fiscal stance resulting in spending control, and the slower implementation of development projects, which compensated for revenue under-performance. With tax revenues at around 10% of GDP, there is a pressing need to boost collection; in this context, a new VAT regime, whose implementation has been delayed over some years, is now expected to be implemented by July 2019.

4. During the period under review, Bangladesh's current account balance improved from a deficit of 0.3% of GDP in 2011/12 to a surplus of 1.9% in 2015/16, before deteriorating to a deficit of 3.6% in 2017/18. The deterioration was mainly due to slower exports, higher imports, and a decline in remittances (these rebounded in FY 2018). Consequently, the trade deficit as a proportion of GDP increased from around 3% in 2015/16 to around 7% in 2017/18. Remittances declined, mostly due to the slowdown in the Gulf Cooperation Council (GCC) countries and a shift towards informal remittance channels. Bangladesh's exports continue to be heavily concentrated in textiles and textile articles, which accounted for nearly 90% of total exports in 2017/18. The largest export market in 2017/18 was the EU-28, followed by the United States, Canada, and Japan. The structure of imports is less concentrated than exports. The largest single import category continued to be textiles, which are used as inputs for the garments industry. Over 80% of imports originate from Asia. Bangladesh's largest import suppliers are China, India, and the EU-28.

5. Bangladesh remains open to investment, and encourages it through incentives to various sectors under many schemes, despite its requirement for foreign investment prior clearance/permission on 17 controlled sectors and foreign ownership limitations on e-commerce ventures, as well as four sectors being reserved for government investment. In 2016, the Bangladesh Investment Development Authority (BIDA) was set up. Initiatives to improve the investment environment, including the operation of a one-stop-shop, are ongoing. An array of tax and non-tax incentives remain available to companies operating in designated zones, highest priority activities, and creative and special development sectors. During the period under review, Bangladesh signed new bilateral double taxation avoidance agreements. FDI inflows increased from approximately USD 1.2 billion in 2011/12 to nearly USD 2.6 billion in 2017/18. FDI is concentrated in the energy sector, followed by the garment manufacturing sector, the financial sector and telecommunications. The largest investors in Bangladesh are the United States; the United Kingdom; the Republic of Korea; Singapore; Australia; and Hong Kong, China.



6. During the review period, Bangladesh pursued wide-ranging trade-related and investment policies based on its Perspective Plan of Bangladesh (2010-2021) (Vision 2021), which is focused on, *inter alia*, export-led growth. Export and Import Policies, which continue to set the main trade policy objectives and measures on a three-year basis, remained relatively unchanged. Efforts to formulate a comprehensive trade policy, including production diversification, increased competitiveness, and trade agreement utilization and expansion, are ongoing.

7. Bangladesh, a prominent voice for LDCs, remains committed to the multilateral trading system. During the review period, it improved its WTO commitments by ratifying the Trade Facilitation Agreement (TFA). Its expected graduation from LDC status in 2024 is to have some implications for, *inter alia*, preferential market access to certain major markets, special and differential treatment (S&D)-related WTO benefits (e.g. TRIPS), and the level of official development and technical assistance; the authorities are about to address post-graduation challenges. Bangladesh attaches importance to deepening intra-regional trade ties, *inter alia*, because of its graduation prospects; since its last Review, it has taken initiatives to negotiate regional trade agreements (RTAs) with a few countries. Bangladesh is a participant in several slow-progressing RTA initiatives, of which only the Asia Pacific Trade Agreement, the South Asian Association for Regional Co-operation (SAARC) Preferential Trading Arrangement (SAPTA) and the South Asia Free Trade Agreement (SAFTA) are in force; many of these arrangements have had relatively limited product coverage and trade importance for Bangladesh until now. It remains a beneficiary of the Generalized System of Preferences schemes of several countries, and is entitled to additional LDC-specific preferences under certain schemes. Furthermore, it continued to receive assistance to reach economic development objectives, including export diversification under the Aid for Trade Work Programme and the Enhanced Integrated Framework (EIF) projects. Despite being a long-standing beneficiary of trade-related technical assistance and submitting its WTO GATS enquiry points and TFA category commitments notifications, Bangladesh continued to have a limited regular notifications record (i.e. customs tariff four times) during the review period; at the same time, it had no involvement in trade disputes in the WTO.

8. The general thrust of Bangladesh's trade policy has remained unchanged. The tariff remains one of the main trade policy instruments and a significant source of tax revenue (11.7% of total tax revenue in 2016/17). Although over 95% of tariff lines are *ad valorem*, and therefore transparent, the tariff involves 16 different rates (6 *ad valorem* duties, and 10 specific duties), two more than in 2011/12. As a result of the nomenclature change to HS2017, the splitting of tariff lines and the increase in the coverage of specific rates, the simple average applied MFN tariff was slightly reduced from 14.9% in 2011/12 to 14.8% in 2018/19. Tariff protection varies substantially across and within sectors, averaging 18.1% for agricultural products, an increase from 17.8% in 2011/12, and 14.1% for non-agricultural products in 2018/19 (WTO definitions), a slight decrease since the last Review. *Ad valorem* tariff rates continue to range from zero to 25%; by late-2018 the *ad valorem* equivalents (AVEs) of the specific rates ranged from 0.01% to 9.8%. Almost 53% of tariff lines are subject to rates of 10% or below, and rates of 25% apply to 45.5% of tariff items. To support industrial development and accommodate domestic supply and demand, imports of capital machinery and spare parts, both those for exporters those for a specific use or user, continued to benefit from customs duty concessions and general exemptions. A regulatory duty continues to be levied on a c.i.f. value plus 1% landing charge basis at several rates on 46.4% of all tariff lines, thus raising the average applied MFN border duty burden (i.e. customs and regulatory duties) to 22.8%. Bindings cover 19% of all tariff lines, and all are at *ad valorem* rates; although the average gap of 147.2 percentage points between applied and bound MFN rates suggests low predictability in the tariff, the authorities did not use this scope to raise tariffs during the review period.

9. During the review period, Bangladesh undertook several trade facilitation initiatives in the context of its Customs Modernization Action Plan (2013-2017), and implemented commitments under the TFA and the WCO Revised Kyoto Convention; these initiatives also included regulatory developments, migration to the most recent generation of ASYCUDA World, and a regulation on the introduction of an Authorized Economic Operator scheme. The transaction value method remains in general use, and pre-set customs value or minimum value continue to apply for numerous items.

10. Import prohibitions, restrictions and licensing remain in place to, *inter alia*, protect public morals, and human life or health. The scope of the list of controlled goods, which covers several agricultural and industrial items banned or imported under certain conditions and/or requiring prior approval (including certain used motor vehicles and parts), remained unchanged during the review period. Import bans under this list include shrimps – a major domestic produce and export item –

chassis with two-stroke engines of three-wheeler vehicles, and three-wheeler vehicles with two-stroke engines. Several items (e.g. methanol/methyl alcohol, and crude soya-bean oil) can only be imported by recognized industrial units or stakeholders. During the review period, the legislative framework governing anti-dumping, countervailing and safeguard measures remained unchanged, as Bangladesh faces capacity constraints.

11. During the period under review, there were no changes to Bangladesh's export procedures. Certain products continue to be subject to export prohibitions and restrictions, and export duties ranging from 2%-25% continue to be levied on certain products. Bangladesh also provides export subsidies/cash incentives on selected products (whose range was expanded during the review period), ranging from 2%-20%, and subject to local content requirements. Bangladesh also provides a wide array of other support measures to export sectors, including concessional tariffs, a duty drawback system, special bonded warehouses, export processing zones (EPZs), and income tax rebates. Exporters can also avail of concessional credit from banks at a 7% rate of interest for the financing of pre-shipment requirements. Additionally, all exporters also benefit from an income tax exemption on half of the total income from the exports, provided that they do not avail of any other tax incentives under any other scheme. Bangladesh has no export licensing requirements.

12. Measures involving various open-ended tax and non-tax concessions, such as income tax incentives, accelerated depreciation, grants, low-interest loans and cross-subsidized electricity tariffs, continued to support production and trade in agriculture, energy development and supply, and several manufacturing activities, as well as to encourage, *inter alia*, the activities of Cottage, Micro, Small and Medium Enterprises (CMSMEs), the establishment and operation of designated economic zones, product diversification, and regional development. The tax system remains dependent on trade-related taxes, comprising customs duties, regulatory duty, supplementary duty, VAT, advance trade VAT (on imports by commercial importers only), and advance income tax; should all these duties and taxes be considered, the average total tax incidences (TTI) on imports would be equivalent to 59.3%, at rates ranging from zero to 845.6% (semi-finished products of iron or non-alloy steel) in 2018/19. During the review period, corporate income tax rates continued to vary, depending on the activity, and some rates were reduced or raised.

13. The number of Bangladesh Standards (BDSs) increased by 14.2% over the review period; 4.4% (2018) of all standards were adopted in technical regulations (mandatory), whereas about 52% (42% in 2012) were aligned with international standards, and 4.5% (1.5% in 2012) with regional standards. New food safety legislation and institutional improvements were made, to ensure overall coordination in this area.

14. During the review period, as a result of a standstill in the privatization process, state involvement in certain parts of the economy remained important, relatively unchanged, and spread over several activities, including agriculture, fisheries, food, jute, textiles, electricity, petroleum, gas, construction, banking, insurance, telecommunications, and transport. Although several state-owned enterprises are portrayed as being profitable and contributing to employment generation and revenue earning, they are recipients of subsidies, and run significant debt servicing liabilities. Bangladesh, which is not a member of the WTO Agreement on Government Procurement (GPA), continues to use public procurement to benefit domestic suppliers through price preferences of up to 7.5% in the case of works and up to 15% in the case of goods. Its procurement regime remains centralized, and is operated through an electronic government procurement system, whose coverage is being expanded.

15. During the review period, the competition policy regulatory and institutional framework was put in place. The legislation covers all areas, except for practices related to those goods and services which are controlled by the Government in the interest of national security and not open to the private sector; matters relating to import and export cartels (including exclusive dealership arrangements) are yet to be dealt with. State-owned enterprises continued to influence domestic pricing in certain areas (e.g. essential commodities and energy). The consumer rights regulatory and institutional framework remained unchanged.

16. Bangladesh, which, as an LDC, benefits from a renewed extension of the transition period for the full implementation of the provisions of the TRIPS Agreement, has sought to strengthen intellectual property rights (IPR) protection, by passing new or amending existing legislation on geographical indications and trade marks; further changes and developments are expected in patents, designs and plant variety and farmers' right protection. Despite a slight improvement,

institutional and other constraints have continued to impede the effective enforcement of existing legislation.

17. Bangladesh's climate-sensitive agricultural sector continues to make a significant, albeit steadily declining, contribution to the economy (13.7% of GDP in 2017/18), and accounts for a large portion of employment and rural income, and the expansion of exports. Self-sufficiency remains of high importance, and action was taken to address relevant challenges. Several long-standing and new policies have been focused, *inter alia*, on self-sufficiency in food grain production, improving food and nutrition security, broadening the export base through diversification of exports, and developing and commercializing biotechnology.

18. During the review period, average tariff protection for agriculture increased, and remains higher than the overall applied MFN average. Several agricultural commodities remain subject to export restrictions/prohibitions to ensure adequate domestic supply. Cash incentives continue to promote exports of certain agricultural products. To scale up productivity, domestic support measures included concessional credit for the purchase of agricultural inputs; credit support regarding the storing and marketing of agricultural products; procurement of rice and wheat from poor farmers; lower electricity tariffs for irrigation pumps; and a reduction on electricity invoices of agro-based industries. The Trading Corporation of Bangladesh maintain a buffer stock of selected essential commodities, to stabilize their market prices. Most of the product-specific aggregate measures of support (AMS)-related expenditure was used for price support for rice and wheat, and non-specific AMS was mainly focused on subsidizing fertilizer inputs. Bangladesh is one of the world's largest inland fishing nations, with shrimp being an important agricultural export. The National Shrimp Fish Policy has been in place since 2014. Average MFN tariff protection for fish and fishery products remains high (23.8% in 2018/19, 23.4% in 2011/12 on a HS basis), and certain support measures, including concessional loans, are available for fish production and processing.

19. The mining sector's importance rose slightly from 1.7% of GDP in 2011/12 to 1.8% in 2017/18. The state-owned Bangladesh Oil, Gas and Minerals Corporation continues to engage in, *inter alia*, coal and granite mining, the development and marketing of minerals, and production sharing contracts. Bangladesh's energy structure remains simple, with natural gas meeting almost 71% (2017/18) of total commercial requirements. The country is becoming more dependent on energy imports (e.g. oil and electricity) because consumption is growing faster than indigenous production. Several tax incentives remain available to investors in the sector. Energy tariffs, prices and charges continue to be regulated by the Bangladesh Energy Regulatory Commission. State involvement remains in place regarding hydrocarbons, including an oil refining monopoly, and in the generation and distribution of electricity. Subsidies were provided for the import of petroleum products until 2013/14 but, following the world oil price drop in recent years, no subsidy was required in the periods 2015/16 and 2016/17. An Energy Security Fund is to support projects for exploring, extracting, purifying, transmitting, and distributing gas, importing liquified natural gas (LNG), and undertaking other related projects. Retail electricity tariffs continue to differ according to consumer category and voltage level (low, medium, high, extra-high), therefore involving cross-subsidization elements; as at 2018, the flat tariff for agricultural irrigation pumping was one quarter of the highest tariff, which was charged on construction, and was followed by those on industry and commercial and office activities.

20. Manufacturing, an increasingly important activity (19% of GDP and 96.8% of total exports in 2017/18), remains heavily dependent on the labour-intensive textile and RMG sectors, although efforts are being undertaken to expand the relatively narrow industrial base. In addition to several policies in place, the National Industrial Policy 2016 promotes, *inter alia*, sustainable and inclusive industrial growth, infrastructural transformation, and diversification of the economic base while focusing on CMSMEs. Average tariff protection on industrial goods stands at 13.2% in 2018/19, a slight reduction from 13.9% in 2011/12 (on a HS basis); textiles and textile articles, and footwear, headgear, etc. attracted the highest average tariff rates, of 20.4% and 25%, respectively. CMSMEs mainly engaged in manufacturing have been assisted through industrial loans and other additional support. Some highest-priority activities with non-utilized potential benefit from, *inter alia*, corporate income tax rebates, concessional loans (including for export credit), and possible financial benefits or subsidies for utility services. Relatively similar assistance is available to RMG firms and for the pharmaceuticals industry, as Bangladesh kept taking advantage of the transition period during which LDCs do not have to protect or enforce patents or undisclosed information relating to pharmaceuticals. The jute industry continues to benefit from compulsory jute packaging

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requirements for 17 items, reduced corporate income tax rates, the highest level of tariff protection (25%), and a cash incentive subsidy for exports (varying from 5% to 20% on the f.o.b. value).

21. During the review period, the services sector remained the main contributor to GDP, despite a slight decrease from 56.2% (2011/12) to 55.9% (2017/18). Bangladesh's GATS commitments remained unchanged; the SAFTA includes provisions on trade in services.

22. Banking and insurance activities continued to expand, with bank assets having grown almost threefold. Microfinance institutions remain the dominant players in rural financial markets. Regulatory improvements in banking covered, *inter alia*, liquidity indicators, risk-based capital adequacy, the reporting format, and the regular monitoring of fraud/forgery. The capital shortfall in some banks, accumulated non-performing loans (NPLs) in state-owned commercial banks, and weakening corporate governance across the board have affected the stability of the financial sector; the NPL rate in the banking system increased from 6% in 2011/12 to 10% in 2016/17. Several regulatory reforms, largely focused on the Bangladesh Securities and Exchange Commission's operational framework, have been undertaken to strengthen the capital market. The insurance sector remains rather small, and the vast majority of the population remains untapped across product segments. Half of the re-insurable general insurance business is required to be re-insured with the state owned Shadharan Bima Corporation (SBC), and the remainder may be re-insured either with the SBC or with any other insurer, whether in or outside of Bangladesh.

23. The telecommunications sector continued to expand, with mobile telephony and Internet user penetration rising. State involvement in certain telecom activities persists. Strategic policies for developing a digital Bangladesh and providing affordable telecommunication services led to institutional and regulatory developments involving the creation of the Ministry of Posts, Telecommunications and Information Technology in 2014, and the issuance of directives on services and tariffs, which require all tariff structures to comply with the official cost model. Universal service obligations remain in place, and number portability was introduced in 2018.

24. Bangladesh's transport industry continues to face challenges. During the review period, policies were put in place to improve connectivity. At least 40% of the sea-borne cargoes relating to foreign trade must be carried by Bangladesh-flag vessels, unless no national-flag vessel or flag vessel of the trading country is available. No foreign-flag vessel may carry Bangladeshi coastal trade cargoes. The two main trade cargo ports remain state-owned and -operated; projects to energize operating activities were undertaken. During the review period, air freight dropped dramatically, and the state-owned Biman Bangladesh Airlines remained the dominant player in the market. Bangladesh has continued to pursue greater integration in its aviation into international markets. Its policy has targetted enhancing operational facilities of existing airports and developing new ones. Several projects are underway to improve rail and road transportation.

25. Tourism (1% of GDP in 2017/18) is considered as a key driver for future growth, economic diversification and poverty reduction. Policy priorities in the industry include the expansion of fixed infrastructure and the upgrade of facilities. In this context, some public-private partnership projects have been underway.

26. Bangladesh's short-term growth outlook remains robust, and the economy is expected to grow at its current level. However, internal risks may stem from the effects of possible political developments on investor sentiment; rising inflation due to higher food prices; a sustained increase in NPLs and weak governance in the banking sector, affecting growth-supporting credit; and a further deterioration in the financial health of state-owned commercial banks. Exogenous risks may involve the impact of global trade conflicts on the Bangladeshi economy. If the RMG sector is excluded from the increase of customs tariffs in major export markets, then the direct impact could be relatively small given Bangladesh's limited integration in the global supply chain. However, in addition to the ongoing reforms, which address diversification and competitiveness, improvement of the business climate and fiscal reform, the authorities recognize the need to undertake further reforms, including infrastructure development promoting rural growth and technical/vocational training, to sustain the inclusive and widespread growth that has been achieved. These reforms would help Bangladesh attain its economic and welfare policy objectives and further integrate into the world trading system.

## 1 ECONOMIC ENVIRONMENT<sup>1</sup>

### 1.1 Main Features of the Economy

1.1. Bangladesh is a least developed country (LDC), but it is expected to graduate from this status in 2024 (Section 2.3.1.3). Strong GDP growth over the past decade has resulted in GDP per capita increasing to USD 1,675 (Tables 1.1 and 1.2) and Bangladesh crossing the World Bank's threshold to lower middle-income country status in 2015. Growth has also resulted in a decline in poverty levels, which fell to 21.8% in fiscal year (FY) 2018<sup>2</sup> and an improvement in other social indicators, such as infant mortality and life expectancy. Inequality as measured by the Gini coefficient remained largely unchanged, at around 0.32 during the review period.<sup>3</sup> The services sector is the largest contributor to GDP, accounting for nearly 56% of GDP in 2017/18, followed by industry (30%, of which manufacturing 19%) and agriculture, fisheries and forestry (13.8%). Recently, the construction sector has also become an important contributor to GDP. Prudent macroeconomic management has resulted in declining price levels, relatively low unemployment and manageable external debt levels (Table 1.1).<sup>4</sup> Furthermore, it is estimated that a sizable portion of the economy is informal, implying that GDP and GDP per capita are significantly underestimated, thereby reducing the effectiveness of government policy.

**Table 1.1 Selected macroeconomic indicators, 2011-18**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>National accounts (% change, unless otherwise indicated)</b>							
Real GDP (at 2005/06 prices)	6.5	6.0	6.1	6.6	7.1	7.3	7.9
Consumption	4.0	5.2	4.3	6.0	3.4	7.5	11.4
Private consumption	4.1	5.1	4.0	5.8	3.0	7.4	11.0
Government consumption	3.1	5.8	7.9	8.8	8.4	7.8	15.4
Gross fixed capital formation	10.6	5.4	9.9	7.1	8.9	10.1	10.5
Exports of goods and non-factor services	12.5	2.5	3.2	-2.8	2.2	-2.3	8.1
Imports of goods and non-factor services	10.5	1.2	1.2	3.2	-7.1	2.9	27.0
XGS/GDP (%) (at current market price)	20.2	19.5	19.0	17.3	16.6	15.0	14.8
MGS/GDP (%) (at current market price)	27.9	26.8	25.5	24.7	21.3	20.3	23.4
<b>Prices and interest rates</b>							
Inflation (CPI, % change)	8.7	6.8	7.3	6.4	5.9	5.4	5.8
Deposit rate (% , end-period)	8.15	11.79	9.81	8.52	6.10	5.52	7.52
Lending rate (% , end-period)	13.75	13.67	13.10	11.67	10.39	9.56	9.95
<b>Exchange rate</b>							
BDT/USD (annual average)	79.10	79.93	77.72	77.67	78.26	79.12	82.11
Real effective exchange rate (2015/16=100)	72.5	79.5	82.8	94.6	100.0	102.4	..
<b>Money and credit (% change)</b>							
Broad money (M2)	17.4	16.7	16.1	12.4	16.3	10.9	9.2
Total domestic credit	19.5	11.0	11.6	10.0	14.2	11.2	14.7
Credit to private sector	19.7	10.8	12.3	13.2	16.8	15.7	17.0

<sup>1</sup> In this Section, many amounts in national currency are expressed in their official denomination, i.e. lakh and crore. Ten lakhs is equivalent to 1 million, and 1 crore to 10 million.

<sup>2</sup> Information provided by the authorities. Furthermore, according to the authorities, extreme poverty was 11.3% in FY2018.

<sup>3</sup> World Bank online information. Viewed at: <https://www.ceicdata.com/en/bangladesh/poverty/bd-gini-coefficient-gini-index-world-bank-estimate>.

<sup>4</sup> According to the World Bank, the unemployment rate was 4.4% in 2017. Viewed at: <http://datatopics.worldbank.org/jobs/country/bangladesh>.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Fiscal sector<sup>a</sup> (% GDP)</b>							
Fiscal balance (including grants)	-3.6	-3.8	-3.6	-3.9	-3.8	-3.5	-5.0
Fiscal balance (excluding grants)	-3.2	-3.3	-3.1	-3.7	-3.7	-3.4	-4.8
Total revenue	10.9	10.7	10.4	9.6	10.0	10.2	11.5
Tax revenue	9.0	9.0	8.6	8.5	8.8	9.7	10.3
Grants	0.3	0.6	0.5	0.2	0.1	0.0	0.2
Total expenditure	14.4	14.5	14.0	13.5	13.8	13.6	16.5
Development expenditure	3.9	4.4	4.4	4.2	4.7	4.5	6.6
Total government debt	34.5	34.7	35.0	32.3	31.5	30.8	29.6
Domestic	16.9	18.1	19.4	18.5	18.6	17.0	17.6
External	17.6	16.6	15.6	13.7	12.9	10.9	12.0
<b>Saving and investment (% of current GDP)</b>							
Gross national savings	29.9	30.5	29.2	29.0	30.8	29.6	27.4
Gross domestic investment	28.3	28.4	28.6	28.9	29.7	30.5	31.2
Savings-investment gap	1.6	2.1	0.6	0.1	1.1	-0.9	-3.8
<b>External sector (% of current GDP, unless otherwise indicated)</b>							
Current account balance	-0.3	1.6	0.8	1.8	1.9	-0.5	-3.6
Net merchandise trade	-7.0	-4.7	-3.9	-3.6	-2.9	-3.8	-6.7
Merchandise exports	18.0	17.7	17.2	15.7	15.1	13.6	13.2
Readymade garments (RMG)	14.3	14.3	14.2	13.1	12.7	11.3	11.2
Merchandise imports	25.0	22.4	21.2	19.3	18.0	17.4	19.9
Services balance	-2.2	-2.1	-2.4	-1.6	-1.2	-1.3	-1.7
Worker remittances	9.5	9.6	8.2	7.8	6.6	5.1	5.5
Capital account	0.4	0.4	0.3	0.3	0.2	0.2	0.1
Financial account	1.1	1.8	1.7	0.6	0.4	1.7	3.3
Direct investment	0.9	1.2	0.9	0.6	0.6	0.7	0.6
Balance-of-payments	0.4	3.4	3.2	2.2	2.3	1.3	-0.3
Merchandise exports (% change in USD)	6.2	10.7	12.1	3.1	8.9	1.7	6.4
Ready-made garments	6.6	12.7	13.8	4.1	10.2	0.2	8.8
Merchandise imports (% change in USD)	2.4	0.8	8.9	3.0	5.9	9.0	25.2
Service exports (% change in USD)	4.7	5.0	10.1	-1.0	14.2	2.8	25.4
Service imports (% change in USD)	9.8	5.2	20.3	-13.0	-0.6	10.9	31.9
Terms of trade (2005/06 = 100)	86.0	86.0	85.9	85.9	87.1	87.1	..
Foreign exchange reserve (end-period, USD billion)	10.4	15.3	21.5	25.0	30.2	33.5	32.9
in months of imports of goods and services	3.1	4.2	5.9	6.5	7.2	6.3	5.5
Total external debt (USD billion; end-period)	26.1	29.3	34.0	37.3	40.8	45.9	54.7
Public sector debt (% of total external debt)	93.9	90.4	86.7	79.0	78.4	77.0	74.5
Private sector debt (% of total external debt)	6.1	9.6	13.3	21.0	21.6	23.0	25.5
Debt service ratio (% of total export earnings)	4.0	4.0	3.9	3.5	3.1	..	..

.. Not available.

a Based on actual figures, except for 2017/18 (budget revised figures).

Note: FY = 1 July to 30 June.

Source: Bangladesh Bureau of Statistics online information; Ministry of Finance online information; Central Bank of Bangladesh online information; and IMF online information.

**Table 1.2 Basic economic indicators, 2011-18**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Real GDP at market price (BDT billion, 2005/06 prices)	6,884.9	7,299.0	7,741.4	8,248.6	8,835.4	9,479.0	10,224.4
Real GDP at market price (USD billion, 2005/06 prices)	87.0	91.3	99.6	106.2	112.9	119.8	124.5
Current GDP at market price (BDT billion)	10,552.0	11,989.2	13,436.7	15,158.0	17,328.6	19,758.2	22,504.8
Current GDP at market price (USD billion)	133.4	150.0	172.9	195.1	221.4	249.7	274.1
GDP per capita at current market price (USD)	880.1	975.9	1,109.9	1,236.0	1,384.8	1,543.9	1,674.8
<b>GDP by economic activity at constant 2010 prices (% change)</b>							
Agriculture, forestry, and fishing	3.0	2.5	4.4	3.3	2.8	3.0	4.2
Crops and horticulture	1.8	0.6	3.8	1.8	0.9	1.0	3.1
Fishing	5.3	6.2	6.4	6.4	6.1	6.2	6.4
Mining and quarrying	6.9	9.4	4.7	9.6	12.8	8.9	7.0
Manufacturing	10.0	10.3	8.8	10.3	11.7	11.0	13.4
Electricity, gas and water	10.6	9.0	4.5	6.2	13.3	8.5	9.2
Construction	8.4	8.0	8.1	8.6	8.6	8.8	9.9
Services	6.6	5.5	5.6	5.8	6.2	6.7	6.4
Wholesale and retail trade	6.7	6.2	6.7	6.3	6.5	7.4	7.5
Hotels and restaurants	6.4	6.5	6.7	6.8	7.0	7.1	7.3
Transport, storage, and communication	9.2	6.3	6.0	6.0	6.1	6.8	6.6
Financial intermediation	14.8	9.1	7.3	7.8	7.7	9.1	7.9
Real estate and business activities	3.9	4.0	4.3	4.4	4.5	4.8	5.0
Public administration and defence	7.5	6.5	6.9	9.8	11.4	9.2	8.5
Education	7.8	6.3	7.3	8.0	11.7	11.4	7.0
Health and social work	3.8	4.8	5.1	5.2	7.5	7.6	7.0
Community, social and personal services	3.2	3.3	3.3	3.3	3.3	3.6	3.7
<b>GDP by economic activity at current basic prices (%)</b>							
Agriculture, forestry, and fishing	17.1	16.3	16.1	15.5	14.8	14.2	13.8
Crops and horticulture	10.1	9.4	9.2	8.7	8.2	7.7	7.5
Fishing	3.2	3.2	3.3	3.3	3.2	3.2	3.1
Mining and quarrying	1.7	1.7	1.6	1.7	1.7	1.8	1.8
Manufacturing	16.8	17.3	17.4	17.6	17.9	18.3	19.0
Electricity, gas and water	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Construction	6.8	7.2	7.1	7.5	7.7	7.8	8.0
Services	56.2	56.1	56.3	56.3	56.5	56.5	56.0
Wholesale and retail trade	13.8	13.5	13.5	13.3	13.0	13.0	13.1
Hotels and restaurants	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Transport, storage, and communication	11.3	10.9	10.5	10.4	10.3	10.0	9.6
Financial intermediation	3.6	3.7	3.8	3.9	3.9	3.9	3.9
Real estate and business activities	6.9	6.9	7.1	7.3	7.5	7.7	7.8
Public administration and defence	3.4	3.3	3.5	3.5	4.0	4.2	4.2
Education	2.5	2.5	2.6	2.6	2.8	3.0	3.0
Health and social work	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Community, social and personal services	11.7	12.2	12.2	12.2	11.8	11.5	11.1

Source: Bangladesh Bureau of Statistics online information.

## 1.2 Recent Economic Developments

### 1.2.1 Growth and income

1.2. Since 2011/12, real GDP has grown at an average annual rate of approximately 6.8% (Table 1.1) and reached 7.9% in 2017/18.<sup>5</sup> Growth has been driven by the ready-made garment (RMG) sector, consequently, the economy has diversified away from an agrarian to a more manufacturing-based economy, supported by abundant low-cost labour (Table 1.2). More recently, sound macroeconomic policies have contributed to robust growth, stable inflation, moderate public debt, and greater resilience to external shocks. Furthermore, growth has been led by strong domestic demand. Private consumption contributed to about two thirds of the growth. The contribution from net exports turned negative, with higher imports resulting from higher demand for investment goods and food imports, due to natural disasters and slower export growth in FY2017.

1.3. According to the 7<sup>th</sup> Five-Year Plan (FYP) (Section 2.2.3), the authorities envisage real average annual GDP growth of 7.4% during FY2016-20. The IMF estimates potential growth over the same period to be a little over 7%. However, maintaining this growth is conditional on continued reforms. Contributions from both the labour force and productivity are expected to be modest, leaving capital formation to be the main growth driver. Hence, sustaining growth will be dependent on increased productive investments. This would require reforms addressing certain impediments in the economy (Section 1.2.4). The authorities have tried to address them in their reform and growth agenda, which is detailed in the 7<sup>th</sup> FYP. Furthermore, reforms in the areas of tax, improving the business environment, labour policy, and the financial sector have been undertaken (Sections 1.2.4 and 4.4.3).

1.4. According to the IMF, Bangladesh's short-term growth outlook remains robust, and risks are broadly balanced.<sup>6</sup> However, downside risks stem from political unrest, which would adversely affect investor sentiment; rising inflation, due to higher food prices; a sustained increase in non-performing loans (NPLs) and weak governance in the banking sector, which could impair its ability to extend credit and support growth; and a further deterioration in the financial health of state-owned commercial banks (SOCBs), which could worsen the fiscal deficit. Global trade conflicts may also have an impact. If the RMG sector is excluded from higher tariffs (resulting from global trade tensions), the direct impact could be relatively small, given Bangladesh's limited integration in the global supply chain.

### 1.2.2 Prices

1.5. Inflation, as measured by the consumer price index (CPI), has been on a declining trend during the review period (Table 1.1). There was a temporary spike in 2017 (and in 2013), as higher food prices, caused by flood-related disruption in agricultural harvests, pushed inflation to about 5.8% at end-2017, while non-food inflation remained stable. Increased food imports continued to exert moderate inflationary pressure until June 2018, with average inflation being around 5.8%, slightly above the central bank's (Bangladesh Bank) 5.5% average inflation target. The target has been set at 5.6% for 2018/19.

### 1.2.3 Main macroeconomic policy developments

#### 1.2.3.1 Monetary and exchange rate policy

1.6. The conduct of monetary policy remains the remit of the Bangladesh Bank (Section 4.4.3.1), which, according to the authorities, is independent with regards to the formulation and implementation of monetary policy. According to the Bangladesh Bank Order, 1972 and the Bangladesh Bank (Amendment) Act, 2003, Bangladesh Bank's objectives are "to manage the monetary and credit system of Bangladesh with a view to stabilizing domestic monetary value and maintaining a competitive external par value of the Bangladesh Taka towards fostering growth and development of country's productive resources in the best national interest". Furthermore, in recent

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<sup>5</sup> Bangladesh Bank, *Monetary Policy Statement July-December 2018*. Viewed at: <https://www.bb.org.bd/monetaryactivity/mps/mps.php>.

<sup>6</sup> IMF, *Country Report No. 18/158*.



years, the Monetary Policy Statement (MPS) was drawn up, with the aim of containing inflation and ensuring an uninterrupted supply of credit to the productive sector of the country.

1.7. The recent widening of the current account deficit and the weakening of the balance of payments (Section 1.2.5) resulted in a tightening of liquidity conditions, which resulted in an easing of the monetary policy stance in April 2018. Bangladesh Bank reduced the banks' cash reserve ratio (CRR) from 6.5% to 5.5%, and the repo rate from 6.75% to 6.0%. It also reduced the maximum advances-to-deposits ratio (ADR) from 85.0% to 83.5% in January 2018, and extended the deadline for banks to comply with the ADR from June 2018 to March 2019. In addition, the authorities increased the share of state-owned agencies' deposits in private banks from 20% to 50%. Improving liquidity conditions were evidenced by the ratio of excess statutory liquidity ratio (SLR) assets to total demand and time liabilities (TDTLs), which rose from 8.8% in December 2017 to 9.2% in June 2018.

1.8. According to the IMF, the *de jure* exchange rate arrangement is floating, and the Bangladesh Bank intervenes in the foreign exchange market to keep the exchange rate relatively stable against the US dollar.<sup>7</sup> The IMF recommends that the authorities should continue to gradually increase exchange rate flexibility, as this would help buffer the economy against external shocks, preserve the level of reserves, and increase monetary policy autonomy. However, the authorities view excessive exchange rate fluctuations as undesirable, given the foreign exchange market structure, and they are of the view that intervention in the market is needed to contain volatility. During the period under review, the real effective exchange rate (REER) appreciated considerably, which has implications for export competitiveness.

### 1.2.3.2 Fiscal policy

1.9. During the period under review, the fiscal deficit (excluding grants) remained in the 3%-5% of GDP range (Table 1.1). In FY2017, it was 3.5% of GDP, below the budgeted target of 5%, while in FY2018 it rose to 5.0%, also below the target. This has been achieved through a prudent fiscal stance, including spending control and the slower implementation of development projects, which compensated for revenue under-performance.

1.10. Between 2011/12 and 2014/15, both total and tax revenues as a proportion of GDP declined; according to the authorities, this was due to rebasing. Since then, both ratios have been rising, albeit at slowly, with the Government missing its revenue targets. In 2017/18, total revenue as a proportion of GDP was 11.5%, while the tax-to-GDP ratio was 10.3%.

1.11. However, expenditure as a proportion of GDP has been declining, and stood at 13.6% in 2016/17, before rising to 16.5% in 2017/18. As a result of prudent fiscal and debt management, total public debt declined to 29.6% of GDP in 2017/18 (of this, 12% of GDP was external debt), compared to 34.5% of GDP in 2011/12 (of this, 17.6% of GDP was external debt).

### 1.2.4 Structural reforms

1.12. Trade and domestic reforms are considered intrinsically linked, under the 7<sup>th</sup> FYP (Section 2.2.3). The Government sees private sector businesses as central to the country's future prosperity.<sup>8</sup> Under the 7<sup>th</sup> FYP, the Government also sees trade as a vital ingredient in achieving economic development, poverty reduction, and job creation, and improving its competitiveness and productivity. According to the IMF, to boost private investment and potential growth over the medium term, and make the growth processes more inclusive, wide-ranging structural reforms are needed. This will require enhancing productive investments, which would address key bottlenecks in the economy. To effectively mobilize long-term capital for investment, the financial sector would become more efficient, and reform the banking sector and develop capital markets. In this regard, the Government has taken certain measures (Section 4.4.3). In addition, higher tax revenues would facilitate the fiscal space to upgrade infrastructure, such as electricity, roads, rail, and ports. This will, in turn, improve the business environment (Section 2.5), attract foreign direct investment (FDI), and diversify exports. Further efforts to boost labour participation and reduce rigidity in the labour market (Section 1.2.4.4) and encourage financial inclusion will also help inclusive growth. In

<sup>7</sup> IMF, *Country Report No. 18/158*.

<sup>8</sup> Planning Commission, Government of Bangladesh: 7<sup>th</sup> Five Year Plan FY 2016-FY2020, Accelerating Growth, Empowering Citizens.

this respect, the Public-Private Partnership (PPP) Act, passed in September 2015, should enable private participation in public infrastructure projects, particularly in the power and transport sectors.

#### 1.2.4.1 Tax reforms

1.13. Tax reforms appear to be urgently required, to boost low tax revenues. With tax revenues at around 10% of GDP, there is a pressing need to increase collection rates. This would stimulate greater public investment and improved social safety nets, without undermining fiscal sustainability. The new value added tax (VAT) (Section 3.3.1.1.2), which is expected to be implemented in FY2019, is fundamental to this effort, and successful implementation would be an important signal that the Government is determined to persevere with needed structural reforms. Several actions have been taken in preparation, such as the VAT familiarization programme, and the launch of the registration module and the return submission module. Draft rules have also been prepared, and orders laying down the transition strategy and prescribing the exempt items are expected to be notified soon. According to the IMF, VAT, beyond its direct revenue benefits (estimated at 1% of GDP per year), will also improve compliance and reduce tax evasion across the board, and serve as a key building block for future tax policy reforms. As a next step, there is considerable scope to broaden the direct tax base, through a modern direct tax code. Tax reforms need to be accompanied by continued efforts to strengthen tax administration. The authorities' efforts to increase tax compliance and facilitate tax filing appear to be delivering some positive results, with an increase in the number of registered taxpayers (increasing from 1.9 million in 2016 to 3.3 million in 2018) and of tax filings.<sup>9</sup> Enhanced risk-based auditing, online taxpayer registration, and electronic filing of tax returns should strengthen institutional capacity and help smooth the implementation of the new VAT law. The authorities are also making more efforts to settle big tax arrears cases pending in the courts, by applying Alternative Dispute Resolution mechanisms. Lastly, progress has been made in improving customs risk management and post clearance audit, with the objective of implementing a digitalized risk management regime.

#### 1.2.4.2 Privatization

1.14. State involvement in the economy continues to be prevalent, albeit at a declining rate (Section 3.3.5); this tends to crowd out the private sector. The authorities disagree, and do not consider the State to be prevalent in the economy. Under the 7<sup>th</sup> FYP (Section 2.2.3), the Government sees private-sector businesses as central to the country's future prosperity.<sup>10</sup> SOCBs continue to suffer balance sheet weaknesses, with high NPL ratios (Section 4.4.3.1); this precludes them from lending to productive sectors of the economy. However, according to the authorities, credit to the Government (gross) by the banking system decreased by 7% in FY2017 compared to FY2016, while, in contrast, SOCBs experienced significant growth (12% to 20%) in loans to the private sector. Furthermore, the authorities also stated that balance sheet weaknesses of the SOCBs have been substantially minimized, despite the existence of high NPLs.

#### 1.2.4.3 Competition policy

1.15. During the review period, the competition policy regulatory and institutional framework was put in place to, *inter alia*, promote competition among public-private entities (Section 3.3.4.1).

#### 1.2.4.4 Labour market reforms

1.16. Growth may also benefit from increasing the flexibility, quality and quantity of the labour market. Sustaining strong growth depends not only on the quantity of those employed but also on the quality of their human capital. Enhancing the latter entails actions such as prudent spending on health and education, therefore improving the quality of the workforce, which is considered a key driver of diversification and structural transformation. In Bangladesh, the proportion of educated people in the workforce is low compared to similar countries; while the education index in the Human Development Index shows that Bangladesh has improved its ranking over the years, there is still

<sup>9</sup> IMF, *Country Report No. 18/158*.

<sup>10</sup> Planning Commission, *Government of Bangladesh: 7<sup>th</sup> Five Year Plan FY2016-FY2020, Accelerating Growth, Empowering Citizens*.

room for improvement.<sup>11</sup> Boosting female participation in the labour force is also key for raising potential growth.

1.17. Female participation in the labour force has been rising in Bangladesh. In 2017, the participation rate was 33.04%; and around 60% of the total work force in the RMG sector comprises women. However, constraints remain, and these include widespread informality, mismatch of skills, lack of access to finance, poor infrastructure, and disparities in wages. Higher spending on education and vocational training is needed, as it not only enhances job prospects and addresses skill mismatches, but also addresses social causes. In this respect, the new Child Marriage Restraint Act was adopted in 2017. Programmes such as the Female Secondary School Assistance Program have had success in keeping girls in school, and others, such as the Technical and Vocational Education and Training (TVET) Reform, Skills Towards Employment and Productivity (STEP), the Skills for Employment Investment Program (SEIP) and the Northern Areas Reduction of Poverty Initiative (NARI), focus on developing necessary skill-sets, with the intention of promoting better job opportunities and reducing the gender gap. Due to these measures, the enrolment of female students in primary and secondary education is higher than that of males. Coupled with that, numerous skills-development programmes for those having a certain level of formal general education contribute to the reduction of the existing gender gap.

### 1.2.5 Balance of payments

1.18. During the period under review, Bangladesh's current account balance improved from a deficit of USD 447 million (0.3% of GDP) in 2011/12 to a surplus of nearly USD 4.3 billion (1.9% of GDP) in 2015/16, before deteriorating to a deficit of USD 9.8 billion (3.6% of GDP) in 2017/18 (Table 1.3). The rising deficit reflects a widening of the gap between gross national savings and gross domestic investment. Between 2011/12 and 2015/16, the current account balance improved on the back of an improving trade balance and rising workers' remittances. However, the current account deficit has deteriorated since then, mainly due to lower exports, higher imports, and a decline in remittances (these rebounded in FY2018).<sup>12</sup> The increase in import values was mainly led by an increased demand for raw materials, while RMG exports stagnated due to lower global demand and domestic security issues. Consequently, the trade deficit as a proportion of GDP increased from around 3% in 2015/16 to around 7% in 2017/18. Furthermore, remittances also declined, mostly due to the slowdown in the Gulf Cooperation Council (GCC) countries, and a shift towards informal remittance channels.

**Table 1.3 Balance of payments, 2011-18**

(USD million)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 <sup>a</sup>
<b>Current account balance</b>	-447	2,388	1,409	3,492	4,262	-1,331	-9,780
Goods and services balance	-12,321	-10,171	-10,890	-10,151	-9,168	-12,760	-22,832
Goods balance	-9,320	-7,009	-6,794	-6,965	-6,460	-9,472	-18,258
Exports	23,989	26,567	29,777	30,697	33,441	34,019	36,205
of which: RMGs	19,090	21,516	24,492	25,491	28,094	28,150	30,615
Imports	33,309	33,576	36,571	37,662	39,901	43,491	54,463
Services balance	-3,001	-3,162	-4,096	-3,186	-2,708	-3,288	-4,574
Credit	2,694	2,830	3,115	3,084	3,523	3,621	4,539
Debit	5,695	5,992	7,211	6,270	6,231	6,909	9,113
Primary income	-1,549	-2,369	-2,635	-2,252	-1,915	-1,870	-2,392
Credit	193	120	131	76	74	82	113
Debit	1,742	2,489	2,766	2,328	1,989	1,952	2,505
of which: official interest payments	373	476	427	366	382	384	537
Secondary income	13,423	14,928	14,934	15,895	15,345	13,299	15,444
Official transfers	106	97	83	75	67	59	49
Private transfers	13,317	14,831	14,851	15,820	15,278	13,240	15,395
of which: workers' remittances	12,734	14,338	14,116	15,170	14,717	12,769	14,982

<sup>11</sup> UNDP Human Development Report. Viewed at: <http://hdr.undp.org/en/countries/profiles/BGD>.

<sup>12</sup> During FY2018, remittances grew by 17.3%, due to different remittance arrangements with exchange companies abroad for smooth operation through formal channels.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 <sup>a</sup>
<b>Capital account</b>	482	629	598	496	464	400	292
<b>Financial account</b>	1,436	2,770	2,855	1,267	944	4,247	9,076
FDI	1,191	1,726	1,474	1,172	1,285	1,653	1,583
Portfolio investment	240	368	937	379	139	457	365
Other investment	5	676	444	-284	-480	2,137	7,128
Trade credit	-1,118	-250	-340	-2,508	-2,101	-1,185	-1,270
Net errors and omissions	-977	-659	621	-882	-634	-147	-473
<b>Overall balance of payments</b>	494	5,128	5,483	4,373	5,036	3,169	-885

a Provisional.

Source: Bangladesh Bank online information.

1.19. During the period under review, the services deficit declined as a proportion of GDP, but grew in absolute terms. The increase was due to larger payments in freight, financial services, personal travel, telecommunications and construction (Table 1.4). Regarding services receipts, payments for transportation, personal travel and construction also rose, albeit not as significantly as debits; the authorities stated that the changes were due to, *inter alia*: simplified regulations for freight payments; increased payments for telecommunications services, due to the extension of 3G and 4G networks; and payments for large infrastructure projects. During the period under review, payments for repatriated profits and dividends rose, and these are reflected in the negative primary income balance, which was due, in part, to such payments not requiring permission from the Bangladesh Bank. On the other hand, current transfers, which mainly comprise workers' remittances, fluctuated in absolute terms during the review period, but showed a significant decline as a proportion of GDP.

**Table 1.4 Trade in services, 2011-18**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total credit (BDT billion)	193.7	226.0	242.1	239.6	271.6	287.2	366.2
Total credit (USD million)	2,449.0	2,827.5	3,115.3	3,084.3	3,469.9	3,629.8	4,459.7
	% of total credit						
Manufacturing services on physical inputs owned by others	..	1.7	2.0	2.3	2.2	1.6	1.8
Maintenance and repairs	..	0.1	0.2	0.1	0.1	0.1	0.1
Transportation	13.7	16.2	14.8	12.1	11.9	12.0	13.1
Passengers	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Freight	1.2	1.6	1.2	1.5	0.6	1.0	1.5
Other	12.4	14.6	13.6	10.6	11.3	10.9	11.5
Travel	4.0	3.8	4.6	4.9	4.4	8.3	7.8
Business	0.1	0.1	0.0	0.1	0.0	0.0	0.0
Personal	3.9	3.7	4.5	4.8	4.4	8.3	7.7
Construction	1.2	1.4	1.5	2.4	2.4	3.8	3.3
Insurance	0.5	0.4	0.1	0.0	0.0	0.0	0.1
Financial services	2.0	2.2	1.9	2.4	2.4	2.4	3.4
Charges for intellectual property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Telecommunication, computer and information	21.3	12.4	14.3	12.1	18.1	15.7	12.0
Other business services	12.8	11.2	12.9	13.8	12.9	13.9	14.8
Personal, cultural and recreational services	0.1	0.2	0.7	0.3	0.2	0.2	0.3
Government goods and services n.i.e.	44.5	50.4	47.1	49.6	45.4	41.9	43.2
Total debit (BDT billion)	418.8	483.9	561.3	645.6	575.1	643.9	874.3
Total debit (USD million)	5,294.8	6,053.5	7,221.8	8,311.2	7,348.2	8,137.8	10,648.3
	% of total debit						
Manufacturing services on physical inputs owned by others	..	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance and repairs	..	0.0	0.4	0.0	0.3	0.5	0.2
Transportation	78.9	74.4	73.4	70.7	71.1	70.6	66.0

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Passengers	9.4	10.1	12.7	4.4	5.2	5.5	4.3
Freight	68.7	63.9	59.5	63.8	61.8	60.8	58.5
Other	0.7	0.4	1.3	2.6	4.1	4.2	3.3
Travel	6.2	5.3	5.8	4.9	6.0	6.3	6.9
Business	0.8	0.9	0.6	0.4	0.5	0.5	0.4
Personal	5.4	4.5	5.2	4.4	5.5	5.9	6.5
Construction	0.2	0.4	1.1	4.8	2.9	2.1	3.3
Insurance	0.6	0.5	0.0	0.0	0.1	0.0	0.0
Financial services	2.0	7.0	7.0	9.4	9.5	10.0	12.7
Charges for intellectual property	0.3	0.2	0.3	0.4	0.5	0.4	0.4
Telecommunication, computer and information	0.5	0.5	0.5	0.7	0.9	1.3	0.7
Other business services	5.6	5.5	4.9	4.9	5.4	5.7	6.2
Personal, cultural and recreational services	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Government goods and services n.i.e.	5.7	6.1	6.6	4.0	3.2	2.8	3.3

.. Not available.

Note: Total debit figures in the above table exceed total debit figures as shown in the BOP table, as of 2014/15 onwards.

Source: WTO calculations, based on Bangladesh Bank online information, and data provided by the authorities.

1.20. The current account deficit has been financed by the financial account, including, mainly, other investment, such as medium- and long-term (MLT) loans, medium- and short-term private loans, and FDI inflows, which were robust throughout the review period. Consequently, foreign exchange reserves more than tripled from 2011/12, to approximately USD 33.5 billion in 2016/17, providing over six months of import cover (Table 1.1); in 2017/18, they dropped by 1.8% to USD 32.9 billion, providing 5.5 months of import cover.

### 1.3 Developments in Trade and Investment

1.21. During the period under review, the ratio of trade in goods and services to GDP decreased from nearly 50% in 2011/12 to around 38% in 2017/18; the 7<sup>th</sup> FYP envisages a trade-to-GDP ratio of 50% by FY2020.

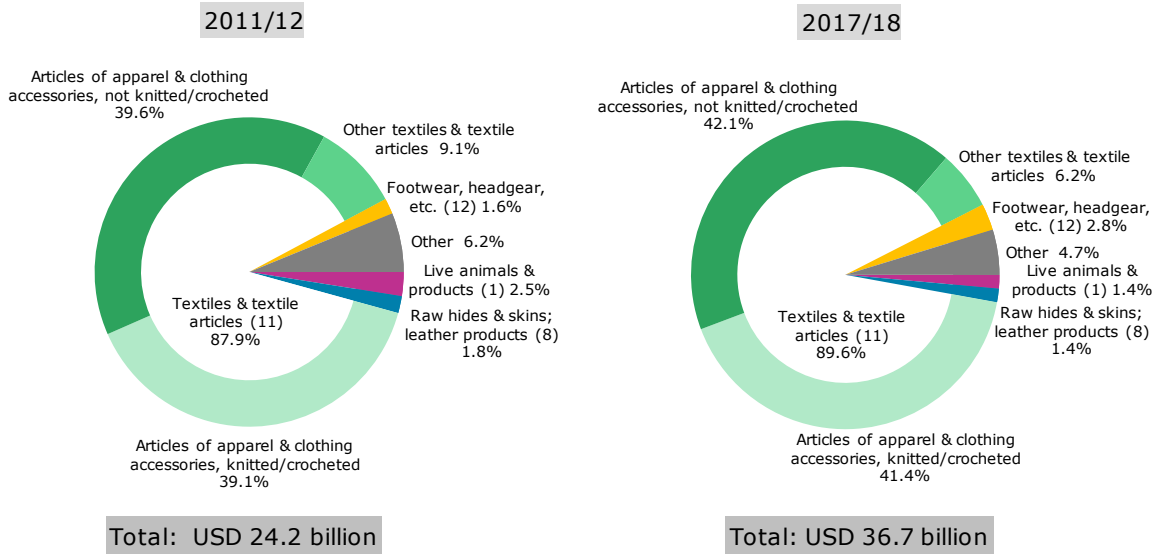
1.22. FDI inflows rose from approximately USD 1.2 billion (0.9% of GDP) in 2011/12 to approximately USD 2.6 billion (0.9% of GDP) in 2017/18, with the stock of inward FDI rising to nearly USD 15 billion. According to the authorities, the increase was due to infrastructural development facilitated by the Government, such as the development of numerous economic zones, and the encouragement of private investment in the energy and power sector.

#### 1.3.1 Trends and patterns in merchandise and services trade

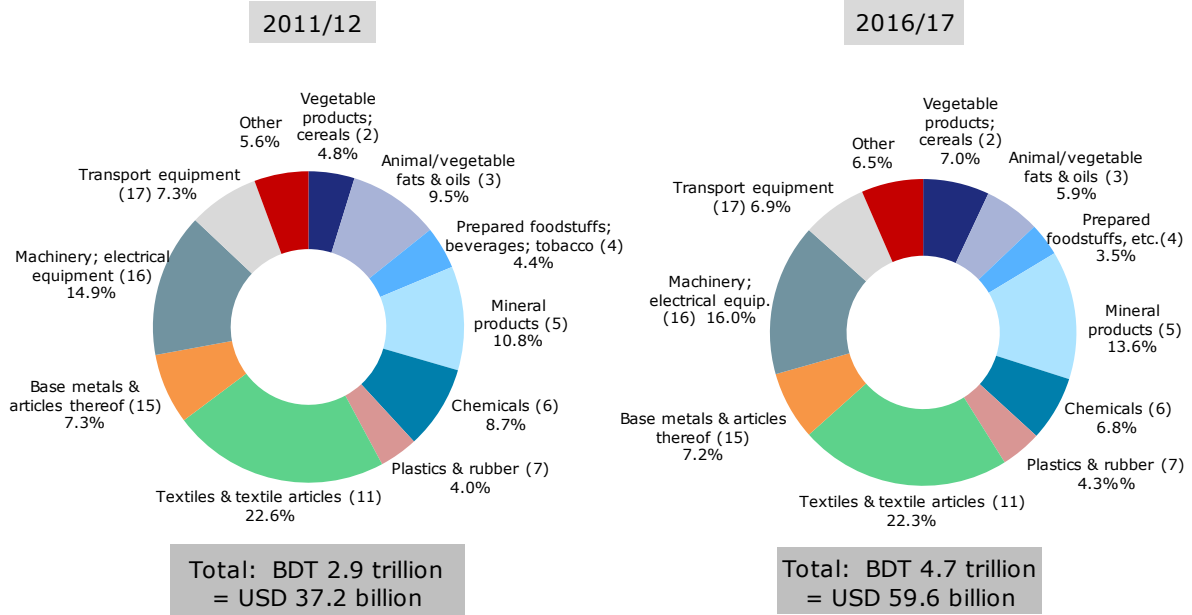
1.23. Exports continue to be heavily concentrated in textiles and textile articles, which accounted for nearly 90% of total exports in 2017/18 (Chart 1.1 and Table A1.1); footwear and headgear were responsible for a further 2.8% of total exports, followed by live animals and products (1.4%) and raw hides and skins (1.4%). While the share of textiles and textile articles and footwear and headgear rose during the review period, the shares of live animals and products and raw hides and skins declined.

**Chart 1.1 Product composition by main HS sections of merchandise trade**

**Exports:**



**Imports:**

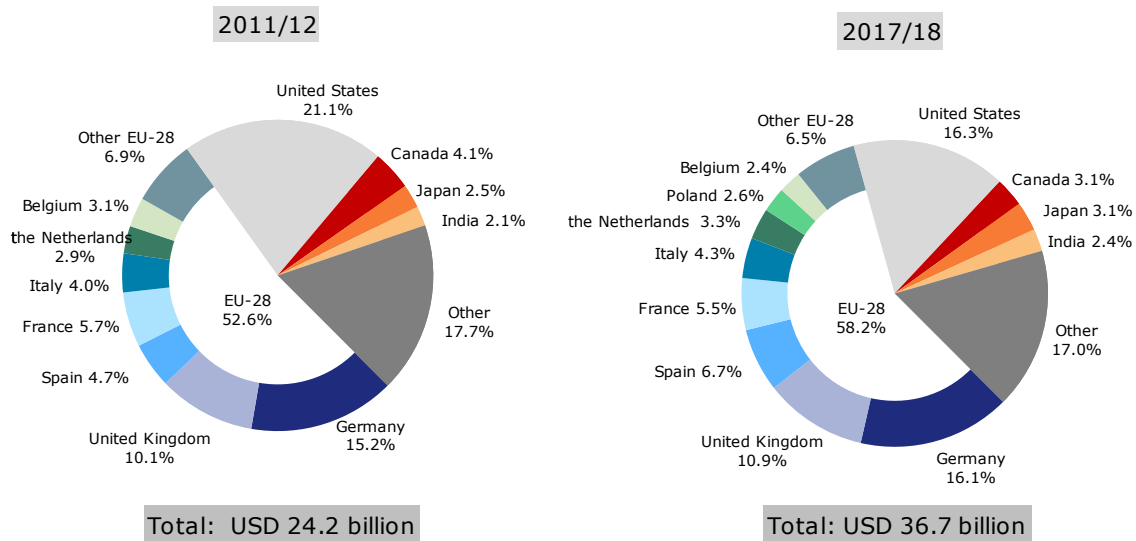
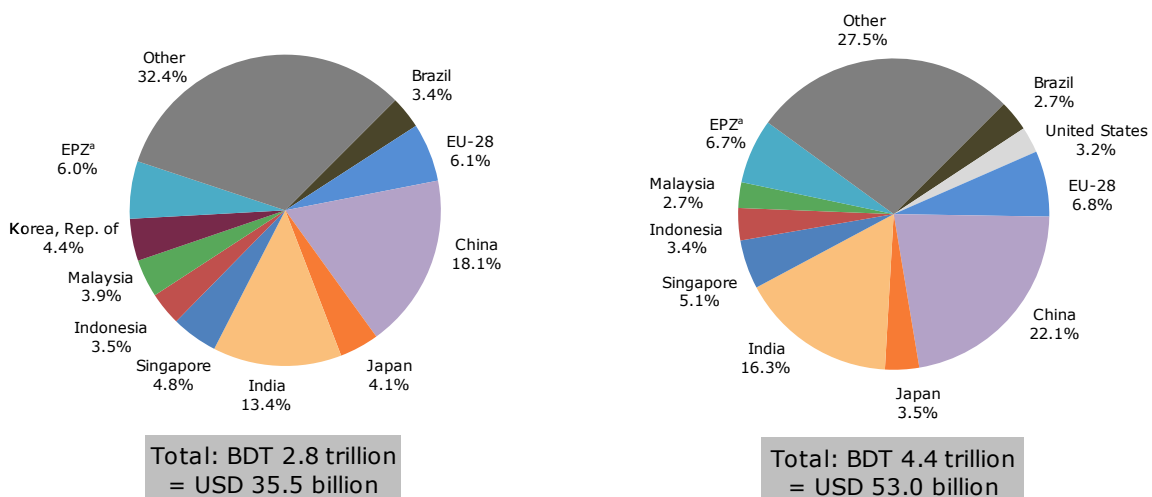


Note: Data in brackets refer to the HS section numbers.

Source: WTO calculations, based on Export Promotion Bureau of Bangladesh online information, and on Bangladesh Bureau of Statistics online information.

1.24. As in most countries, the structure of Bangladesh's imports is less concentrated than that of its exports. The largest single import category continued to be textiles, which are used as inputs for the garments industry; its share remained static during the review period (Chart 1.1 and Table A1.2). During the period under review, the shares of machinery and electrical equipment, vegetable products and cereals, and mineral products rose. The shares of animal/vegetable fats and oils, prepared foodstuffs, and chemicals in total imports fell.

1.25. Bangladesh's largest export market in 2017/18 was the EU-28, followed by the United States, Canada, and Japan (Chart 1.2 and Table A1.3). The share of the EU-28 rose considerably, as did that of Japan, while the shares of the United States and Canada declined. A plausible reason for the change is duty-free imports into the EU-28 under the Everything but Arms scheme (Section 2.3.2.6).

**Chart 1.2 Direction of merchandise trade****Exports:****Imports:**

a Imports of Export Processing Zones.

Note: Total import figures differ from those shown in Chart 1.1, due to data being taken from different sources.

Source: WTO calculations, based on Export Promotion Bureau of Bangladesh and Bangladesh Bank online information.

1.26. Data on imports by origin were not available from the Export Promotion Bureau of Bangladesh; data from the Bangladesh Bank was used, resulting in a discrepancy in the figures for imports by product and imports by origin.

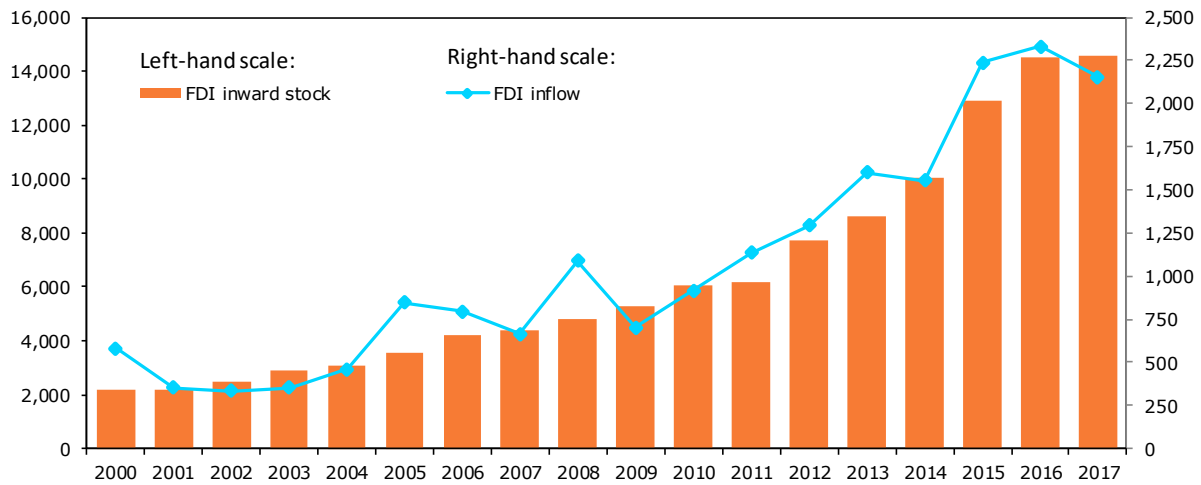
1.27. Bangladesh's imports continue to be highly concentrated, with over 80% coming from Asia, whose share remained relatively stable during the review period (Chart 1.2 and Table A1.4). In 2017/18, Bangladesh's largest import supplier was China, followed by India and the EU-28. The shares of all three have risen since 2011/12, while the shares of ASEAN have posted a slight decline since then.

### 1.3.2 Trends and patterns in FDI

1.28. Bangladesh has a liberal and investor-friendly investment regime, offering incentives to various sectors under many schemes (Section 2.4 and Section 3.3.1.2). This has resulted in a steady inflow of FDI, from approximately USD 1.2 billion in 2011/12 to nearly USD 2.6 billion in 2017/18.<sup>13</sup> FDI is concentrated in the energy sector, followed by the garment manufacturing sector, the financial sector, and telecommunications (Table A1.5). The largest investors are the United States; followed by the United Kingdom; the Republic of Korea; Singapore; Australia; and Hong Kong, China. Furthermore, FDI originating from all has risen significantly, except from Australia, whose stock has declined. The stock of FDI in 2017 was nearly USD 15 billion (Chart 1.3).

**Chart 1.3 FDI**

(USD million)



Source: UNCTAD, *World Investment Report 2018*.

<sup>13</sup> Information provided by the authorities; it differs slightly from UNCTAD data.



## 2 TRADE AND INVESTMENT REGIMES

2.1. Since its last TPR in 2012, Bangladesh has pursued wide-ranging trade-related and investment policies, *inter alia*, focused on export-led growth. Its export and import policies remained relatively unchanged. The regulatory trade-related framework in several areas was updated.

2.2. Bangladesh, a prominent voice for LDCs, remains committed to the multilateral trading system, and improved its WTO commitments by ratifying the Trade Facilitation Agreement (TFA). Bangladesh's possible graduation from LDC status in 2024, coupled with its World Bank Group rise to a lower middle-income country, will, *inter alia*, have some implications in several areas relating to market access and WTO commitments. A participant in some RTA initiatives with relatively limited product coverage and trade importance for the country until now, it has taken initiatives to negotiate new agreements. It remains a beneficiary of Generalized System of Preferences (GSP) schemes and their additional LDC-specific preferences. During the review period, Bangladesh had a limited but regular WTO notifications record, and no involvement in trade disputes.

2.3. Bangladesh remains relatively open to investment, despite the requirement for prior clearance/permission for foreign investment in 17 controlled sectors, foreign ownership limitations on e-commerce ventures, and four sectors being reserved for government investment. In 2016, important investment-facilitating regulatory and institutional reforms were made, to improve the investment environment. An array of tax and non-tax incentives remain available to companies operating in designated zones, high-priority activities, and creative and special development sectors.

### 2.1 General Framework

2.4. During the review period, the Constitution of the People's Republic of Bangladesh, adopted and enacted on 16 December 1972, has been subject to two amendments (2014, 2016).

2.5. Executive authority continues to rest with the Prime Minister, who must ensure the support of the majority of the members of Parliament. Ministers, state ministers and deputy ministers are appointed by the President, on the advice of the Prime Minister. As the Head of Government, the Prime Minister is the chief executive, and the head of the Cabinet. The President acts as the Head of State in accordance with the advice of the Prime Minister, and is elected for a five-year term by members of Parliament. The last Presidential election was held on 18 February 2018, and the next is due in 2023.

2.6. Legislative power continues to be exercised by a unicameral legislature (*Jatiya Sangsad* or National Parliament), comprising 300 members directly elected by universal vote, and an additional 50 female members appointed by political parties on the basis of proportional representation of political parties in the National Parliament. National elections are held on a five-year cycle, with the last held in December 2018. There are parliamentary standing committees for different ministries, that oversee the activities of the Government. A proposal for making a law, in the form of a bill, must be passed by a majority vote of the total number of members present in Parliament. It is then sent to the President for assent.

2.7. The legal and judicial system is founded on English Common Law. The judiciary consists of the higher judiciary (the Supreme Court) and the subordinate judiciary (the lower courts).<sup>1</sup> The judges of the subordinate courts are appointed through an independent commission, the Bangladesh Judicial Service Commission. The Supreme Court consists of the High Court Division and the Appellate Division. It has powers of supervision and control of the subordinate courts and tribunals. The Chief Justice, and other judges in the Appellate Division, are appointed by the President; judges in the High Court Division are appointed by the President in consultation with the Chief Justice. Subordinate courts at district and *upazila* levels, as well as special courts and tribunals such as the administrative tribunal, family courts, labour tribunal, land, commercial, municipal and marine courts, and tribunals

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<sup>1</sup> Bangladesh scored 7.5 out of 18 in the World Bank's 2016 Quality of Judicial Processes Index. Viewed at: <http://www.doingbusiness.org/en/data/exploretopics/enforcing-contracts>. WTO document WT/TPR/S/270/Rev.1, 26 November 2012. Banglapedia online information. Viewed at: [http://en.banglapedia.org/index.php?title=Judicial\\_System](http://en.banglapedia.org/index.php?title=Judicial_System). United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

for checking repression of women and children, remain in place. Since the last Review, separate cyber tribunals and anti-terrorism tribunals have been established, to deal with cases arising from cybercrimes and terrorism, respectively.

2.8. The country is divided into eight administrative divisions, each of which is placed under a Divisional Commissioner; each division is sub-divided into *Zilas* (districts), which are headed by Deputy Commissioners.

## 2.2 Trade Policy Formulation and Objectives

### 2.2.1 Executive branches of Government

2.9. The Ministry of Commerce (MOC) remains the leading institution in the formulation, implementation and coordination of policies and activities relating to international trade in goods and services. It acts as the focal point for bilateral, regional and multilateral trade negotiations. Its WTO Cell deals with matters relating to WTO agreements and oversees WTO negotiations; it coordinates and monitors all notifications to WTO committees, as well as compliance with WTO obligations. Implementation of trade-related policies and regulations are administered by various agencies under the MOC, including the Bangladesh Tariff Commission, dealing, *inter alia*, with trade remedies; and the Export Promotion Bureau (EPB); and the National Board of Revenue (NBR), under the Ministry of Finance, which takes the lead role in tariff-setting. A host of other ministries and agencies, including the Ministry of Agriculture, the Ministry of Health and Family Welfare, the Ministry of Fisheries and Livestock, the Ministry of Industries, the Ministry of Cultural Affairs, the Ministry of Post, Telecommunications and Information Technology, the Ministry of Civil Aviation and Tourism, the Ministry of Shipping, and the Ministry of Road Transport and Bridges, are also involved in the process of formulating and implementing trade and trade-related policies.

### 2.2.2 Advisory bodies

2.10. Several policy consultative bodies continue, with public and private sector participation, to support efforts for the formulation of a coordinated policy, having positive effects on the performance of the domestic and export sectors.<sup>2</sup> Trade policy formulation begins with the MOC, and is finalized through a consultative process with the EPB. Proposals are invited from relevant stakeholders, including the private sector's chambers of commerce (e.g. the Federation of Bangladesh Chambers of Commerce and Industry, and the Bangladesh Garments Manufacturers and Exporters Association) and research organizations (e.g. the public/private Bangladesh Foreign Trade Institute (BFTI)); and independent academic institutions, such as the Centre for Policy Dialogue, issue papers and participate in trade-related policy debates. These proposals, along with inputs received, are then discussed in inter-ministerial meetings under the *aegis* of the MOC. The decisions for all trade policy matters are tabled at the Cabinet Sub-Committee on Economic Affairs, which is headed by the Finance Minister. Before cabinet approval, the policy is vetted by the Ministry of Law, Justice and Parliamentary Affairs.

### 2.2.3 Policy objectives

2.11. Trade and trade-related policy formulation and objectives continue to be shaped by relatively long and wide-ranging strategies and plans. Vision 2021, issued in 2009, and the associated Perspective Plan 2010-21, lay out a series of development targets for 2021, the year of the 50<sup>th</sup> anniversary of independence. Its overriding objective is for Bangladesh to become a middle-income country by 2021, raising per capita income to USD 2,000, and reducing poverty from 40% to 15%. Vision 2021 is being implemented through five-year plans, which set out policy objectives and priorities. The latest one, i.e. the 7<sup>th</sup> FYP (FY 2016-20), seeks to progressively raise GDP growth rate from 6.5% in FY2015 to 8% by FY2020. It recognizes the merits of export-led growth in accelerating growth and creating jobs. It targets the substantial improvement of exports, the achievement of a trade-to-GDP ratio of 50%, and an increase of the manufacturing sector's contribution to 21% of GDP by 2020.<sup>3</sup>

<sup>2</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>3</sup> At the national budget speech (FY 2018-19), the Government expressed the intention to raise export earnings to USD 60 billion by 2021.

2.12. Some of the key export strategies pronounced in both the 7<sup>th</sup> FYP the latest budget speech of the Government (FY 2018-19) include expanding the volume of exports to existing markets, diversifying the export base, moving up the value chain, exploring new markets, expanding services exports, engaging more in free trade agreements (FTAs), pursuing duty-free and quota-free (DFQF) market access to both developed and developing country markets, and deepening trade under regional arrangements, such as the Asia-Pacific Trade Agreement (APTA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), and the South Asia Free Trade Agreement (SAFTA). Furthermore, the 7<sup>th</sup> FYP placed special emphasis on a diversified manufacturing base, including improving manufacturing efficiency and competitiveness, and recognized the relatively high nominal tariff protection on domestically produced consumer goods.

2.13. The trade policy of Bangladesh remains mainly guided by Export and Import Policies, which are issued on a three-yearly basis (Sections 2.2.4, 3 and 4); during the review period, there have been two such three-year periods. The Export Policy 2015-18 aimed to consolidate the position of Bangladesh in global trade. The Export Policy 2018-21, which aims to raise the country's export earnings to USD 60 billion by 2021, was approved by the Cabinet in November 2018.<sup>4</sup> Other key objectives include improving the quality of products by upgrading testing facilities to global standards, enhancing the involvement of women in export-oriented industries, increasing the stake of services sectors, including information communication technology (ICT), and bringing dynamism to export trade by utilizing e-commerce and e-governance.<sup>5</sup>

2.14. Bangladesh continues to lack a comprehensive trade policy (CTP). The 7<sup>th</sup> FYP entrusted the MOC with developing a CTP.<sup>6</sup> To this effect, the European Union provided technical assistance under the Bangladesh Trade Policy Support Programme, which had the overall objective of developing an integrated national trade policy. According to the authorities, the stakeholders in the trading community continue to support the longstanding practice of having separate import and export policies instead of a single comprehensive trade policy.

#### 2.2.4 Trade laws and regulations

2.15. During the review period, the range of Bangladesh's legal instruments in numerous trade and trade-related areas, including customs, standards, SPS, public procurement, competition, intellectual property rights, electricity, jute, industrial policy, securities, and civil aviation, was updated (Sections 3 and 4). The regulatory framework continues to consist of laws (acts), ordinances, Presidential Orders and legislation implementing statutory regulatory orders (SROs) issued by the relevant public-sector agency. The Imports and Exports (Control) Act, 1950 empowers the Government to regulate the import and export of goods and services. It formulates and issues the Import Policy Order (IPO) and the Export Policy every three years, in consultation with the concerned government agencies, trade bodies and relevant research institutes. Unlike the IPO, which has legal status, the Export Policy is a statement of intent to facilitate exports.

2.16. No regulatory reform to streamline burdensome regulations and reduce the regulatory burden to stakeholders was undertaken during the review period.<sup>7</sup> No qualitative assessment on the existing

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<sup>4</sup> Online information. Viewed at: <https://www.thedailystar.net/business/export/export-policy-2018-2021-cabinet-okays-draft-1656943>.

<sup>5</sup> The Policy is not applicable to the Export Processing Zones, the Private Export Processing Zones and the Economic Zones.

<sup>6</sup> The 7<sup>th</sup> FYP contains the following seven guiding principles for the CTP: "(i) to promote diversified, export-led industrialization as the major engine for increased and sustained economic growth; (ii) to strengthen production networks of existing and new export products, thereby improving Bangladesh's position in global value chains; (iii) to increase Bangladesh's international competitiveness by creating a conducive environment for private-sector trade and investment, including reliable infrastructure, an effective transport network, coherent and enforceable trade-related policies, and strengthened institutions; (iv) to create favourable market access conditions through taking maximum advantage of existing trade agreements and engaging actively in the exploration of new bilateral and regional trade and investment agreements; (v) to make trade contribute towards poverty reduction through increased and diversified exports, higher income, and employment; (vi) to make Bangladesh's trade regime contribute towards sustainable development by making it fully consistent with its development objectives and existing international trade commitments; and (vii) to establish the MOC as the national competent authority and apex organization in all matters relating to trade policy formulation."

<sup>7</sup> The regulatory burden means the costs imposed on enterprises, consumers, the authorities and other groups, as a result of regulation and compliance with regulatory obligations. Reducing the administrative burden is one way of enhancing companies' productivity and competitiveness. Viewed at: <https://tem.fi/en/reducing-the-regulatory-burden-of-enterprises>.

regulatory burden and benefits from its possible reduction was available from the authorities. No Regulatory Impact Assessment (RIA) is used in the preparation of legal texts.

### 2.2.5 Transparency

2.17. Bangladesh attaches importance to making laws easily accessible. Laws are published in Bengali only (some are translated into English by the Ministry of Law, Justice and Parliamentary Affairs) in the Bangladesh Gazette, which is updated weekly, and is available to all individuals and institutions.<sup>8</sup> The websites of most of the relevant ministries and agencies contain limited information in English. During the review period, Bangladesh has been developing key projects for e-government services.

2.18. As in all countries, a lack of transparency, and, thus, a lack of public accountability, creates scope for administrative discretion and therefore corruption.<sup>9</sup> In February 2007, Bangladesh acceded to the UN Convention against Corruption, whose 186 parties (as at June 2018) are required to establish criminal and other offences to cover a wide range of acts of corruption.<sup>10</sup> Despite its anti-corruption initiatives (see below), Bangladesh continues to rank poorly in this area, both at regional and international level.<sup>11</sup>

2.19. During the review period, Bangladesh's Anti-Corruption Commission (ACC) investigated numerous corruption cases and, as at March 2017, had finalized a draft bill of the Civil Service Act, with special arrest provisions. No information on the progress of the passing of the bill, or on any other major regulatory, institutional or other area in the fight against corruption from 2012 onwards, was available from the authorities. A 2013 amendment of the ACC Act means that it is now necessary for the ACC to obtain permission from the Government to investigate, or file any charge against, government officials or politicians. A Special Judge's Court deals with the cases filed by the ACC. In 2015, 207 out of 306 cases were acquitted by the Court; no comments or further data on law enforcement on corruption were available from the authorities. Corruption is seemingly considered an impediment to investment and economic growth in Bangladesh.<sup>12</sup> According to the ACC, seemingly Bangladesh's GDP would increase by 2% if corruption was prevented.<sup>13</sup> Supporting the diversification of the economy and sustaining inclusive growth would appear to require a more

<sup>8</sup> Hard copy and online information. Viewed at: <http://dpp.gov.bd/bgpress/index.php/document/gazettes/140>, as well at the relevant online service of the Ministry of Law, Justice and Parliamentary Affairs. Viewed at: <http://bdlaws.minlaw.gov.bd/index.php?page=home&language=english>.

<sup>9</sup> The authorities, *inter alia*, questioned the relevance of corruption in the Trade Policy Review exercise. According to the OECD, corruption raises the cost of business, undermines public trust and hampers growth. It disproportionately affects the poor and vulnerable by diverting resources from essential public services. According to the World Bank Group, it impedes investment, with consequent effects on growth and jobs. Corruption might unfairly determine the winners of government contracts. Or it might affect more fundamental issues of capture, such as how institutions work and who controls them, a form of corruption that is often the costliest in terms of overall economic impact. More information about the state of perceived corruption in Bangladesh is available online at <https://www.business-anti-corruption.com/country-profiles/bangladesh/>. OECD and World Bank Group online information. Viewed at: <http://www.oecd.org/corruption/oecd-strategic-approach-to-combating-corruption-and-promoting-integrity.htm> and <http://www.worldbank.org/en/topic/governance/brief/anti-corruption>.

<sup>10</sup> UNODC online information. Viewed at: <https://www.unodc.org/unodc/en/treaties/CAC/signatories.html>.

<sup>11</sup> According to the World Bank's Worldwide Governance Indicators, in 2016, Bangladesh was in the 21<sup>st</sup> percentile in the control of corruption indicator, well below South Asia's average (34) and that of neighbouring Lao PDR and Viet Nam. In 2017, Bangladesh ranked 143<sup>rd</sup> out of 180 countries on Transparency International's Corruption Perception Index (CPI), compared to 144<sup>th</sup> out of 174 countries in 2012; at the same time, for the second year in a row, and with a score in the 28<sup>th</sup> percentile, it ranked fourth in the Asia-Pacific region. World Bank Group online information. Viewed at: <http://info.worldbank.org/governance/wqi/index.aspx#reports>; Transparency International online information. Viewed at: [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/news/feature/corruption_perceptions_index_2017).

<sup>12</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>; and online information. Viewed at: <https://www.u4.no/publications/bangladesh-overview-of-corruption-and-anti-corruption-with-a-focus-on-the-health-sector> and <https://www.gov.uk/dfid-research-outputs/anti-corruption-in-bangladesh-towards-feasible-governance-improvements>.

<sup>13</sup> The Dhaka Tribune online, *DG ACC: 2% more GDP growth if corruption prevented*, 2 July 2018. Viewed at: <https://www.dhakatribune.com/business/economy/2018/07/02/dg-acc-2-more-gdp-growth-if-corruption-prevented>.

nuanced approach to anti-corruption by, *inter alia*, finding policy combinations that create incentives for stakeholders in particular sectors or activities to behave in more productive ways.

## 2.3 Trade Agreements and Arrangements

### 2.3.1 WTO

#### 2.3.1.1 Features

2.20. Bangladesh has been a WTO Member since 1995, and participates actively in its work, including as a prominent voice for LDCs, assuming the role of the LDC Group Coordinator in 2015. Bangladesh improved its WTO commitments by ratifying the WTO Trade Facilitation Agreement (TFA) on 27 September 2016, becoming the 94<sup>th</sup> Member of the WTO and the 12<sup>th</sup> LDC to do so. Bangladesh accords at least MFN treatment to trading partners, including non-WTO Members. During the review period, it has not been involved in any cases under the WTO dispute settlement mechanism. Bangladesh's trade policies have been reviewed four times in the WTO; the last Review was in 2012.

2.21. Bangladesh remains a supporter of the rules-based multilateral trading system; it advocates for enhanced market access, balanced rules, and the strengthening of special and differential (S&D) provisions in WTO agreements, and targets technical and financial support for addressing supply-side and infrastructure constraints. Since the last Review, the main WTO issues of interest to Bangladesh include the full and effective implementation of decisions taken in favour of LDCs at MC9 and MC10, such as decisions relating to DFQF market access, preferential rules of origin, and the LDC Services Waiver, as well as work on S&D provisions, fisheries subsidies negotiations, the Work Programme on Electronic Commerce, and work relating to the implementation of TRIPS Article 66.2.<sup>14</sup> It has consistently extended its support to ending trade-distorting policies in cotton.

#### Notification

2.22. During the review period, Bangladesh submitted only two notifications to the WTO, relating to GATS (contact and enquiry points) and the TFA (notification of category commitments).<sup>15</sup> Since 2012, it submitted its customs tariff to the WTO Integrated Data Base three times, i.e. in 2012, 2013 and 2016. No trade data submissions have been received at WTO. The customs tariff for the year 2018/19 was submitted to the WTO Secretariat in the context of the current TPR.<sup>16</sup> The MOC recently formed a Committee to facilitate the timely submission of trade data.

#### 2.3.1.2 Trade-related technical assistance

2.23. Bangladesh would like the WTO's Aid for Trade Work Programme to have more focused discussion on aid for trade support, as envisaged in the recommendations of the Task Force on Aid for Trade (WT/AFT/1) adopted in 2006, in areas of trade-related infrastructure and trade development. Aid for Trade support to Bangladesh grew from average disbursements of USD 352.0 million during 2006-08 to USD 1,051.9 million in 2016 (in constant 2016 USD); in 2015, the top donors were Japan (40%), the World Bank International Development Association (32%), and Asian Development Special Funds (10%).<sup>17</sup>

2.24. Since 2009, the Enhanced Integrated Framework (EIF) has been assisting Bangladesh in reaching its economic development objectives. Its Diagnostic Trade Integration Study (DTIS), with support from the World Bank, was completed in 2016. Following the recommendations contained in the DTIS, several projects are currently being implemented. An institutional capacity-building project started in April 2016, with a focus on implementing trade-related strategies. In 2018, the EIF Board approved Bangladesh's first productive capacity-building project, entitled the Export Diversification and Competitiveness Development Project. In line with the priority sectors for exports identified in the Export Policy (2015-18) (Section 2.2.4), the Project aims to strengthen productive capacity for RMG and jute products with a high end-value, build capacity to produce domestically active

<sup>14</sup> Prior to MC11, Bangladesh made an individual submission on the Work Programme on Electronic Commerce (WT/MIN(17)/29).

<sup>15</sup> WTO documents S/ENQ/78/Rev.14, 25 October 2013; and G/TFA/N/BGD/1, 27 February 2018.

<sup>16</sup> WTO document G/MA/IDB/2/Rev.47, 12 April 2018.

<sup>17</sup> WTO online information. Viewed at:

[https://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/profiles\\_e/BGD\\_e.pdf](https://www.wto.org/english/tratop_e/devel_e/a4t_e/profiles_e/BGD_e.pdf).

pharmaceutical ingredients (APIs) for the growing pharmaceutical sector, and develop capacity for high-quality agro-processed foods. The Government has established the necessary institutional set-up to implement EIF activities.

### 2.3.1.3 LDC graduation

2.25. Bangladesh, an LDC since 1975, met all the three criteria for graduation, for the first time in 2018.<sup>18</sup> If it meets the graduation criteria for a second time at the next triennial review by the United Nations Committee for Development Policy (CDP) in 2021, it is expected to graduate from LDC status in 2024.<sup>19</sup> This progress comes against the backdrop of the country's rise from the low-income to the lower middle-income classification by the World Bank Group in 2015. Its imminent graduation from LDC status, coupled with its elevation to the lower middle-income category by the World Bank, means that Bangladesh is likely to face challenges with regard to preferential market access, S&D benefits in WTO, and lack of access to concessional loans. In 2017, the Government formed a committee to oversee the preparations in the lead-up to graduation, and to develop strategies to address post-graduation challenges.

2.26. The main trade-related challenges regarding LDC graduation could emanate from the loss of preferences and reduced flexibility in the implementation of WTO agreements. Upon graduation, Bangladesh would have to bring its laws into conformity with WTO agreements in areas including export subsidies for industrial products and patent protection for pharmaceuticals (Sections 3.2.4.1, 3.3.7.1 and 4.3.5.3). At present, WTO rules contain no explicit provisions regarding the graduation of LDCs. However, several instruments are available in the WTO to help graduating LDCs prepare for a smooth transition. The LDC Trade Ministers' Declaration, adopted at MC11 (WT/MIN(17)/40), underlined the need for positive actions for graduated LDCs, and called upon development and trading partners to extend to the graduated country trade preferences previously made available due to LDC status, or to reduce them in a phased manner. It also invited all WTO Members to extend to a graduated country the existing S&D treatment related to the implementation of WTO agreements available to LDCs, for a period appropriate to the development situation of that country. Under the EIF, assistance is available to a graduated LDC for a period of five years after its graduation.

### 2.3.2 Regional and preferential agreements

2.27. Bangladesh attaches importance to deepening intra-regional trade through regional economic and trade cooperation arrangements, *inter alia*, because of the possible impact of its graduation on preferential market access. It is party and founding member to several regional trade agreements (RTAs), of which only the APTA, the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Arrangement (SAPTA) and the South Asia Free Trade Agreement (SAFTA) have been notified to the WTO (Table 2.1, and below). Many of these arrangements have limited product coverage and trade relevance for Bangladesh. Bangladesh is also negotiating other RTAs with its trading partners. Since its last Review, it has taken initiatives to negotiate FTAs with a number of countries, including China, Indonesia, Malaysia, Sri Lanka, Thailand, and Turkey. No data on preferential trade under each RTA in force was available from the authorities.

**Table 2.1 RTAs in force, main features, 2019**

RTAs in force	
<b>APTA</b>	
Type of agreement	Partial scope agreement
Date of signature	31/07/1975
Entry into force	17/06/1976
End of the transition period	1976
Coverage (selected features)	Goods
Bangladesh's merchandise trade with APTA parties	..
WTO consideration status	Not subject to the preparation of a factual presentation
WTO document series	WT/COMTD/N/22; WT/COMTD/62

<sup>18</sup> The CDP, a body of the UN Economic and Social Council, is responsible for reviewing the status of LDCs and monitoring their progress following graduation from the category. It reviews a country's position based on three criteria: gross national income per capita calculated based on a three-year average, the human asset index (HAI), and the economic vulnerability index (EVI).

<sup>19</sup> While an LDC must meet two of the three thresholds, Bangladesh has met all three criteria used for LDC graduation, reflecting the broad-based socio-economic progress of the country over the past years.

<b>RTAs in force</b>	
<b>Global System of Trade Preferences (GSTP)<sup>a</sup></b>	
Type of agreement	Partial scope agreement
Date of signature	13/04/1988
Entry into force	19/04/1989
End of the transition period	1989
Coverage (selected features)	Goods
Bangladesh's merchandise trade with GSTP parties	..
WTO consideration status	Not subject to the preparation of a factual presentation
GATT document series	L/6564
<b>Protocol on Trade Negotiations (PTN)</b>	
Type of agreement	Partial scope agreement
Date of signature	8/12/1971
Entry into force	11/02/1973
End of the transition period	1973
Coverage (selected features)	Goods
Bangladesh's merchandise trade with PTN parties	..
WTO consideration status	Not subject to the preparation of a factual presentation
GATT document series	L/3598
<b>SAPTA</b>	
Type of agreement	Partial scope agreement
Date of signature	11/04/1993
Entry into force	7/12/1995
End of the transition period	2016
Coverage (selected features)	Goods
Bangladesh's merchandise trade with SAPTA parties	..
WTO consideration status	Factual presentation not distributed
WTO document series	WT/COMTD/10
<b>SAFTA</b>	
Type of agreement	FTA and economic integration agreement
Date of signature	6/01/2004
Entry into force	1/01/2006 (goods); 29/11/2012 (services) (not notified)
End of the transition period	2016
Coverage (selected features)	Goods and services
Bangladesh's merchandise trade with SAFTA parties	..
WTO consideration status	Factual presentation not distributed
WTO document series	WT/COMTD/N/26

.. Not available.

a Bangladesh has not been a participant in the GSTP since its third round (2006-10); it does not offer any concessions, nor does it get any preferences from GSTP participants.

Source: WTO Secretariat, based on information from the WTO RTA database. Viewed at: <http://rtais.wto.org/UI/PublicSearchByMemberResult.aspx?MemberCode=116&lang=1&redirect=1>.

### 2.3.2.1 APTA

2.28. Bangladesh is a member of the APTA (previously known as the Bangkok Agreement), which is the oldest preferential RTA in the Asia-Pacific region, and was signed in 1975.<sup>20</sup> In 2017, Mongolia concluded bilateral tariff negotiations with participating members, and is expected to join the APTA upon ratification.

2.29. Since the entry into force of the APTA, four Rounds of negotiations have been completed, resulting in the deepening of tariff concessions among participating countries. The Fourth Round, launched in October 2007 and concluded in January 2017, led to the exchange of tariff concessions on 10,677 items (Table 2.2), compared to 4,648 items under the Third Round; these latest concessions were implemented as from 1 July 2018. This Round was one of the most prolific, with three framework agreements relating to trade facilitation, investment and services being signed and ratified by all members. The APTA offers common rules of origin (ROOs), with a minimum local value content requirement of 45% of the f.o.b. value (35% for LDCs).

<sup>20</sup> Other APTA members are China; India; Lao PDR; Korea, Republic of; and Sri Lanka.

**Table 2.2 Results of the Fourth Round of APTA negotiations**

	Before the Fourth Round	After the Fourth Round
No. of products under concession	4,648 (587)	10,677 (1,259 - Bangladesh) (1,251 - Lao PDR)
MoP (%)	26.80 (58.80)	31.46 (86.44 - Bangladesh) (86.20 - Lao PDR)
MoP* (%)	29.53 (66.44)	33.32 (90.98 - Bangladesh) (90.76 - Lao PDR)

Notes: (1) Numbers in brackets indicate special concessions for LDCs.  
(2) Margin of Preference (MoP) is the percentage of applied MFN tariff to be exempted, estimated as a simple average of all the items under concession.  
(3) \* Average MoP of China, India and the Republic of Korea only.

Source: United Nations Economic and Social Commission for Asia and the Pacific. Viewed at: <https://www.unescap.org/sites/default/files/APTA%20Brochure%20rev.%2020170116.pdf>.

2.30. During the Fourth Round, Bangladesh offered general concessions on 598 HS12 tariff lines, and special concessions for four items for LDCs. At present, India offers concessions on the largest number of products (3,142), followed by the Republic of Korea (2,797) and China (2,191). The Republic of Korea offers specific preferences to Bangladesh on 951 items; the margin of preference is 100% for certain items of export interest to Bangladesh, such as jute goods. Both China and India offer specific concessions to LDC participants in the APTA; China's special concessions list includes 181 items, with a considerable number of items enjoying a preference margin of 100% (e.g. certain apparel items, fish, and leather products), while India's special concessions also includes items of export interest to Bangladesh.

### 2.3.2.2 SAPTA and SAFTA

2.31. Members of the SAARC, founded in 1985 by seven countries (Bangladesh, Bhutan, Maldives, Nepal, India, Pakistan, and Sri Lanka), deepened trade cooperation through the adoption of the SAFTA in 2006, that superseded the SAPTA (Table 2.1). Although the SAPTA remains in force, traders prefer to use the SAFTA, as it offers better benefits. Afghanistan joined the SAFTA in 2005, and acceded to it on 7 August 2011. This is a forum where LDCs (Afghanistan, Bangladesh, Bhutan, Nepal, and Maldives) are a majority. Bangladesh and India are its two largest trading members.

2.32. Under the SAFTA, tariff liberalization, which commenced on 1 July 2006, provides for a phased Trade Liberalization Programme (TLP), for the reduction of tariffs to between zero and 5% within ten years of the coming into force of the Agreement. This TLP covers all tariff lines, except those items on each contracting party's Sensitive List; the main modality of negotiations has been the lowering of the number of tariff lines under the Sensitive Lists. As an LDC, Bangladesh benefits from an additional grace period to reduce tariffs. It has excluded around 25% of its tariff lines from any tariff-reduction commitments; and its revised Sensitive List (Phase II) was concluded in 2017. The latest timeframe for the reduction of Sensitive List coverage and tariff rates is provided in Table 2.3.

**Table 2.3 Tentative time-frame for the reduction of Sensitive Lists, 2015**

Member State	To reduce Sensitive List products to	To reduce tariffs to	Positions
Afghanistan	235 by 2030	0 to 5% by 2030	Confirmed
Bangladesh	450 by 2030	0 to 5% by 2030	Provisional
Bhutan	100 by 2020	0 to 5% by 2020	Confirmed
India	100 by 2020 (for non-LDCs)	0 to 5% by 2020	Confirmed
Maldives	100 by 2020	0 to 5% by 2020	Confirmed
Nepal	500 by 2030	0 to 5% by 2030	Provisional
Pakistan	100 by 2020	0 to 5% by 2020	Confirmed
Sri Lanka	Consultation with stakeholders ongoing		

Source: SAARC Secretariat.

2.33. The general criteria of SAFTA ROOs are: Change of Tariff Heading (CTH) plus 60% of non-originating material for non-LDC contracting parties; or CTH plus 70% of non-originating



material for LDC contracting parties. Regional cumulation is allowed under the SAFTA, where the regional value addition requirement is 50%, of which 20% is to be in the final exporting country.

2.34. The SAARC Framework Agreement on Trade in Services (SATIS) was signed in 2010, and was ratified by Bangladesh the same year. The SATIS allows SAARC countries to provide preferential market access to LDCs. Although the SATIS has been in force since 2012, negotiations on individual schedules of commitments under it are yet to be concluded. Progress in different areas of cooperation under the SAARC remains somewhat static, due to regional and geopolitical tensions among its members.

### 2.3.2.3 BIMSTEC

2.35. Bangladesh is a member of the BIMSTEC, which is nearing two decades of existence.<sup>21</sup> It hosts the BIMSTEC Secretariat, which was established in 2014. At the latest BIMSTEC Summit, held in August 2018, the Heads of Governments added two new priority sectors of cooperation (blue economy and mountain economy), increasing the number of priority areas of cooperation to 16, including trade and investment.<sup>22</sup>

2.36. Since 2005, BIMSTEC countries have been negotiating several constituent agreements and one protocol agreement. The constituent agreements relate, *inter alia*, to trade in goods, ROOs (agreed), trade in services, investment, customs cooperation, trade facilitation, and dispute settlement procedures.<sup>23</sup> Although the Framework Agreement on the BIMSTEC Free Trade Area (Framework Agreement) was signed in 2004, tariff negotiations have progressed slowly. A protocol to amend the Framework Agreement is under consideration. Under the BIMSTEC, tariff reduction/elimination was envisaged to be divided into two tracks: fast and normal. Under the fast-track approach, upon commencement of the tariff reduction phase, non-LDC participants (India and Thailand) were expected to open their markets to the products of LDCs (Bangladesh, Myanmar, Nepal and Bhutan) within one year; under the normal track, similar liberalization was to take effect within three years. The BIMSTEC FTA would also allow for negative lists, to which no tariff reduction would be granted, which would be reviewed periodically.

### 2.3.2.4 Developing-8 (D-8)

2.37. Bangladesh participates in the Developing-8 (D-8), which was established in 1997 and aims to promote development cooperation among a select group of Organisation of Islamic Cooperation (OIC) member States.<sup>24</sup> Trade among D-8 members is one of the priority areas of cooperation.

2.38. The D-8 members signed a preferential tariff agreement (PTA) in 2006, that entered into force in August 2011. Six countries (Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey) have completed all internal procedures for the implementation of the PTA, which began on 1 July 2016. Bangladesh ratified the PTA on 17 November 2017. The PTA covers tariff reduction for 8% of all tariff lines with tariff rates above 10%. The tariff reduction modalities, similar to those of the Trade Preferential System – Organisation of Islamic Cooperation (TPS-OIC) (Section 2.3.2.5), are as follows: (i) tariffs above 25% to be reduced to 25%; (ii) tariffs between 15% and 25% to be reduced to 15%; and (iii) tariffs between 10% and 15% to be reduced to 10%.

2.39. Bangladesh, the only LDC member of the D-8, is to benefit from a longer implementation period than other members in the group. Tariff reduction is to be implemented in eight annual instalments for LDCs, compared to four for other members.

<sup>21</sup> Other BIMSTEC members are Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand. This subregional organization came into being on 6 June 1997, through the Bangkok Declaration. Initially, the economic bloc was formed of four States, and was called Bangladesh, India, Sri Lanka, and Thailand – Economic Cooperation (BIST-EC). Following the inclusion of Myanmar, on 22 December 1997, the group was renamed BIMST-EC. With the admission of Nepal and Bhutan in February 2004, the name was changed to BIMSTEC.

<sup>22</sup> Fourth BIMSTEC Summit Declaration. Viewed at: <https://drive.google.com/file/d/0Bw5iVdDDVNCRTko2ek02Y1F0T3hQemM1NTdjUy1icGZUOGMw/view>.

<sup>23</sup> ROOs for developing members of the forum are 35% plus Change of Tariff Sub-Heading (CTSH), while LDC members enjoy flexibility of 5 percentage points, i.e. 30%, plus CTSH.

<sup>24</sup> Other D-8 members are Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey.

### 2.3.2.5 Trade Preferential System – Organisation of Islamic Cooperation (TPS-OIC)

2.40. Bangladesh is party to the TPS-OIC, one of whose most important projects is to foster intra-OIC trade.<sup>25</sup> This System is based on three agreements, the Framework Agreement, the Protocol on Preferential Tariff Scheme (PRETAS) and the ROOs.

2.41. The Framework Agreement, which sets out the general rules and principles for negotiations towards the establishment of the TPS-OIC, entered into force in 2002. The PRETAS, which complements the Agreement by laying out the concrete reduction rates in tariffs in accordance with a time-table for implementation, entered into force in February 2011 (see below for tariff reductions). The ROOs, under the Agreement, entered into force in August 2011 (TPS-OIC ROOs require 40% value addition for non-LDC members and 30% for LDC members). By December 2017, Turkey, Malaysia, Pakistan, Jordan, Bangladesh, Iran, and Morocco had conveyed their updated concession lists. Bangladesh ratified the PRETAS in 2011 and, at the same time, conveyed its updated concession list of 476 items.

2.42. The PRETAS covers 7% of total national tariff lines of each participating State. Tariff reduction is to be implemented according to the following schedule: (i) tariffs above 25% to be reduced to 25%; (ii) tariffs between 15% and 25% to be reduced to 15%; and (iii) tariffs between 10% and 15% to be reduced to 10%. These tariff concessions are yet to be implemented by the parties. LDC members of the OIC are given a three-year grace period for the tariff reduction of products covered under the PRETAS. As a result, the above tariff reduction will be carried out in six annual instalments by LDCs, and in four annual instalments by developing members of the OIC.

### 2.3.2.6 Other preferences and arrangements

2.43. Bangladesh remains a beneficiary under the GSP schemes, in particular the DFQF schemes, of Australia, Canada, the European Union, Iceland, Japan, Montenegro, New Zealand, Norway, the Russian Federation, Switzerland, and the United States (until 2013).<sup>26</sup> It is also entitled to DFQF schemes provided by certain Members of the WTO, including China, Chinese Taipei, Chile, India, Kazakhstan, the Republic of Korea, the Kyrgyz Republic, Tajikistan, Thailand, and Turkey. Despite the current non-eligibility for the U.S. GSP, Bangladeshi exports to this market were sustained; the United States remains the second-largest individual country destination for Bangladeshi exports (Table A1.3) and, in 2017, Bangladesh was its third-largest supplier of clothing (HS61, HS62).<sup>27</sup> Bangladesh has also been expanding its exports to the Canadian market, and considers this market's ROOs as one of the most flexible, thus facilitating apparel exports.<sup>28</sup> Bangladeshi exports to China, under its LDC-specific scheme, have been limited. The utilization of India's LDC DFQF market access preference scheme by Bangladesh has also been limited, as it mainly trades with India under the SAFTA framework, and on an MFN basis. No data on the share of exports benefiting from GSP treatment from 2012 onwards were available from the authorities.

2.44. During the review period, Bangladesh continued to benefit from the EU Everything but Arms (EBA) scheme. Its single-stage transformation rule helped the growth of woven garment exports to the EU market. The new Registration Exporter System (REX), an online self-certification scheme for the origin of goods that was to be effective for Bangladesh as from 1 January 2019, is expected to further ease the use of GSP benefits to developing countries, including Bangladesh. The European Union remains the largest destination for Bangladeshi exports, accounting for more than 50% of its overall exports. Apparel is the single most important export item of Bangladesh to the EU markets.

2.45. At the initiative of the European Union, a Compact for Continuous Improvements in Labour Rights and Factory Safety in the Ready-Made Garment and Knitwear Industry in Bangladesh (or

<sup>25</sup> The OIC has 57 members, 53 of which are Muslim majority countries. Viewed at: [https://www.oic-oci.org/page/?p\\_id=52&p\\_ref=26&lan=en](https://www.oic-oci.org/page/?p_id=52&p_ref=26&lan=en) and <http://www.comcec.org/en/cooperation-areas/trade/trade-preferential-system-among-the-member-states-of-the-oic/>.

<sup>26</sup> The United States suspended Bangladesh from its GSP beneficiary list in June 2013, as it considers that the country does not meet all eligibility criteria. WTO online information. Viewed at: <http://ptadb.wto.org/Country.aspx?code=116>; UNCTAD (2015), *Generalized System of Preferences – List of Beneficiaries*, 1 February. Viewed at: [http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6\\_en.pdf](http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf).

<sup>27</sup> UNSD Comtrade database.

<sup>28</sup> *Dhaka Tribune* online "\$3 billion in exports from Bangladesh to Canada by 2021", 6 May 2018. Viewed at: <https://www.dhakatribune.com/business/2018/05/06/3-billion-exports-bangladesh-canada-2021>.

Sustainability Compact) was launched in July 2013, in the aftermath of Rana Plaza tragedy.<sup>29</sup> In cooperation with International Labour Organization (ILO), the Compact now brings together Canada, the European Union and the United States to help introduce necessary labour law reforms, including ensuring fire and building safety, protecting the right to freedom of association, and ensuring responsible business conduct in Bangladesh. Progress on these efforts are discussed by these parties on an annual basis.

2.46. One of the key concerns of Bangladesh is the likely loss of LDC preferences (Section 2.3.1.3) after graduation, currently available in some key markets, such as the European Union, where it benefits from a preference margin of 12 percentage points for its garments' exports. This edge would be eroded upon its graduation from LDC status. As from 2018, under the *aegis* of the committee formed for the purposes of graduation, the Government and the private sector have started to explore options available to a graduated LDC to pursue preferential exports.<sup>30</sup> These options include schemes providing preferential treatment equivalent to that for LDCs, e.g. the EU GSP+ programme. However, several eligibility conditions, including the ratification of some 27 conventions, *inter alia*, relating to core human and labour rights, and environmental and governance principles, need to be met.

### 2.3.3 Other agreements

2.47. Bangladesh maintains 49 bilateral trade agreements with more than 40 countries; these agreements are general in nature, and are aimed at promoting bilateral trade.<sup>31</sup> A Trade and Investment Cooperation Forum Agreement (TICFA) was signed between Bangladesh and the United States in 2013, to address issues of interest in trade and investment relations between these countries, such as market access, intellectual property, the digital economy, energy, infrastructure development, transparency in government procurement, and labour issues. Both parties meet on an annual basis to discuss progress made in these areas.

2.48. Improving connectivity and regional integration among South Asian countries remains a priority in regional cooperation arrangements. On 15 June 2015, a Bangladesh, Bhutan, India, and Nepal (BBIN) Motor Vehicles Agreement (MVA) was signed; it, *inter alia*, permits member States to use their vehicles in each other's territory for the transportation of cargo and passengers, including for third country transport and personal vehicles.<sup>32</sup> Bangladesh ratified the Agreement in August 2015; India and Nepal ratified it in July 2015 and January 2016, respectively. The Agreement is yet to enter into force, pending Bhutan's upper house ratification.

## 2.4 Investment Regime

2.49. New investment is seemingly required to sustain GDP and employment growth. During the review period, Bangladesh continued to actively seek foreign investment, particularly in the apparel industry, and in energy, power, and infrastructure projects (Sections 1.3.2 and 2.4.1).<sup>33</sup> It offers a range of investment incentives under its industrial policy and export-oriented growth strategy, with few formal distinctions between foreign and domestic private investors (Sections 2.2.3, 3.2.4, 3.2.5, 3.2.6, and 3.3.1.2). Bangladesh has made gradual progress in reducing some constraints on investment. Large-scale infrastructure development projects are being undertaken, including in the power sector. However, it seems that there is still room for improvement in certain areas, such as infrastructure, financing capabilities, bureaucratic procedures, and corruption (Section 2.2.5). During the review period, Bangladesh's international ranking in terms of ease of doing business

<sup>29</sup> Viewed at: <http://trade.ec.europa.eu/civilsoc/meetdetails.cfm?meet=11468>.

<sup>30</sup> The EU EBA foresees a provision for an additional three-year transition period for the graduated LDC, following actual graduation from LDC status.

<sup>31</sup> These countries are: Afghanistan; Albania; Algeria; Belarus; Bhutan; Brazil; Bulgaria; Cambodia; China; the Czech Republic; Egypt; Germany; Hungary; India; Indonesia; Iran; Iraq; Kenya; the Democratic People's Republic of Korea; Korea, Republic of; Kuwait; Libya; Malaysia; Mali; Morocco; Myanmar; Nepal; Poland; Romania; Senegal; Sri Lanka; Sudan; Thailand; Turkey; Uganda; Ukraine; the United Arab Emirates; the United States; Uzbekistan; Viet Nam; and Zimbabwe.

<sup>32</sup> India proposed a SAARC MAV during the 18<sup>th</sup> SAARC Summit in Kathmandu in November 2014; however, an agreement could not be reached. Later, India pursued a similar MAV under the BBIN initiative.

<sup>33</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

declined, but steps are being taken to address this issue (Section 2.4.1).<sup>34</sup> New government initiatives to improve the business environment are promising but implementation remains to be seen.

#### 2.4.1 Policy and institutional framework

2.50. Since the last Review, important regulatory and institutional changes have taken place. The Board of Investment (formerly one of the primary investment promotion agencies) and the Privatization Commission (formerly responsible for the privatization of state-owned enterprises (SOEs)) were merged in 2016, and a new authority, the Bangladesh Investment Development Authority (BIDA) (see below), was created under the BIDA Act (2016) (Section 3.3.5). The BIDA now acts as the main investment promotion agency of the country. The other three specialized institutions with authority in investment-related matters (i.e. the registration of projects, the processing of foreign borrowings, the facilitation of imports of machinery and raw materials, and the processing of visa and work permit-related issues of foreign nationals) are the Bangladesh Export Processing Zones Authority (BEPZA), the Bangladesh Economic Zones Authority (BEZA), and the Bangladesh High Tech Park Authority (BHTPA) (Sections 3.2.4.3 and 3.3.1.2.3). The BIDA, the BEPZA and the BEZA are overseen by the Prime Minister's Office. The state-owned Bangladesh Small and Cottage Industries Corporation (BSCIC) caters to the needs of small and medium-sized enterprises (SMEs) (Section 3.3.5).

2.51. Since 2016, the BIDA fulfils three main functions: (i) investment promotion (e.g. sector/industry-specific promotions); (ii) investment facilitation (e.g. pre-investment information, investor welcome service, registration/approval of foreign, joint venture and local projects, facilitation of utility connections, etc.); and (iii) policy advocacy (e.g. assisting the Government in framing new policies for private-sector development). The BIDA's One-Stop Shop (OSS) (see below) attempts to bring the different regulatory requirements of business (registration, licences, permissions, etc.) into one place, to minimize the cost and time burden for businesses and individuals.<sup>35</sup> The OSS Act, passed on 5 February 2018, provides for a "one-stop service committee", headed by a cabinet minister, to ensure effective management of the overall system. The launch of the pilot OSS was scheduled for 1 July 2018, and the fully-fledged OSS for 1 July 2019.<sup>36</sup>

2.52. The BIDA maintains a one-stop website (<http://www.bida.gov.bd/>), that provides relevant laws, rules, procedures, and reporting requirements for investors.<sup>37</sup> Aside from information on relevant business laws and licences, the website includes information on the investment climate, opportunities for business, potential sectors, and how to do business in Bangladesh. Furthermore, it has an e-Service Portal for Investors, which provides services such as visa recommendations for foreign investors, approval/extension of work permit for expatriates, approval of foreign borrowing, and approval/renewal of branch/liaison and representative offices. The authorities indicated that the BIDA is a relatively new institution, and its online services will become gradually more effective. All visa and work permits are delivered online, with visa issuance taking one day. As at November 2018, more than 9,000 work permits and 6,600 visas had been issued online.

2.53. In September 2017, a National Committee for Monitoring and Implementation of Doing Business Reforms was formed, to bring together 15 reform-implementing government agencies, with the BIDA serving as its secretariat. The Committee is to monitor the implementation progress of short-, medium- and long-term reform recommendations. An action plan with specific timelines

<sup>34</sup> According to the World Bank's Doing Business 2013 and 2018 reports, Bangladesh's rank declined from 129<sup>th</sup> out of 185 countries in 2013 to 177<sup>th</sup> out of 190 countries in 2018 in overall terms of the ease of doing business. World Bank Group (2013), *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*, Washington, D.C. Viewed at: <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB13-full-report.pdf>; World Bank Group (2018), *Doing Business 2018 - Reforming to Create Jobs*, Washington, DC. Viewed at: <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf>.

<sup>35</sup> The BEPZA and the BEZA maintain their own OSS service windows.

<sup>36</sup> Under the OSS, the BIDA is in the process of streamlining 150 client services, involving 34 agencies; the authorities expect this to contribute towards improving the country's ranking in the World Bank's Doing Business index.

<sup>37</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

has been developed to secure a World Bank Group ease of doing business ranking of below 100, by 2021. Key reforms include: meeting the demand for power, by reducing the time required to obtain a commercial electricity connection from over 400 days to 4 weeks; providing easier access to credit, through increased coverage of credit-related information of borrowers from banks and financial institutions by the Credit Information Bureau (June 2018), and enhanced online information exchange between the Bangladesh Bank and the Microcredit Regulatory Authority (June 2019); the promulgating a new Secured Transaction Law (December 2018); accelerating contract enforcement, through review and analysis of the Bangladesh Arbitration Act (December 2017); creating additional courts in Dhaka and Chittagong for commercial disputes (December 2018); setting a 365-day limit for the resolution of cases; and improving trade facilitation measures (Section 3.1.1.1).

#### 2.4.2 Main regulatory framework

2.54. No major changes were made to the main piece of legislation governing investment. The main laws affecting foreign investment include the Foreign Private Investment Promotion and Protection Act, 1980, the Bangladesh Export Processing Zones Authority Act, 1980, the Bangladesh Private Export Processing Zones Act, 1996, the Companies Act, 1994, the Telecommunications Act, 2001, and the Bangladesh Economic Zones Act, 2010.<sup>38</sup>

2.55. The Foreign Private Investment Promotion and Protection Act provides for fair and equitable treatment for foreign investors, protection in relation to expropriation, and repatriation of profits. Repatriation of dividends/profits on foreign investment and the transfer of invested capital is guided by the Guidelines for Foreign Exchange Transactions – 2018, and subsequent circulars issued under the Foreign Exchange Regulation Act, 1947.<sup>39</sup> Protection of foreign investors, including the guarantee of national treatment, is also backed up by bilateral investment treaties (BITs) (Section 2.4.7). There have been no instances of foreign property expropriation since 1980.

#### 2.4.3 Restricted activities

2.56. Foreign and domestic private entities can establish, own, operate, and dispose of interests in most types of business enterprises.

2.57. Investment restrictions remain virtually unchanged. In July 2018, the Government amended its digital commercial policy which, *inter alia*, limits foreign investment to no more than 49% in local e-commerce ventures. Under the National Industrial Policy 2016, which replaced the Industrial Policy 2010 (Section 4.3.2), four sectors remain reserved for government investment, and exclude both foreign and domestic private-sector activities: arms and ammunition and other defence equipment and machinery; forest plantation and mechanized extraction within the bounds of reserved forests; production of nuclear energy; and security printing. In addition, under the Foreign Private Investment and Protection Act, 17 sectors require prior clearance or permission from the respective line ministries or authorities. These are: deep sea fishing; private-sector banks/financial institutions; private-sector insurance companies; private-sector generation, supply and distribution of power; exploration, extraction and supply of natural gas or oil; exploration, extraction and supply of coal; exploration, extraction and supply of other mineral resources; large-scale infrastructure projects (e.g. flyovers, elevated expressways, monorails, economic zones, inland container depots, or container freight stations); crude oil refinery (recycling or refining of lube oil used as fuel); medium and large industry using natural-gas condensate and other minerals as raw material; telecommunication services (mobile/cellular and land phones); satellite channels; cargo or passenger aviation; sea-bound ship transport; sea-ports or deep seaports; VOIP/IP telephones; and industries using heavy minerals accumulated from sea beaches.

#### 2.4.4 Registration and approval

2.58. The BIDA is responsible for screening, reviewing and approving FDI in Bangladesh, except for FDI in Economic Zones, which is under the BEZA. When evaluating an investment proposal, emphasis is placed on the amount of investment per acre of land, the ratio of capital to loans, the ratio of domestic sales to exports, the employment generation, environment mitigation plans, efficient

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<sup>38</sup> The Foreign Private Investment and Protection Act is the umbrella law which enables the Government to regulate FDI entry, though its scope is limited.

<sup>39</sup> The repatriation of capital and capital gains may be subject to reporting requirements or authorization by the Bangladesh Bank.

land-use plans, energy saving plans, and the overall value addition to the economy. Requirements vary by sector, but all foreign investors are required to obtain clearance certificates from the relevant ministries and institutions with regulatory oversight. A No Objection Certificate (NOC), stating that the specific investment will not hinder local manufacturers and is in line with the guidelines of the ministry concerned, may be required in certain areas (e.g. healthcare).<sup>40</sup> An NOC may also be required for 22 strategic sectors (as listed in the National Industrial Policy 2016 (Section 4.3.2)), and no capping in terms of amount or percentage of equity is applied to foreign investment. Negative outcomes can be appealed, except for applications pertaining to the four restricted sectors (Section 2.4.3); no investment project proposal has been declined by the BIDA so far. According to the authorities, the BIDA online business registration process seems to have made progress. According to the World Bank, in 2018, business registration in Bangladesh took 19.5 days on average, with nine distinct steps, compared to an average of 15.5 days in South Asia.<sup>41</sup> The authorities indicated that the investment approval process takes less than one week, and the required steps are gradually being reduced. With the support of the World Bank Group and the International Finance Corporation, the Government is undertaking necessary reforms in the doing-business environment.

#### 2.4.5 Investment promotion

2.59. Bangladesh continued to promote investment, through an array of tax and non-tax incentives available to companies operating at designated zones, including export processing zones (EPZs) and high-tech parks, and in specific activities, such as high-priority activities (those that create large-scale employment and earn substantial export revenue), creative activities (architecture, arts and antiques, fashion design, film and video, interactive laser software, software, and computer and media programming), and special development sectors (Sections 3.2.4.3, 3.3.1.2.3, and 4.3.3).

#### 2.4.6 Dispute settlement

2.60. Bangladeshi law allows contracts to refer to third-country forums for dispute settlement resolution. Bangladesh is a signatory to the International Convention for the Settlement of Disputes (ICSID), the United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards, and the New York Convention.<sup>42</sup> Alternative dispute resolutions are possible under the Bangladesh Arbitration Act, 2001, that allows for the enforcement of arbitral awards. Bangladesh is also a party to the SAARC Agreement for the Establishment of an Arbitration Council for alternative dispute resolution in one of the SAARC member countries. As in many countries, Bangladesh has adopted a "conflicts of law" approach to determining whether a judgment from a foreign legal jurisdiction is enforceable in Bangladesh.

2.61. Slow adoption of alternative dispute resolution mechanisms and sluggish judicial processes reportedly impede the enforcement of contracts and the resolution of business disputes.<sup>43</sup> In practice, enforcement of arbitration results appears to be applied unevenly, and the Government has challenged ICSID rulings, especially those that involve rulings against the it. The timeframe for dispute resolution seems unpredictable, and has no set time-limit. Domestic courts reportedly tend to favour SOEs and local companies, in investment disputes.<sup>44</sup> So far, five cases have been brought to international arbitration by foreign investors; all of them related to the hydrocarbons sector, of which two claims by Niko Resources (Canada) are pending.

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<sup>40</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

<sup>41</sup> World Bank Group online information. Viewed at: <http://www.doingbusiness.org/data/exploreconomies/bangladesh/>.

<sup>42</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

<sup>43</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

<sup>44</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

2.62. Investors seem to be increasingly turning to the Bangladesh International Arbitration Center (BIAC) for dispute resolution. The BIAC is an independent arbitration centre, which was established in April 2011 to improve commercial dispute resolution.<sup>45</sup> According to the BIAC, fast-track cases are resolved in approximately six months, while typical cases are resolved in one year. Major trade and business associations can sometimes help to resolve transaction disputes.

#### **2.4.7 Bilateral treaties developments and international cooperation**

2.63. Bangladesh maintains bilateral investment treaties (BITs) with 32 countries, for the promotion and protection of investments.<sup>46</sup> To avoid investors from paying tax in two different countries, it has signed Avoidance of Double Taxation Treaties (DTTs) with 33 countries, including 5 (Belarus, Mauritius, Myanmar, Kingdom of Saudi Arabia and United Arab Emirates) since the last Review.<sup>47</sup>

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<sup>45</sup> The BIAC board is headed by the President of the International Chamber of Commerce – Bangladesh (ICCB), and includes presidents of other prominent chambers, such as the Dhaka Chamber of Commerce and Industry (DCCI) and the Metropolitan Chamber of Commerce and Industry (MCCI). United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>. BIAC online information. Viewed at: <https://www.biac.org.bd/biac-board/>.

<sup>46</sup> These countries are: Austria; Democratic People's Republic of Korea; Thailand; Belgium; Korea, Republic of; the United Kingdom; Canada; Malaysia; the United States; China; Pakistan; Uzbekistan; France; Poland; Viet Nam; Germany; Romania; Singapore; Indonesia; Switzerland; Denmark; Iran; the Netherlands; India; Italy; the Philippines; the United Arab Emirates; Japan; Turkey; and Belarus. BIDA online information. Viewed at: <http://bida.gov.bd/investment-policy-2>.

<sup>47</sup> Other countries having signed a DTT with Bangladesh are: Canada; Poland; Norway; China; Romania; Turkey; Denmark; Singapore; Viet Nam; France; Korea, Republic of; the Philippines; Germany; Sri Lanka; Indonesia; India; Sweden; Switzerland; Italy; Thailand; Oman; Japan; the Netherlands; Malaysia; and the United Kingdom. BIDA online information. Viewed at: <http://bida.gov.bd/investment-policy-2>.

### 3 TRADE POLICIES AND PRACTICES BY MEASURE<sup>1</sup>

3.1. The general thrust of Bangladesh's trade policy has remained relatively unchanged during the review period. The tariff remains one of the main trade policy instruments and a significant source of tax revenue. Consisting of *ad valorem* and a few specific rates, it now involves 16 different rates, 2 more than in 2011/12. The simple average applied MFN tariff was slightly reduced from 14.9% in 2011/12 to 14.8% in 2018/19. Tariff protection varies substantially across and within sectors. Binding commitments cover 19% of all tariff lines; there is an average gap of 147.2 percentage points between applied and bound MFN rates. During the review period, Bangladesh undertook several trade facilitation initiatives. The transaction value method remains in general use, and the pre-set customs value or the minimum value continue to apply for numerous items. A regulatory duty continues to be levied on certain imports. Import prohibitions, restrictions and licensing remain in place. The scope of the list of controlled goods, which covers several agricultural and industrial items that are banned or may only be imported under certain conditions and/or which require prior approval, remains unchanged. No anti-dumping or countervailing actions were taken.

3.2. During the period under review, there have been no changes to Bangladesh's export procedures. Certain products continue to be subject to export prohibitions, restrictions and duties. The range of products for which export subsidies/cash incentives are provided was expanded during the review period. The wide array of other support measures provided to export sectors includes concessional tariffs, a duty drawback system, income tax rebates, special bonded warehouses, and EPZs. Export finance and guarantees remain in place.

3.3. Measures involving various open-ended tax and non-tax concessions continue to support production and trade. The tax system remains heavily dependent on trade-related taxes. Domestic and imported items are subject to VAT, a supplementary duty, advance trade VAT, and advance income tax. The number of Bangladesh Standards (BDS) has increased. As a result of a standstill in the privatization process, state involvement in the economy has remained significant in certain activities. Bangladesh continues to use public procurement to support domestic suppliers. During the review period, the competition policy regulatory and institutional framework was put in place; and price monitoring and/or stabilization measures remain in place. Consumer right protection remains unchanged. Bangladesh has sought to strengthen intellectual property rights by passing new, or amending existing, legislation.

#### 3.1 Measures Directly Affecting Imports

##### 3.1.1 Customs procedures, valuation, and requirements

###### 3.1.1.1 Customs procedures and requirements

3.4. During the review period, the regulatory and institutional framework was updated. The Customs Act, 1969 (amended in 2014) remains the main legislation governing imports. Other acts relating to customs clearance include the VAT Act, 1991; the VAT and Supplementary Duty Act, 2012; the Imports and Exports (Control) Act, 1950; the Import Policy Order, 2015-18 (Section 2.2.4); the Export Policy, 2015-18; and the Foreign Exchange Regulation Act, 1947.<sup>2</sup> Some notable developments in customs legislation include the Customs Act, Advance Ruling Rules, 2016, the Clearing and Forwarding (C&F) Agents' Licensing Rules, 2016, the Baggage Rules, 2016, the Courier Service Rules, 2016, the SRO on Authorized Economic Operators (AEOs), 2018, and the Customs (Alternate Dispute Resolution) Rules, 2012. As at November 2018, the proposed new Customs Act, 2018 (entirely replacing the Customs Act, 1969) had been put before Parliament and is expected to come into force early 2019. The Bangladesh Customs Authority continues to operate under the National Board of Revenue (NBR), which is the main body governing direct and indirect tax revenue collection in Bangladesh.<sup>3</sup>

<sup>1</sup> In this Section, many amounts in national currency are expressed in their official denomination, i.e. lakh and crore. Ten lakhs is equivalent to 1 million, and 1 crore to 10 million.

<sup>2</sup> Government of Bangladesh. Viewed at: <http://www.bangladeshcustoms.gov.bd/relevant/allied Acts>.

<sup>3</sup> The Customs network in Bangladesh includes two sea ports, three international airports, more than 20 inland container depots, and more than 50 active land ports.



## Registration

3.5. Bangladesh continues to maintain a system of registration for commercial and industrial consumers.<sup>4</sup> Commercial importers and industrial consumers (except for those located in EPZs, Section 3.2.4.3) must register with the Chief Controller of Imports and Exports within the Ministry of Commerce. Since January 2017, the Chief Controller has generally been issuing import registration certificates (IRCs) within three days, an improvement over the ten days required before that. As of January 2017, 8,420 commercial importers, 1,223 industrial consumers, and 2,796 exporters were registered.

## Documentation

3.6. Under the Customs Act, 1969, shipping agents submit their Import General Manifest (IGM) electronically to Customs. Thereafter, the nominated clearing and forwarding (C&F) agent (or the importer himself) completes the goods declaration (the Bill on Entry) and submits it to Customs through ASYCUDA World (see below).<sup>5</sup> This declaration is made in a specific format, known as Single Administrative Document (SAD). For the release of goods, the importer is required to provide the following documents: letter of credit (L/C); invoice; bill of lading/airway bill (AWB)/truck receipt/railway receipt; packing list; Country of Origin Certificate (except coal and export-oriented garments industries); insurance policy/cover note; and VAT/Business Identification Number (BIN) Certificate, along with the declaration.<sup>6</sup>

3.7. Furthermore, as per the Import Policy Order, 2015-18, some goods entering Bangladesh require additional documents. Some 55 items are subject to BDSs specified by the Bangladesh Standards and Testing Institution (BSTI)<sup>7</sup> (Section 3.3.2.2). They include: a radioactivity test report from the concerned authority of the exporting country, for food items (Section 3.3.3.2); a clearance certificate(s) from the Bangladesh Atomic Energy Commission, for food items to the effect that the radioactivity level found in the imported foodstuff is within the acceptable limit; a pre-shipment inspection test report, for milk food products and powder milk, coal and hard coke, Break Acrylic (HS 39.15 and 3915.90), M.S. Billets (7207), and for items where the value of a single item authorized for import by public sector agencies is BDT 50 lakhs or more; an approval letter from the Chief Inspector of Explosives of the Ministry of Power, Energy and Mineral Resources, for explosives; and a copy of the intellectual property (IP) certificate (attested by the intellectual property right (IPR) holder of the branded goods), in the case of imports of branded goods registered under any law related to IP in Bangladesh.

## Trade facilitation

3.8. During the review period, Bangladesh has undertaken several trade facilitation initiatives in the context of its Customs Modernization Action Plan (2013-17), and has implemented international commitments such as those under the WTO Agreement on Trade Facilitation (TFA) and the WCO Revised Kyoto Convention (RKC). The NBR is incorporating provisions of the TFA and the RKC into the proposed new Customs Act, 2018. In addition, separate regulations have been introduced to implement provisions of TFA and RKC. For instance, the advance ruling system for the classification of goods has been in place since June 2016; so far, 14 rulings have been dealt with through the advance ruling system, mainly involving electronics, prepared food and plastic products. The Authorized Economic Operator (AEO) system was implemented in June 2018; it is being administered

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<sup>4</sup> Commercial importers are those who import goods for sale without further processing. Private industrial consumers are units registered with one of the following four agencies: the Bangladesh Export Processing Zones Authority, for industries located in the EPZs; the Bangladesh Small and Cottage Industries Corporation, for small and medium-sized enterprises; the Handloom Board, for handloom industries run by weavers' associations engaged in the preservation of classical Bangladesh weaving techniques; and the BIDA, for all other private industries. Commercial and industrial importers are classified into six categories based on the maximum value of their annual imports. Initial registration fees (ranging from BDT 5,000 to BDT 60,000) and annual renewal fees (ranging from BDT 3,000 to BDT 30,000) vary depending on the category.

<sup>5</sup> Apart from a very small number of entrepreneurs, almost all the exporters and importers rely on C&F agents to deal with customs clearance. Most agents use the automated service for customs clearance.

<sup>6</sup> Government of Bangladesh. Viewed at: [http://www.bangladeshcustoms.gov.bd/trade\\_info/customs\\_clearance](http://www.bangladeshcustoms.gov.bd/trade_info/customs_clearance).

<sup>7</sup> These items may be imported upon submission of a certificate of conformity, with the BDS issued by the accredited laboratory of the exporting countries. Otherwise, imported goods are released subject to a standard verification certificate by the BSTI.

by the NBR.<sup>8</sup> The system for the e-payment of duties, taxes and fees by exporters and importers became operational at the Chittagong seaport Customs House in 2014. No data on the number of AEO participants or the share of payments made under the e-payment system were available from the authorities.

3.9. Action was taken to make customs formalities and procedures simpler, more transparent and more efficient. Bangladesh having benefitted from all generations of ASYCUDA – the automated system for customs data, designed by UNCTAD – migrated to ASYCUDA World in July 2013. The Customs modernization programme, with support from the World Bank Group, the Asian Development Bank (ADB) and the United States Agency for International Development (USAID), has been an ongoing process, with a special focus on risk management, post clearance audit, clearance procedures and the valuation system. The establishment of a National Single Window for traders, a customs information system integrating trade-related stakeholders including banks and financial institutions, carriers, custom brokers and trade operators, port and airport authorities, government agencies, etc., is envisaged by December 2021. The NBR has already signed a memorandum of understanding (MoU) with 38 government agencies, to facilitate the implementation of the National Single Window System.

3.10. Bangladesh deposited its instrument of accession to the RKC in September 2012, in an effort to align its customs procedures with international standards. It ratified the TFA, and deposited its instrument of acceptance on 27 September 2016. Based on its notification<sup>9</sup>, 34.5% of its commitments have been implemented to date (Category A), 38.2% will be implemented between February 2020 and February 2022 without capacity-building support (Category B), and 27.3% will be implemented subject to technical assistance being provided (Category C).

### **Clearance**

3.11. Upon assessment of duties and taxes by Customs, a release order for clearance is issued and, after completion of port formalities, goods are cleared.<sup>10</sup> Since 2013, 60% of the completed declarations are assessed and cleared by customs on the same day. For the customs clearance of imported animals, plants and plant products, quarantine conditions (such as certification regarding quarantine, fumigation, etc.) must be observed. Fumigation is mandatory regarding the import of raw cotton produced and packed in the Western Hemisphere.

3.12. At Chittagong, the main seaport (Section 4.4.5.1), Customs implements a selectivity system, where shipments are screened against pre-determined risk criteria and then processed through the appropriate channel. The categories are: "green channel" imports that are released with minimal documentation checks and no physical inspection; "yellow channel" imports that undergo a full documentation check; and "red channel" imports that account for 10% to 12% of the total and are subject to full documentation and physical inspection.

3.13. Despite ongoing efforts, recent reports and studies demonstrate that there is a need to further improve the efficiency of customs procedures in Bangladesh. According to the World Bank Group Doing Business Report for 2018, Bangladesh was ranked 173<sup>rd</sup> out of 190 economies (115<sup>th</sup> out of 183 in 2012) surveyed under its Trading Across Borders Index.<sup>11</sup> No data on the average processing time for the clearance of goods from Customs was available from the authorities. According to the World Bank Group Doing Business data, in 2018, importing a shipment of goods required border and documentary compliance equivalent to 183 hours and USD 1,293.8, and 144 hours and USD 370, respectively.<sup>12</sup> In addition, a baseline study undertaken by the ADB in 2017, regarding the import of lentils from Nepal through the Banglabandha land port found that, for a regular trader to complete

<sup>8</sup> Requirements for AEOs, and criteria for their selection, was issued through an SRO in June 2018. No further information was available from the authorities. Viewed at: <http://nbr.gov.bd/regulations/sros/customs-sros/eng>.

<sup>9</sup> WTO document G/TFA/N/BGD/1, 27 February 2018.

<sup>10</sup> In most cases, customs valuation is carried out by the Assessing Officer (Principal Appraiser/Revenue Officer). If disputes arise on valuation or declaration issues, the file may be dealt with at a higher level.

<sup>11</sup> Viewed at: [http://www.doingbusiness.org/en/data/exploreeconomies/bangladesh#DB\\_tab](http://www.doingbusiness.org/en/data/exploreeconomies/bangladesh#DB_tab), <https://openknowledge.worldbank.org/bitstream/handle/10986/5907/DB12-FullReport.pdf?sequence=1&isAllowed=y> and <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf>.

<sup>12</sup> The authorities questioned the basis for calculating these indices.

the import process, 18 documents were required, and these needed to be submitted 71 times. In addition, a baseline study, undertaken by the ADB in 2017, found that the average speed along the transport corridors was less than 30 km per hour, while the border crossing time for imports was over six hours. The ongoing Customs Modernization Plan entails, *inter alia*, further reductions of Customs clearance times and Customs interventions, and an integrated supply-chain management and security system. An automated risk management and selectivity system is envisaged under this Plan. As per the information supplied by the Government, a Time Release Study (TRS) was completed for four customs houses, and further such studies are expected to be carried out in 2019; the findings were not available from the authorities.

3.14. Smuggled items appear to include cattle, dried turtle, cigarettes, narcotics, gold, memory cards and counterfeit goods.<sup>13</sup> No information on the anti-smuggling action taken by Customs, seizures/destruction/auctions of smuggled items, or fines collected, from 2012 onwards, was available from the authorities.

### 3.1.1.2 Customs valuation

3.15. Bangladesh implements the WTO Agreement on Customs Valuation (ACV); its provisions were incorporated into the Customs Act, 1969 in February 2000. According to Section 25 of the Act, Customs is obliged to accept the transaction value of goods, which is generally stated on the commercial invoice, except in special circumstances. At present, the customs value of more than 90% of imported goods is assessed according to the transaction value. In cases where the value of the goods cannot be determined, Customs is required to follow the following hierarchical method, as specified in the ACV: (i) the transaction value of identical goods; (ii) the transaction value of similar goods; (iii) the deductive value method; (iv) the computed value method; and (v) the fall-back method. According to the authorities, the valuation method is changed in 5%-7% of the cases.

3.16. Despite the general use of transaction value, the authorities often pre-set the customs value or minimum value for some items, for the purposes of levying custom duties to seemingly tackle under-invoicing; this is mostly done through the issuance of SROs. The latest SRO to this effect was issued in 2017 and contains pre-set customs values for 11 HS four-digit product categories (including black tea, sugar, petroleum oils and fuels, and iron alloy and stainless steel products), and minimum values for 143 HS four-digit product categories (including honey, flowers, nuts, olive oil, fish, sugar confectionery, biscuits, juices, waters, beverages, cosmetics, tyres, wood products, woven fabrics, garments, footwear, tiles, tableware, kitchenware, air conditioning machines, ball bearings, batteries, hair accessories, ovens, and furniture and parts), all set in US dollars; several item values differ depending on the origin.<sup>14</sup> The Government is phasing out the use of minimum value for customs valuation purposes, under the proposed new Customs Act, 2018.

3.17. Under the Customs Act, traders have the right of administrative and/or judicial appeal, to the Commissioner (Appeal). Any person unhappy with the decision of the Commissioner (Appeal) or the Commissioner of Customs may appeal to the Appellate Tribunal, which consists of a technical member (Commissioner of Customs or above) and a judicial member. Persons not satisfied with the decision of the Appellate Tribunal have the right to appeal to the High Court Division of the Supreme Court. No data on the cases dealt with from 2012 onwards was available from the authorities.

3.18. The Customs Act also provides for Alternative Dispute Resolution (ADR). Any case or dispute pending before any Customs authority or Bangladesh court in respect of a levy, an assessment, the collection or refund of duties or taxes, fines or penalties, or customs valuation issues can be dealt with and settled by ADR. Between July 2012 and October 2018, 597 cases were fully settled (out of 998 applications), while another 150 were partially settled.

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<sup>13</sup> Customs online information. Viewed at: [http://www.bangladeshcustoms.gov.bd/news\\_pub/enforcement\\_seizures](http://www.bangladeshcustoms.gov.bd/news_pub/enforcement_seizures).

<sup>14</sup> SRO 142-AIN/2017/28 Customs, 1 June 2017. Viewed at: [http://nbr.gov.bd/uploads/sros/142\\_SRO-165-2016-TV-Amend.pdf](http://nbr.gov.bd/uploads/sros/142_SRO-165-2016-TV-Amend.pdf).

### 3.1.1.3 Pre-shipment inspection

3.19. Bangladesh had phased out the previously mandatory pre-shipment inspection (PSI) system by 31 December 2012, upon the expiry of existing contracts with PSI agencies.<sup>15</sup> However, the provisions of the Import Policy Order, 2015-18 stipulate voluntary PSI requirements for the following imports: those valued at BDT 5 million or more; raw and packing materials for the pharmaceutical industry; break acrylic; chemical fertilizers; coal and hard coke; M.S. billets; and "terrain" car parts.

### 3.1.2 Rules of origin

3.20. Bangladesh does not use non-preferential rules of origin (ROOs); however, it is yet to notify the WTO.

3.21. With respect to the application of preferential ROOs, being a party to the SAFTA (Section 2.3.2.2), Bangladesh applies preferential ROOs on goods originating in Afghanistan, Bhutan, India, Pakistan, the Maldives, Nepal, and Sri Lanka. The goods must be accompanied by a prescribed Certificate of Origin. According to the SAFTA ROOs, to qualify for preferential tariffs, goods should be wholly obtained in the contracting party, or up to 60% of non-originating materials (based on the f.o.b. price) can be used for processed goods on condition that the final product is significantly different to the non-originating materials (i.e. change of tariff heading); there are conditions to determine whether finished goods qualify because of regional cumulation. Regional cumulation requires goods to have 50% regional value addition, with at least 20% value addition made locally.

3.22. Under the APTA (Section 2.3.2.1), Bangladesh applies preferential ROOs on goods originating in China, India, the Republic of Korea, Lao PDR, and Sri Lanka, based on value addition criteria. Under this, 45% value added is required from non-LDC participants in the APTA, and 35% from LDCs. In the case of cumulation, 60% of the good must be cumulated from non-LDCs, and 50% from LDC APTA members. In addition, for CTH and certain goods, there are product-specific ROOs.

### 3.1.3 Tariffs

#### 3.1.3.1 General features

3.23. Since 1 July 2017, Bangladesh has used the 2017 version of the Harmonized System of Tariff Classification (HS); at present its Customs tariff consists of 7,135 eight-digit lines (1,029 more than in 2012) (Table 3.1). At the budget session, which is held in June each year, Parliament approves the Finance Bill containing the Customs tariff; it becomes effective from 1 July (the fiscal year runs from 1 July to 30 June of the following year). The Bangladesh Tariff Commission (BTC), an autonomous statutory body, remains responsible for, *inter alia*, submitting proposals on tariffs and import policy matters (Section 3.1.6).

3.24. The First Schedule to the Customs Act, 1969 is the legal instrument for Customs Tariff in Bangladesh. It is published at the beginning of each financial year, and is also available online at [https://customs.gov.bd/files/TRF\\_1819\\_TTI.pdf](https://customs.gov.bd/files/TRF_1819_TTI.pdf). The online version contains the rates of customs duties, supplementary duties, VAT, advanced income taxes, regulatory duties and advanced trade VAT (Sections 3.1.4 and 3.3.1.1.2). Since 2011, Bangladesh submitted its Customs Tariff to the WTO Integrated Data Base three times (Section 2.3.1.1). Despite a constant drop in the period 2011/12-16/17, the share of import duties in total tax revenue remained relatively important (Section 3.3.1.1.1).<sup>16</sup>

<sup>15</sup> The system was introduced in 1999, and the relevant law was notified to the WTO in 2004.

<sup>16</sup> The authorities do not endorse this assessment.

**Table 3.1 Structure of the tariff schedule, 2011/12 and 2018/19**

	MFN applied	
	2011/12	2018/19
Simple average rate (%)	14.9	14.8
HS 01-24	19.4	20.3
HS 25-97	13.9	13.2
WTO agricultural products	17.8	18.1
WTO non-agricultural products	14.3	14.1
Duty-free tariff lines (% of all tariff lines)	4.3	4.6
Simple average of dutiable lines only	15.5	15.5
Tariff quotas (% of all tariff lines)	0.0	0.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.3	0.4
Domestic tariff "peaks" (% of all tariff lines) <sup>a</sup>	0.0	0.0
International tariff "peaks" (% of all tariff lines) <sup>b</sup>	42.6	45.5
Nuisance applied rates (% of all tariff lines) <sup>c</sup>	0.0	9.3
Standard deviation	9.3	9.8
Total number of tariff lines	6,106	7,135
<i>Ad valorem</i> rates (>0%)	5,826	6,780
Duty-free rates	260	329
Specific rates	20	26

a Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

b International tariff peaks are defined as those exceeding 15%.

c Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: Calculations for averages are based on the national tariff line level (8-digit), excluding specific rates. The 2011/12 tariff is based on the HS07 nomenclature, and the 2018/19 tariff is based on the HS17 nomenclature.

Source: WTO Secretariat calculations, based on data provided by the authorities.

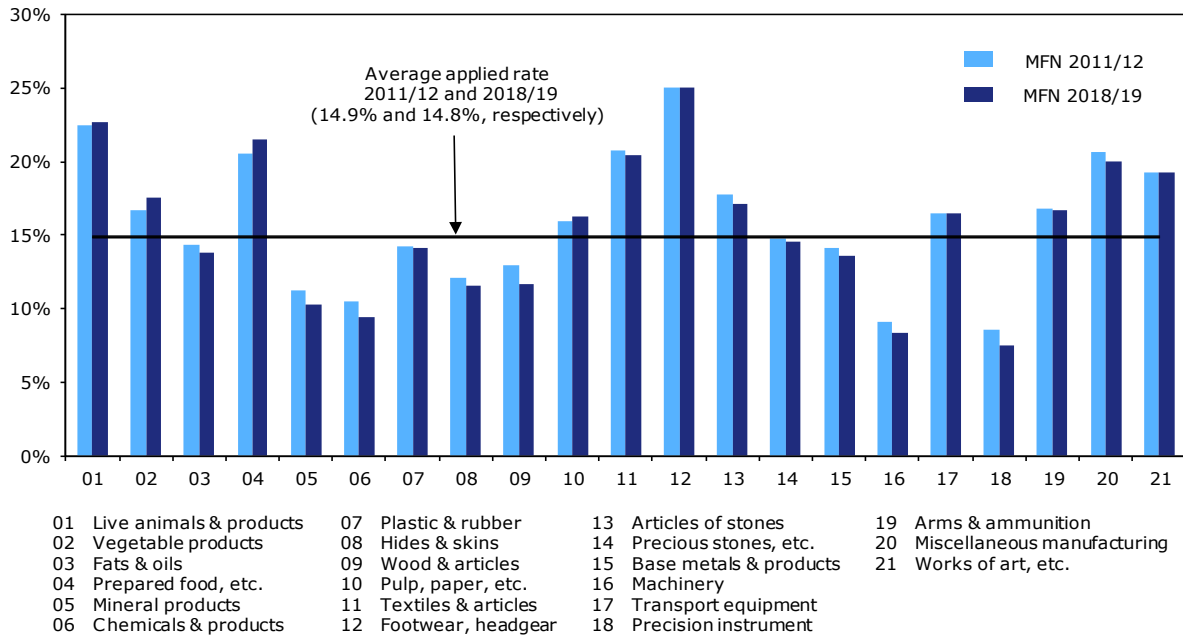
### 3.1.3.2 Applied MFN tariffs

3.25. Since 2012, the tariff structure has changed, through, *inter alia*, the increase in both the number of tariff rates and the number of duty free tariff lines, due to the change of nomenclature and the splitting of tariff lines, as well as the increase in the coverage of specific rates (see below). As a result, the 2018/19 simple average (unweighted) MFN applied tariff dropped slightly to 14.8% (14.9% in 2011/12) (Table 3.1 and Chart 3.1); overall, the change to the HS17 nomenclature had minimal impact on the change in the simple average. Tariff protection varies substantially across and within sectors, averaging 18.1% for agricultural products, an increase since 2011/12, and 14.1% for non-agricultural products in 2018/19 (WTO definitions), a slight decrease since the last Review; it remains high on items for which Bangladesh should be competitive.<sup>17</sup> In agriculture, average tariffs are highest for beverages, spirits and tobacco, and sugars and confectionery, both at 25%, followed by dairy (23.1%), coffee and tea (22.9%), and fruits, vegetables and plants (21.3%) (Chart 3.1, Table A3.1). Manufacturing tariffs are highest for clothing (24.5%), followed by fish and fishery products (23.8%) and textiles (19.4%), an input of the RMG industry.<sup>18</sup> By according varied levels of protection to selected industries, tariffs distort competition by favouring some activities. About 53% (57.2% at 12% and below in 2011/12) of tariff lines are subject to rates of 10% or below, and rates of 25% apply to 45.5% of tariff items (42.6% in 2011/12) (Chart 3.2); 4.6% (4.3% in 2011/12) of tariff lines were duty-free and, *inter alia*, affected wheat, onions, pulses, edible oils, seeds, fertilizers, medicines and cotton.

<sup>17</sup> The WTO definition of industrial products covers all non-agricultural products, i.e. products not covered by the WTO Agreement on Agriculture. WTO agricultural products include all processed and unprocessed agricultural commodities (HS Chapters 1 to 24, less fish and fish products, plus some additional HS items).

<sup>18</sup> This duty on textiles is exempted for RMG exporters.

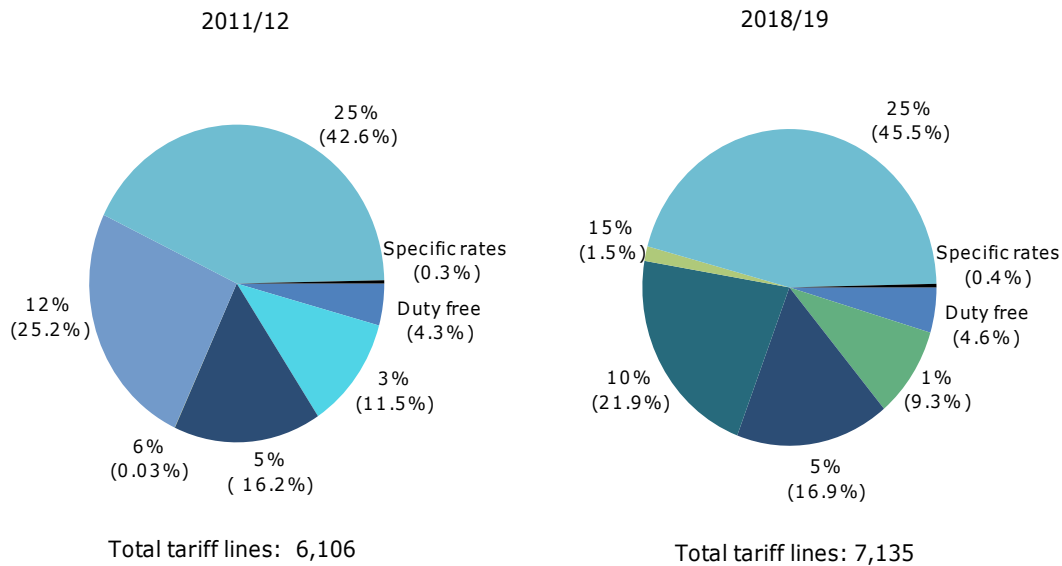
**Chart 3.1 Average applied MFN tariff rates by HS section**



Note: The calculation of averages excludes specific rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

**Chart 3.2 Distribution of MFN tariff rates, 2011/12 and 2018/19**



Note: Figures in parentheses denote the share of total lines.

Source: WTO calculations, based on data provided by the authorities.

3.26. During the review period, the tariff structure's complexity increased slightly, due to the addition of new specific duties; 95% of tariffs remain *ad valorem* and, therefore, transparent.<sup>19</sup> In 2018/19, there were 16 different tariff rates (6 *ad valorem* duties, and 10 specific duties), compared to 14 rates (6 *ad valorem*, and 8 specific) in 2011/12. Specific duties continue to affect cement

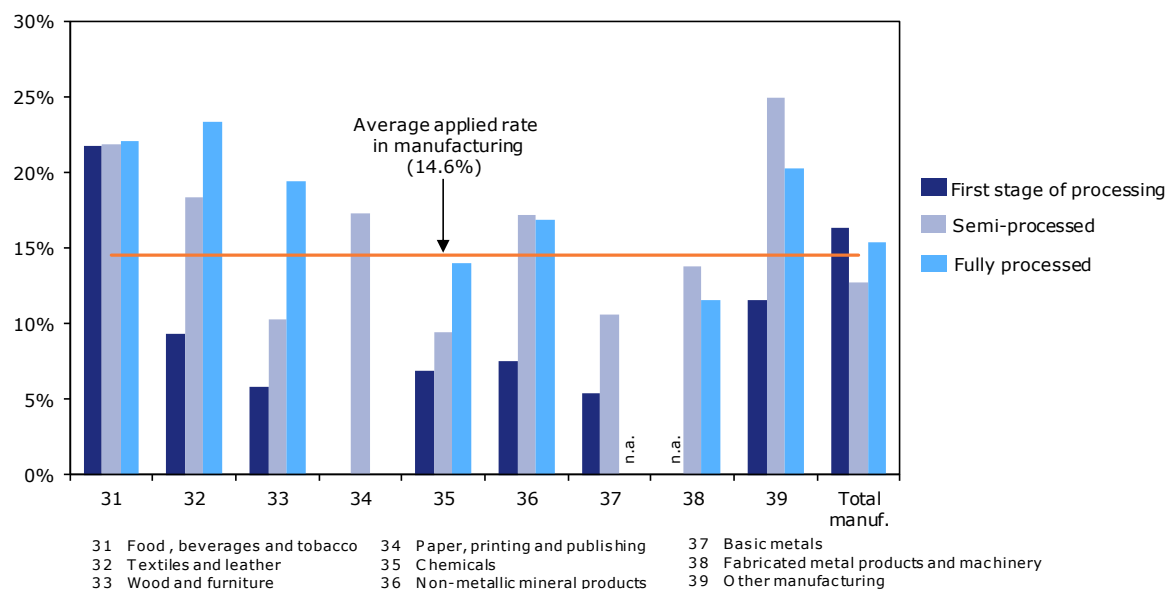
<sup>19</sup> The authorities do not endorse the assessment relating to the slight increase in the structure's complexity.

clinkers, petroleum bitumen, gold, ferrous waste and scrap, and vessels; sugar, silver, pig iron and ferrous products were the new items subject to specific duties. The authorities consider that specific duties minimize the impact of customs duty on the price in the domestic market due to price fluctuations. According to the Secretariat's calculations on 13 tariff lines and based on 2015 import values, by late-2018 the *ad valorem* equivalents (AVEs) of the specific rates ranged from 0.01% to 9.8% (HS1701990, sugar). Although these specific rates do not form part of Bangladesh's WTO tariff binding commitments, their AVEs appear to be in line with these undertakings (Section 3.1.3.4).

### 3.1.3.3 MFN tariff dispersion and escalation

3.27. Between 2012 and 2019, indicators of tariff dispersion (coefficient of variation) and escalation, which remains pronounced, showed little change (Table 3.1 and Chart 3.3). Tariff dispersion has increased slightly, as indicated by a change in the standard deviation from 9.3% in FY2011/12 to 9.8% in FY2018/19. Reverse tariff escalation remains in place; FY2018/19 data reflect reverse escalation with the average MFN applied tariff rate on raw materials (first stage of processing) being 16.3%, whereas the average tariff on intermediate goods (semi-processed products) is below that level and the average tariff rate on finished goods (fully processed products) is lower than the rate at the first stage of processing (Table A3.1).

**Chart 3.3 Tariff escalation by 2-digit ISIC industry, 2018/19**



n.a. Not applicable.

Source: WTO Secretariat calculations, based on data provided by the authorities.

### 3.1.3.4 MFN tariff bindings

3.28. With bindings covering 19% of all tariff lines, all at *ad valorem* rates, Bangladesh maintains a low binding coverage; all its agricultural products tariff lines (WTO-definition) are bound, compared to 3.8% on non-agricultural goods. In 2018/19, the overall gap between the simple averages of MFN applied and bound rates stands at 147.2 percentage points (Table A3.2); this is estimated at 168.3 percentage points for agricultural goods and 25.9 percentage points for non-agricultural goods. This gap, coupled with the low binding coverage, provides scope to raise MFN tariffs by applying higher or additional duties (Section 3.1.4) on several products to temporarily protect domestic producers. Despite the large binding overhang, during the review period, the overall average MFN applied rate remained virtually unchanged.

3.29. During the review period, Bangladesh's Schedule of Tariff Concessions Harmonized System (HS) (Schedule LXX) was modified twice, and is currently based on HS 2002; its latest version was certified and became effective on 6 March 2018; its previous version had been based on HS 1996 and was certified on 22 March 2017. Bangladesh has not been included in several collective waivers

suspending the application of the provisions of Article II of GATT 1994 to allow Members to reflect the changes resulting from the HS 2012 and HS2017 nomenclatures in their Schedule of Tariff Concessions.

### 3.1.3.5 Tariff preferences

3.30. Under the SAFTA and the APTA, Bangladesh grants preferential tariff rates on certain goods originating in members of these RTAs (Sections 2.3.2.1 and 2.3.2.2). These preferences are contained in SROs that are available online.<sup>20</sup>

### 3.1.3.6 Duty concessions/exemptions

3.31. Duty concessions and general exemptions to the applied MFN rates continue to be provided in accordance with Section 19 of the Customs Act, on a case-by-case basis, through Bangladesh Gazette notification. There are three types of tariff concessions: those on imports of capital machinery and spare parts by registered industrial consumers (Section 3.1.1), including export-oriented industries; those targeting exporters; and those provided for a specific use or user (i.e. end-use provisions), such as dairy and poultry, pharmaceuticals, and the leather and textile industries. No data on the main product categories that benefitted from duty and tax concessions/exemptions or the value of imports and the related forgone tax revenue since 2012 was available from the authorities.

### 3.1.4 Other charges affecting imports

3.32. Bangladesh continues to levy a regulatory duty (RD) on imports (including preferential imports), aimed at compensating the backdrop of gradually decreasing customs duties to ensure revenue growth; it is levied on 3,311 HS eight-digit tariff lines in 2018/19, mainly at a rate of 3% (3,207 tariff lines at MFN customs duty rates exceed 25%), but also at rates of 4%, 5%, 10%, 15%, 20%, 25%, 30% and 35% (HS 8706.00.39, chassis fitted with engines exceeding 4,000 cc) of the c.i.f. value plus a 1% landing charge; in 2012/13, the RD was charged at 5% on goods having a 25% customs duty, except those enjoying a concessionary rate. No separate data on the revenue collected through the RD since 2012 was available from the authorities. RDs are published in SROs each fiscal year, and made available on the Customs website (Section 3.1.3.1). In addition to the RD on some imports, all imports are also subject to VAT, supplementary duty (SD), advance trade VAT (imports by commercial importers only), and advance income tax (Section 3.3.1.1.2).<sup>21</sup> Should all these charges be added, the average total tax incidences (TTIs) on imports would be equivalent to 59.3%, at rates ranging from zero to 845.6% (semi-finished products of iron or non-alloy steel) in 2018/19 (Table A3.2); this average drops to 22.8% if only the customs duty and the RD are taken into account, with rates ranging from zero to 60% (HS 8706.00.39, chassis fitted with engines exceeding 4,000 cc).

3.33. Other than the above customs charges, a few more fees are to be paid for certain operations. For instance, a transshipment fee is applicable only in case of tariff-in-transit goods, to cover administrative costs. At present, transshipment fees amount to BDT 280 per metric tonne.

### 3.1.5 Import prohibitions, restrictions, and licensing

3.34. Bangladesh prohibits certain imports, mainly to protect health, safety, security, the environment and natural resources. Its IPO, 2015-18 lays out numerous criteria and conditions for importation, including import controls and bans, import permits, licences, and conditions of renewal (Section 2.2.4).

#### 3.1.5.1 Prohibitions

3.35. Bangladesh maintains a list of controlled goods and a list of prohibited goods that are contained in IPO 2015-18; the former remained unchanged during the review period. The list of

<sup>20</sup> Those relating to SAFTA are contained in SRO 78-Law/2015/06/customs, 7 April 2015, and SRO 68-AIN/2017/07/Customs, 28 March 2017, and those on the APTA are found in SRO 267-AIN/2018/40/Customs, 18 September 2018.

<sup>21</sup> Taxes paid in advance can be adjusted during the submission of periodic returns (VAT return or income tax return) by the importers.



controlled goods covers several agricultural and industrial items under 21 four-digit HS product categories that either banned import, or allowed imports under certain conditions.<sup>22</sup> Import bans under this list include: shrimps (a major domestic produce and export item (Section 4.1.6)); poppy seeds; grass and bhang (*cannabis sativa*); opium; gaseous hydrocarbons; goods including petroleum oil residues; sodium cyclamate; artificial mustard oil; polypropylene and polythene bags; chassis with two-stroke engines of three-wheeler vehicles; three-wheeler vehicles with two-stroke engines; and glass syringes. Bangladesh maintains a ban on trade with Israel (Section 3.2.3).

3.36. The list of prohibited goods includes certain prohibitions, *inter alia*, based on religious, safety, social or health grounds.<sup>23</sup> These include: maps, charts and geographical globes; horror comics, obscene and subversive literature; books, newspapers, periodicals, documents and other papers, posters, photographs, films, gramophone records, audio and video cassettes, tapes, etc. containing matter likely to cause religious outrage; reconditioned office equipment, photocopiers, typewriter machines, telexes, phones and faxes, old computers, old computer accessories, old electronic goods; goods (including their containers) bearing words or inscriptions of a religious connotation; goods (including their containers) bearing obscene pictures, writing inscriptions or visible representations; live swine or any item prepared from pork; all kinds of industrial sludge and fertilizer, and any other products produced from sludge; and certain chemical insecticides and industrial chemicals. Furthermore, under other provisions of the IPO, imports of ocean-going ships, oil tankers and fishing trawlers that are over 25 years old are banned.

### 3.1.5.2 Import approval and restrictions

3.37. Under the list of controlled goods, some imports are allowed under certain conditions and/or require prior approval. They include: furnace oil; certain insecticides; certain fishing nets; used motor cars of any c.c., and minibuses, minibuses, jeeps and other old vehicles, and tractors no more than five years old; used parts of motor vehicles; and firearms. Although import licences *per se* are not required for imports into Bangladesh (see below), in addition to the standard Letter of Credit Authorization (LCA) import procedure, a permit, clearance, prior permission or approval may be required for certain controlled or restricted imports, thus implicitly imposing import licensing requirements.<sup>24</sup> Several items (e.g. methanol/methyl alcohol, and crude soya-bean oil) can only be imported by recognized industrial units or stakeholders. IPO provisions require mandatory nuclear radiation tests for imported milk, dairy, edible oils, vegetable seeds, grains, and other food products; the relevant certificates must be submitted in conjunction with other required certificates to Customs.

3.38. In 2007, Bangladesh notified to the WTO Committee on Import Licensing that its import licensing system was abolished in FY 1983/84, and that no import licence was required for any item entering the country.<sup>25</sup> According to the authorities, some items require prior permission equivalent to automatic import licensing. Bangladesh's notification under the 2012 Decision on Notification Procedures for Quantitative Restrictions is pending.<sup>26</sup>

### 3.1.6 Anti-dumping, countervailing, and safeguard measures

3.39. The regulatory and institutional framework in this area remain unchanged. The WTO rules on anti-dumping are incorporated in Sections 18B, 18C and 18D of the Customs Act, 1969, and were notified to the Committee on Anti-dumping Practices in 2007.<sup>27</sup> NBR SRO

<sup>22</sup> Annexure-1 Part A of IPO 2015-18.

<sup>23</sup> Annexure-1 Part B of IPO 2015-18.

<sup>24</sup> These items include beer and wine for hotels; M.S. sheet and plate (hot rolled), G.P. sheet, B.P. sheet, stainless steel, cold-rolled close annealed (CRCA) sheet, tin plate, M.S. sheet and silicon sheet; raw materials and packing materials for the pharmaceutical industry; refined, bleached and deodorized (RBD) palm stearin and tallow; certain inputs used by export-oriented industries (e.g. grey fabrics, and raw and packing materials); second-hand or reconditioned capital machinery; electric meters (electric kW meters); refined palm olein and crude palm olein; new, or not exceeding five-year-old, motor cars; cargo or passenger vessels with steel or wooden bodies; plant and machinery for export-oriented industrial units; and trawlers and other fishing vessels, new or not more than 25 years old. Chapter Two - General Provisions for Import, and Chapter Five - General Provisions for Industrial Import, in IPO 2015-18.

<sup>25</sup> WTO document G/LIC/N/3/BGD/4, 5 October 2007.

<sup>26</sup> WTO document G/L/59/Rev.1, 3 July 2012.

<sup>27</sup> WTO documents G/ADP/N/1/BGD/1, 30 April 2007, and G/ADP/N/1/BGD/1/Corr.1\*, 4 May 2007.

(No. 209-Law/1995/1642/Cus) of 1995 details rules and procedures for the identification of dumped goods, the assessment and collection of anti-dumping duties, and the determination of injury.

3.40. In compliance with the WTO Agreement on Safeguards, Bangladesh has incorporated relevant provisions under Section 18E of the Customs Act, 1969. The laws, regulations and administrative procedures relating to safeguard measures were notified in 2002.<sup>28</sup> An SRO to this effect was issued in June 2010.

3.41. The BTC (Section 3.1.3.1) remains responsible for undertaking dumping and subsidies investigations. No such action has been taken so far, mainly due to the inability of the domestic industries to furnish reliable information on dumping, subsidies, and other evidence required for initiating investigations. The Government attaches due importance to capacity building in these areas.

## **3.2 Measures Directly Affecting Exports**

### **3.2.1 Customs procedures and requirements**

3.42. Exports continue to be governed by the Customs Act, 1969, the Export Policy, 2015-18, and the Prescribed Bill of Entry and Bill of Export Form Order, 2001. Under the provisions of Section 131 of the Customs Act, to be able to export, an export declaration (Bill of Export/Shipping Bill) must be filed with Customs. The declaration must specify the description of the goods to be exported, their value, the exporter's name, the name of the foreign buyers/importers, and the name of the transport operators. The Prescribed Bill of Entry and Bill of Export Form Order, 2001 requires that, in addition to the export declaration, all export consignments must also have an export credit/C or, in its absence, an export contract or purchase order or an export guarantee approved by the negotiating bank; a commercial invoice, containing a detailed description of the goods, signed by the exporter; a packing list, containing quantity, weight and packing information; an EXP form certified by the Authorized Dealers, to ensure the realization of export proceeds; a Certificate of Origin (issued by the EPB or the Chamber of Commerce and Industry); a VAT registration certificate; and a Taxpayer Identification Number (TIN). The export declaration must be approved by the Customs authority, which also conducts a documentary check and physical verification of export consignments, which are then exported.<sup>29</sup>

3.43. Export of certain goods or product categories requires additional documentation, including an Export Registration Certificate for jute, jute goods and tea; and for tea exports, a consignment-wise export permit, issued by the Bangladesh Tea Board, is also needed. For the export of urea fertilizer, approval from the Ministry of Industries is required, except for urea produced by the Karnaphuli Fertilizer Company Limited (KAFCO). A No Objection Certificate (NOC) from the Ministry of Information is required for the export of entertainment programmes, music, drama, films, documentary films, etc., in the form of audio cassettes, video cassettes, CDs, DVDs, etc. A utilization declaration for the export of RMGs under bonded warehouse, or a utilization permission for the export of other goods under bonded warehouse, is obligatory; while phytosanitary certificates (issued by the Plant Protection Wing of the Department of Agriculture Extension) for agricultural goods, if required by the importing country, are also mandatory. Other documents required include a quality control certificate in the case of the export of products for which such certificate is obligatory (e.g. a quality control certificate from the Department of Fisheries is necessary as per the requirements of the country of destination for frozen fish); an NOC from the Chief Controller of Imports and Exports (CCI&E) and the Bangladesh Bank, to allow exports on an export-cum-import or returnable basis; and a bank guarantee equalling the value of goods to be exported on an export-cum-import or returnable basis.

### **3.2.2 Taxes, charges, and levies**

3.44. Export duties are levied on tobacco and tobacco products (10%), cotton waste (25%), ceramic building bricks (25%), unwrought lead (25%) and rice bran (10%). The reason for the export duties was to discourage production of these products. According to the authorities, brick production is not

<sup>28</sup> WTO document G/SG/N/1/BGD/1, 17 September 2002.

<sup>29</sup> An EXP form is required by Bangladesh Bank under Section 12 of the Foreign Exchange Regulation Act, 1947. It contains basic information regarding export consignment. It is required for monitoring purposes for the realization of export proceeds.

environmentally friendly, while tobacco production utilizes land needed for essential crops. Duty on the export of cotton waste is intended to encourage the domestic use of cotton waste.

### 3.2.3 Export prohibitions, restrictions, and licensing

3.45. Bangladesh continues to prohibit the export of several goods, due to various reasons listed in Annex 1 of the Export Policy 2015-18 (Table 3.2). Furthermore, certain exports are restricted; these are listed in Annex 2 of the Policy.

**Table 3.2 Prohibited and restricted exports, 2018**

<b>A. List of export-prohibited products</b>
Soya bean oil, palm oil;
All petroleum and petroleum products, except those produced from natural gas (such as naphtha, furnace oil, lubricant oil, bitumen, condensate, MTT, and MS). However, this prohibition does not apply to the export of petroleum or LNG, as shares of the foreign investment companies are under production-sharing contracts;
Any passenger going abroad shall be allowed to carry, as accompanied baggage, in excess of his or her personal goods, USD 200 worth of goods, which are neither export-prohibited nor included in the list of conditional exports. In this case, no facilities/incentives, such as duty draw back adjustment, subsidies, etc., shall be awarded;
Jute and "Shan" seeds;
Wheat;
Rice;
As per Section 29 of the Wild Life (Conservation and Safety) Act, 2012, no person, through any other route except a Customs port of exit, without a CITES certificate, where applicable, and without a licence, shall export or re-export any wild animal, or part thereof, trophy, uncured trophy, or plant mentioned in Schedule IV or parts or derivatives hereof;
Fire arms, ammunition and related materials;
Radioactive materials;
Archaeological relics;
Human skeletons, blood plasma, or anything produced from human beings or human blood;
All types of pulses, except processed ones;
All shrimp, except chilled, frozen and processed ones;
Onions, garlic and ginger;
Sweater shrimp of 71/90 count or smaller, except the species <i>Harin/harina</i> and <i>Chaka</i> , including sea species, peeled undeveined (PUD). Cooked shrimp;
Cane, wood and wood logs/thick pieces of wood (except handicrafts made from these materials). However, rubber wood of the Forest Industries Corporation is allowed to be exported if used as inputs in furniture industries located in EPZs, which are considered exported. These furniture industries must submit export statements of furniture made from the wood as mentioned above to the concerned authority;
All types of frogs (alive or dead) and frog legs;
Raw and wet blue leather.
<b>B. List of conditional export products</b>
Urea fertilizer produced in all factories can be exported with the prior approval of the Ministry of Industries; KAFCO does not need approval;
Entertainment programmes, music, drama, films, documentary films, etc., can be exported in the form of audio cassettes, video cassettes, CDs, DVDs, etc., subject to an NOC from the Ministry of Information;
Petroleum and petroleum products produced from natural gas (such as naphtha, furnace oil, bitumen, condensate, MTT and MS) can be exported subject to an NOC from the Energy and Mineral Resources Division. However, lubricating oil can be exported unconditionally; the volume of export must be reported to the Energy and Mineral Resources Division;
Chemical products enlisted in Schedules 1, 2, and 3 of the Chemical Weapons (Control) Act, 2006 are controlled (exported or prohibited from export) by Section 9 of the Act;
Sugar;
Hilsha fish;
Aromatic rice;
The MOC grants permission for the export of raw hides and meat of crocodile produced commercially in individual or joint venture farms, on the basis of an NOC/approval from the Ministry of Environment and Forest.

Source: MOC, Export Policy 2015-18.

3.46. Exports of agricultural commodities and manufactured goods are prohibited mainly for reasons of health, eco-balance, security, archaeological value, or maintenance of adequate domestic supply. Exports of certain items, such as wheat, onions, unprocessed shrimp, raw hides, and blue leather, are prohibited, so as to ensure adequate domestic supply. Exports of fertilizers produced by a state-owned plant remain restricted, so as to meet domestic demand to ensure food security. According to the Export Policy 2015-18, the Government, under special circumstances, can allow the export of prohibited goods; for example, during the review period, it allowed the export of soybean oil, blood plasma for test purposes only, and certain type of pulses in very limited quantities.

3.47. Trade with Israel, including exports, is not permitted (Section 3.1.5.1). Re-exports (i.e. the export of imported goods in their original or unprocessed form) are not permitted. However, goods may be re-exported if there is at least a 10% value addition and a change in the quality or size of the product. Bangladesh has no export licensing requirements. For certain products, an export certificate may be required from the relevant authorities.

### 3.2.4 Export support and promotion

#### 3.2.4.1 Export subsidies

3.48. With a view to encouraging exports, the Government provides incentives to selected export sectors. These take the form of cash incentives, and are provided to exporters who do not avail of the duty drawback facility or the bonded warehousing facility. The rate of the incentive is decided by the Government, and is updated annually through circulars issued by the Bangladesh Bank, which administers the incentive scheme.

3.49. The list of products eligible for cash incentives (export subsidies) for goods shipped between 1 July 2018 and 30 June 2019, along with the associated rate of subsidy/cash incentive, is contained in FE Circular No. 31 (Table 3.3).

**Table 3.3 Cash incentives and export subsidies for selected products, 2018/19**

(F.o.b. value)

Products	Rate of subsidy/cash incentive (%)
Textiles	4 <sup>a</sup>
Textiles (SME industries)	4 <sup>a</sup>
Textiles (new markets other than United States, Canada and European Union)	3 <sup>a</sup>
Textiles (exports to the Euro zone)	2 <sup>a</sup>
Hand-made products made of Hogla, straw, coir of sugarcane and coconut <sup>b</sup>	20 <sup>a</sup>
Agricultural and agri-processed goods	20 <sup>a</sup>
Stomach, horn, intestine, tendon (except bone) of cow and buffalo	10
Light engineering products	15
100% halal meat	20
Frozen shrimp and other fish	2-10
Leather goods	15
Crust leather and finished leather from Savar Leather Industrial City	10
Ships	10
Potatoes	20
PET bottle flakes	5
Polyester fibre from PET bottle flakes	10
Furniture	15
Seeds of corns and vegetables	20
Carbon made of jute sticks	20
Plastic goods	10
Paper and paper goods	10
Agar and atar	20
Jute goods	5-20
Software, ITES and hardware	10
Shoes made of a mixture of synthetics and fabrics	15
Active pharmaceuticals ingredients	20
Accumulator batteries	15
Pharmaceutical goods	10
Photovoltaic modules	10
Motorcycles	10

Products	Rate of subsidy/cash incentive (%)
Chemical goods (chlorine, hydrochloric acid, caustic soda and hydrogen peroxide)	10
Razors and razor blades	10
Ceramic goods	10
Caps	10
Crabs and Asian eels	10
Galvanized sheets/coils	10

- a A maximum of 10% is allowed to any single exporter against a particular export.  
b Products made of coir of coconut are included in the hand-made products made of Hogla, straw, coir of sugarcane during FY2018/19.

Source: Information provided by the authorities.

3.50. Furthermore, to be eligible for the cash incentives (export subsidies), certain local content requirements must also be fulfilled (Table 3.4).

**Table 3.4 Local content requirements for eligible products under cash incentives (export subsidies)**

Sl. no.	Product	Local content requirement
1	Textiles	Textile goods made of yarn produced locally at Bangladesh Textile Mills Association (BTMA) mills
2	Textiles (SME industries)	Ditto
3	Textiles (new markets other than United States, Canada and European Union)	Import content is useable, since the restriction to avail of customs bond/duty drawback facilities is waived
4	Textiles (export to Euro zone)	As noted in Sl. No. 1
5	Hand-made products made of Hogla, coir of coconut and sugarcane	Minimum 80%
6	Agricultural and agro-processed goods	Agricultural - local products Agro-processed - more than 70%
7	Stomach, horn, intestine, tendon (except bone) of cow and buffalo	Local products
8	Light engineering products	Minimum 40%
9	100% halal meat	Local products
10	Frozen shrimp and other fish	Local products
11	Leather goods	Import content is useable, since the restriction to avail of customs bond/duty drawback facilities is waived
12	Crust leather and finished leather from Savar Leather Industrial City	Local products
13	Ships	Import content is useable, since the restriction to avail of customs bond/duty drawback facilities is waived
14	Potatoes	Local products
15	PET bottle flakes	Import content useable, provided that the customs bond /duty drawback facility is not availed of
16	Furniture	Import content useable, provided that the customs bond /duty drawback facility is not availed of
17	Seeds of corns and vegetables	Local products
18	Carbon made of jute stick	Local products
19	Plastic goods	Import content useable, provided that the customs bond /duty drawback facility is not availed of
20	Paper and paper goods	Import content useable, provided that the customs bond /duty drawback facility is not availed of
21	Agar and atar	Local products
22	Jute goods	Local products
23	Software, ITES and hardware	Minimum 30%
24	Shoes made of a mixture of synthetics and fabrics	Minimum 30%
25	Active pharmaceuticals ingredients	Minimum 20%
26	Accumulator batteries	Minimum 30%
27	Pharmaceuticals goods	Minimum 30%
28	Photovoltaic modules	Minimum 30%
29	Motorcycles	Minimum 30%
30	Chemical goods (chlorine, hydrochloric acid, caustic soda and hydrogen peroxide)	Minimum 30%
31	Razors and razor blades	Minimum 40%

Sl. no.	Product	Local content requirement
32	Ceramic goods	Minimum 30%
33	Caps	Minimum 30%
34	Crabs and Asian eels)	Minimum 30%
35	Galvanized sheets/coils	Minimum 30%

Source: Information provided by the authorities.

3.51. Since 2012/13, the incentive (subsidy) amount has been rising, and was nearly BDT 4,480 crore in 2017/18, with nearly half of the subsidy outlay going to the textile sector (Table 3.5)

**Table 3.5 Disbursement of cash incentive (export subsidy), FY2012/13 to 10 June 2018 of FY2017/18**

(BDT in crore)

Products	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Textiles	1,204.6	1,273.6	2,004.7	1,901.3	2,396.6	2,283.8
Leather goods	253.9	361.2	459.7	371.3	705.7	638.1
Crust leather	21.7	1.0	0.0	-	-	11.9
Finished leather	11.5	3.3	0.0	-	-	2.3
Frozen shrimp and other fish	280.3	252.6	288.9	222.5	322.4	344.2
Hand-made products made of Hogla, straw, coir of sugarcane and coconut	18.6	22.9	33.4	43.5	45.1	44.3
Crushed bone/stomach, horn, intestine, tendon (except bone) of cow and buffalo	4.2	7.0	23.5	9.4	7.8	10.6
Agricultural goods (vegetable/fruit)	87.1	78.1	116.3	97.2	85.8	105.5
Agro-processed goods	129.8	169.5	297.6	303.3	391.0	500.8
Bicycles	0.2	0.0	-	-	-	-
Potatoes	5.2	15.5	41.0	27.6	14.7	12.6
Light engineering products	1.0	0.8	-	1.6	1.7	1.2
100% halal meat	0.1	7.6	9.4	2.8	2.2	0.4
PET bottle flakes	25.5	19.2	25.4	18.3	19.2	21.5
Ships	6.1	1.5	-	1.2	4.7	-
Plastic goods	-	-	-	-	2.3	4.6
Seeds of corn and vegetables	-	-	-	-	0.9	12.7
Furniture	-	-	-	-	-	0.8
Paper and paper goods	-	-	-	-	-	3.5
Carbon made of jute stick	-	-	-	-	-	1.2
Total (except jute)	2,050.0	2,214.0	3,300.0	3,000.0	4,000.0	4,000.0
Jute goods	350.0	378.0	700.0	500.0	395.0	480.8
Total disbursed amount including jute	2,400.0	2,592.0	4,000.0	3,500.0	4,395.0	4,480.8

- No subsidy was paid out for that product that year.

Source: Information provided by the authorities.

### 3.2.4.2 Duty and tax concessions

3.52. In addition to the export subsidy/cash incentive (Section 3.2.4.1), Bangladesh continues to provide a wide array of other support measures including, *inter alia*: concessional tariffs, a duty drawback system, special bonded warehouses, and EPZs. As per the current Export Policy Order, industries deemed the highest priority sectors, and those classified as special development sectors, receive certain benefits and facilities. According to the authorities, highest priority sectors refer to those sectors which have special export potential, but this potential cannot be utilized due to certain constraints. Sectors covered include: high value-added reRMGs and garment accessories; software

and IT-enabling services, information communication technology (ICT) products; pharmaceutical products; ships and ocean-going fishing trawlers; footwear and leather products; jute products; plastic products; agro-products and agro-processed products; furniture; home textiles and terry towelling; home furnishings; and luggage. Benefits and facilities accorded to these sectors are: project loans at reduced interest rates on a priority basis<sup>30</sup>; income tax rebates<sup>31</sup>; possible financial benefits or subsidies for utility services, such as electricity, water and gas; export credit at lower interest rates and on softer terms; air transportation facilities on a priority basis; duty draw-back/bond facilities; facilities for setting up ancillary industries, including infrastructural development for reducing the cost of production; expansion of institutional and technical facilities for improving and controlling quality of products; duty-free imports of equipment for setting up compliant industry; assistance in the production and marketing of products; assistance in exploring markets abroad; and necessary initiatives to attract foreign investment.

3.53. Special development sectors are defined as those products which have export potential but whose production, supply and export bases are not strong enough to exploit their export potential. These include: diversified jute products; electric and electronic products; ceramic products; light engineering products (including auto-parts and bicycles); value-added frozen fish; papadum; printing and packaging; rough diamonds and jewellery; paper and paper products; rubber; silk products; handicrafts; handloom products, including lungis; and coir products. Benefits accorded to these sectors are essentially the same as those provided to the highest priority sectors.

#### ***Duty exemption and drawback***

3.54. Under the provisions of the Value Added Tax Act, 1991 and the Customs Act, 1969, all duties and taxes paid on inputs/raw materials used for the manufacture of exported goods or services shall be refunded, except income tax paid in advance and supplementary duty paid on the inputs/raw materials declared by the Government in the Official Gazette as non-refundable. Exporters can claim the drawback within six months of exports. There are two ways to claim drawbacks: on an actual case-by-case basis, or as a flat-rate drawback.

3.55. Flat-rate drawback is applicable to cases for which orders have been issued by the Director General of the Duty Exemption and Drawback Office (DEDO) and notified in the Official Gazette (flat rate is paid against an input number). Orders for drawback on the flat rate are issued for ease of refund of duties and taxes depending on the nature of the goods for export, the nature of the inputs used in the manufacture of the exported goods, the value of the inputs, and the rate of duties and taxes applicable to the inputs. Claims for drawback of duties and taxes against exports made to the DEDO, and all other claims for the refund of duties and taxes, must be made to the respective Custom House or Customs, Excise and VAT Commissionerate. The DEDO is responsible for the payment of drawback of duties and taxes, and as per General Order No-8/Mushak/2011 of 13 September 2011, commercial banks no longer pay any kind of drawback. According to the authorities, the duty drawback refunds are cleared within 30 days; these amounted to nearly BDT 110 crore against 467 inputs in 2017/18 (Table 3.6).

3.56. In addition to duty exemption and drawback on taxes paid on imported raw materials, businesses are entitled to duty exemption and drawback on taxes paid on utilities and, in some cases, on the fuel consumed in the production process.

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<sup>30</sup> Exporters-cum-manufacturers are eligible to receive funds at an interest rate of LIBOR +2.5% as working capital for importing raw materials/inputs.

<sup>31</sup> All exporters also receive an income tax exemption on half of the total income from exports, provided that they do not avail of any other tax incentives under any other scheme.

**Table 3.6 Duty drawback inputs and amounts, 2012/13-2017/18**

Year	Number of inputs used in production of export items for which duty drawback was provided	Drawback Customs duty (BDT crore)	Drawback VAT (BDT crore)	Total (BDT crore)
2012/13	1,297	30.5	57.9	88.4
2013/14	913	33.8	74.9	108.7
2014/15	939	28.4	86.0	114.5
2015/16	788	21.1	75.5	96.7
2016/17	789	29.2	113.8	143.0
2017/18	467	27.0	82.5	109.6

Source: Information provided by authorities.

### **Bonded warehouses**

3.57. Under Chapter 11 of the Customs Act, 1969 and subsequent rules and orders issued since then, bonded warehousing facilities are offered to exporters and "deemed exporters", who can import and stock inputs duty-free.<sup>32</sup> The bonded warehousing facilities are administered and supervised by the NBR and the Customs Bond Commissionerates.

3.58. There are two categories of bonded warehouses, depending on the types of inputs/raw materials used, the purpose of their use, and the type of exports. They are special bonded warehouses and general bonded warehouses. Special bonded warehousing is applicable for 100% export-oriented RMG industries, which include the woven garment, knitwear and sweater manufacturing industries. General bonded warehousing applies to other 100% export-oriented industries.

3.59. A bond licence, issued by the Customs Bond Commissionerate under the Bonded Warehouse Licensing Rules, 2008, is required to avail of bonded warehousing facilities. After obtaining the licence, the licensee may take possession of his/her imported material under a back-to-back L/C without paying any duties or taxes. However, imports are subject to limits stated in the bond licence. Furthermore, bonded warehouse licence holders are required to provide a bond to Customs to clear their consignments. The current value of the bonds are: BDT 10 million for "deemed exporters"; BDT 30 million for direct exporters (knit, woven, sweater); BDT 20 million for both "deemed" and direct exporters; and BDT 30 million for diplomatic, duty free and duty paid. All imported goods cleared under a bonded warehouse licence are stored at the bond holder's warehouses. In case of failure to export, importers are required to pay duty charges and taxes on the goods imported. Bond holders are required to maintain bond registers and other documents, and are subject to a mandatory yearly audit. Additionally, for export-oriented industries, the bond period varies from industry to industry (Table 3.7).

**Table 3.7 Bond periods**

Bonded warehouse type	Bonding period
Special bonded warehouse	24 months; Commissioner reserves the right to extend the bonding period for a maximum of 6 months
Direct exporter	24 months; Commissioner reserves the right to extend the bonding period for a maximum of 6 months
Deemed exporter	24 months; Commissioner reserves the right to extend the bonding period for a maximum of 6 months
Ship builder's bond	48 months; bonding period is extendable

Source: Bangladesh Customs, and NBR. Viewed at: [http://www.bangladeshcustoms.gov.bd/procedures/bonded\\_warehouse/123](http://www.bangladeshcustoms.gov.bd/procedures/bonded_warehouse/123).

<sup>32</sup> Deemed exporters are defined as those industries that do not have any direct export operations, but instead carry out their activities through subcontractors and receive their proceeds in foreign exchange through local back-to-back L/Cs.



### 3.2.4.3 EPZs

3.60. With a view to facilitating investment, creating job opportunities and promoting exports, the Government continues to maintain EPZs. EPZs were set up under the BEPZA Act, 1980 and the Bangladesh Private Export Processing Zones Act, 1996. The Acts are administered by the BEPZA, which approves all projects and is also responsible for providing infrastructure facilities, administering tax incentives, issuing work permits for foreign nationals, and administering labour matters. Three types of investment are permitted in EPZs: 100% foreign-owned; foreign-local joint ventures; and 100% locally owned. All receive equal treatment. Industrial units located in the EPZs must export at least 90% of their production, i.e. they can sell a maximum of 10% on the domestic market upon payment of customs duties and other taxes. They are also permitted to purchase goods from the domestic tariff area.

3.61. Incentives offered to enterprises in the EPZs are, *inter alia*: tax holiday for ten years for industries established before 1 January 2012, seven years for the industries in Mongla, Ishwardi and Uttara EPZs, and five years for the industries in Chittagong, Dhaka, Comilla, Adamjee, and Karnaphuli EPZs; duty-free import of construction materials; duty-free import of machinery, office equipment, spare parts and vehicles (cars, jeeps, pick-ups, microbuses); duty-free import of raw materials; avoidance of double taxation; exemption from dividend tax; accelerated depreciation on machinery and plant; full repatriation of capital, dividends and fees related to royalties and consultancies; foreign currency loans from abroad under the direct automatic route; non-resident foreign currency deposit accounts; work permits issued by the BEPZA; secured and protected bonded area; off-shore banking facilities; import on documentary acceptance basis; Customs clearance at the factory site; simplified sanctions procedures; sub-contracting with export-oriented industries inside and outside the EPZ; and relocation of foreign industries.

3.62. Currently eight EPZs are in operation, with 5,844 registered enterprises, of which 476 are operational. As of July 2018, the cumulative investment in EPZs was USD 4.7 billion (Table A3.3). Since 2012, EPZs have generated exports of USD 37 billion and created 167,150 jobs (Table A3.4).

### Tax concessions

3.63. Under the Income Tax Ordinance, 1984, a 50% rebate is provided on taxable income generated from any export business. Like other eligible industrial enterprises, export-oriented industries are accorded a tax holiday of five to seven years. All 100% export-oriented RMG industries not enjoying a tax holiday are subject to 0.60% tax at source on export proceeds. This is deemed the final settlement of tax liability. Industrial units set up between 1 July 1977 and 30 June 2012 may opt for accelerated depreciation on machinery or plant at the following rates: for the first year 50%; second year 30%; and third year 20%.

3.64. To maintain price competitiveness for export products, VAT rebates are granted on a number of export-related services. For instance, VAT can be refunded on export support services, i.e. C&F Customs brokers' services, telephone, telex, fax, gas/electricity bills (80% refund), insurance premiums, and shipping agents' commission/bills.

### 3.2.5 Export finance, insurance, and guarantees

3.65. Under the current foreign exchange regulatory framework, exporting enterprises operating under the bonded warehouse system can open back-to-back L/Cs (BBLCs) on a usance basis against an export L/C for input procurements. The BBLC is generally opened in such a way that import payment can be settled out of the realized export proceeds. Exporters may retain export proceeds in a single pool for the settlement of BBLCs. Access to short-term buyer's credit in foreign currency for up to 180 days is available to exporters, subject to an all-in cost of 6% per annum. Exporters can also avail themselves of credit at a 7% rate of interest from banks, for the financing of pre-shipment requirements. The Bangladesh Bank operates an Export Development Fund (EDF) of USD 3 billion, to refinance banks for payments made by them against input procurements. The rate of interest on an EDF loan is the 6-month LIBOR+2.5% and, under the programme, an exporter can obtain an EDF loan not exceeding USD 20 million. In respect of post-shipment finance, banks support exporters by making export proceeds available through the negotiation/purchase of export bills. In addition, usance export bills can be discounted in foreign currency at an all-in cost of 6% per annum.

Furthermore, under the existing banking framework, exporters enjoy preferential treatment in terms of access to finance.

3.66. Export proceeds can also be retained in foreign currency for up to a month, for the settlement of import bills. This facility is available to exporters exporting without BBLC arrangements. In addition to these facilities, exporters can also hold foreign currency accounts, to retain a portion of the foreign currency of the repatriated export proceeds, up to 60% of the f.o.b. value, depending on domestic value addition.

3.67. The Export Credit Guarantee Scheme (ECGS), covering risks on export credits at home, and commercial and political risks occurring abroad, is administered by the Sadharan Bima Corporation (SBC), a state-owned general insurance company. The ECGS aims to boost export promotion and open new markets by offering guarantees to banks to enable exporters to obtain better loan facilities at the pre- and post-shipment stages, and by providing a range of credit risk insurance cover to exporters against losses resulting from both commercial and non-commercial risks in respect of goods sold to foreign buyers on credit. The revolving risk of SBC in 2017 was BDT 11.5 billion.<sup>33</sup>

### **3.2.6 Export promotion and marketing assistance**

3.68. The Export Promotion Bureau (EPB) (Sections 2.2.1 and 2.2.2), administered by a board with members from both the public and private sectors, is a semi-autonomous institution under the MOC, responsible for export promotion. The EPB's activities also include supporting the MOC in the formulation and review of the Export Policy, including export incentives and facilities, the dissemination of trade information through its Trade Information Centre, product development for export, and the organization of trade fairs and national training programmes. In 2012/13-16/17, the EPB financed USD 11.6 million for participation in 133 trade fairs. The Bangladesh Foreign Trade Institute (BFTI) supports export promotion through research, training and policy analysis.

3.69. Export promotion is coordinated at the inter-government-agency level, through meetings with all concerned parties, under the chairmanship of the Minister of Commerce. The National Committee on Export Promotion, headed by the Prime Minister, continues to review the export situation at (long) intervals, and provides necessary recommendations.

## **3.3 Measures Affecting Production and Trade**

### **3.3.1 Incentives**

#### **3.3.1.1 Taxation**

##### **3.3.1.1.1 Features**

3.70. Bangladesh's tax system remains characterized by a low overall taxation level relative to GDP. It is heavily dependent on trade-related taxes. During the review period, total tax revenue as a share of GDP ranged from 8.5% (2014/15) to 10.4% (2017/18) (Table 3.8). Despite a slight drop from the 2011/12 level, the contribution of customs duties (including RD (Section 3.1.4)) to total tax revenue remained relatively significant and stable (ranging from 11.3% to 11.8% of total tax revenues); VAT and income tax remain the main general tax components, followed by the supplementary duty (SD), a tax levied on both domestic and import goods. According to data covering only tax collection of the NBR, in 2017/18, foreign trade-related taxes (i.e. import duty, RD, VAT and SD at the import stage, and export tax) accounted for 32.4% of NBR tax revenue, compared to 34.7% in 2011/12. Indirect taxes (i.e. their share of total tax revenue) dropped in 2013/14, then progressively rose to almost their 2011/12 level by 2016/17, and subsequently bottomed in 2017/18.

3.71. According to the authorities, during the review period, the tax system was modernized, tax laws were prepared according to the country's socio, cultural and economic contexts, and emphasis was placed on e-filing. Efforts have been under way to increase tax revenue (Section 1.2.4.1). The Revenue Mobilization Program for Results – VAT Improvement Program (January 2015-June 2020), a joint venture with the World Bank Group worth USD 73 million (of which USD 13 million from the

<sup>33</sup> Information provided by the authorities.

Government of Bangladesh), is to improve revenue mobilization, transparency in the VAT administration, and the VAT Law implementation (Section 3.3.1.1.2). According to the World Bank Group, *inter alia*, the tax system is complex, which encourages non-compliance, and the indirect tax system is distortionary, discretionary and narrow based.<sup>34</sup> Furthermore, Bangladesh's trade policy appears to be influenced by considerations of revenue and assistance to local industries rather than trade competitiveness (Section 3.3.1.2).<sup>35</sup> Border and internal tax exemptions appear to be widespread, and translate into high revenue losses not assessed by the authorities (Sections 3.1.3.6, 3.2.4.2, 3.2.4.3, 3.3.1.2.3 and 3.3.1.2.4). At the time of the previous TPR, the authorities were aware that if indirect taxes were applied uniformly on domestic production and imports, they would both reduce the anti-trade bias and increase government revenue.<sup>36</sup>

**Table 3.8 Structure of direct and indirect tax revenue, 2011/12-2017/18**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total tax revenue (BDT billion)	952.3	1,074.5	1,160.3	1,288.0	1,518.8	1,780.8	2,322.0
% of GDP	9.0	9.0	8.6	8.5	8.8	9.0	10.4
	(% of total tax revenue)						
Direct taxes	30.6	33.0	33.8	32.9	30.9	30.7	34.7
Income, profits and capital taxes	29.6	32.0	32.6	31.6	29.7	29.4	33.5
Land development tax	0.5	0.5	0.6	0.5	0.5	0.5	0.5
Other taxes and duties	0.5	0.5	0.6	0.7	0.7	0.8	0.7
Indirect taxes	69.4	67.0	66.2	67.1	69.1	69.3	65.3
VAT	35.6	36.0	35.4	35.2	35.9	35.8	35.6
Import duty <sup>a</sup>	12.6	11.8	11.3	11.6	11.7	11.7	11.4
Export duty	0.07	0.00	0.00	0.00	0.02	0.01	0.02
Excise duty	0.7	0.7	0.7	0.8	1.0	1.0	0.7
SD	17.2	15.2	15.5	16.4	17.2	17.7	15.0
Narcotics and liquor duty	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Motor vehicle tax	0.7	0.8	0.8	0.8	1.1	0.8	0.7
Stamp duty	2.5	2.5	2.5	2.3	2.1	2.1	1.7
Other surcharges <sup>b</sup>	0.0	0.0	0.0	0.0	0.0	0.2	0.2

a Including RD.

b Including health development, environment safety and IT development surcharges.

Note: Including NBR and non-NBR taxes.

Source: Ministry of Finance online information.

### 3.3.1.1.2 Indirect taxation

3.72. Bangladesh's indirect tax structure remains virtually unchanged. The authorities consider that domestic and imported goods are subject to the same tax rates. According to NBR calculations, if customs duty of 25%, RD, and all other indirect taxes discussed in this Section are taken into account, a total tax amount of BDT 40,624 is levied on a dutiable value of BDT 50,000, which is equivalent to a total tax burden of 81.2%.<sup>37</sup>

<sup>34</sup> World Bank Group (2017), *Bangladesh Country Snapshot*, October. Viewed at: <http://www.worldbank.org/en/country/bangladesh>.

<sup>35</sup> Approximately 80%-88% of government revenue comes from taxes; the rest is collected from different non-tax sources. Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December; Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh – Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>36</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>37</sup> NBR online information. Viewed at: <http://nbr.gov.bd/faq/vat-faq/eng>.

### **Value added tax (VAT)**

3.73. VAT is the single largest source of tax revenue. It is collected by the NBR under the Internal Resource Division of the Ministry of Finance. It is levied at a rate of 15%, except for exports, where it is zero. However, due to the complexity faced by certain service suppliers, some additional rates, based on notional value-added, apply to some services, and no rebate is provided to the VAT payer concerned; in 2015/16 and 2017/18, there were ten and nine different lower rates that are to be brought down to five (2%, 4.5%, 5%, 7% and 10%) as from 2018/19.<sup>38</sup> A new Value Added Tax and Supplementary Duty Act, 2012, introducing a flat 15% rate of VAT, was enacted but, amid pressure from businesses, its implementation was delayed until 2019/20.<sup>39</sup> The valuation basis for imports is the dutiable c.i.f. value plus the corresponding amounts of import duty, RD, and SD.

3.74. VAT exempted products include basic needs (food, medicine, education, etc.), agriculture, immovable property, and education items. The Budget Speech 2018/19 refers to VAT exemptions at the import, manufacturing and services (insurance) stages, to protect and support the development of the agriculture, heavy engineering, textile and export sectors (Section 3.3.1.2.4).<sup>40</sup>

### **Supplementary duty (SD)**

3.75. Bangladesh continues to levy an SD to protect domestic industries from facing international competition and to restrict the use of certain undesirable (on social, moral, religious or health grounds) or luxurious items as per the Budget Speech 2018/19.<sup>41</sup> It currently covers 1,767 HS eight-digit tariff lines (1,267 tariff lines in 2012/13).<sup>42</sup> In 2018/19, its rates ranged between 10% and 500%, including items such as motor vehicles depending on their engine capacity (20% to 500%), cigarettes (350%), cosmetics (45%), and perfume (30%); in 2012/13, the maximum rate was 250%. The SD is levied on the landed c.i.f. value of goods plus the amount corresponding to Customs duty and RD.<sup>43</sup> For the domestic supply of goods and services, SD is charged on their "reasonable imposable value" at the same time of the payment of VAT.

### **Advance trade VAT (ATV)**

3.76. ATV continues to be levied at rates of 4% (82 HS eight-digit items, mostly motor vehicles) and 5% (previously 3%) (6,476 items), on the VAT paid value (assessable c.i.f. value plus effective amounts of import duty, RD and SD), only on commercial imports, i.e. commodities imported for retail sale.<sup>44</sup> Several agricultural (528 items, mostly live animals and products thereof, fish and crustaceans, and vegetable products) and industrial (49 items, mostly fertilizers and other chemicals) products are zero rated.

### **Advance income tax (AIT)**

3.77. The AIT continues to be collected under the Income Tax Act, and levied on virtually everything, at rates of 2% (46 HS eight-digit tariff items, mostly petroleum oil/gases/bitumen) or 5% (6,820 items) on the assessable c.i.f. value of imports or BDT 800 per tonne (15 items, mostly iron and steel), with a corresponding adjustment when the taxpayer settles his/her yearly income

<sup>38</sup> The lower additional rates appear to apply to restaurants without air conditioning, electricity supply, information technology services, photography and garages, goldsmiths, construction, etc. NBR and other online information. Viewed at: <http://nbr.gov.bd/faq/vat-faq/eng> and <https://www.nordeatrade.com/en/explore-new-market/bangladesh/taxes>; Budget Speech 2018/19, *Bangladesh on a Pathway to Prosperity*.

<sup>39</sup> The Value Added Tax and Supplementary Duty Act, 2012 (Act No. 47 of 2012). Viewed at: <http://nbr.gov.bd/uploads/acts/18.pdf>; Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December; World Bank Group (2017), *Bangladesh Country Snapshot*, October. Viewed at: <http://www.worldbank.org/en/country/bangladesh>.

<sup>40</sup> Budget Speech 2018/19, *Bangladesh on a Pathway to Prosperity*.

<sup>41</sup> Budget Speech 2018/19, *Bangladesh on a Pathway to Prosperity*.

<sup>42</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>43</sup> NBR online information. Viewed at: <http://nbr.gov.bd/faq/vat-faq/eng>.

<sup>44</sup> NBR online information. Viewed at: <http://nbr.gov.bd/faq/vat-faq/eng>, and 2018/19 Customs Tariff; Katheria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

tax.<sup>45</sup> Some exemptions on 254 agricultural and industrial items are given via SROs. The authorities indicated that the AIT is also levied at rates ranging from 2% to 7% if the assessable value of domestic goods and services exceeds BDT 15 crore.

### Excise duty

3.78. Bangladesh abolished excise duties on all goods and services except for airline tickets (except for 2017 Hajj passengers) and services rendered by banks or financial institutions. The latter are subject to a tax on each savings, current, loan, or other account with balances above defined levels, at rates ranging from BDT 150 (bank account balance BDT 100,001 to BDT 500,000) to BDT 25,000 (bank account balance above BDT 50 million).<sup>46</sup>

#### 3.3.1.1.3 Direct taxation

3.79. As at 2018/19, corporate income tax rates remain largely unchanged, and are as follows: 25% for publicly traded companies; 35% for non-publicly traded companies; 37.5% (40% before 2013) for publicly-traded banks, insurance and financial institutions and banks; 37.5% for merchant banks; 40% (42.5% prior to 2018/19) for non-publicly traded banks, insurance and financial institutions; 45% for all cigarette, bidi, zarda, chewing tobacco or other tobacco product manufacturing companies (40% for publicly-traded companies prior to 2014); 45% for non-traded and 40% (raised from 35% in 2013/14) for publicly-traded mobile phone operator companies; and 20% on dividend income.<sup>47</sup> Companies operating in designated zones, and several activities including exports, continue to benefit from special corporate income tax incentives<sup>48</sup>; accelerated depreciation is provided for enterprises ineligible for tax holidays.<sup>49</sup> The authorities consider that corporate tax for publicly-traded companies in Bangladesh is lower than many countries in South Asia, and is on a par with the global average (24.29%); however, tax rates for banks and financial institutions are slightly higher than those of other corporate sectors, and this is the reason for the 2018/19 reductions. E-commerce and online businesses have been subject to income taxation to ensure a level playing field between the general business community and those involved in e-commerce and online businesses.<sup>50</sup> Persons with an annual taxable turnover from their economic activities of between BDT 3 million and BDT 8 million remain subject to a 3% turnover tax.<sup>51</sup> In 2014/15, a sixth tax bracket of 30% on personal income of up to BDT 250,000 (BDT 220,000 until 2013/14) was added. The authorities indicated that a draft Income Tax Act, aimed at matching international best practices in this area, is to be put before Parliament by 2019.

#### 3.3.1.2 Production incentives

3.80. In addition to border measures (Sections 3.1.4 and 3.2.4.1), Bangladesh continues to encourage production and trade through various tax and non-tax incentives. It has never submitted notifications to the WTO Committee on Subsidies and Countervailing Measures. Between 2011/12 and 2016/17, expenditure under the Annual Development Programme (ADP) almost tripled, to

<sup>45</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>46</sup> Online article and NBR information. Viewed at: <https://bdnews24.com/economy/2017/06/28/excise-duty-on-bank-accounts-is-revised-on-pm-s-request> and <http://nbr.gov.bd/regulations/gos/excise-gos/eng>; USTR (2018), *2018 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf>

<sup>47</sup> Considering the importance of public health, policies were adopted in 2016/17 to discourage the consumption of tobacco and tobacco products. Taxation of the mobile phone operator industry represents a major source of tax revenue. Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December; Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*; USTR (2018), *2018 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf>

<sup>48</sup> More information is available in Sections 3.2.4.2, 3.2.4.3, 3.3.1.2.3, 3.3.1.2.4, 4.1.4, 4.1.6, 4.2.2.2, 4.2.2.3, 4.3.3, and 4.3.4.

<sup>49</sup> Paragraph 7 of the 3<sup>rd</sup> Schedule of the Income Tax Ordinance, 1984. Viewed at: <https://www.export.gov/article?id=Bangladesh-Performance-Requirements>.

<sup>50</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>51</sup> NBR online information. Viewed at: <http://nbr.gov.bd/faq/vat-faq/eng>.

BDT 1 trillion (5.6% of GDP).<sup>52</sup> In 2016/17, this expenditure was allocated, *inter alia*, to agriculture (13.7% of total ADP expenditure) (i.e. agriculture, rural development and rural institutions, water resources, and others), manufacturing (2%), power and natural resources (17.8%), transport (20.5%), and communications (1.5%). The ADP expenditure for 2018/19 was to be allocated as follows: 21.8% for agriculture, 14.3% for power and natural resources, 26.3% for communication (roads, railways, bridges, and other) and 10.8% for other sectors. In 2016/17, ADP expenditure was used, *inter alia*, to support the purchase of machinery and equipment (16% of total ADP expenditure), breeding stock (0.06%), interest and repayment of loans (0.8%) and subsidies provision (14.1%). Education and training accounted for 10.9% of the ADP expenditure in 2016/17.<sup>53</sup> As indicated in previous TPRs of Bangladesh, tax holidays are seldom cost-effective. Bangladesh does not produce an annual report on tax expenditures (e.g. forgone tax revenue in the form of tax incentives), therefore the tax authorities are not in a position to evaluate the impact and effectiveness of such incentives (Section 3.3.1.1.1).<sup>54</sup>

### 3.3.1.2.1 Cottage, Micro, Small and Medium Enterprises

3.81. Cottage, Micro, Small and Medium Enterprises (CMSME) remain the backbone of the economy, as they ensure large part of employment, sustain economic growth and earn foreign currency. CMSMEs have been redefined in line with the National Industrial Policy 2016, and "turnover for trading concern" (trade-related turnover) has been added as an additional criterion for sector determination.<sup>55</sup> During the review period, tax incentives continued to be available to CMSMEs, and their turnover tax-exempted limit was raised from BDT 30 lakh to BDT 36 lakh in 2016.<sup>56</sup> An income tax exemption on export earnings from handicrafts and cottage industries may still remain in place.<sup>57</sup> No data on forgone tax revenue due to these incentives were available from the authorities.

3.82. SMEs continue to benefit from "easy term" loans and from other support, through banks and other financial institutions.<sup>58</sup> The Bangladesh Bank instructed banks and financial institutions (FIs) to put emphasis on financing to CMSMEs, at a preferential rate a couple of percentage points lower rate than the bank's "standard interest rate". Banks and FIs are instructed to provide a three-month grace period for a one-year term loan, and a three- to six-month grace period for medium- to long-term loans, based on the banker-customer relationship. Non-eligible activities are: crop and

<sup>52</sup> Bangladesh Bureau of Statistics (2018), *2017 Statistical Year Book Bangladesh*, Tables 9.04 and 9.05, May, Dhaka. Viewed at:

[http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758\\_8497\\_412c\\_a9ec\\_6bb299f8\\_b3ab/S\\_Y\\_B2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758_8497_412c_a9ec_6bb299f8_b3ab/S_Y_B2017.pdf); Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December; Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

<sup>53</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>54</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>55</sup> CMSMEs are defined as follows: micro-enterprises in manufacturing (fixed assets of BDT 10 lakh-BDT 75 lakh, 16-30 or less employees) and services (fixed assets of less than BDT 10 lakh, maximum 15 employees); cottage enterprise (family industry in which members are engaged part-time or full-time in production and service-oriented activities) (fixed assets of less than BDT 10 lakh, maximum 15 employees); small enterprises in manufacturing (fixed assets of BDT 75 lakh-BDT 15 crore, 31-120 employees) and services (fixed assets of BDT 10 lakh-BDT 2 crore, 16-50 employees); medium enterprises in manufacturing (fixed assets BDT 15 crore-BDT 50 crore, 121-300 employees (garments, minimum 1,000 employees)) and services (fixed assets of BDT 2 crore-BDT 30 crore, 51-120 employees); and trading sector micro-enterprises (fixed assets of less than BDT 10 lakh, maximum 15 employees) and small industries (fixed assets of BDT 10 lakh-BDT 20 crore, 16-50 employees). According to the 2013 National Economic Census by the Bureau of Statistics, there were a total of 7.81 million economic entities in Bangladesh, of which about 88% were cottage enterprises, and 11% were SMEs. However, in reality, it appears that about 99% of Bangladeshi formal business enterprises are SMEs; they constitute about 75% of non-agricultural employment and contribute about 25% to GDP. Approximately 25% is contributed by the manufacturing SMEs. However, this amount could be much higher if the contribution of SMEs in the services sector, the largest GDP contributor, is taken into account. Md Joynal Abdin (2017), *SMEs and our development goals*, 25 February. Viewed at: <https://www.thedailystar.net/education-employment/smes-and-our-development-goals-1366591>; *The Daily Star* online article entitled *BB updates SME terms*, 3 July 2017. Viewed at: <https://www.thedailystar.net/business/bb-updates-sme-terms-1427509>; Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>56</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>57</sup> According to SRO No. 339-L/86, 13 August 1986.

<sup>58</sup> Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

fish production; real estate; finance and insurance; precious metal dealing; bars and pubs; amusement, entertainment (except for amusement parks, tourism, film-making and TV broadcasting); weapons, ammunition; or anything harmful to social stability. Between 2012 and June 2018, all Bangladeshi banks and non-bank financial institutions (NBFIs) disbursed a total of BDT 7.5 trillion for CMSME loans, which was allocated to manufacturing (27.9%), trading (61.3%) and services (10.8%) activities, including women entrepreneurs (4.5%); annual disbursements rose by a total of 231.9% in the period 2012-17.<sup>59</sup>

3.83. Refinancing schemes are operated through the Bangladesh Bank to encourage banks and FIs to provide low-cost bank loans for SME industries under female entrepreneurship, agro-industries, new entrepreneurs, and other productive sectors.<sup>60</sup> Under the Loan Agreement for the Two-Step Loan (TSL) Project, aimed at supporting SME sector development, as from May 2011, the Japan International Cooperation Agency (JICA) has provided a total amount of JPY 5 billion of concessional Official Development Assistance (ODA) loans to the Government; these funds have, in turn, been on-lent to the participating FIs, which then re-lend to private-sector sub-borrowers. Eligible end-borrowers are SMEs.<sup>61</sup> The Bangladesh Bank Fund, the World Bank Group International Development Association (IDA) Enterprise Growth and Bank Modernization Project (EGBMP) Fund, the Asian Development Bank ADB-1 Fund, the ADB-2 Fund, the JICA Fund, the Women Entrepreneur Fund, and the New Entrepreneur Fund in the Cottage, Micro and Small Sector have been used, *inter alia*, to refinance SME loans.<sup>62</sup> The authorities indicated that the participatory financial institutions (PFIs) are refinanced at the Bank Rate (5% as at November 2018); furthermore, PFIs are refinanced/pre-financed at a 2% interest rate under the JICA-funded Urban Building Safety Project. A maximum lending cap of 9% (Bank Rate + maximum 4% intermediation spread) has been imposed on financing to female-led enterprises under all refinancing schemes. As at June 2018, eight different refinancing schemes, totalling BDT 7,590.05 crore, were being operated by the SME and Special Programmes Department of the Bangladesh Bank; the Small Entrepreneurs Refinance Scheme and the Refinance Scheme for Agro-based Industries in Rural Areas accounted for 46% and 20% of the entire amount, respectively.

### 3.3.1.2.2 Research and development (R&D)

3.84. R&D investment increases and accelerates economic growth, and ensures sustainable development.<sup>63</sup> Seemingly inadequate funding, limited resources, a shortage of skilled manpower in many areas, inadequate research facilities and skill development programmes, a lack of coordination among scientific organizations, outmoded science curricula in the educational institutions, dependence on foreign technology, brain drain and emigration of trained manpower, and poor social awareness of the role of science and technology in national development mean that Bangladesh is underdeveloped.<sup>64</sup> It has undertaken research work in only a relatively small number of areas, and progress in R&D activities has not been very satisfactory so far.

3.85. The National Science and Technology Policy 2011 is aimed at, *inter alia*: creating an adequate R&D infrastructure in science and technology areas of national need; encouraging the private sector to set up R&D centres for quality products; and developing SME-friendly technology for the sustainable growth of SMEs.<sup>65</sup> The National Scientific and Technical Documentation Centre under the Ministry of Science and Technology (MoST) is the national scientific research archive, and provides support to R&D projects.<sup>66</sup> In 2010/11, BDT 15 crore was allocated to the development of science and technology, *inter alia*, through research contracts, the Coordinated Research Programme (CRP),

<sup>59</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>60</sup> Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

<sup>61</sup> Project Implementation Unit, SME and Special Programmes Department, Bangladesh Bank (undated), *Operating Guidelines for Financial Sector Project for the Development of Small and Medium-Sized Enterprises*.

<sup>62</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>63</sup> Viewed at: <https://www.innovationfiles.org/fueling-innovation-the-role-of-rd-in-economic-growth/>.

<sup>64</sup> MoST (undated), *National Science and Technology Policy - 2011*. Viewed at: [https://most.portal.gov.bd/sites/default/files/files/most.portal.gov.bd/policies/2303afd3\\_6664\\_4a38\\_957e\\_6e35f1d7f0bf/National%20Science%20&%20Technology%20Policy%20-%20202011%20%20English.pdf](https://most.portal.gov.bd/sites/default/files/files/most.portal.gov.bd/policies/2303afd3_6664_4a38_957e_6e35f1d7f0bf/National%20Science%20&%20Technology%20Policy%20-%20202011%20%20English.pdf).

<sup>65</sup> MoST (undated), *National Science and Technology Policy - 2011*. Viewed at: [https://most.portal.gov.bd/sites/default/files/files/most.portal.gov.bd/policies/2303afd3\\_6664\\_4a38\\_957e\\_6e35f1d7f0bf/National%20Science%20&%20Technology%20Policy%20-%20202011%20%20English.pdf](https://most.portal.gov.bd/sites/default/files/files/most.portal.gov.bd/policies/2303afd3_6664_4a38_957e_6e35f1d7f0bf/National%20Science%20&%20Technology%20Policy%20-%20202011%20%20English.pdf).

<sup>66</sup> Viewed at: [http://old.bansdoc.gov.bd/sub/introduction\\_bansdoc.php](http://old.bansdoc.gov.bd/sub/introduction_bansdoc.php).

and Capacity Build-up/Capacity Institutionalization Programmes.<sup>67</sup> Furthermore, in 2010/11, 171 programmes were financed by R&D organizations and universities. The MoST assisted Pilot Plants to commercialize R&D results. Exemption from tax and non-tax incentives for R&D activities *per se* appear to have been put in place since the last TPR. No information on R&D matters was available from the authorities.

### 3.3.1.2.3 Designated zones

3.86. Support continues to be available for the establishment and operation of economic zones (EZs), Export Processing Zones (EPZs) and high-tech parks (Sections 3.2.4.3, 3.3.1.2.3.1 and 3.3.1.2.3.2). A joint venture worth USD 197.2 million (of which USD 7 million from the Government of Bangladesh) with the World Bank Group Private Sector Development Support Project (from 3 August 2011 to 28 February 2021) is, *inter alia*, aimed at improving the business environment and access to serviced land, through EZs and hi-tech parks. The Bangladesh Economic Zones Authority (BEZA) (Section 3.3.1.2.3.1) is a beneficiary of this funding. It seems that, as at 2017, this project had generated USD 1.18 billion in direct investment, and created 12,310 new jobs in these zones and parks.<sup>68</sup> The BEZA has also been sourcing ADP funds (Section 3.3.1.2) for infrastructure development of different EZs, including tourism parks. As at October 2018, the BEZA registered USD 16.98 billion in approved direct investment in EZs, including USD 5.81 billion as FDI; the projected employment relating to this investment is estimated at approximately 600,000 jobs.

#### 3.3.1.2.3.1 Economic zones

3.87. The legal framework for investing in EZs remains based on the Bangladesh Economic Zones Act, 2010, that was last amended in 2015 to insert provisions for the establishment of EZs in partnership with, or on the initiative of, the Government of Bangladesh and the Government of any other country, or between one or more government corporations, authorities or enterprises. The BEZA is responsible for establishing EZs in all potential areas, including underdeveloped regions, with a view to encouraging rapid economic development through the increase and diversification of industry, employment, production and exports. The Private Economic Zone Policy 2015 is in place to extend support relating to licences, special facilities, one-stop services, permits, rights and obligations of developers, guidelines for environmental protection, protection of workers' rights, etc. regarding these zones (see below).<sup>69</sup> Project clearance, visa recommendations and assistance, work permits, and import/export permit services are processed under the one-stop service by the BEZA.

3.88. Incentives for zone developers comprise: tax exemption on income derived from the business development of the EZ; VAT exemption on electricity or taxes on sale of self-generated or purchased electric power for use in the processing area of the EZ (for 10 years); all purchases, other than petroleum products from the Domestic Tariff Area (DTA) exempted from VAT, sales tax, etc.; exemption from customs/excise duties for the development of EZs; exemption from stamp duty and registration fees for the registration of EZ land (first transaction only); exemption from stamp duty for the registration of loan/credit documents; exemption from dividend tax; and exemption from income tax on service charges.<sup>70</sup> Industries set up within EZs are exempt from corporate income tax for the first three years, and pay a reduced rate for the next seven years.<sup>71</sup> There are six categories

<sup>67</sup> MoST (2012), *Guidelines for Different Programmes under Special Allocation for Science and Technology*, March. Viewed at: [https://most.portal.gov.bd/sites/default/files/files/most.portal.gov.bd/page/cec73ee6\\_6c9b\\_4278\\_8cce\\_acedd1434afa/GUIDELINES%20FOR%20DIFFERENT%20PROGRAMMES%20UNDER%20SPECIAL%20ALLOCATION%20E2%80%A6.pdf](https://most.portal.gov.bd/sites/default/files/files/most.portal.gov.bd/page/cec73ee6_6c9b_4278_8cce_acedd1434afa/GUIDELINES%20FOR%20DIFFERENT%20PROGRAMMES%20UNDER%20SPECIAL%20ALLOCATION%20E2%80%A6.pdf).

<sup>68</sup> World Bank Group (2017), *Bangladesh Country Snapshot, October*. Viewed at: <http://www.worldbank.org/en/country/bangladesh>.

<sup>69</sup> Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

<sup>70</sup> Tax exemption on income derived from the business development of EZs, for a period of 10 years out of a total of 15 years. After expiry of 10<sup>th</sup> year, tax exemption will be 70% in 11<sup>th</sup> year and 30% in 12<sup>th</sup> year. However, according to the authorities the tax exemption will not be applicable from the 13<sup>th</sup> year. BEZA online information. Viewed at: <http://www.beza.gov.bd/wp-content/uploads/2016/10/Incentives-and-Benefits-for-Developers-Investors-and-EZ-users-V2.pdf>.

<sup>71</sup> SRO No. 219 of 2012. Viewed at: <https://www.export.gov/article?id=Bangladesh-Performance-Requirements>.



of EZs: public-private partnership (PPP) EZs; private EZs; government EZs; special EZs (SEZs); G2G EZs; and government agency EZs.<sup>72</sup>

3.89. Bangladesh plans to establish 100 environment-friendly EZs on 30,000 hectares of land by 2030; they are to increase export earnings by USD 40 billion, and create 10 million jobs. As at October 2018, the Government had approved 89 EZs (60 public and 29 private), of which only 10 were inaugurated; development of another 26 were underway. However, according to the BEZA, 55 were government-owned zones, and 11 were private sector-owned.<sup>73</sup> Foreign and local investors have started setting up industries in these zones. So far, 25 industries have started commercial operations, to produce consumable items, paper, shoes, cement, motor cycles, petro-chemicals, etc. in private EZs.

### 3.3.1.2.3.2 High-tech parks

3.90. Bangladesh's IT services industry, which employs more than 20,000 people, seems to hold great potential, owing to the vast pool of young, trained and English-speaking resources.<sup>74</sup> The Bangladesh High-tech Park Authority (BHTPA), set up in 2010, is entrusted with establishing, managing and operating technology business parks; online information is available in Bengali only (<http://bhtpa.gov.bd/>). Since mid-2015, high-tech park developers have benefited from income tax exemptions similar to those available to EZs (Section 3.3.1.2.3.1). In addition, industries established in high-tech parks benefit from customs duty and VAT exemption on imports of capital equipment, construction materials (except mild steel wrought/bar, prefabricated buildings, iron/steel sheet, cement, refrigerators, etc.) and two vehicles. According to the BHTPA, as at November 2018, seven projects had been approved and were under way, and one appears to be operational, i.e. the Software Technology Park (STP) at Janata Tower/Dhaka.<sup>75</sup>

### 3.3.1.2.4 Sector-specific support

3.91. During the review period, sector-specific activities were supported by tax and non-tax incentives; and border measures, including up to 20% cash incentives on exporting certain products, and a 50% rebate on taxable income generated from export earnings (Section 3.2.4.1).<sup>76</sup> Agriculture has benefited, *inter alia*, from the Bangladesh Bank's concessional credit (e.g. a 4% interest rate (for some import substitute crops (pulses, oil seeds, spices, maize), a 5% interest rate (for tribal farmers of hill track districts), and refinance schemes (for milk production and artificial insemination, export-oriented jute mills and jute traders, and for sharecroppers)); subsidies for the purchase of agricultural inputs (including fertilizer and equipment); seed distribution; government procurement and state trading practices for the public storage of food grains (e.g. paddy, rice and wheat); lowest electricity tariff for irrigation pumps (see below); a 20% rebate on electricity invoices of agro-based industries; and agricultural rehabilitation assistance programmes (Sections 3.2.4.1, 4.1.3 and 4.1.4).<sup>77</sup> In line with other support measures to the jute sector (Sections 3.3.2.2, 3.3.2.3 and 4.3), from 2016/17, the corporate income tax rate for the jute sector was reduced from 15% to 10%. In 2016/17, the total revised budget allocation for the agricultural sector for development purposes stood at BDT 3,091.00 crore.

3.92. Certain energy development and supply activities continued to benefit from support (Section 4.2.2). Power projects are exempt from corporate income tax for up to 15 years.<sup>78</sup> The

<sup>72</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>73</sup> BEZA online information. Viewed at: <http://www.beza.gov.bd/wp-content/uploads/2016/10/Incentives-and-Benefits-for-Developers-Investors-and-EZ-users-V2.pdf>; Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

<sup>74</sup> *The Daily Star* online article entitled "Tax breaks for developers, investors of hi-tech parks", 14 July 2015. Viewed at: <https://www.thedailystar.net/business/tax-breaks-developers-investors-hi-tech-parks-112048>.

<sup>75</sup> More information on the progress of works at certain parks is available at the Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>76</sup> Section 44(1) and paragraph 28 of the 6<sup>th</sup> Schedule Part A of the Income Tax Ordinance, 1984.

<sup>77</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>78</sup> SRO No. 211 - Law/Income Tax/2013, 1 July 2013, amended by SRO No. 354 - Law/Income Tax/2013, 18 November 2013, and SRO No. 213 - Law/Income Tax/2013, 1 July 2013. Viewed at: <https://www.export.gov/article?id=Bangladesh-Performance-Requirements>.

World Bank Group and several donors have financed energy projects.<sup>79</sup> According to Bangladesh Energy Regulatory Commission data, retail electricity tariffs differ according to consumer category (Section 4.2.2.2); as of 2018, the flat tariff for agricultural irrigation pumping was one quarter of the highest tariff, which was charged on construction activities, and was followed by those on industry, and commercial and office activities. Between 2011/12 and 2017/18, budgetary outlays totaling BDT 37,215.49 crore were used to cover electricity production costs, as tariffs do not reflect them entirely. As a result of losses by the state-owned Bangladesh Petroleum Corporation (BPC) (Sections 3.3.5 and 4.2.2.1.1), due to non-adjustment of the world oil price increases in the domestic market and the level of custom duties levied on oil imports, subsidy was used for importing petroleum products in 2011/12 (BDT 8,550.00 crore), 2012/13 (BDT 13,557.83 crore), and 2013/14 (BDT 2,477.60 crore); due to the world oil price drop in recent years, no subsidy was required in 2015/16 or 2016/17.<sup>80</sup>

3.93. In addition to border measures (e.g. customs duty concessions for raw materials for processing (leather, textile), and certain items and parts), specific manufacturing activities benefit from tax incentives (Sections 3.1.3.2, 3.2.4.1, 4.3.3 and 4.3.4).<sup>81</sup> The Industrial Policy Act, 2016 provides for incentives for "green", high-tech, or "transformative" industries (Sections 2.4.3, 2.4.4 and 4.3.2).<sup>82</sup> Corporate income tax holidays of five to seven years remain in place for new enterprises in textiles, pharmaceuticals, plastics, ceramics, sanitary items, iron works, steel works, fertilizers, insecticides, computer hardware, petrochemicals, pharmaceutical raw materials, agricultural equipment, and industrial machinery, depending on the location.<sup>83</sup> The income tax rate for manufacturers and exporters of RMGs is 10% (12.5% for a public limited company), a much lower rate than the general income tax rate (Section 3.3.1.1.3); any garment factory having green building certification is subject to a tax rate of 10%.<sup>84</sup> VAT exemptions for specific items at the production, import or service stage have been either withdrawn or extended (Section 3.3.1.1.3).

### 3.3.2 Standards and other technical requirements

#### 3.3.2.1 Standards-setting framework

##### *Institutional and cooperation developments*

3.94. During the review period, the institutional setting in this area remained virtually unchanged. The Ministry of Industries continues to be responsible for leading and facilitating the legal and technical institutional framework for national standards (except pharmaceutical products), quality, and conformity assessment.<sup>85</sup> Its main institutions are the Bangladesh Standards and Testing Institution (BSTI), the sole national standardization, enforcement and quality certification body, that also provides metrology and calibration services; and the Bangladesh Accreditation Board (BAB) (Sections 3.3.2.2 and 3.3.3.1). According to the authorities, the Department of Fisheries, under the administrative control of the Ministry of Fisheries and Livestock, is in charge of Hazard Analysis and Critical Control Points (HACCP) certification (Section 3.3.2.2). The BSTI Council, the highest decision-making organ of the institution, consists of representatives from different ministries, business chambers, scientific organizations, and universities. It remains the WTO enquiry point and had not subscribed to ePing as at November 2018 (<http://www.epingalert.org/en#/enquiry-points/tbt>). It coordinates and heads a system of technical committees, consisting of a mixture of government, academia, and private sector representatives, that draft voluntary standards; it also

<sup>79</sup> They include: the Ghorashal Unit 4 Repowering Project; the Rural Electricity Transmission and Distribution Project; the Power System Reliability and Efficiency Improvement Project; and the Siddhirganj Power Project. World Bank Group (2017), *Bangladesh Country Snapshot*, October. Viewed at: <http://www.worldbank.org/en/country/bangladesh>.

<sup>80</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>81</sup> Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

<sup>82</sup> United States Department of State Information/Bureau of Economic and Business Affairs (2017), *2017 Investment Climate Statements Report - Bangladesh*, 29 June, Washington, D.C. Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270013.htm>.

<sup>83</sup> Viewed at: <https://www.export.gov/article?id=Bangladesh-Performance-Requirements>.

<sup>84</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December; Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

<sup>85</sup> More information on these institutions is available in WTO document WT/TPR/S/270/Rev.1, 26 November 2012, and Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

influences the adoption and formulation of mandatory standards, while simultaneously benefitting from the incomes derived from testing, inspection, and certification against these mandatory standards.<sup>86</sup> Although no regulatory impact analysis (RIA) appears to be in place, Bangladesh gathers stakeholders' opinions prior to the adoption of a standard or technical regulation.

3.95. During the review period, MoUs or bilateral cooperation agreements (BCAs) signed between national standards bodies (NSBs) and the BSTI increased from 2 in 2012 to 9 in 2018 (September); the new arrangements involved the NSBs of India, Saudi Arabia, Nepal, Bhutan, Sri Lanka, Turkey, and China.

### **Policy developments**

3.96. The main policy objectives in this area remain unchanged, and involve the harmonization of national standards with international ones, and the adoption of international standards. During the review period, steps were taken, *inter alia*, to expand the activities of the BSTI throughout the country under the 2015 Expansion and Strengthening of Bangladesh Standards and Testing Institutions Project (in five districts). A modern energy-efficient testing laboratory was established in the BSTI Head Office, under the technical and financial assistance of the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) (Germany) (Section 4.2.2.3).<sup>87</sup>

### **Regulatory framework**

3.97. During the review period, the main legislative framework in the area of standards remained largely unchanged, except for new BSTI (Amendment) Act, 2018 (passed on 28 October 2018), and the Weights and Measures Standards Act, 2018; in both cases, the amendments, *inter alia*, increased fines and prison offence durations.<sup>88</sup> A number of standards' "special rules" are contained the IPO issued by the MOC. For example, the 2015-18 Order includes applicable conditions for the import of food for human consumption, secondary quality imports of certain sheets and plates (e.g. stainless steel, tin plate, and silicon), and the testing of standards for electric kW meters.<sup>89</sup>

#### **3.3.2.2 Voluntary, compulsory and aligned standards**

3.98. Standards continue to be implemented on a voluntary basis, unless they are designated as technical regulations (compulsory). As at June 2018, the BSTI had formulated and adopted 3,768 (3,300 in 2012) BDSs. Alignment with international standards reduces the trade restrictiveness of technical regulations; according to the authorities, as at June 2018, about 52% (42% in 2012) of BDSs were aligned with international standards, and 4.5% (1.5% in 2012) with regional standards (i.e. 171 European Standards (ENs) and 3 South Asian Regional Standards Organization standards).<sup>90</sup> In 2018, international standards adopted by the BSTI included 1,535 (1,368 in 2012) International Organization for Standardization (ISO) standards, 198 (163 in 2012) International Electrotechnical Commission (IEC) standards, 86 ISO/IEC standards, and 140 Codex Alimentarius Commission (CAC) standards. As at May 2018, 166 (4.4% of all BDSs) were mandatory (i.e. under the Mandatory Certification Marks Scheme); and 55 (43 in 2012) imported products required mandatory certification (i.e. inspection and testing) before customs clearance. The BSTI provides Clearance Certificates of Imported Commodities through ASYCUDA World.<sup>91</sup>

<sup>86</sup> The consultative process for standards development is reportedly weak. Although various consultative committees are in place, they are largely dominated by the BSTI, and business sector representatives are often drawn from SOEs. Furthermore, it is international best practice to separate regulatory powers (such as setting mandatory standards) and conformity assessment (such as testing, inspection, and certification). Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>87</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>88</sup> More information about the legislative framework can be viewed at: <http://www.bsti.gov.bd/>.

<sup>89</sup> IPO 2015-18. Viewed at: [https://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/page/e177ee18\\_f389\\_4f9e\\_a40c\\_57435cfac5b2/Import%20Policy.pdf](https://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/page/e177ee18_f389_4f9e_a40c_57435cfac5b2/Import%20Policy.pdf).

<sup>90</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>91</sup> The categories of items under the Mandatory Certification Marks Scheme consist of: agricultural and food products (71 items); chemical products (42); engineering products (15); jute and textile products (11);

According to the BSTI, all consignments are inspected, and no risk profiling is used to prioritize the burden of conformity assessment.<sup>92</sup> At the time of the previous TPR, the authorities indicated that testing and certification procedures for technical regulations were the same for domestic and imported products.

3.99. Since 2010, Management System Certification (MSC) has been an important addition to the BSTI; as at July 2018, it had issued 48 different system certificates under the quality, environment and food safety management systems.<sup>93</sup>

3.100. During the review period, the legal framework governing HACCPs was updated. For fisheries, it consists of Rule 5(1) and 19 and Schedule 9 of the Fish and Fish Product (Inspection and Quality Control) Rules, 1997 (amended in 2008 and 2014) and, for livestock, the Framing of Animal Slaughter and Meat Control Rules, 2018 are under preparation; a quality control laboratory will be established at Savar, Dhaka.

3.101. The BAB remains empowered to accredit Testing and Calibration Laboratories, Medical Laboratories, Inspection Bodies, Personnel Certification, and Product Certification. It already accredited different types of testing and calibration laboratory system certification to national and multinational organizations/companies. As at November 2018, the BAB had accredited 66 Conformity Assessment Bodies (CABs), of which 50 were testing laboratories, 9, calibration laboratories, 2, medical laboratories, 2, system certifications bodies, and 3, inspection bodies; some applications for accreditation are being processed. International accreditation bodies seemingly operate in Bangladesh and, in the future, may compete with the BAB; they appear to primarily service the garment industry and similar export-oriented light manufacturing industries.<sup>94</sup> The BAB is responsible for framing policies and approving rules and regulations for accreditation, and establishing multilateral recognition arrangements (MRAs) with regional and international accreditation bodies. Since 2015, it has been the signatory to, and full member of, the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and the International Laboratory Accreditation Cooperation (ILAC).<sup>95</sup> It is an affiliated member of the Pacific Accreditation Cooperation (PAC), and applied for membership of the International Accreditation Forum (IAF). It also works closely with the Standards and Metrology Institute for Islamic Countries (SMIIC), the SAARC Expert Group on Accreditation (SEGA), and the HALAL scheme.

### 3.3.2.3 Transparency and enforcement

3.102. Transparency in the area of standards appears to remain a concern. According to a 2010 United Nations Industrial Development Organization (UNIDO) baseline study report, as the legislation is focused on technical regulations, many BDSs have remained unpublished for years; as at November 2018, there were about 1,500 (out of 3,768) unpublished BDSs.<sup>96</sup> Bangladesh has not submitted any notification on draft measures (technical regulations) or conformity assessment

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and electrical and electronics products (27). The categories of products subject to mandatory certification prior to customs clearance comprise: food products (23 items); chemical products (14); textile products (2); electrical and electronic products (9); and engineering products (6). These lists are available at: <http://www.bsti.gov.bd/>. The products and issues regulated by technical regulations appear to be chosen somewhat randomly, allegedly not in line with international best practice. Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study, Directions in Development*, July, Washington, DC.

<sup>92</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study, Directions in Development*, July, Washington, DC.

<sup>93</sup> BSTI online information. Viewed at: [http://bsti.portal.gov.bd/sites/default/files/files/bsti.portal.gov.bd/page/fe1167fe\\_3ff0\\_449e\\_8e63\\_447eb405b6a9/Management%20System%20Certificate%20\(19-02-2018\)%20\(1\).pdf](http://bsti.portal.gov.bd/sites/default/files/files/bsti.portal.gov.bd/page/fe1167fe_3ff0_449e_8e63_447eb405b6a9/Management%20System%20Certificate%20(19-02-2018)%20(1).pdf).

<sup>94</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study, Directions in Development*, July, Washington, D.C.

<sup>95</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>96</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study, Directions in Development*, July, Washington, D.C.

procedures to the WTO Committee on Technical Barriers to Trade so far.<sup>97</sup> Until now, it has not been subject to TBT-related specific trade concerns.

3.103. In 2016/17, 654 mobile courts had been established (Section 3.3.7.3.3), and 1,219 surveillance actions were undertaken, leading to 1,323 cases being filed against standards' offenders by the BSTI, and requiring them to cease the sale and/or distribution of illegal and/or sub-standard products.<sup>98</sup> At the same time; 505 mobile courts had been established and 367 surveillance actions were conducted against users of illegal weights and measures, resulting in 1,280 filed cases. Offenders were fined a total of BDT 5.43 crore.

### 3.3.2.4 Marking, labelling and packaging requirements

3.104. During the review period, the main regulatory framework in this area remained virtually unchanged, except for jute packaging. Marking, labelling and packaging requirements are contained in relevant BDSs. Labelling requirements are also found in the Bangladesh Standards of Weights and Measures (Packaged Commodities) Rules, 2007, under the Weights and Measures Ordinance, 1982. Each package should contain: the name and address of the manufacturer and packer; the common or generic name of the product, with all ingredients; the net weight; the dates of manufacture and expiry; and the retail price of the package. Upon the enactment of the Compulsory Use of Jute Fiber Packaging Act, 2010 and the Rules for Compulsory Use of Jute Fiber Packaging, 2013, another measure to support the jute sector, jute fibre packaging has become compulsory for 17 items.<sup>99</sup>

## 3.3.3 Sanitary and phytosanitary requirements

### 3.3.3.1 Food standards-setting framework

#### *Institutional and policy developments*

3.105. Several ministries and agencies (e.g. the Ministry of Agriculture, the Ministry of Health and Family Welfare, the Ministry of Fisheries, the Bangladesh Food Safety Authority/Ministry of Food (see below), and the BSTI/Ministry of Industries) remain responsible for SPS measures, depending on their area of expertise (Sections 3.3.2 and 3.3.3.2).<sup>100</sup> Food safety standards continue to be set by the BSTI, which generally seeks to base them on the international Codex Alimentarius standards.<sup>101</sup> The BSTI focuses on the implementation of the mandatory food BDSs for which it is responsible (Sections 3.3.2.1 and 3.3.3.2); as of July 2018, there were 598 food BDSs, of which 82 were mandatory (about 14%), and 140 had been adopted from Codex Alimentarius standards.<sup>102</sup> All established maximum residue limits (MRLs), and are implemented across the board for both imported and locally produced products. To improve the country's seemingly complicated food inspection framework, following the passing of relevant legislation (see above), as from 2 February 2015, the Bangladesh Food Safety Authority (BFSA), a statutory body under the Ministry of Food, was established to ensure the overall coordination.<sup>103</sup> The BFSA is the main body for

<sup>97</sup> So far, Bangladesh's WTO notifications consisted of: a TBT Art. 15.2 notification in document G/TBT/2/Add.88 (2006); and an acceptance to the TBT Code of Good Practice in documents G/TBT/CS/N/92 (1998) and G/TBT/CS/N/145 (2002). WTO document G/TBT/40, 12 March 2018.

<sup>98</sup> A mobile court takes place when a magistrate moves to the place of the offence committed and tries the case outside the courtroom. Bangladesh Law Digest online information Viewed at: <http://bdlawdigest.org/mobile-court-conflict-of-interest-between-the-judiciary-and-the-executive.html>; Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>99</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December. More information is available in Sections 3.2.3, 3.2.4, 3.3.1.2.4, 3.3.2.1, and 4.3.5.2.

<sup>100</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>101</sup> The National Codex Contact Point and National Codex Committee are in the BSTI. Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>102</sup> This BDS coverage includes: cereals; pulses; oilseeds; milk and milk products; fish and fisheries products; spices and condiments; animal feed; fruit and vegetable products; starch, derivatives and their by-products; forest products; food colourings; artificial sweeteners and additives; pesticides; soft drinks and beverages; and irradiated food products. BSTI (2018), *List of Bangladesh Standards (BDS) on agricultural and food products*, January. Viewed at: <http://www.bsti.gov.bd/>.

<sup>103</sup> Fifteen ministries are reportedly involved in food safety and quality control, and ten are directly involved in food inspection and enforcement services. The roles and responsibilities of the ministries and agencies concerned seem unclear. Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening*

ensuring food safety, and for establishing rules and regulations for setting MRLs (see below) and applicable limits for chemicals and other contaminants according to Codex standards. The BFSA's multidisciplinary National Food Safety Management Advisory Council is tasked with providing advice and direction/guidance to the BFSA and all others concerned with food safety management.<sup>104</sup>

### **International cooperation**

3.106. Bangladesh is a member of the World Organization for Animal Health (OIE). In partnership with the BSTI, the United Nations Food and Agriculture Organization (FAO) Food Safety Programme has continued to support capacity development activities to strengthen the country's participation in the Codex standard-setting process.<sup>105</sup> Bangladesh signed SPS-related MoUs with Sri Lanka, Viet Nam, India, and the Russian Federation.

### **Regulatory developments**

3.107. Since its previous TPR, Bangladesh's main laws and regulations governing food standards and sanitary and phytosanitary (SPS) standards were added to with food safety legislation, including: the Food Safety Act, 2013; the Food Safety (Food processing and administration system) Rules, 2014; the Formalin Control Act, 2015; the Formalin (Import, Production, Transportation, Storage, Sales and Usage) Control Rules, 2015; the Food Safety (Contaminants, Toxins and Harmful Residues) Regulations, 2017; the Food Safety (Labelling) Regulations, 2017; the Use of Food Additives Regulations, 2017; the Food Sample Collection, Testing and Analysis Regulations, 2017; the Food Safety (Technical Committee) Rules, 2017; and the Safe Food (Food Hygiene) Regulation, 2018.<sup>106</sup> This legislation was passed to ensure the establishment of an efficient and effective authority (see below), and to regulate, through coordination, the activities relating to food production, import, processing, stock, supply, marketing and sales, to ensure access to safe food through the appropriate application of scientific process.

### **MRLs**

3.108. As at July 2018, the BSTI's BDSs covered 27 pesticides (including one insecticide) (Section 3.3.3.1). MRLs are checked by the Plant Protection Wing of the Department of Agricultural Extension under the Ministry of Agriculture. This Wing ensures the prevention of the introduction of quarantine pests through imported plants and plants products, beneficial organisms and packaging materials. The BFSA is responsible for setting and promulgating MRLs for food; its Food Safety (Contaminants, Toxins and Harmful Residues) Regulations contain a set of MRLs for most foods for human consumption.

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<sup>104</sup> The National Food Safety Management Advisory Council is chaired by the minister in charge of the Ministry of Food, and includes high-level representatives from the Cabinet, the Parliament, the Ministry of Public Administration, the Ministry of Home Affairs, the Ministry of Health and Family Welfare, the MOC, the Ministry of Agriculture, the Ministry of Fisheries and Livestock, the Ministry of Environment and Forest, the Ministry of Industries, the MoST, the Ministry of Information, the Bangladesh Council of Scientific and Industrial Research, the Bangladesh Atomic Energy Commission, the Bangladesh Food Safety Authority (BFSA), the BSTI, the BAB, the Institute of Nutrition and Food Science (University of Dhaka), the University of Dhaka, the Federation of Bangladesh Chambers of Commerce and Industries, the City Corporation, and the Upazila Parisad Chairman (to be nominated by the Government). BFSA online information. Viewed at: <http://www.bfsa.gov.bd/index.php/bfsa-advisory-council/223-bfsa-advisory-council>.

<sup>105</sup> FAO online information. Viewed at: <http://www.fao.org/in-action/food-safety-bangladesh/news/detail/en/c/411759/>.

<sup>106</sup> Sanitary standards remain governed by the Pure Food Ordinance, 1959, as revised by the Food Safety Ordinance, 1994, and the Pure Food Rules, 1967. At the time of the previous TPR, domestically, the food safety regime was considered as weak. According to a 2010 FAO report, while a range of national policies and other documents made some reference to aspects of food safety and quality in Bangladesh, there was only limited focus on food safety, and important issues were dealt with only superficially. WTO document WT/TPR/S/270/Rev.1, 26 November 2012; BFSA online information. Viewed at: <http://www.bfsa.gov.bd/index.php/law-justice>. Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

### **Food additives**

3.109. The BFSA is responsible for setting limits on food additives. Its Use of Food Additive Regulations set these limits for different food products and ingredients. The BSTI ensures that a product standard is in line with the requirements set in the Regulation. As at July 2018, the BSTI's BDSs covered 19 food colourings, artificial sweeteners, and additives (Section 3.3.2.2).

### **Genetically modified raw materials**

3.110. The Biosafety Rules, 2012 govern the approval process for the introduction of genetically engineered (GE) products developed domestically or by a third country. According to these Rules, all GE products must be approved before they can be imported or sold domestically.<sup>107</sup> Under the Plant Quarantine Rules, 2018, genetically modified raw materials may be imported for scientific purposes only (Section 3.3.3.2).

#### **3.3.3.2 Quarantine regulations**

##### **Institutional and procedural developments**

3.111. Customs, in close collaboration with port authorities, remains responsible for border food inspection, as prescribed by the IPO in place as well as a number of subsidiary acts and standards (see below, and Sections 3.3.2.1 and 3.3.3.1).<sup>108</sup> The authorities indicated that, since 2012, the International Standards for Phytosanitary Measures (ISPMs) guidelines (including ISPM No. 31, methodologies for sampling of consignments) have been followed for carrying out food import inspections.<sup>109</sup> Shipping documents must include radioactivity test reports and certificates declaring the food "fit for human consumption", and "not mixed with harmful substances", and indicating the country of origin; the implementation of this requirement appears to have raised some concern.<sup>110</sup> Customs carries out physical tests, including organoleptic tests, at the port of entry. According to a 2010 FAO report, imported food samples may be analysed by laboratories at the BSTI (products subject to mandatory BDSs only (Section 3.3.3.1)), the Bangladesh Atomic Energy Commission, the Plant Protection Wing, the Department of Agricultural Extension, the Fish Inspection and Quality Control Wing of the Department of Fisheries, the Bangladesh Council of Scientific and Industrial Research, and the Customs Department Laboratory in Chittagong.<sup>111</sup> Products not complying with the rules may be re-labelled correctly, downgraded to purposes other than for human consumption, or destroyed, depending on the issue. Customs keeps information on the compliance history of importers, for risk management administration purposes.

##### **Phytosanitary measures**

3.112. Plant protection activities remain under the Director of the Plant Protection Wing. During the review period, some changes were made to the main laws and regulations on phytosanitary

<sup>107</sup> Viewed at: <http://bangladeshbiosafety.org/2017/05/16/bangladesh-biosafety-rules-2012/>.

<sup>108</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, DC.

<sup>109</sup> Viewed at: [https://www.ippc.int/static/media/files/publication/en/2016/11/ISPM\\_31\\_2008\\_Sampling\\_of\\_consignments\\_EN.pdf](https://www.ippc.int/static/media/files/publication/en/2016/11/ISPM_31_2008_Sampling_of_consignments_EN.pdf).

<sup>110</sup> IPO 2015-18 requires imports to be accompanied by: certificates for the absence of melamine for the import of milk and milk products; certificates for radioactivity (presence of CS-137), required for many products and origins, issued by the exporting country and by the Bangladesh Atomic Energy Commission; and certificates for the "purity" of oil palm products (including palm oil, palm olein, and RBD palm stearin). It seems that the scientific basis for such requirements is not obvious, as it is claimed that neither the process through which they are adopted nor the form in which they are published meets international best practice. Although they target legitimate needs, such as food safety, they appear to be formulated in a way that offers little protection, and inflicts unnecessary costs on the private sector and the consumer. The requirement for radioactivity tests has reportedly not been strictly implemented on food products originating from countries from the SAARC and ASEAN. Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, DC.

<sup>111</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

requirements and procedures. Phytosanitary measures continue to be governed by the Destructive Insects and Pest Rules, 1966 and the Plant Quarantine Act, 2011 (last amended in 2018).<sup>112</sup> Since 2012, the Plant Quarantine Rules, 2018 and the Pesticide Act, 2018 have been introduced. As at 2018, the list of plants and plant products permitted for importation, which is currently operated by the Department of Agricultural Extension of the Ministry of Agriculture and is to be issued by the National Plant Quarantine Authority upon its establishment, covered 125 items (including cereals, fruits, vegetables, spices, oil seeds, pulses, flowers and flower bulbs/seeds, herbaceous/ornamental plants, timber logs and forest products, coffee, tea, tobacco, cotton and some industrial (non-food) crops) and indicated their use, country of origin, the requirement of additional declarations, and special conditions of import; it also contained a list of 38 weed species subject to quarantine. Any imported plants or plant products must be accompanied by a phytosanitary certification, issued by the authorities of the exporting country, and are subject to quarantine and inspection. If the requirements are not met, the Quarantine Officer may send the commodity back to the shipper/reject entry/destroy it, or may allow entry, subject to treatment. As at November 2018, Bangladesh had 32 (26 in 2012) plant quarantine stations/entry points, of which 3 (3 in 2012) are located in international airports, 3 (2 in 2012) in seaports, 3 (1 in 2012) in river ports, 1 (1 in 2012) in an Inland Container Depot (ICD), and 22 (19 in 2012) in border land ports. The authorities indicated that the legislation provides for a transaction time of 24 hours for perishable items for the issuance of a phytosanitary certificate; for other items, the 24-hour requirement may be extended to meet relevant fumigation, inspection or any other treatment or test needs. According to the Plant Protection Wing, transaction times were low, one to two hours if documents were satisfactory and no inspection problems were found.<sup>113</sup> If testing was needed, up to three days could be required to finalize the transaction; in the case of seeds, the transaction time could exceed three days.

### Sanitary measures

3.113. During the review period, the main laws and regulations on sanitary quarantine requirements remained unchanged (see below). They include: the Bangladesh Diseases of Animal Act, 2005; the Bangladesh Diseases of Animal Rules, 2008; the Bangladesh Animal and Animal Product Quarantine Act, 2005; the Bangladesh Fish and Animal Feed Act, 2010; the Bangladesh Animal Slaughter and Meat Quality Control Act, 2011; and the Animal Feed Rules, 2013.<sup>114</sup> The Ministry of Health and Family Welfare (MOHFW) and the Ministry of Fisheries and Livestock continue to cooperate for the prevention and control of human and animal exotic diseases that are transmissible through international trade and commerce (e.g. human cases of avian influenza). Animals and animal products remain subject to inspection and quarantine. Meat from EU countries must be certified as free from bovine spongiform encephalopathy (BSE).<sup>115</sup>

3.114. Fisheries measures remain governed by: the Fish and Fish Products (Inspection and Quality Control) Ordinance, 1983; the Fish and Fish Products (Inspection and Quality Control) Rules, 1997 (amended in 2008, 2014 and 2017); the Fish Feed and Animal Feed Act, 2010; the Fish and Fish Production (Inspection and Quality Control) Rules, 1997 (last amended in 2008); the Fish Feed Rules, 2011; the Fish Hatchery Act, 2010; the Fish Hatchery Rules, 2011; and the Fish Quarantine Act, 2018. In 2015, the Quality Control (QC) laboratories were separated from the Fish Inspection and Quality Control (FIQC) section of the Department of Fisheries, under the administrative control of the Ministry of Fisheries and Livestock, now run by a Quality Assurance Officer. QC laboratories are involved in the testing of pre-export samples of fish and fish products and samples under the residue monitoring programme (RMP), such as the National Residue Monitoring Program (NRCP), as well of fish feed and feed ingredients. Exportable fish and fish products are harvested, collected, transported, preserved, processed and packed as per FIQC rules and regulations and the importing country's standards. As at 2018, pre-export tests of fish, shrimp and fishery products were conducted in three QC laboratories in Dhaka, Khulna and Chittagong. Bangladesh has faced, and

<sup>112</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012; Plant Quarantine Act, 2011. Viewed at: [http://dae.portal.gov.bd/sites/default/files/files/dae.portal.gov.bd/page/634ba167\\_b3aa\\_4297\\_8d44\\_2cf394d7552c/Plant%20Quarantine%20Act%202011%28English%20Version%29.pdf](http://dae.portal.gov.bd/sites/default/files/files/dae.portal.gov.bd/page/634ba167_b3aa_4297_8d44_2cf394d7552c/Plant%20Quarantine%20Act%202011%28English%20Version%29.pdf); Plant Quarantine Act, 2018. Viewed at: [http://www.dpp.gov.bd/upload\\_file/gazettes/25946\\_99978.pdf](http://www.dpp.gov.bd/upload_file/gazettes/25946_99978.pdf).

<sup>113</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>114</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>115</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh — Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.



continues to face, ongoing challenges in meeting standards for its fish exports, in particular to the EU market, which is the largest importer of Bangladesh shrimp; frozen shrimp accounted for 42% of total agricultural exports (HS 1-24) in 2016/17, and 10% of the total EU imports of this item in 2017.<sup>116</sup>

3.115. Under a livestock diseases prevention and control project, Bangladesh constructed 24 quarantine stations in different sea, land and airport entry points, to enhance the level of border controls and inspections, to ensuring the protection of human, animal and plant life or health in its territory, in line with relevant OIE obligations (Section 3.3.3.1).

### **Other**

3.116. Under the EU's Rapid Alert System for Food and Feed (RASFF), between January 2012 and June 2018, there have been 143 notification cases, including border rejections and information for attention/follow-up, for food items (e.g. shrimp, fruit and vegetables, cereals and bakery products, confectionery, and herbs and spices) from Bangladesh, involving, *inter alia*, the presence of *salmonella enterica* or unauthorized substances, a drop compared to 235 cases between 2005 and 2011.<sup>117</sup>

### **3.3.3.3 Transparency**

3.117. So far, Bangladesh has not submitted any notification to the WTO Committee on Sanitary and Phytosanitary Measures, and neither has it been subject to SPS-related specific trade concerns.

### **3.3.3.4 Marking, labelling and packaging requirements**

3.118. The Food Safety (Labeling) Regulation, 2017, which was introduced in 2017 and replaced the Pure Food Rules, 1967, determines all the major aspects of food packaging and labeling. Marketing, labeling and packaging materials of genetically modified organism (GMO) food requirements are based on the Biosafety Rules.

## **3.3.4 Competition policy and price controls**

### **3.3.4.1 Competition policy**

3.119. During the review period, the legal and institutional framework for competition was developed, in line with the Perspective Plan of Bangladesh (2010-21): Making Vision 2021 a Reality, which, *inter alia*, aims to promote competition among public-private entities.<sup>118</sup> The Plan also advocates strengthened competition policies, in order to maintain a moderate rate of annual inflation at around 5%-7%.

### **Regulatory developments**

3.120. During the review period, the legal framework for competition underwent significant changes. Following the enactment of the Competition Act, 2012, the Government has been active in preparing related complementary rules and regulations.<sup>119</sup> The Bangladesh Competition Commission (BCC) (Chairperson and Members) Appointment Rules, 2015 (see below) were adopted. Draft Competition Fund Regulations, 2018 were prepared and sent to the Legislative and Parliamentary Division. As at November 2018, BCC Meeting and Procedure Rules, 2017 were to be prepared and their final draft was to be completed in early 2019.

<sup>116</sup> Data from the UN Comtrade Database, SITC Rev.3, and the Bangladeshi authorities.

<sup>117</sup> RASFF online data. Viewed at: <https://webgate.ec.europa.eu/rasff-window/portal/?event=notificationsList&StartRow=1>.

<sup>118</sup> Ministry of Planning/Planning Commission/General Economics Division (2012), *Perspective Plan of Bangladesh (2010-2021): Making Vision 2021 a Reality*, April. Viewed at: <http://www.plancomm.gov.bd/perspective-plan/>.

<sup>119</sup> BCC (2017), *Laws and Rules*. Viewed at: <http://www.ccb.gov.bd/site/page/9d9b8565-b308-4846-b5bb-bbf50a91b708/Law-and-Regulations>.

3.121. The Competition Act, 2012 (the Act), was enacted, repealing the former Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970.<sup>120</sup> The Act's 46 sections focus on three main concerns: anti-competitive agreements (Section 15); abuses of dominant position (Section 16); and anti-competitive combinations (Section 21).<sup>121</sup> Section 15 provides a non-exhaustive list of horizontal and vertical arrangements that may adversely affect competition. These include price fixing, bid rigging, market allocation, tie-in arrangements, exclusive distribution, refusal to deal, and resale price maintenance. The same section provides an exemption from competition scrutiny, to ensure the right of any person to "block" any infringement of intellectual property rights, and the right to export goods (to the extent to which the Agreement relates exclusively to the production, supply, distribution or control of goods, or the provision of services for such export).<sup>122</sup> Section 16 lists a set of conditions considered as abuses by a dominant enterprise, including discriminatory and predatory pricing. Section 21 prohibits anti-competitive combinations which cause, or are likely to cause, an adverse effect on competition. The Act does not contain any provisions on leniency programmes. Plans for drafting Guidelines as per Sections 15, 16 and 21, for example in relation to practices related to abuse of dominant position, the interface between IP and competition, horizontal and vertical mergers, procedural rules for merger investigations, and plans for a whistle-blower/leniency policy, are yet to be developed.

3.122. Section 4 of the Act provides for an exemption for practices related to those goods and services which are controlled by the Government in the interests of national security and which are not open to the private sector.<sup>123</sup> A detailed list of product exemptions by SOE is yet to be finalized. According to the authorities, matters relating to import and export cartels (including exclusive dealership arrangements) are yet to be dealt with.

### ***Institutional developments***

3.123. The BCC, set up under Section 5 of the Act and consisting of one Chairperson and four members, has been operational since October 2016.<sup>124</sup> Its vision consists of: promoting, ensuring, and sustaining a congenial atmosphere for competition in trade; and preventing, controlling, and eradicating collusion, monopoly and oligopoly positions, combination or abuse of dominant positions, or activities adverse to competition.<sup>125</sup> Its main function is to eliminate practices having an adverse effect on competition in the market, to promote and to sustain competition, and to ensure freedom of trade. The BCC, *inter alia*, deals with the investigation and approval of mergers and acquisitions, including foreign entities that have established a place of business in Bangladesh. The BCC can investigate any such proposal on an *ex officio* basis or upon complaint by a third party.<sup>126</sup> It also drafts rules, policy, instructions of notifications and administrative directions related to competition, and provides policy implementation advice to the Government.

3.124. Advocacy has also been a focus.<sup>127</sup> In particular, the BCC seeks to develop public awareness of anti-competitive agreements, by conducting research, holding seminars, symposia, workshops and other similar activities, and publishing and disseminating information thereon. The BCC favours cross-jurisdictional dialogue. It is a member of the International Competition Network (since 20 February 2018), has attended the OECD's Global Forum on Competition meetings (since 2016), and has participated in the activities of the International Group of Experts of UNCTAD, and in staff training by the Competition Commission of India (CCI), the Japan Fair Trade Commission (JFTC) and the Korea Fair Trade Commission (KFTC).<sup>128</sup> Work for signing MoUs with the CCI, the JFTC and the

<sup>120</sup> BCC online information. Viewed at: <http://www.ccb.gov.bd/site/page/bab76c90-2146-48fc-82e7-51f6d7f6c383/History-Mission-Vision-and-Functions>.

<sup>121</sup> The Competition Act, 2012. Viewed at: [http://www.dpp.gov.bd/upload\\_file/gazettes/20533\\_10683.pdf](http://www.dpp.gov.bd/upload_file/gazettes/20533_10683.pdf).

<sup>122</sup> Section 15 (4) of the Competition Act.

<sup>123</sup> The Competition Act, 2012.

<sup>124</sup> BCC (2017), *About Competition Commission*. Viewed at: <http://www.ccb.gov.bd/site/page/bab76c90-2146-48fc-82e7-51f6d7f6c383/About-Competition-Commission>.

<sup>125</sup> BCC online information. Viewed at: <http://www.ccb.gov.bd/site/page/bab76c90-2146-48fc-82e7-51f6d7f6c383/History-Mission-Vision-and-Functions>.

<sup>126</sup> There is no provision for independent review or an appellate body in the Competition Act 2012. As per Section 29 of the Act, there is a provision for appeal to the Government against a BCC order.

<sup>127</sup> BCC online information. Viewed at: <http://www.ccb.gov.bd/site/page/bab76c90-2146-48fc-82e7-51f6d7f6c383/History-Mission-Vision-and-Functions>.

<sup>128</sup> BCC online information. Viewed at: <http://www.ccb.gov.bd/site/page/bab76c90-2146-48fc-82e7-51f6d7f6c383/History-Mission-Vision-and-Functions>.

KFTC is underway; in March 2018, the BCC held its first bilateral meeting with the KFTC to explore areas of cooperation.

### **Enforcement**

3.125. As at August 2018, the BCC had received four complaints. These involved: an anti-competitive agreement between the Raowa convention hall and a catering service (complaint submitted on 3 October 2017, case closed on 16 May 2018 upon BCC instruction for the repeal of the agreement); anti-competitive activities of Chittagong C&F agencies, allegedly related to a fixed commission (complaint submitted on 13 December 2017, under investigation); an anti-competitive practice relating to the sharp price hike of rod, an essential building material, allegedly due to a syndicate involved in the business (complaint submitted on 20 March 2018, under investigation); and an anti-competitive practice in the paper industry (complaint submitted on 28 May 2018, under investigation). Furthermore, in September 2018, a working group was established by the Bangladesh Institute of Development Studies, to analyse onion market behaviours; a report is to be issued in 2018.<sup>129</sup>

3.126. Concerning merger control, in January 2016, the two parent companies of the Malaysia-based Robi and the India-based Airtel agreed to merge their operations in Bangladesh, in the first telecommunications and largest corporate merger in the country.<sup>130</sup> Upon completion of anti-competition scrutiny by the Bangladesh Telecommunication Regulatory Commission (BTRC) (the BCC was not established at that time), this USD 12.5 million deal was cleared in November 2016, with the final approvals of the BTRC and the Prime Minister. The authorities indicated that the BCC is not yet in a position to deal with mergers.

#### **3.3.4.2 Price regulation**

3.127. SOEs continued to influence domestic pricing in certain areas (Section 3.3.5). Since 2015, the Trading Corporation of Bangladesh has been mandated to build up buffer stocks for the stabilization of market prices of essential commodities. The state-owned Bangladesh Petroleum Corporation (BPC) remained the sole seller of crude and refined oil in the domestic market and did not adjust domestic retail prices to world price fluctuations (Sections 3.3.1.2.4, 3.3.5 and 4.2.2.1); the price of refined oil is fixed by the BPC, and is not regulated by the Bangladesh Energy Regulatory Commission (BERC). During the review period, the BERC has determined: the bulk tariff for power generation, the wheeling charge for transmission and the retail tariff for the distribution of electricity; and the gas transmission charge for gas transmission companies, the distribution tariff (margin) for gas distribution companies, and the tariff for end-users of gas (Section 4.2.2).<sup>131</sup>

#### **3.3.4.3 Consumer protection**

3.128. Consumer protection rights and principles are embodied in the Constitution.<sup>132</sup> Since the last Review, no changes were made to the Consumer Rights Protection Act (CRPA), 2009, an addition to around 61 seemingly outdated and overlapping laws (see below) dealing with consumer rights and their protection mechanisms in a sporadic way. The Directorate of National Consumer Rights Protection (DNCRP), under the MOC, remains responsible for issues in this area, and operates a National Consumer Complaint Center; the National Consumer Rights Protection Council, under the same Ministry, is, *inter alia*, in charge of policy formulation, government advice and raising public awareness. Furthermore, the law also provides for the establishment of specific courts (e.g. Drug Court, Food Special Court, Mobile Courts, Ordinary Criminal Courts, Ordinary Civil Courts) to protect the rights of consumers. The Consumers Association of Bangladesh (CAB), a non-governmental non-profit and voluntary consumer organization, runs a Complaint Cell to receive and document complaints and grievances related to the violation of rights and interests regarding the purchase and

<sup>129</sup> Onions are an essential commodity, involving huge demand and price sensitivity in Bangladesh.

<sup>130</sup> Export.gov, *Bangladesh Legal Regime*, 20 October 2017. Viewed at: <https://www.export.gov/apex/article2?id=Bangladesh-Legal-Regime>.

<sup>131</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>132</sup> Articles 15, 18 and 32 of the Constitution. Viewed at: [http://bdlaws.minlaw.gov.bd/pdf\\_part.php?id=367](http://bdlaws.minlaw.gov.bd/pdf_part.php?id=367). Mollik Wasi Uddin Tami (2016), *Consumer Rights Protection and Bangladesh*, 13 August. Viewed at: <http://bdlawdigest.org/consumer-rights-protection-in-bangladesh.html>; Md. Nayem Alimul Hyder (2017), *Consumer's rights protection in Bangladesh*, 26 April. Viewed at: <https://thefinancialexpress.com.bd/views/consumers-rights-protection-in-bangladesh>.

use of commodities and services; consequently, it initiates investigations, and provides redressal in the form of settlement through negotiation and mediation between the parties.<sup>133</sup> Legal assistance is sometimes provided to the aggrieved consumers. According to data from the authorities, between 2010/11 and 2016/17, all complaints were dealt with; in 2017/18, out of 9,019 complaints received, 8,207 were settled, and 812 were under investigation.

3.129. The CRPA and other laws provide for both civil and criminal remedies; however, there seem to be concerns regarding the CRPA provisions in this respect.<sup>134</sup> The CRPA provides that only competent government officers are entitled to institute a case against the violation of such laws; hence, a consumer action is limited to lodging a complaint with the Director General of the DNCRP.<sup>135</sup> As at 2017, the main consumer problems reportedly involved adulteration, product inconsistency regarding price, deceptive advertising, deceptive packaging and branding, false information about goods and services, cheating in weights and measures, false dates, fraudulent production process and selling, etc.<sup>136</sup> The overlapping of the different consumer protection-related laws appears to be a problem for implementing measures against criminality associated with the violation of consumer rights, and weakens enforcement.<sup>137</sup>

### 3.3.5 State trading, SOEs, and privatization

3.130. SOEs in certain critical areas continue to play an important role in shaping the economic development of Bangladesh. In spite of being a drain on public resources, through a range of subsidies and contingent liabilities, they continue to exert considerable influence on the economy through the supply of vital inputs and services and their pricing policies (Sections 3.3.4.2 and 4.2).

3.131. During the review period, state involvement in certain vital parts of the economy has remained relatively unchanged, and is spread over several activities, including agriculture, fisheries, food, jute, textiles, electricity, petroleum, gas, construction, banking, insurance, telecoms, and transport; its presence is considerable in energy (including petroleum and gas) and banking activities (Sections 4.1.4, 4.1.6, 4.2, 4.3.4, 4.3.5, 4.4.3.1, 4.4.3.3, 4.4.4 and 4.4.5.1). SOEs continue to be managed largely by ministries, including the Cabinet Division, the Ministry of Finance, the Planning Commission, and "concern line" ministries.<sup>138</sup> As at July 2018, at least 112 SOEs were operating in Bangladesh, of which 46 were non-financial public enterprises (see below), compared to 45 in 2012, with the increase due to the addition of the Rajshahi Water Supply and Sewerage Authority.<sup>139</sup> Since 2013, the Government broke the monopoly of the BPC, by allowing the private sector to import crude and refined oil, under the condition that the refined oil would be sold to the BPC, which is the

<sup>133</sup> Gradually, the CAB widened its scope to establish and safeguard consumers' rights and interests in social, economic, health and environmental issues. CAB online information. Viewed at: <http://www.consumerbd.org/about-cab/>.

<sup>134</sup> The CRPA does not seem to follow international standards in terms of dispute resolution. It, *inter alia*, does not provide for any quasi-judicial dispute resolution system for the resolution of consumer complaints. The usual trial procedure for redressing issues arising out of the violation of the CRPA proved to be time-consuming, complex and multifarious. Mollik Wasi Uddin Tami (2016), *Consumer Rights Protection and Bangladesh*, 13 August. Viewed at: <http://bdlawdigest.org/consumer-rights-protection-in-bangladesh.html>.

<sup>135</sup> Mollik Wasi Uddin Tami, *Consumer Rights Protection and Bangladesh*, Bangladesh Law Digest, (2016). Viewed at: <http://bdlawdigest.org/consumer-rights-protection-in-bangladesh.html>.

<sup>136</sup> Md. Nayem Alimul Hyder (2017), *Consumer's rights protection in Bangladesh*, 26 April. Viewed at: <https://thefinancialexpress.com.bd/views/consumers-rights-protection-in-bangladesh>.

<sup>137</sup> The following have been observed by experts as potential impediments to enforcement: different laws on the same subject, different types of punishment for the same offence under different laws, court fees for filing a suit for compensation, delays in proceedings; the investigation procedure is left to the police instead of the independent authorities; and a lack of a monitoring mechanism. Md. Nayem Alimul Hyder (2017), *Consumer's rights protection in Bangladesh*, 26 April. Viewed at: <https://thefinancialexpress.com.bd/views/consumers-rights-protection-in-bangladesh>.

<sup>138</sup> SOEs usually report to the ministries, although the Government has allowed some enhanced autonomy for certain SOEs, such as the Biman Bangladesh Airline.

<sup>139</sup> These 46 SOEs do not cover public limited companies with state share-ownership, such as the Bangladesh Biman Corporation and its subsidiaries, providing aircraft ground handling, aviation engineering, aviation training, and flight catering services (Section 4.4.5.2). The corporate governance structure of SOEs in Bangladesh has been restructured, as per the guidelines published by the OECD, but, reportedly, the country's practices are still not quite up to OECD standards. OECD (2015), *OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition*, OECD Publishing, Paris. Viewed at: <http://dx.doi.org/10.1787/9789264244160-en>. Viewed at: <https://www.export.gov/article?id=Bangladesh-Performance-Requirements>; Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

sole authority for selling refined oil in the country (Section 4.2.2.1.1); however, private companies involved in power generation are allowed to import refined oil. A monopoly is retained in all gas-related activities (Section 4.2.2.1.2). According to data from the authorities, it appears that, between 2013/14, a peak year, and 2016/17, the number of people employed in SOEs has steadily dropped, by an overall 9%.<sup>140</sup> Total assets of the 46 non-financial SOEs increased by 72.28%, from BDT 216,987.05 crore in 2011/12 to BDT 373,821.44 crore in 2016/17. No data on the SOEs contribution (percentage shares) to GDP, employment or government revenue were available from the authorities. Following a net loss of BDT 2,604.73 crore in 2012/13, SOEs earned profit for four consecutive years (2013/14-2016/17); net profit stood at BDT 6,644.47 crore in 2016/17.<sup>141</sup> Their contribution to the public exchequer rose steadily from BDT 1,240.17 crore (2014/15) to BDT 1,841.05 crore (2015/16) and BDT 2,503.48 crore (2016/17). Between 2011/12 and 2016/17, government grants/subsidies provided to SOEs rose by 75.4%, from BDT 1,245.90 crore to BDT 2,185.90 crore; the Bangladesh Water Development Board (BWDB) remains the major subsidy/grant recipient (49.6% of the total subsidy amount in 2016/17).

3.132. During the review period, the privatization process came to a standstill. No privatization took place after 2012. Under the Perspective Plan (Section 3.3.4.1), whilst privatization of identified SOEs is to continue, strategically-placed SOEs are to be provided with adequate support to run as commercially viable, profitable organizations, blending public-sector ownership and private-sector management. Scaling down the coverage and size of SOEs is also planned, so as to provide impetus to private enterprises, which often face uneven competition from SOEs regarding the procurement of raw materials and breaking into export markets, e.g. in the case of jute textiles.<sup>142</sup> No information on cases of scaling-down was available from the authorities. In 2018, the authorities considered that the centralized management of the public-sector jute industry was not suitable, and envisaged the introduction of a PPP to run the state-owned jute mills (Table 3.9, and Sections 4.3.4 and 4.3.5.2).<sup>143</sup> The Privatization Commission was merged with the Board of Investment (BOI) to form the Bangladesh Investment Development Authority (BIDA) on 1 September 2016 (Sections 2.4.1 and 2.4.2).<sup>144</sup>

**Table 3.9 Indicative list of non-financial public enterprises, 2019**

Sector	Number of enterprises	Name of enterprises
<b>Agriculture</b>	2	Bangladesh Fisheries Development Corporation (BFDC); and Bangladesh Agriculture Development Corporation (BADC).
<b>Power, gas and water</b>	6	Bangladesh Oil, Gas and Mineral Corporation; Bangladesh Power Development Board (BPDB); Dhaka Water Supply and Sewerage Authority; Chittagong Water Supply and Sewerage Authority; Rajshahi Water Supply and Sewerage Authority; and Khulna Water Supply and Sewerage Authority.
<b>Industry</b>	6	Bangladesh Textile Mills Corporation (BTMC); Bangladesh Steel and Engineering Corporation (BSEC); Bangladesh Sugar and Food Industries Corporation (BSFIC); Bangladesh Chemical Industries Corporation (BCIC); Bangladesh Forest Industries Development Corporation (BFIDC); and Bangladesh Jute Mills Corporation (BJMC).
<b>Trade</b>	3	Bangladesh Petroleum Corporation (BPC); Trading Corporation of Bangladesh (TCB); and Bangladesh Jute Mills Corporation ("wind-up").

<sup>140</sup> At the time of the previous Review, SOEs operating in traditional utilities, infrastructure, trade and the manufacturing sector accounted for more than 20% of public sector employment. WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>141</sup> According to the authorities, the total Debt Service Liabilities (DSLs) against the 112 SOEs stood at BDT 203,172.89 crore in 2015/16; up to June 2017, outstanding loans by the state-owned commercial bank to 30 SOEs stood at BDT 26,794.65 crore. The operating profit on total assets of SOEs rose from 1.58% in 2014/15 to 3.46% in 2015/16. The rate of dividend on equity increased to 2.68% in 2015/16, compared to 1.49% in 2011/12. Considering the turnover of assets, the efficiency of resource utilization during 2015/16 decreased slightly, compared to the level of efficiency in the previous fiscal years. Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>142</sup> Planning Commission/General Economics Division (2015), *The 7<sup>th</sup> Five Year Plan FY 2016–FY 2020 - Accelerating Growth, Empowering Citizens*, December. Viewed at [http://www.lged.gov.bd/UploadedDocument/UnitPublication/1/361/7th\\_FYP\\_18\\_02\\_2016.pdf](http://www.lged.gov.bd/UploadedDocument/UnitPublication/1/361/7th_FYP_18_02_2016.pdf).

<sup>143</sup> Budget Speech 2018-19, *Bangladesh on a Pathway to Prosperity*.

<sup>144</sup> BIDA Act, 2016.

Sector	Number of enterprises	Name of enterprises
<b>Construction</b>	5	Rajdhani Unnayan Kartipaksha (RAJUK); Chittagong Development Authority (CDA); Rajshahi Development Authority (RDA); Khulna Development Authority (KDA); and National Housing Authority (NHA).
<b>Transport and communication</b>	7	Bangladesh Shipping Corporation (BSC); Bangladesh Inland Water Transport Corporation (BIWTC); Bangladesh Road Transport Corporation (BRTC); Chittagong Port Authority; Mongla Port Authority; Bangladesh Land Port Authority; and Bangladesh Bridge Authority
<b>Other services</b>	17	Bangladesh Freedom Fighter Welfare Trust; Bangladesh Film Development Corporation (BFDC); Bangladesh Parjatan Corporation; Bangladesh Small and Cottage Industries Corporation (BSCIC); Bangladesh Civil Aviation Authority; Bangladesh Inland Water Transport Authority (BIWTA); Bangladesh Rural Electrification Board (BREB); Bangladesh Export Processing Zone Authority (BEPZA); Bangladesh Handloom Board; Bangladesh Sericulture Board; Bangladesh Tea Board; Bangladesh Telecommunication Regulatory Commission (BTRC); Export Promotion Bureau (EPB); Bangladesh Sericulture Research and Training Institute; Bangladesh Energy Regulatory Commission; Bangladesh Standard and Testing Institution (BSTI); and Bangladesh Export Zone Authority (BEZA).

Note: The table's content, and SOE allocation per sector, is furnished by the authorities; they indicated concern over their classification of certain entities as SOEs (e.g. certain regulatory authorities, boards, the BEPZA and the EPB).

Source: Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

### State trading

3.133. The public sector remains the country's largest importer, as most government agencies, autonomous organizations, and public sector corporations import items purchased through public tender directly, in line with the public procurement legislation (Section 3.3.6.2).<sup>145</sup> Imports by government agencies, including the TCB, government and semi-government entities, and state-owned industries, remain substantial.<sup>146</sup> At the time of the previous Review, the major public sector or state-owned direct importers were the BPDB; the BSEC; the Bangladesh Oil, Gas and Mineral Corporation, or Petrobangla; the BSFIC; the TCB; the BREB; the Dhaka Electric Supply Authority; and the Water and Sewage Authority.<sup>147</sup> No data on imports by these entities from 2012 onwards was available from the authorities.

3.134. In 2015, the TCB was mandated to build up buffer stock for the stabilization of market prices of essential commodities, through import and local procurement, to sell them at a fair price (i.e. affordable for low-income people).<sup>148</sup> According to data from the authorities, between 2012/13 and 2017/18, the TCB imported: 10,357 metric tonnes of chick peas; 11,022 metric tonnes of red lentils; 1,915 metric tonnes of palm oil; 2,014 metric tonnes of soyabean oil; and 526 metric tonnes of dates. In addition, the TCB purchased different essential commodities from the local market. As the TCB maintains buffer stocks and sometimes sells its products below purchase price, between 2012/13 and 2016/17, a subsidy of BDT 23,531 million was provided, to cover the related financial gaps. The TCB reportedly suffers from governance problems, and is not an efficient buyer; this limits its ability to stabilize edible oil and sugar prices, for which the market-structure issues are apparently similar.<sup>149</sup> During the review period, the BPC, which imports crude and refined oil according to domestic demand, did not reflect world price fluctuations in its domestic sale prices.<sup>150</sup> The non-adjustment of the oil price and the Customs duty to the domestic market has led to the

<sup>145</sup> WTO document WT/TPR/S/168/Rev.1, 15 November 2006.

<sup>146</sup> Viewed at: <https://www.export.gov/apex/article2?id=Bangladesh-Selling-to-the-Government>.

<sup>147</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>148</sup> The fair retail price of the TCB's products may be fixed below the world market prices so that targeted consumer groups can afford them, and so that the domestic market price remains stable.

<sup>149</sup> Kathuria Sanjay, and Mariem Mezghenni Malouche, eds. (2016), *Strengthening Competitiveness in Bangladesh – Thematic Assessment: A Diagnostic Trade Integration Study*, Directions in Development, July, Washington, D.C.

<sup>150</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

disbursement of subsidies in the amount of BDT 8,550.00 crore in 2011/12, BDT 13,557.83 crore in 2012/13 and BDT 2,477.60 crore in 2013/14 to BPC for the import of petroleum products; no subsidy disbursement was required in 2015/16 or 2016/17, due to the drop in international oil prices in recent years.

3.135. Bangladesh has never notified the WTO of any state-trading activities undertaken by entities within the meaning of Article XVII:4(a) of the GATT 1994.

### 3.3.6 Government procurement

3.136. Government procurement of goods and services was estimated at BDT 230 billion in 2016/17, representing 1.17% of GDP, the same as in 2011/12; during this period, it rose by 88% in value terms.<sup>151</sup> At the time of the previous Review, government agencies, such as the Roads and Highways Department (RHD), the Local Government and Engineering Department (LGED), the Bangladesh Water Development Board (BWDB), the Rural Electrification Board (REB), the Public Works Department (PWD), and the Power Development Board (PDB), conducted a large share of procurement. No data was available from the authorities, on the share of foreign suppliers in the procurement and public works market, the main categories of goods and services procured, or the main public-sector entities in the total value of procured goods and services and public works contracts, from 2012 onwards.

#### 3.3.6.1 Reforms

3.137. During the review period, Bangladesh continued to reform its government procurement system, with World Bank Group support. The Public Procurement Reform Project II (PPRP-II), jointly funded by the Government and the World Bank Group, was completed in 2017; it included the introduction of an electronic government procurement (e-GP) system (see below).<sup>152</sup> The new USD 60 million Bangladesh-World Bank Group Digitizing Implementation Monitoring and Public Procurement Project (DIMAPPP), for the period 2017-22, is currently being implemented.<sup>153</sup> Upon completion, it is expected that all public procurement organizations will be registered in the e-GP system, and will conduct e-procurement as part of the Government's plan to fully digitize public procurement.

#### 3.3.6.2 Regulatory and institutional framework

3.138. During the review period, the regulatory framework, consisting of the Public Procurement Act (PPA 2006) and the Public Procurement Rules (PPR 2008), appears to have been amended in 2017 but all texts available online are only in Bengali.<sup>154</sup> Detailed procurement processing and approval procedures are set out in the PPR 2008. The Law and Rules share common principles of transparency, accountability and fair competition as important features of internationally accepted best practices in government procurement. The authorities consider that this framework addresses

<sup>151</sup> In Bangladesh, government procurement is defined as the procurement of goods, works or services by any procuring entity, using public funds or development funds provided by foreign governments or organizations. It includes procurements by any government, semi-government, or statutory body, or company registered under the Companies Act, 1994. However, these estimates do not include development or public works expenditure or procurement by SOEs. Bangladesh Bureau of Statistics (2018), *2017 Statistical Year Book Bangladesh*, Table 9.01, May, Dhaka. Viewed at: [http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758\\_8497\\_412c\\_a9ec\\_6bb299f8\\_b3ab/S\\_Y\\_B2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758_8497_412c_a9ec_6bb299f8_b3ab/S_Y_B2017.pdf).

<sup>152</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012; Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>153</sup> According to the authorities, the DIMAPPP is set to achieve four objectives: i) restructuring the Central Procurement Technical Unit (CPTU) and institutionalizing the e-GP system; ii) digitizing the public procurement process, to bring all government organizations under the e-GP system; iii) training government officials and bidders to enhance their capacity regarding procurement management and engagement; and iv) digitizing project monitoring. Viewed at: <http://www.cptu.gov.bd/about-cptu/public-procurement-reform.html>; World Bank Group (2017), *Bangladesh Country Snapshot*, October. Viewed at: <http://www.worldbank.org/en/country/bangladesh>.

<sup>154</sup> The PPA 2006 and the PPR 2008 and their amendments are available online. Viewed at: [http://www.rhd.gov.bd/Documents/PPR/07%20-%20ThePublicProcurementAct2006\(041207\)45.pdf](http://www.rhd.gov.bd/Documents/PPR/07%20-%20ThePublicProcurementAct2006(041207)45.pdf), and <http://www.cptu.gov.bd/procurement-policy-and-procedure-documents/procurement-act.html>.

the domestic realities as well as best global practices. It remains unclear whether the regime covers all SOE-related procurement activities (Section 3.3.5).

3.139. The public procurement system remains centralized, and is operated by the Central Procurement Technical Unit (CPTU), within the Implementation Monitoring and Evaluation Division (IMED) of the Ministry of Planning, through e-GP (see below). The CPTU remains in charge of monitoring the implementation of the PPA, and conducting government procurement in the country. It is responsible for proposing amendments to the PPA and the PPR, and issuing guidance and instructions regarding the interpretation and implementation of the PPR and other documents. A draft Act of Bangladesh Public Procurement Authority (BPPA) appeared to be under preparation in October 2018.

### 3.3.6.3 Procurement methods and related issues

3.140. Since the previous Review, there has been no apparent change in the procurement methods, bidding procedures or procurement thresholds. They consist of: the Open Tendering Method (OTM), seemingly the most preferred method; the Request for Quotation Method (RFQM); the Direct Procurement Method (DPM); the Limited Tendering Method (LTM); the Two-Stage Tendering Method (TSTM); and the Single-Stage Two-Envelope Tendering Method (SSTETM) which a Procuring Entity (PE) can adopt with proper justification of sufficient grounds and the approval of the head of the PE.<sup>155</sup> For intellectual and professional service procurement, quality and cost-based selection (QCBS) and fixed budget selection (FBS) are the preferred methods. A framework contract may be used for commonly-used goods on a periodic basis or for recurrent physical services. No information on the threshold ceilings of the procurement value and/or requirements/conditions for each procurement method, or data on each procurement method's share in the total procurement value since 2012 were available from the authorities.

3.141. The PPA 2006 continues to distinguish between domestic and international procurement. Joint ventures with local partnerships are encouraged but are not mandatory in international procurement. Bangladesh maintains a price-preference scheme for domestic suppliers in the case of international tendering. Domestic manufacturers/producers remain eligible for a price preference of up to 7.5% in the case of works, and up to 15% in the case of goods, compared to international competitors with the same conditions.<sup>156</sup> Joint ventures, consortia and associations between national and foreign firms are not eligible for domestic preferences if the local partner's share is below 50%. For international procurement, tender notices are published in an English newspaper or publication of wide international circulation, a UN publication, or in the foreign missions of Bangladesh at home and abroad.

3.142. Bangladesh is neither a party nor an observer to the WTO Agreement on Government Procurement (GPA).

3.143. Since 2011, a centralized electronic government procurement (e-GP) system, involving three modules (e-Tendering, e-Contract Management, and e-Performance Management), has been in place, and operates under the Guidelines on e-GP, which was issued by the CPTU.<sup>157</sup> For the expansion of e-GP system, a new high-speed data centre was set in the CPTU. The CPTU also provides a 24/7 helpdesk support service to tenderers and procuring entities. According to CPTU data, as of May 2018, 1,081 procuring agencies out of 1,300 were registered in the system, and the rest were soon to be registered; in total, 7,122 officers from different PEs, including banks, had received training on e-tendering.<sup>158</sup> As at May 2018, a total of 32,528 tenderers were registered

<sup>155</sup> LTM can be used when the goods or services can only be purchased from a limited number of suppliers or contractors, due their specialized nature, or when there is a need to reduce spare parts in stock and to reduce maintenance costs, or when the time and cost required to receive and evaluate a large number of tenders would be disproportionate compared with the value of the contract. TSTM may be used for large and complex projects where the complete technical specifications cannot be prepared at the initial stage of the procurement process, or alternative technical solutions are available in a rapidly evolving industry.

<sup>156</sup> Articles 83(1)(e) and 98(21)(e), and Schedule II of the PPR, 2008.

<sup>157</sup> The project initially targeted four government agencies, namely the BWDB, the LGED, the REB, and the RHD, which carry out the main procurement activities in the country. The guidelines are available at: [https://www.eprocure.gov.bd/help/guidelines/eGP\\_Guidelines.pdf](https://www.eprocure.gov.bd/help/guidelines/eGP_Guidelines.pdf). Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>158</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.



with the e-GP system. More than 95,350 tenders, with a total estimated value of over BDT 84,037 crore, were invited through the e-GP system. Under the 7<sup>th</sup> FYP (2016-20), issued by the General Economics Division of the Planning Commission of Bangladesh, the share of public institutions using e-GP is to reach 65%, 89% and 100% in 2018, 2019 and 2020, respectively. According to a World Bank Group Implementation Completion Report, e-GP reduced the procurement cost by 13%, to 20%, resulting in savings of more than USD 446 million.<sup>159</sup> Overall, e-GP appears to have promoted more competition among bidders, resulting in more competitive pricing and lower transactions costs, through improved access for bidders throughout the country.

### 3.3.6.4 Enforcement

3.144. A review panel mechanism remains in place for settling complaints and appeals lodged by aggrieved tenderers. Review panels are constituted of legal, technical and procurement specialists appointed by the CPTU. A panel may reject the appeal, advise the parties to act according to relevant rules or principles, recommend remedial measures, suggest annulment of a non-compliant action, suggest the payment of compensation by a PE for costs incurred to the complainant, and/or recommend that the procurement proceedings be completed. Its decision is final and binding for all concerned parties. No information or data on the complaints and appeal cases dealt with since 2012 were available from the authorities.

3.145. A Public-Private Stakeholders Committee (PPSC) is in place, to monitor the public procurement process, and ensure transparency and accountability. No information on the outcome of its activities (cases, issues, items) since 2012 was available from the authorities. Reportedly, there are concerns, *inter alia*, over the use of outdated technical specifications, the structuring of specifications to favour preferred bidders, and a lack of overall transparency in public tenders.<sup>160</sup> Despite the existence of anti-corruption safeguards in the government procurement system, these safeguards do not always appear to be effectively implemented, due to the lack of a dedicated oversight agency to look into complaints, and to the fact that the CPTU only provides technical information, and lacks investigative power.<sup>161</sup> Tenderers violating the procurement rules risk being blacklisted. The list of debarred companies is published on the national e-GP Portal.<sup>162</sup> No information on the blacklisted or debarred companies was available from the authorities.

### 3.3.7 Intellectual property rights

3.146. Bangladesh's policy stance is that intellectual property (IP) is an effective policy tool for unlocking creative, inventive and innovative potential.<sup>163</sup> It considers that IP stimulates the transfer and use of technologies and creative works, and encourages fair competition, thereby fostering social, cultural and economic development. The broad development vision and goals articulated in the national and sectoral policies and strategies can be met by enacting IP laws, and setting up institutions to administer them. The National Industrial Policy 2010 recognized the importance of the protection of IP rights (IPRs) in industrial development and technological capacity-building.<sup>164</sup> It was succeeded by the National Intellectual Property Policy 2018, which is to be implemented over a ten-year period from the date of its approval; as at November 2018, it had been approved by the Cabinet but was waiting for publication in the Bangladesh Gazette. It envisages: enhancing IP awareness and encouraging creativity and innovation; modernizing IPR administration and management; creating IP, and deriving economic and commercial benefits from its use; strengthening the legal and legislative framework; and fostering respect for IPRs. A draft National Innovation and Intellectual Property Policy and Strategy of the Government of Bangladesh, 2016-18, through ASYCUDA World, is under consideration.

<sup>159</sup> World Bank Group's project review. Viewed at: <http://documents.worldbank.org/curated/en/166581524751306692/pdf/Bangladesh-BD-Public-Procurement-Reform-Project-II.pdf>.

<sup>160</sup> USTR (2018), *2018 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf>

<sup>161</sup> Transparency International Bangladesh (2014), *National Integrity System Assessment Bangladesh 2014*, 14 May. Viewed at: [https://www.transparency.org/whatwedo/publication/bangladesh\\_national\\_integrity\\_system\\_assessment\\_2014](https://www.transparency.org/whatwedo/publication/bangladesh_national_integrity_system_assessment_2014)

<sup>162</sup> Viewed at: <https://www.eprocure.gov.bd/resources/common/DebarmentRpt.jsp>.

<sup>163</sup> Ministry of Industries (2018), *National Intellectual Property Policy 2018 – Draft*, July.

<sup>164</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

3.147. During the review period, no further IPR protection enhancement through the expansion of international commitments was undertaken. As at August 2018, Bangladesh continued to participate in only 2 out of the 26 treaties administered by the World Intellectual Property Organization (WIPO).<sup>165</sup> Accession to other international treaties (such as the Patent Cooperation Treaty (PCT), the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT)) remains under consideration. The authorities indicated that, as at November 2018, accession to the PCT has been subject to several inter-ministerial meetings, and discussion with different stakeholders on accession to the Protocol Relating to the Madrid Agreement (1989) (Concerning the International Registration of Marks of 1891) was ongoing. Bangladesh is a signatory to the Nagoya Protocol on Access and Benefit-sharing (2011).<sup>166</sup>

3.148. As an LDC Member, Bangladesh has continued to benefit from the extended time-limit, until 1 July 2021, or when a particular country ceases to be in the least-developed category if that happens before 2021, for the full implementation of the provisions of the TRIPS Agreement, other than those relating to national treatment and MFN treatment.<sup>167</sup> Similarly, it has remained a beneficiary of the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS Council) decision, extending until 1 January 2033, or when a particular country ceases to be in the least-developed category if that happens before 2033, the transition period during which LDCs do not have to protect or enforce patents and undisclosed information relating to pharmaceuticals. LDCs are exempt from TRIPS notification requirements; therefore, so far, Bangladesh has submitted very few notifications to the TRIPS Council (the latest dates back to 2008), and none during the review period.

3.149. During the review period, Bangladesh made some slow progress towards aligning its legislative framework with the TRIPS Agreement, and towards updating outdated legislation in certain areas (e.g. patent and designs). It enacted the Geographical Indication of Goods (Registration and Protection) Act, 2013; the Geographical Indications of Goods Rules, 2015; the Trademarks Amended Act, 2015; and the Trademarks Rules, 2015. It has also formulated the draft Patent Acts, 2012, 2014 and 2017, the draft Plant Variety and Farmers' Right Protection Act, 2015, and the draft Designs Act, 2018.

3.150. The Department of Patents, Designs and Trademarks (DPDT), under the Ministry of Industries, and the Copyright Office Bangladesh, under the Ministry of Cultural Affairs, remain in charge of formulating IPR policy, laws and regulations, their enforcement, and inter-agency coordination in their area of competence (e.g. with the MOC, the Ministry of Foreign Affairs, the Ministry of Cultural Affairs, and universities). Under the National Intellectual Property Policy 2018, a National Council of IP, and Sectoral Committees for each identified thrust sector, are to be created for the purpose of overseeing implementation at the national level, as well as for follow-up and monitoring; a single IP office may also be established in line with this Policy.<sup>168</sup>

3.151. Under IPO provisions, parallel imports are allowed only if accompanied by an IP certificate attested by the IP right holder of the exporting country of the concerned branded goods; in the

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<sup>165</sup> Bangladesh is a member of the Paris Convention for the Protection of Industrial Property Rights (1991) and of the Berne Convention for the Protection of Literary and Artistic Works (1999). WIPO online information. Viewed at: <http://www.wipo.int/treaties/en/>.

<sup>166</sup> The Nagoya Protocol is relevant to the work of the TRIPS Council in examining the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD). This work was undertaken pursuant to the mandate of the provisions of the 2001 Doha Ministerial Declaration, and reiterated in the 2005 Hong Kong Ministerial Declaration. WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>167</sup> WTO online information. Viewed at: [https://www.wto.org/english/tratop\\_e/trips\\_e/ldc\\_e.htm](https://www.wto.org/english/tratop_e/trips_e/ldc_e.htm).

<sup>168</sup> Thrust sector refers to those industries/industrial subsectors which have already been able to successfully contribute to the country's industrialization and poverty alleviation by increasing GDP, creating employment opportunities and increasing export income. They benefit from special tax and non-tax incentives (Section 3.3.1). Reportedly, Bangladesh has 32 thrust sectors with the potential to fetch billions of US dollars in investment and export earnings; they include apparel, agriculture, ICT, light engineering, pharmaceuticals, infrastructure, frozen foods, energy, handicrafts, ceramics, tourism and healthcare (Sections 4.3 and 4.4.6). Ministry of Industries (2018), *National Intellectual Property Policy 2018 – Draft*, July. Viewed at: [http://www.bdtradeinfo.com/business-investment/industrial\\_policy.php](http://www.bdtradeinfo.com/business-investment/industrial_policy.php); The Daily Star online article entitled *32 thrust sectors could fetch billions*, 22 December 2016. Viewed at: <https://www.thedailystar.net/frontpage/32-thrust-sectors-could-fetch-billions-1333828>.

absence of such certificate, Customs clearance is refused.<sup>169</sup> No data on the value or main product categories of parallel imports since 2012 were available from the authorities.

3.152. Bangladesh maintains several arrangements with international and foreign agencies/organizations in this area, covering technical cooperation/assistance activities. They include: participation in WIPO Lex and the WIPO Electronic Document Management System (EDMS); a service level agreement with the WIPO Directory of Technology and Innovation Support Centers in Bangladesh (January 2015); an MoU with the State Intellectual Property Office of China (now the China National Intellectual Property Administration) (March 2017); and cooperation under the Knowledge Sharing Program (KSP) of the Korean Institute of Intellectual Property (2014). Switzerland approved a three-year Bangladeshi-Swiss Intellectual Property Project (BSIP) in 2012. The Project was to pursue a three-pronged strategy: strengthening the policy environment; establishing IP support services; and promoting the use of IPRs.

### 3.3.7.1 Industrial property

#### 3.3.7.1.1 Patents and industrial designs

3.153. The legal framework and protection terms in this area remain unchanged; the latter are below the level set under the TRIPS Agreement (Table 3.10). A draft Patent Act, 2017 has been under consideration since 2012 (see above), and is to be possibly passed in 2019. Under the Patents and Designs Act, 1911, patents are granted for any inventions, including chemical compounds and pharmaceutical compositions, and new processes for their manufacture. Inventions considered being against national law or morality, and life-forms, such as plants, are not protected. As indicated by the authorities at the time of the previous Review, only pharmaceutical compositions and new processes for the manufacture of chemical compounds are protected. There has been no compulsory licensing case so far.

**Table 3.10 Terms of IPR protection, 2019**

IPR	Main legislation	Duration of protection	Minimum duration of protection under TRIPS	Comments/plans
<b>A) Industrial property</b>				
Patents	Patents and Designs Act, 1911, and Patents and Designs Rules, 1933	16 years from date of application, renewable for 5 or 10 years upon application	Minimum 20 years from date of filing	Draft amendment provides for extension to 20 years; bill being vetted.
Industrial designs	Patents and Designs Act, 1911, and Patents and Designs Rules, 1933	5 years, renewable for two successive 5-year periods	10 years	
Geographical indications	Geographical Indications of Goods (Registration and Protection) Act, 2013, and Geographical Indications of Goods Rules, 2015	5 years, subject to renewal	Unlimited	Draft bill under preparation.

<sup>169</sup> IPOs 2012-15 and 2015-18 stipulate: "Protection of intellectual-property right: In case of import of branded goods registered under any law related to intellectual property in Bangladesh, copy of intellectual property certificate attested by the intellectual property right holder of concerned branded goods shall be submitted to the Customs Authority". IPO 2015-18. Viewed at: [https://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/page/e177ee18\\_f389\\_4f9e\\_a40c\\_57435cfac5b2/Import%20Policy.pdf](https://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/page/e177ee18_f389_4f9e_a40c_57435cfac5b2/Import%20Policy.pdf); The New Nation online article entitled *Fixing legality of "parallel imports"*, 17 November 2015. Viewed at: <http://thedailynewnation.com/news/73858/fixing-legality-of-parallel-imports.html>.

IPR	Main legislation	Duration of protection	Minimum duration of protection under TRIPS	Comments/plans
Trade marks	Trademarks Act, 2009, and Trademark Rules, 2015	7 years from date of registration, renewable for 10-year periods thereafter	At least 7 years, renewable indefinitely	
Layout designs of integrated circuits	None	None	10 years from first commercial exploitation	Draft amendment provides for 15 years protection; draft bill not yet circulated.
Undisclosed information	None	None	No specific period	
<b>B) Copyright and related rights</b>				
Copyright	Copyright Act, 2000, and Copyright Rules, 2006	Life of author plus 60 years	Life of author plus 50 years	Copyright Act currently being amended; the duration of protection remains unchanged.
Related rights	Idem	50 years from year of performance or fixation; 25 years from year of broadcast	50 years from year of performance or fixation; 20 years from year of broadcast	

Source: Information received from the authorities.

3.154. The authorities indicated that no e-filing of patent applications is yet in place, and registrations are published in the domestic press. During the period 2012-17, the DPDT processed 1,936 applications (82.7% foreign) and accepted 759 patents (89.9% foreign).<sup>170</sup> Since 2006, Bangladesh, like other LDCs, has maintained a "mail-box" under Article 70.8 of the TRIPS Agreement.<sup>171</sup> At the time of the previous Review, the administrative suspension and the "mailbox" were incorporated into law only for pharmaceuticals and agrochemical compounds. Between 2012 and 2017, the DPDT accepted 417 applications received through "mail box", and abandoned/refused 585. As in all net technology-importing countries, patent filing by non-residents continues to exceed those by residents, whose share remains significant for an LDC. At the time of the previous Review, more than half of the patents filed were in the fields of optics, pharmaceuticals, environmental technology, and biotechnology.<sup>172</sup> The authorities indicated that, as the legislation requires patent applications to be processed within 21 months of filing, there is no pendency in this area.

3.155. Regarding industrial designs, as with patents, no e-filing of applications is yet in place, and there is no publication system for accepted design applications. During the period 2012-17, the DPDT processed a steadily-rising number of industrial designs applications, totalling 8,346 (91.9% local), and registered 5,346 of them (86.5% local).<sup>173</sup> Unlike patents, industrial design protection continues to be overwhelmingly sought by local residents, mainly SMEs from the sizable textile industry (Sections 3.3.1.2.1 and 4.3.5.1). The authorities indicated that, as the legislation requires applications to be processed within nine months of filing, there is no pendency in this area.

<sup>170</sup> DPDT online data. Viewed at: <http://www.dpdt.gov.bd/site/page/cda6b625-2ebd-4354-bc48-46e40c14656d/Patents>.

<sup>171</sup> Countries subject to a transition period are required under TRIPS Article 70.8 to provide a means by which patent applications for inventions can be filed. These applications do not need to be examined for their patentability until the country begins to apply patent protection in that area. However, when that time comes, the application must be examined with reference to the prior art that was disclosed when the application was first filed (i.e. the invention should be assessed as to whether it was "new" as at that earliest date). If the application is successful, product patent protection must be granted for the remainder of the patent term, counting from the filing date of the application. WTO document IP/C/W/546, 23 March 2010.

<sup>172</sup> Bangladesh continues to hold the unique position of being the only LDC with significant manufacturing capacity in the pharmaceutical sector (Section 4.3.5.3). Its pharmaceutical needs are met by domestic firms, and it exports a wide range of pharmaceutical products, totalling USD 88.7 million in 2016/17, or 0.27% of total exports (USD 49.6 million or 0.2% in 2012) (UNSD Comtrade data), according to data supplied by the authorities. WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>173</sup> DPDT online data. Viewed at: <http://www.dpdt.gov.bd/site/page/8506dcc7-5b77-408d-bc39-c58b3bd08cd7/Design>.

### 3.3.7.1.2 Trade marks

3.156. During the review period, protection terms in this area remained unchanged, and remained at the level set under the TRIPS Agreement (Table 3.10).<sup>174</sup> The legal framework was updated, with the addition of the Trademark Rules, 2015, that supplemented the Trade Mark Act, 2009 and repealed the Trade Marks Rules, 1963. The legislation also protects service marks and well-known marks; and covers the registration of collective marks.

3.157. Trade marks remain by far the most important industrial property right used in Bangladesh, in terms of the number of applications filed, especially by residents. Since January 2018, an e-filing system for trade mark applications is in place; registered trade marks are published in the domestic press. Applications for the registration of service marks can be filed under the 11<sup>th</sup> edition of the Nice Classification for Services, in classes 35 to 45.<sup>175</sup> Between 2012 and 2017, the DPDT processed 72,855 applications for trade marks (70.5% residents), and accepted 22,020 of them (23% residents).<sup>176</sup>

### 3.3.7.1.3 Geographical indications

3.158. Bangladesh enacted the Geographical Indications of Goods (Registration and Protection) Act, 2013 (GI Act), and the Geographical Indications of Goods Rules, 2015.<sup>177</sup> The protection terms are below the level set under the TRIPS Agreement (Table 3.10). The GI Act provides for registration as a means of protection of GIs, but unregistered GIs are also protected if the indication is true as to its place of origin. Registration may be sought by the producers of the goods or by any association, institution, government body, or authority of any group which represents the interest of persons producing GI goods. The Act provides for equal levels of protection to all products for which GIs can be used. Consumer deception or confusion and public morality, *inter alia*, are set as the criteria for which the registration of GIs is prohibited. The Act also prohibits the registration of GIs that are generic, or ones that are not protected or ceased to be protected or have fallen into disuse in the country of origin. Protection may also be denied if a third party can prove that the proposed registration should not be proceeded with for any justifiable cause spelled out in the Act. The Act provides that the registration of certain trade marks may be cancelled or denied if they are in conflict with GIs, or if the said trade mark is comprised of a GI and the goods or services so indicated are not produced in the place they indicate, or the trade mark is used in such a manner that could create confusion amongst the consumers as to the place of origin of the goods or services. The Act defines certain acts as infringement; imprisonment and monetary fines are provided as punitive punishment.

3.159. On 17 November 2016, the *Jamdane sharee* (one of the finest muslin textiles) was the first product to be GI-certified in Bangladesh under the GI Act; it was followed by *Ilish* (a fish related to herring) on 1 June 2017.<sup>178</sup> As at October 2018, the DPDT was processing 25 applications for 22 different domestic products originating in 15 districts, including Fazli mango, Langra mango, Kataribhog rice, Kalijira rice, and honey from the Sundarbans.

<sup>174</sup> More information about these terms is available at WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>175</sup> Bangladesh is among the countries using the Nice Classification without being a party to the 1957 Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks; its 11<sup>th</sup> edition came into force on 1 January 2018. WIPO online information. Viewed at: <http://www.wipo.int/classifications/nice/en/>.

<sup>176</sup> DPDT online data. Viewed at: <http://www.dpdt.gov.bd/site/page/fcc0c892-e541-4fb3-8d1d-4b79697e27e3/Trademarks>.

<sup>177</sup> DPDT online information. Viewed at: <http://www.dpdt.gov.bd/>; Mahua Zahur (2017), *The Geographical Indication Act 2013: Protection of Traditional Knowledge in Bangladesh with Special Reference to Jamdani*, published at Geographical Indications at the Crossroads of Trade, Development, and Culture, June. Viewed at: <https://www.cambridge.org/core/books/geographical-indications-at-the-crossroads-of-trade-development-and-culture/geographical-indication-act-2013-protection-of-traditional-knowledge-in-bangladesh-with-special-reference-to-jamdani/A88B67AA09AAD7217230953C42D658E6/core-reader>.

<sup>178</sup> *Dhaka Tribune* online article "22 Bangladeshi products waiting to get GI certification", 10 September 2017. Viewed at: <https://www.dhakatribune.com/bangladesh/2017/09/10/22-bangladeshi-products-waiting-get-gi-certification>.

#### 3.3.7.1.4 Plant varieties

3.160. The long-awaited Plant Variety and Farmers' Right Protection Act, 2015, formulated to protect the country's authority on plant varieties, was to be put before the Cabinet for approval in August 2015.<sup>179</sup> The draft law proposes 15 to 20 years of protection rights to breeders of various types of plants. Farmers would have the right to protect indigenous knowledge regarding the plants' genetic resources, and to benefit from the use of the resources. No one would be allowed to produce, reproduce, sell or market the seeds of the protected varieties without authorization from the breeders, except for farmers who will not use the plants for commercial purposes. A Plant Variety and Farmers' Rights Protection Authority is to be established, to register and issue licences to the breeders regarding newly-developed plant varieties.

#### 3.3.7.1.5 Layout designs of integrated circuits (topographies)

3.161. According to the authorities, this area is not covered by the existing legislation. The preparation of relevant legislation is planned but there has been no progress so far.

#### 3.3.7.1.6 Trade secrets

3.162. Protection of trade secrets appears to be treated under several different laws.<sup>180</sup> Section 49 of the Patent and Designs Act, 1911 prevents disclosures of information about industrial designs in bad faith. Section 73 of the Contract Act, 1872 entitles a party to receive compensation for breaches of contractual obligations; confidentiality and non-disclosure agreements are commonly used to protect confidential information. Further, the Preamble of the Competition Act, 2012 (Section 3.3.4.1) can be read as extending the ambit of anti-trust practices to *mala fide* disclosures of information. Penal action is envisaged under Section 405 of the Penal Code, 1860, for the offence of criminal breach of trust, which, under Section 406, is punishable with up to three years' imprisonment and/or a fine.

#### 3.3.7.2 Copyright and related rights

3.163. Copyright protection remains an important area for Bangladeshi literary, dramatic, musical, artistic, cinematograph, sound recording, broadcasting, architectural designs, traditional cultural expression (TCE), computer software, database, mobile apps and creative industries, e-mails, websites and other modes of communications including electronic device producers.<sup>181</sup> During the review period, protection terms in this area remained unchanged, at or beyond the level set under the TRIPS Agreement (Table 3.10).<sup>182</sup> The Copyright (Amendment) Act, 2005 contains provisions relating to computer programs and digital media copyrights, database, rental rights, cinema, broadcasting rights, performers' rights, phonogram rights, etc. According to WIPO, the Act is consistent with the Bern Convention and the TRIPS Agreement.<sup>183</sup> An amendment to the Copyright Act is under consideration, and is expected to cover, *inter alia*: copyright, related rights and neighboring rights, in line with provisions of the WIPO conventions and treaties after 2005; administrative remedies, *pari passu*; and provisions ensuring individual rights in the composite rights at the time of assignment to the producer of the composite right.

3.164. As set out in the Berne Convention, copyright protection in Bangladesh is automatic upon the creation of an eligible work. Consequently, copyright registration remains optional but the copyright registration certificate of any work is considered as *prima facie* evidence in any court or dispute (Section 60, Copyright Act, 2000(Amendment, 2005); those who wish to register can file an application with the Copyright Office, under the Ministry of Cultural Affairs (see above). According

<sup>179</sup> At the time of the previous Review, a draft law for the protection of plant varieties and farmers' rights was prepared at the Ministry of Agriculture, and was awaiting approval. *Dhaka Tribune* online article, "Plant variety protection act to get approval soon", 15 July 2015. Viewed at: <https://www.dhakatribune.com/uncategorized/2015/07/15/plant-variety-protection-act-to-get-approval-soon>.

<sup>180</sup> Alfred Christopher D'Silva (2017), *Protection of Trade Secret*, 28 November. Viewed at: <https://www.thedailystar.net/law-our-rights/protection-trade-secret-1497535>.

<sup>181</sup> At the time of the previous Review, it was acknowledged that Bangladesh was well known in South Asia and around the world for its creativity in contemporary literature, music, and art. There were even concerns over alleged theft of Bangladeshi music.

<sup>182</sup> More information about these terms is available in WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>183</sup> WIPO online information. Viewed at: <http://www.wipo.int/wipolex/en/details.jsp?id=11172>.

to data from the authorities, in 2017, there were 618 copyright applications and 625 registrations; most of them related to literary (283 registrations) and artistic (185 registrations) works, and software (72 registrations). At present, the registration certificate is granted within 35 days of application (37 in 2012). It appears that foreign software companies face significant challenges registering and enforcing their copyrights in Bangladesh.<sup>184</sup> It also appears that Bangladesh has not yet instituted a notification system using its Official Gazette that would make copyright enforcement practicable.<sup>185</sup> The authorities indicated that, as copyright registration is not mandatory, the registrations are not officially gazetted, but the Copyright Office maintains a detailed record of all registered work and, upon written request, the information is usually provided.

### 3.3.7.3 Enforcement

3.165. Bangladesh continues to recognize that IPR enforcement is important for encouraging innovation and creation, technological development, the promotion of fair competition, and protection of consumer rights.<sup>186</sup> Although it has adopted policies and seemingly improved IPR enforcement, concerns remain, *inter alia*, due to its limited resources and weak agency coordination in this area (Sections 3.3.7.3.1 and 3.3.7.3.2).<sup>187</sup> According to the authorities, the Copyright Office ensures IPR enforcement through its Copyright Board and its Copyright Taskforce, upon receipt of a complaint from the copyright holder. Complaints regarding infringement and plagiarism are low, due to a lack of awareness or interest on the part of copyright holders. The Copyright Office has not received any such complaints since 2014. According to Business Software Alliance (BSA) estimates, Bangladesh's rates of unlicensed software installation seem to have dropped from 90% (2011) to 84% (2017), the second highest in Asia Pacific, whereas the commercial value of unlicensed software rose from USD 147 million (2011) to USD 226 million (2017), the fourth lowest in Asia Pacific.<sup>188</sup> Counterfeit goods appear to remain readily available domestically, and pirated physical goods sourced from Bangladesh allegedly cause damages to right holders in foreign markets.<sup>189</sup> Bangladesh's ranking regarding IPR protection has remained virtually unchanged. In 2017, it ranked 124<sup>th</sup> out of 137 economies in the WEF Global Competitiveness index in terms of IP protection, compared to 133<sup>rd</sup> out of 144 economies in 2014.<sup>190</sup> According to the International Property Rights Index (IPRI), in 2018, it ranked 122<sup>nd</sup> globally and 19<sup>th</sup> regionally out of 125 and 19 economies, respectively, as compared to 120<sup>th</sup> globally and 19<sup>th</sup> regionally out of 123 and 19 economies, respectively, in 2012.<sup>191</sup>

3.166. IPR laws contain provisions on civil remedies in case of infringement.<sup>192</sup> Penalties for the infringement of registered patents and industrial designs range from BDT 5,000 to BDT 10,000; no imprisonment is foreseen. Regarding infringement of trade marks, the maximum penalty is two years' imprisonment and/or a fine of BDT 200,000; for subsequent offences, imprisonment may extend to three years and the fine may be raised to BDT 300,000. For copyright infringement,

<sup>184</sup> USTR (2018), *2018 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf>

<sup>185</sup> USTR (2018), *2018 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf>

<sup>186</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>187</sup> At the time of the previous Review, IP offices had weak links with IP-enforcing agencies, particularly Customs, police and the judiciary. During the review period, Bangladesh was not included in the Special 301 Watch List or Notorious Markets reports of the Office of the US Trade Representative. Viewed at: <https://ustr.gov/issue-areas/intellectual-property/special-301/2012-special-301-review>.

<sup>188</sup> The BSA is the leading advocate for the global software industry before governments and in the international marketplace. Viewed at: <http://www.bsa.org/>. BSA (2018), *BSA Global Software Survey – Software Management: Security Imperative, Business Opportunity*, June. Viewed at: [https://gss.bsa.org/wp-content/uploads/2018/05/2018\\_BSA\\_GSS\\_Report\\_en.pdf](https://gss.bsa.org/wp-content/uploads/2018/05/2018_BSA_GSS_Report_en.pdf).

<sup>189</sup> USTR (2018), *2018 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf>

<sup>190</sup> WEF (2017), *The Global Competitiveness Report 2017-2018*, Geneva. Viewed at: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>; and WEF (2015), *The Global Competitiveness Report 2014-2015*, Geneva. Viewed at: [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2014-15.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf).

<sup>191</sup> The IPRI rates the main institutions of a strong property rights regime: the legal and political environment, physical property rights, and IPRs. It is the world's only index entirely dedicated to the measurement of intellectual and physical property rights. International property rights index online information. Viewed at: <https://internationalpropertyrightsindex.org/countries> and <https://internationalpropertyrightsindex.org/about>.

<sup>192</sup> WTO document WT/TPR/S/270/Rev.1, 26 November 2012.

imprisonment ranges from six months to four years, and the fine from BDT 50,000 to BDT 200,000. For films, the penalty for infringement is imprisonment from one to five years, and the fine from BDT 100,000 to BDT 500,000.

3.167. Bangladesh continued to receive technical and financial assistance from the WTO, WIPO and its trading partners (see above), including the U.S. Patent and Trademark Office and the U.S. Department of Justice, to ensure the strengthening of IPR protection and enforcement (Section 3.3.7.3.1).<sup>193</sup> The BSA, the leading advocate for the global software industry, established a Bangladesh office in early 2014, as a platform to improve IPR protection in the country.<sup>194</sup>

### 3.3.7.3.1 Domestic enforcement

3.168. Government agencies, consisting of the Rapid Action Battalion (RAB) and the local police, remain empowered to take action against counterfeiting in the domestic market.<sup>195</sup> The DNCRP, under the MOC, is charged with tracking and reporting on counterfeit goods (Section 3.3.4.3). Despite a willingness to investigate IPR infringers, these institutions are unlikely to initiate independent investigations.<sup>196</sup> No data (type of goods or values tracked/reported/seized) on activities in this area since 2012 were available from the authorities.

3.169. The relatively low general level of public awareness on IP-related matters appears to have improved, partly due to the efforts of the Intellectual Property Rights Association of Bangladesh (IPAB), a common platform for all relevant stakeholders, including the Government.<sup>197</sup> Apart from IPR awareness development, the IPAB provides support to the concerned stakeholders for protecting owners' IPRs, consumers' rights, and the Government's rights. It has been cooperating with the WTO, USAID, the Swiss Federal Institute of Intellectual Property, and WIPO, regarding implementing IPR projects, such as IP training, awareness campaigns, dialogue and others. The World Bank Group International Financial Corporation and the United States Patent and Trademark Office have supported the IPAB. Bangladesh continues to observe WIPO's World IP Day each year, with the direct involvement of senior government officials.

### 3.3.7.3.2 Enforcement by Customs

3.170. In addition to the IPO (see above), it appears that certain provisions of the Customs Act, 1969 allow for measures to protect against imported goods infringing trade marks and industrial designs, but not copyright.<sup>198</sup> Upon complaint by the affected right holder, Customs, in cooperation with the IPR regulatory agencies, can inspect, seize, and detain shipments of any counterfeit or pirated materials. Customs reports are not publicly available.<sup>199</sup>

### 3.3.7.3.3 Judicial action

3.171. Although no specialized IP enforcement court exists in Bangladesh, the infringement of IPRs can be challenged in the domestic courts (Sections 3.3.2.3 and 3.3.4.3), and right holders, both foreign and domestic, can file a suit. An appeal against the lower court decision can be brought to the Appellate Court. The Copyright Board, the Registrar of the Copyright Office, or any designated official of the DPDT can also hear cases with respect to registrations granted to right holders; these agencies only maintain records of complaints lodged by aggrieved parties. Any person aggrieved by any final decision or order of these agencies may appeal to the High Court Division of the Supreme Court. No data on the number, content or type of infringement of complaints received and dealt with, or the penalties imposed, since 2012 was available from the authorities.

<sup>193</sup> USTR (2018), *2018 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf>

<sup>194</sup> Viewed at: <https://www.export.gov/article?id=Bangladesh-Protection-of-Property-Rights>.

<sup>195</sup> Viewed at: <https://www.export.gov/article?id=Bangladesh-Protection-of-Property-Rights>.

<sup>196</sup> Viewed at: <https://www.export.gov/article?id=Bangladesh-Protection-of-Property-Rights>.

<sup>197</sup> The IPAB's Executive Committee consists of high level intellectuals, as well as representatives of the Ministry of Industries (Registrar of the DPDT), the Ministry of Cultural Affairs (Registrar of the Copyright Office), the MOC (DG, WTO Cell), and the Ministry of Home Affairs (Joint Secretary). Viewed at: <http://www.ipab.org.bd/about.php>.

<sup>198</sup> WTO documents IP/C/W/546, 23 March 2010; and WT/TPR/S/270/Rev.1, 26 November 2012.

<sup>199</sup> Viewed at: <https://www.export.gov/article?id=Bangladesh-Protection-of-Property-Rights>.



## 4 TRADE POLICIES BY SECTOR<sup>1</sup>

4.1. During the review period, trade-related policy tools and developments continued to affect resource allocation in the economy, with government intervention split between border and domestic support measures.

4.2. Agriculture remains important in supporting economic growth, with policy emphasis, *inter alia*, placed on self-sufficiency. Average tariff protection for agriculture increased, and remains higher than the overall applied MFN average and that for manufacturing. Several agricultural commodities remain subject to export restrictions/prohibitions, while others benefit from cash incentives for export and domestic support measures. Fisheries continue to benefit from domestic support and high tariff protection.

4.3. The mining sector's relatively low importance rose slightly; the state-owned company in this area signed new lease agreements to excavate, and its mining licences have been renewed. The energy sector continued to rely largely on natural gas, and is becoming more dependent on imports; initiatives were undertaken to promote renewable energy and energy efficiency. Energy tariffs, prices and charges continue to be regulated, and state involvement remains in place in all energy-related areas. Subsidies have been provided for the import of petroleum products, and an Energy Security Fund was set up. Retail electricity tariffs continue to differ, according to consumer category and voltage level.

4.4. Manufacturing, an increasingly important activity, remains heavily dependent on the labour-intensive textile and RMG areas, although efforts are being undertaken to expand this relatively narrow industrial base. Average tariff protection on industrial goods was slightly reduced, and remains lower than in agriculture; textiles and textile articles, and footwear, headgear, etc. attracted the highest average tariff rates. Cottage, Micro, Small and Medium Enterprises (CMSMEs), some highest-priority activities, the jute industry, RMG firms, and the pharmaceuticals industry benefit from tax and/or non-tax support.

4.5. During the review period, the services sector remained the main contributor to the gross value added. Bangladesh's GATS commitments remained unchanged. Banking and insurance activities continued to expand, and regulatory improvements, including in the areas of securities, were undertaken; the non-performing loan (NPL) ratio in the banking system increased. The insurance sector remains rather small; half of the re-insurable general insurance business is required to be re-insured with the relevant state-owned firm. The telecommunications sector continued to expand, as strategic policies for developing a digital Bangladesh and providing affordable telecommunication services led to some institutional and regulatory developments; number portability was also introduced. Efforts to improve the country's transport connectivity were undertaken. At least 40% of the sea-borne foreign trade cargoes must be carried by Bangladesh-flagged vessels, unless there is no available national flag vessel or flag vessel of the trading country, and no cabotage is allowed. The state-owned airline company remained a relatively sizeable player in the market, and efforts for greater integration into the international aviation market were continued. Tourism policy priorities were pursued through PPP projects.

### 4.1 Agriculture, Forestry, and Fisheries

#### 4.1.1 Features

4.6. Agriculture continues to play an important role in supporting economic growth, accounting for a large portion of employment and rural incomes, as well as a source for the expansion of exports. It is also a major contributor to sustained food, nutrition and livelihood security, with overall goals of achieving self-sufficiency in food production, reducing rural poverty, and fostering sustainable economic development.<sup>2</sup> Agriculture's contribution to non-agricultural growth has maintained an upward trend, where it provided raw materials. Therefore, the expansion of the sector is a high

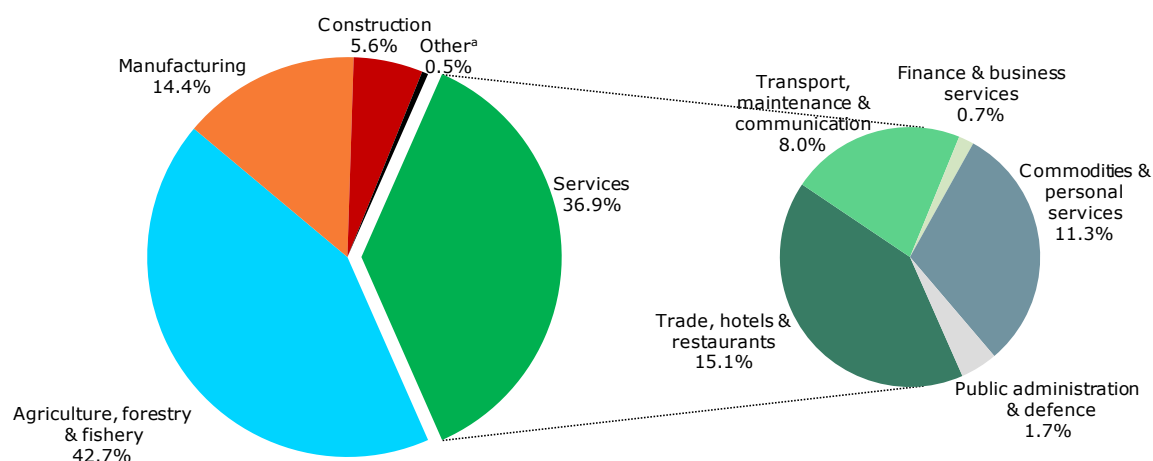
<sup>1</sup> In this Section many amounts in national currency are expressed in their official denomination, i.e. lakh and crore. The value of 10 lakhs is equivalent to 1 million, and 1 crore to 10 million.

<sup>2</sup> Bangladesh Bureau of Statistics (2017), *Bangladesh Strategic Plan on Agricultural and Rural Statistics*. Viewed at: [http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b343a8b4\\_956b\\_45ca\\_872f\\_4cf9b2f1a6e0/SPARS\\_Final\\_BBS\\_Rev\\_090817.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b343a8b4_956b_45ca_872f_4cf9b2f1a6e0/SPARS_Final_BBS_Rev_090817.pdf).

policy priority, with special emphasis on: agricultural extension and training; innovation, procurement and management of agricultural input and equipment; seed production; storage and distribution; extension of irrigation facilities and fertilizer management activities; farm mechanization; and crop storage.

4.7. The contribution of agriculture, forestry and fisheries to GDP declined during the review period, from 17.1% in 2011/12 to 13.8% in 2017/18 (Table 1.2). This decline in the highly climate-sensitive agriculture sector was due to gradual loss of cultivable land (see below), despite higher crop intensity and the adoption and dissemination of new technology. Despite a reduction of 45.1% in 2012/13 to 42.7% in 2015/16 and 40.6% in 2016/17, around 70% of the population depends on agriculture in one form or another for their livelihood (Chart 4.1).<sup>3</sup> According to the World Bank Group, in 2016, nearly half of the Bangladeshi workforce, and roughly 87% of rural households, relied on agriculture for at least part of their income.<sup>4</sup> According to the 2015 agricultural census of Bangladesh, the majority of farms are small and medium-scale (98.45%) with less than 3 ha of land; only a few are large-scale farmers (1.55%).<sup>5</sup> Furthermore, 10% of farmers own 50% of the land, and roughly 60% of farmers are landless and depend on sharecropping. Approximately another 20% of farmers are regarded as marginal.

**Chart 4.1 Employment by economic activity, 2015/16**



a Including mining and quarrying, 0.2%; and electricity, gas and water, 0.3%.

Source: Ministry of Finance, *Bangladesh Economic Review 2017*.

4.8. The sector faces several challenges, such as the gradual decline in land availability. Almost all arable land is being used, with little scope for any significant expansion of cultivation into new areas. The shifting rate of agricultural land to non-agricultural use is about 1% per year, and is due to urbanization and industrialization. Furthermore, the average farm size is diminishing each year, and the cost of production and risk faced by farmers is increasing. Infrastructure challenges, such as insufficient post-harvest storage, particularly for perishable high value products, and failure to ensure steady maintenance of domestic stocks, persist in the sector. Private-sector investment in agriculture value chains remains low.

4.9. Self-sufficiency remains of high importance, and the authorities have taken steps to encourage it through, *inter alia*, the expansion of irrigation facilities, the reduction of water logging, and the production of improved quality and high-yielding varieties of seeds, and their preservation and distribution (Section 4.1.2). According to the authorities, the area under irrigation has increased

<sup>3</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*. Viewed at: <https://mof.gov.bd/site/page/44e399b3-d378-41aa-86ff-8c4277eb0990/BangladeshEconomicReview>.

<sup>4</sup> World Bank online information (2016). Viewed at: <http://www.worldbank.org/en/results/2016/10/07/bangladesh-growing-economy-through-advances-in-agriculture>.

<sup>5</sup> Bangladesh Bureau of Statistics (BBS) (2016), *Agriculture Market Information System (AMIS) in Bangladesh*. Viewed at: [http://www.fao.org/fileadmin/templates/ess/documents/apcas26/presentations/APCAS-16-5.2.5\\_-\\_Bangladesh\\_-\\_AMIS\\_in\\_Bangladesh.pdf](http://www.fao.org/fileadmin/templates/ess/documents/apcas26/presentations/APCAS-16-5.2.5_-_Bangladesh_-_AMIS_in_Bangladesh.pdf).

from 53.7 ha in 2012 to 74.3 ha in 2017/18.<sup>6</sup> Agricultural research has also been given priority, for the development and expansion of drought- and saline-tolerant varieties, and of short-duration crops, and the efficient use of fertilizer.

4.10. During the review period, the share of agricultural products (including food, beverages and tobacco) in total exports dropped from 4.1% in 2011/12 to 3.2% in 2017/18; similarly, their much higher share in total imports reduced slightly, from 19.5% to 17.2% in 2016/17 (Tables A1.1 and A1.2). In 2017/18, the principal destinations for agricultural exports included the European Union, Canada, the United States, China and the Middle East.

#### 4.1.2 Policy and institutional developments

4.11. The institutional framework for agricultural policy remains unchanged. Agriculture policy is the overall responsibility of the Ministry of Agriculture. However, several other ministries and agencies are involved, including: the Ministry of Fisheries and Livestock; the Ministry of Food and Disaster Management; the Ministry of Water Resources; the Bangladesh Water Development Board; the Local Government Engineering Department; and the Ministry of Local Government, Rural Development, and Cooperatives. Under these ministries, outreach and extension agencies, research institutes, and organizations remain responsible for technology dissemination. Coordination in the ministries is carried out through inter-ministerial meetings.

4.12. Since the last Review, several old policies have remained in place and some new policies have been adopted. The National Food Policy (NFP 2006) aims to enhance purchasing power, to increase access to food, and to ensure adequate nutrition for all. During the review period, the NFP was implemented through a Plan of Action (2008-15) which included: providing guidance for 26 strategic areas of interventions and more than 300 action agendas; identifying responsible actors (government and non-government); and suggesting a set of priority targets and indicators for monitoring progress. To this end, the authorities undertook a Country Investment Plan (CIP) for Agriculture, Food Security and Nutrition (2011-15), which laid out 12 priority programmes anchored in the policy, programmatic and investment framework of Bangladesh. The CIP also detailed a monitoring framework for effective implementation of food policy agenda in the country.

4.13. According to the authorities, the agriculture sector is an example of policy convergence: top down and bottom up. Policy-driven resources were made available from the top to support the availability of inputs, extension services, credit to farmers, and R&D to meet the challenges of increasing productivity and sustainability. At the same time, bottom up reforms were put in place to ensure the rights of beneficiaries, including the opening of bank accounts for them. The aim was to leverage IT-enabled services for extension services, crop protection and technology diffusion.

4.14. In 2007, the Government adopted a long-term development strategy, Vision 2021, aimed at transforming Bangladesh into a middle-income country by 2021 (Sections 2.2.3 and 2.3.1.3). Vision 2021 is being achieved through the National Perspective Plan (2010-21). In the context of this strategy, the Government has prioritized self-sufficiency in food grain production, and the achievement of nutritional requirements/objectives by 2021. Vision 2021 is being implemented through five-year medium-term plans. The Sixth Five-Year Plan (6<sup>th</sup> FYP 2011-15) has been replaced by the Seventh Five Year Plan (7<sup>th</sup> FYP 2016-20), which was approved in 2015 (Section 2.2.3).<sup>7</sup> The objective of the current Plan is to sustainably intensify and diversify agricultural production to meet the nutritional needs of the increasing population. Its strategic goals include: intensifying production to address the caloric requirements of an increasing population; diversifying production to ensure balanced nutrition for all, and to maximize rural incomes; promoting the sustainability of the use of natural resources, for sustainable agricultural growth; and promoting adaptation to climate change of agro-food systems, to enhance the resilience of agriculture-based livelihood systems.

4.15. The National Agriculture Policy (NAP 2013) aims to improve food and nutrition security and quality of life for rural people, through increased productivity and agricultural diversification. Its specific objectives include: sustainability and profitability in agricultural production; research and extension; increasing productivity; employment and income generation; competitive farming

<sup>6</sup> BBS, 2017.

<sup>7</sup> Planning Commission, Ministry of Planning, *Bangladesh Agriculture Sector Development Strategy*, background paper for the preparation of the 7<sup>th</sup> FYP. Viewed at: [http://www.plancomm.gov.bd/wp-content/uploads/2015/02/17\\_Agriculture-Sector-Development-Strategy.pdf](http://www.plancomm.gov.bd/wp-content/uploads/2015/02/17_Agriculture-Sector-Development-Strategy.pdf).

through commercialization, adaptability to climate change, developing market, agro-processing and agro-based industries; and promoting export of agricultural products. NAP 2013 also identified different strategies for R&D in the following areas: the management system of research institutes, the planning and financing of research, research topics and areas, technology transfer, equality in providing services, a building information data base, PPPs, and the protection of IPRs. NAP 2018 has been enacted, and new issues have been incorporated, including: research on agriculture development; technology transfer and agriculture extension mechanization; specialized agriculture; ICT; marketing of agricultural products; women empowerment; and nano-technology.

4.16. A draft of the National Agricultural Extension Policy (2012) has highlighted nine key principles: increasing production (horizontal and vertical) and productivity as a whole; cost-effective efficient decentralized demand-responsive extension services; targeting and mobilizing farmers' groups (FGs) and their federations (FOs); bottom-up planning and implementation; coordinated and integrated extension services through the National Agricultural Extension System (NAES); development of agri-business and contract farming for export promotion; adaption to climate change and development of specialized extension service for climatically-distressed areas; broad based extension support (in-time input support and subsidies, credit, price enhancement, etc.); and digitalized agricultural extension services (e-agriculture).

4.17. The agricultural biotechnology sector is in the nascent stage of development but, during the review period, the Government sought to move forward in developing and commercializing biotechnology through a National Biotechnology Policy, 2012, and an Action Plan of the National Biotechnology Policy, 2014. At the same time, the regulatory framework in this area was expanded, with the introduction of: the Bangladesh Biosafety Rules, 2012; the Bangladesh Standard for Guidelines for the Safety Assessment of Foods Derived from Genetically Engineered Plants, 2013; the Guidelines for the Environmental Risk Assessment of Genetically Engineered Plants, 2016; the User's Guide to Biosafety Regulatory Process for Genetically Engineered Plants in Bangladesh, 2017; and the Biodiversity Act, 2017.

#### 4.1.3 Border measures

4.18. During the review period, average MFN tariff protection for agriculture increased from 17.8% in 2011/12 to 18.1% in 2018/19, and remains higher than the overall applied MFN average (14.8% in 2018/19) and the average for manufacturing (Table A3.1). According to the authorities, this increase was due to the characteristics of the sector (strongly linked with food security and vulnerability to climate change) and the need to maintain food security during adverse environmental emergencies. Import duties on agricultural products (WTO definition) remain higher than on non-agricultural products (Table 3.1). Animals and animal products, dairy products, fruit, vegetables and plants, coffee and tea, cereals and preparations, sugars and confectionary, fats and oils, and prepared food and beverages are subject to the highest tariff rates (Chart 3.1 and Section 3.1.3.2).

4.19. Under IPO 2015-18 (Section 3.1.5), certain types of machinery used in agriculture and animal feed for the poultry industry have been generally exempt from tariffs (Sections 3.1.3.6 and 4.1.5.2). Nuclear radiation tests are mandatory for imported milk, dairy, edible oils, vegetable seeds, grains, and other food products (Sections 3.1.5.2, 3.3.2 and 3.3.3). In addition, according to IPO 2015-18, fishmeal and fish feed are subject to import restrictions (Section 3.1.5).

4.20. Under the latest Export Policy (2015-18) and the Strategy for Export Diversification (2015-20), aimed at broadening the export base through diversification of exports to stabilize and expand export revenues as well as boost economic growth, a number of agricultural commodities remain subject to export restrictions/prohibitions to meet domestic demand, such as soybean edible oil, wheat, onions, garlic, all sorts of pulses, rice except aromatic rice, ginger, flour, and jute seed (Section 3.2.3).<sup>8</sup> Agro and herbal products and the tea sector have been identified as potential new areas in which export earnings could be increased.

4.21. Cash incentives continue to promote exports of certain agricultural products (Section 3.2.4.1). They are allocated to specific products, including frozen shrimp and other fish, vegetables and fruits,

<sup>8</sup> Policy Research Institute of Bangladesh (2015), *Strategy for Export Diversification 2015-2020*. Viewed at: [www.plancomm.gov.bd/wp-content/uploads/2015/02/7\\_Strategy-for-Export-Diversification.pdf](http://www.plancomm.gov.bd/wp-content/uploads/2015/02/7_Strategy-for-Export-Diversification.pdf).

agro-processed goods, and seeds of corn. The amount disbursed in the form of cash incentives for agricultural products and agro-processed items increased during the review period (Table 3.5).

4.22. During the review period, Bangladesh did not submit any export subsidies notifications to the WTO Committee on Agriculture. According to its latest notification, no export subsidies were used to support exports of agricultural goods during FY 2000/01-2006/07.<sup>9</sup>

#### 4.1.4 Domestic support measures

4.23. To scale up productivity, during the review period, domestic support measures included concessional credit for the purchase of agricultural inputs including fertilizer and equipment, and seed distribution (Section 3.3.1.2.4). A corporate income tax break, ranging from five to seven years, has benefited new enterprises in fertilizers, insecticides, and agricultural equipment (Section 3.3.1). Cash incentives have been provided for agricultural rehabilitation assistance programmes, and state-trading operations were undertaken by the Bangladesh Agriculture Development Corporation (BADC) for the public storage of food grains, such as rice and wheat (below, and Section 3.3.5). Other types of support available to agricultural sector inputs included subsidies for utility services, such as lower electricity tariffs for irrigation pumps, and a 20% reduction in electricity invoices for agro-based industries (Section 3.3.1.2.4).<sup>10</sup>

4.24. According to the authorities, the concessional credit disbursement amount (at a concessional interest rate of 4%) increased from BDT 74.90 crore in 2011/12 to BDT 91.32 crore in 2017/18. Since 2009/10, the Extended Agricultural and Rural Credit Policy has, *inter alia*, provided for credit for fish cultivation in coastal areas, and for the extension of credit support for storing and marketing agricultural products.<sup>11</sup> In 2017/18, BDT 21,393 million was disbursed for agriculture and rural credit.<sup>12</sup>

4.25. During the review period, poor farm incomes were also supported, through domestic procurement of rice and wheat from poor farmers. In 2018, rice and flour were sold to poor families led by women under the Open Market Sale (OMS) policy. Under this policy, the authorities purchased rice and wheat flour, and sold it to poor families, at a per kilogram price of USD 0.36 for rice and USD 0.2 for wheat. The authorities sold 5 kg of rice per day to lower income families until the Boro harvest in April 2018. In 2017, the programme supplied 56,962 MT of rice (3%) and 301,456 MT of wheat (48%) of total rice and wheat distribution under the public food distribution system.<sup>13</sup> According to the authorities, the OMS for lower income families continued until 2018.

4.26. SOE operations support, directly or indirectly, the agriculture sector (Section 3.3.5). Since 2015, the Trading Corporation of Bangladesh (TCB) has maintained buffer stock of some selected essential commodities, to stabilize their market prices (Section 3.3.4.2 and 3.3.5). In 2018, the TCB regulated five commodities: refined sugar, refined soybean oil, red lentils, chick peas, and dates. In addition, it maintains a buffer stock of refined sugar, refined soybean oil, and red lentils. The quantity of the buffer stock depends on the market situation; according to the authorities, the buffer is not less than 500 MT of each item.

4.27. In 2017/18, the total budget allocation for agriculture, including the Ministry of Agriculture, the Ministry of Livestock and Fisheries, and the Ministry of Food, was BDT 103.8 billion (BDT 86.1 billion for non-development and BDT 17.7 billion for development).<sup>14</sup> In addition, BDT 6.0 billion was allocated to provide subsidies to farmers, for fertilizer and other agriculture inputs.

<sup>9</sup> WTO document G/AG/N/BGD/4, 4 May 2011.

<sup>10</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>11</sup> Agricultural Credit and Financial Inclusion Department (2013), *Agricultural and Rural Credit Policy and Programme: 2013-2014*. Viewed at: [https://www.bb.org.bd/aboutus/regulationguideline/agri\\_policy2013-2014.pdf](https://www.bb.org.bd/aboutus/regulationguideline/agri_policy2013-2014.pdf).

<sup>12</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>13</sup> Global Agricultural Information Network (2018). *Grain and Feed Annual, Bangladesh*. Viewed at: [https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual\\_Dhaka\\_Bangladesh\\_4-3-2018.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Dhaka_Bangladesh_4-3-2018.pdf).

<sup>14</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

Furthermore, an amount of BDT 75 million was allocated for agricultural rehabilitation assistance programmes.<sup>15</sup>

4.28. Most of the product-specific aggregate measures of support (AMSs) related expenditure was used for price support for rice and wheat, and non-specific AMSs mainly focused on subsidizing fertilizer imports. During the review period, Bangladesh made no WTO notifications on domestic support for agriculture. Its most recent notification dates back to 2011, and covers the level of domestic support for FYs 2002/03, 2004/05 and 2006/07.<sup>16</sup>

#### 4.1.5 Selected items

##### 4.1.5.1 Crops

4.29. Crop production remains the dominant agricultural activity, despite a decrease in its share of GDP, from 10.1% in 2011/12 to 7.5% in 2017/18.<sup>17</sup> Total crop production increased from BDT 1,136.5 billion in 2011 to BDT 1,532.4 billion in 2016 (Table 4.1). During the review period, total cropped land increased from 14.9 million ha in 2012 to 15.4 million ha in 2017.<sup>18</sup> The area under cultivation included: rice, 74.85%; wheat, 2.92%; potatoes, 3.13%; maize, 2.20%; pulses, 2.44%; oilseeds, 2.73%; spices and condiments, 2.60%; sugarcane, 0.65%; tea, 0.39%; fruit, 0.99%; and vegetables, 2.64%.<sup>19</sup>

**Table 4.1 Production of selected crops, 2011-16**

		2011	2012	2013	2014	2015	2016
<b>Total agricultural production</b>	BDT billion	1,269.8	1,437.3	1,627.2	1,672.1	1,695.2	1,752.8
<b>Crop production</b>	BDT billion	1,136.5	1,298.3	1,469.0	1,485.4	1,489.9	1,532.4
Rice, paddy	BDT billion	766.5	870.6	983.8	967.0	897.8	900.6
	'000 ha	11,528.0	11,423.0	11,372.0	11,319.5	11,371.8	11,386.0
	'000 tonnes	50,627.0	50,497.0	51,534.0	52,325.6	51,278.4	52,590.0
Potatoes	BDT billion	68.9	97.6	86.7	114.3	134.5	147.8
	'000 ha	460.2	430.4	443.9	461.7	471.0	475.7
	'000 tonnes	8,326.4	8,205.5	8,603.0	8,950.0	9,254.3	9,474.1
Onions, dry	BDT billion	16.3	32.7	48.6	40.0	65.0	42.5
	'000 ha	127.9	135.7	134.4	150.9	169.6	177.5
	'000 tonnes	1,051.5	1,159.3	1,168.0	1,387.0	1,704.4	1,735.3
Garlic	BDT billion	5.8	9.2	15.8	18.4	18.2	40.8
	'000 ha	42.0	44.3	42.5	53.0	57.0	60.8
	'000 tonnes	209.2	233.6	223.7	312.0	345.7	381.9
Maize	BDT billion	13.9	21.4	30.0	34.5	36.6	40.8
	'000 ha	165.5	197.1	234.7	307.2	325.3	335.0
	'000 tonnes	1,018.3	1,297.7	1,548.0	2,124.0	2,272.0	2,445.6

<sup>15</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>16</sup> WTO document G/AG/N/BGD/3, 4 May 2011.

<sup>17</sup> BBS (2018). *GDP of Bangladesh (Final) 2017-18*.

[http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/057b0f3b\\_a9e8\\_4fde\\_b3a6\\_6daec3853586/F2\\_GDP\\_2017\\_18.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/057b0f3b_a9e8_4fde_b3a6_6daec3853586/F2_GDP_2017_18.pdf) and BBS (2014). *Yearbook of Agricultural Statistics - 2012*. Viewed at: <http://203.112.218.65:8008/WebTestApplication/userfiles/Image/LatestReports/AgriYearbook-2012.pdf>.

<sup>18</sup> BBS (2018), *Yearbook of Agricultural Statistics 2017*.

[http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/1b1eb817\\_9325\\_4354\\_a756\\_3d18412203e2/AgriYearbook-2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/1b1eb817_9325_4354_a756_3d18412203e2/AgriYearbook-2017.pdf), and BBS (2014). *Yearbook of Agricultural Statistics - 2012*. Viewed at: <http://203.112.218.65:8008/WebTestApplication/userfiles/Image/LatestReports/AgriYearbook-2012.pdf>.

<sup>19</sup> BBS (2018). *Yearbook of Agricultural Statistics 2017*. Viewed at:

[http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/1b1eb817\\_9325\\_4354\\_a756\\_3d18412203e2/AgriYearbook-2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/1b1eb817_9325_4354_a756_3d18412203e2/AgriYearbook-2017.pdf).

		2011	2012	2013	2014	2015	2016
Mangoes, mangosteen and guavas	BDT billion	27.7	29.3	36.9	30.4	29.5	36.1
	'000 ha	111.1	124.0	119.6	124.0	101.5	153.1
	'000 tonnes	889.2	945.1	956.9	992.3	1,018.1	1,161.7
Chillies and pepper, dry	BDT billion	40.3	21.1	23.0	19.7	27.7	30.7
	'000 ha	105.0	97.1	93.5	89.8	92.2	102.0
	'000 tonnes	176.1	126.0	102.0	110.0	123.2	130.3
Wheat	BDT billion	19.0	21.9	28.2	28.3	29.1	27.0
	'000 ha	373.7	358.2	416.4	429.8	437.6	445.0
	'000 tonnes	972.1	995.4	1,255.0	1,303.0	1,348.0	1,348.2
<b>Livestock production</b>	BDT billion	133.2	139.1	158.1	186.7	205.3	220.5

Source: FAOSTAT online information.

4.30. Bangladesh is one of the largest rice-producing and -consuming countries in the world. According to the authorities, in 2017/18, an estimated 13 million farm families grew rice on roughly 11,386 million ha (Table 4.1), occupying almost 70% of the total cropped area and about 80% of the total irrigated area.<sup>20</sup> Though Bangladesh has made significant progress in agriculture, especially with respect to rice production and yields, the demand for rice still outstrips domestic production, and the country remains a net importer of rice.

4.31. Although rice is the major staple, income, growth and rapid urbanization have changed domestic consumption patterns to high-value non-cereal products (vegetables and fruit) and animal products (fish, poultry, eggs, milk and meat). The share of rice in per capita calorie consumption declined during the review period, due to an increase in income, enabling the population to diversify diets with a higher intake of non-cereal foods. The population also reduced their consumption of wheat, with daily per capita consumption decreasing by 24% between 2010 and 2016.<sup>21</sup>

4.32. The current average MFN applied tariff rate on cereals (HS Chapter 10) rose from 3.7% in 2011/12 to 5.8% in 2018/19. Customs duties on rice rose from zero in 2011/12 to 25% in 2018/19, and have been subject to large fluctuations during the review period. In 2017, they were reduced from 10% to 2%, to ensure domestic supply at an affordable price, which was 40% higher in 2017 than in the previous year.

#### 4.1.5.2 Livestock

4.33. During the review period, the contribution of the livestock sector to GDP dropped from 1.84% in 2011/12 to 1.54% in 2017/18. According to the authorities, an estimated 20% of the population are directly engaged in the livestock sector, and 45% are indirectly engaged. Small and marginal farms continue to dominate the production of livestock; in addition, in 2017/18, amongst rural households including the landless, marginal and small-scale farmers, over 70% owned livestock.<sup>22</sup> The subsector contributes towards meeting the daily essential animal protein requirement for human consumption, the reduction of poverty, the cultivation of land, and the production and export of leather and leather goods. The production of animal protein, such as milk, meat (beef, mutton, chicken) and eggs, has been gradually increasing. According to the authorities, the livestock and poultry populations rose to 54.7 million and 329.2 million, respectively, in 2016/17, and 55.1 million and 337.9 million, respectively, in 2017/18.<sup>23</sup> Although Bangladesh has a high cattle density, according to the authorities, there is a deficit in milk production in relation to demand. According to the Department of Livestock Services (DLS), under the Ministry of Fisheries and Livestock, in

<sup>20</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>21</sup> *The Daily Star*, "Appetite for Rice on Wane", 23 October 2017. Viewed at: <https://www.thedailystar.net/business/appetite-rice-wane-1480402>.

<sup>22</sup> World Bank (2017), *Bangladesh Livestock Development-based Dairy Revolution and Meat Production Project (DRMP)*. <http://pubdocs.worldbank.org/en/266521493741368519/LDMPP-Identification-Mission-Mar27-Apr6-2017-AM.pdf>.

<sup>23</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

2017/18, the demand for milk was 150.29 lakh MT, whereas the production was 94.06 lakh MT; therefore, there was a deficit of 56.23 lakh MT.<sup>24</sup> In 2017/18, in terms of meat production, there was a 0.46 lakh MT surplus of meat produced over demand.

4.34. Several initiatives have been taken for livestock development, including: breed gradation through artificial insemination, using superior quality frozen and liquid semen; the production and distribution of vaccines for poultry and livestock; the supply of cheaper duckling and chicks; increased production of semen; artificial foetus transfer technology; and the prevention and control of anthrax, foot and mouth disease, and avian influenza.

4.35. The 2007 comprehensive National Development Livestock Policy, developed by the Ministry of Fisheries and Livestock, remains unchanged. Its main objective is to provide an enabling environment, opening opportunities, and reducing risks and vulnerability, to harness the full potential of the livestock subsector, to accelerate economic growth for the reduction of rural poverty, in which the private sector will remain the main actor, while the public sector will play a facilitating and supportive role. The specific objectives of the Policy include: promoting sustainable improvements in the productivity of milk, meat and egg production, including processing and value addition; promoting sustained improvements in income, nutrition, and employment for landless, small and marginal farmers; and facilitating increased private-sector participation and investment in livestock production, livestock services, market development, and the export of livestock products and by-products.<sup>25</sup> Additional sectoral policy texts include the Livestock Extension Policy (Draft), 2013.

4.36. The National Poultry Development Policy (2008), to control the quality of inputs for sustainable poultry development, remains unchanged. The regulatory framework for disease control and eradication includes: the Diseases of Animal Act, 2005; the Animal and Animal Product Quarantine Act, 2005; the Animal Slaughter and Meat Control Act, 2011; the Animal Feed Rule, 2013; and the Animal Slaughter and Meat Control Rule, 2018, which has not yet been enacted.

4.37. To assure quality feed supply to livestock and poultry, and to increase food safety, the Government approved the Fisheries and Livestock Feed Act, 2010. Similarly, to assure the halal method, and to prevent the unscientific slaughter of animals, the Government approved the Animal Slaughter Act, 2011 and the Animal Feed Rules, 2013. In order to expand modern veterinary services to farmers, 64 District Veterinary Hospitals, 491 Upazila Livestock Development Centers (ULDCs), and ten Metro Thana Livestock Offices have been established. Modern veterinary services, training, disease diagnostic facilities, treatment facilities, and artificial insemination, disease control and prevention services are provided from these centres. Moreover, 22 mini diagnostic laboratories were established in other districts, to provide technical support to poultry and dairy farmers through the analysis of animal and poultry feeds and disease diagnosis. To provide a one-stop service to farmers, 63 new ULDCs buildings were constructed, and 22 ULDC buildings are being constructed under the ULDC Establishment Project. Twelve new duck hatcheries were established and two duck hatcheries are being constructed under the Regional Duck Breeding Farms Establishment (Duck Hatchery) Project. According to the authorities, 77,935 poultry farms were registered as at 2017/18. In addition, as at June 2017, there were: 18,698 layer farms; 53,985 broiler farms; 7,705 duck farms; 207 hatcheries; 16 grandparent stock farms; 156 feed mills; 58,423 dairy farms; 3,917 goat farms; and 3,632 sheep farms.

4.38. Policies targeting technology adoption have focused on growth in livestock production, especially through the cross-breeding of cattle and goats, and disease control in poultry.<sup>26</sup> The authorities are also focusing on increasing the productivity of small-scale producers; promoting

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<sup>24</sup> General Economics Division (2015), *Seventh Five Year Plan FY2016-FY2020: Accelerating Growth, Empowering citizens*.

<sup>25</sup> Ministry of Fisheries and Livestock (2017), *National Livestock Development Policy*. Viewed at: [http://old.dls.gov.bd/files/Livestock\\_Policy\\_Final.pdf](http://old.dls.gov.bd/files/Livestock_Policy_Final.pdf).

<sup>26</sup> World Bank (2016), *Dynamics of Rural Growth in Bangladesh: Sustaining Poverty Reduction*. Viewed at: <http://documents.worldbank.org/curated/en/951091468198235153/pdf/103244-REPLACEMENT-PUBLIC-Dynamics-of-Rural-Growth-in-Bangladesh-Reformatted-conf-version-May-17.pdf>.



commercial production; providing extension advice, treating livestock diseases, and supplying other services to poor farmers; and strengthening market linkages for small and poor farmers.<sup>27</sup>

4.39. The average MFN applied tariff on animals and animal products increased during the review period, from 14.5% in 2011/12 to 21.1% in 2018/19 (Table A3.2). Imports of animals and animal products remain subject to inspection and quarantine (Section 3.3.3).

#### 4.1.6 Fisheries

4.40. Bangladesh is one of the world's largest inland fishing nations.<sup>28</sup> During the review period, the fisheries sector contributed slightly more than 3% to GDP, equivalent to more than one quarter of total share of agriculture to GDP (Table 1.2).<sup>29</sup> In 2011/12, the sector earned BDT 47,040 million by exporting 92,500 MT of fish and fish products. Although small-scale inland capture fisheries have historically dominated fish production, there has been considerable growth in aquaculture. In 2011/12, the contribution of inland aquaculture, inland capture and marine fisheries to total fish production were 52.82%, 28.34 % and 17.74%, respectively, while in 2016/17, they were 56.44%, 28.14% and 15.42%, respectively. Fish and fish products are the major source of animal protein (about 60% of the daily animal protein intake), essential vitamins and other nutrients.<sup>30</sup> Fisheries products, such as shrimp prawns, crab, catfish, carp, and tilapia, are exported to 50 markets, including: the European Union; United States; China; Japan; Hong Kong, China; Singapore; the Kingdom of Saudi Arabia; Malaysia; and the Russian Federation. In 2017, an estimated 50%-60% of total agricultural exports was composed of shrimp exports, contributing about 75%-85% to total value-added.<sup>31</sup>

4.41. In 2013, the Government formulated the National Aquaculture Development Strategy and Action Plan for the period 2013–20.<sup>32</sup> The Strategy and Action Plan were formulated in line with the CIP of 2010–15, and the 6<sup>th</sup> FYP (2011–15). They provide a road map for realizing the growth potential of the sector. The 1998 Fisheries Policy remains unchanged. Its objectives include the enhancement of resources and production; poverty alleviation through self-employment in the sector; meeting the demand for animal protein; achieving economic growth and earning foreign exchange; and maintaining the ecological balance, biodiversity and public health. The Ministry of Fisheries and Livestock's 2006 Fisheries Strategy consists of sub-strategies for: inland and marine capture fisheries; aquaculture and shrimp farming and aquaculture extension; quality control; human resources development and monitoring and evaluation. The National Shrimp Fish Policy was adopted in 2014. Its main objectives are maintaining the environmental and ecological balance, protecting biodiversity, following HACCP approach, traceability, job creation, and shrimp production, processing, marketing and export market expansion.

4.42. To sustain the aquaculture industry, the National Aquaculture Development Strategy and Action Plan was approved in 2013, following the aims and objectives of 1998 Fisheries Policy and the 2006 Fisheries Strategy. Furthermore, to sustain growth in the shrimp sector, the National Shrimp Policy (2014) was formulated and enacted, to achieve targeted objectives, covering shrimp production and management; processing, quality control and export; employment and poverty reduction; and environment and disease surveillance. The Aquaculture Medicinal Products (AMP) Guidelines, 2015, and the Fish and Fishery Products Official Controls Protocol, 2015 were also formulated and enacted, to address food safety compliances.

4.43. The regulatory framework governing fisheries dates back to 1983.<sup>33</sup> For fisheries resource conservation and management and the maintenance of the quality of fish and fish products, the following rules are being enforced: the Framing of Marine Fisheries Act, 2018 (under consideration); the Fish and Fish Products (Inspection and Quality Control) Rules, 1997 (amended in 2008, 2014

<sup>27</sup> World Bank (2016), *Dynamics of Rural Growth in Bangladesh: Sustaining Poverty Reduction*. Viewed at: <http://documents.worldbank.org/curated/en/951091468198235153/pdf/103244-REPLACEMENT-PUBLIC-Dynamics-of-Rural-Growth-in-Bangladesh-Reformatted-conf-version-May-17.pdf>.

<sup>28</sup> FAO online information. Viewed at: <http://www.fao.org/fishery/facp/BGD/en>.

<sup>29</sup> Department of Fisheries (2018), *Annual Report 2017*.

<sup>30</sup> Department of Fisheries (2018), *Annual Report 2017*.

<sup>31</sup> Department of Fisheries (2018), *Annual Report 2017*.

<sup>32</sup> FAO online information. Viewed at: <http://www.fao.org/3/a-i3903e.pdf>.

<sup>33</sup> It consists of: the Protection and Conservation of Fish Act, 1950; the Protection and Conservation of Fish Rules, 1985; the Marine Fisheries Ordinance, 1983; the Marine Fisheries Rules, 1983; and the Fish and Products (Inspection and Quality Control) Ordinance, 1983.

and 2017); the draft Fish and Fish Products (Inspection and Quality Control) Act, 2018; the Fish Quarantine Act, 2018; the National Shrimp Policy (2014); the National Residue Control Plan Policy Guidelines, 2011 (amended 2012); the Fish and Fishery Products Official Control Protocols, 2015; and the Guidelines for the Control of Aquaculture Medicinal Products-AMPs, 2015. The Fish Hatchery Act, 2010, the Fish Hatchery Rules, 2011, the Fish Feed and Animal Feed Act, 2010, and the Fish Feed Rules, 2011 were approved by the Government, to, *inter alia*, ensure quality fish feeds. Furthermore, the Fish Quarantine Act, 2017 and the Marine Fisheries Act, 2017 are at the final approval stage.

4.44. The Department of Fisheries (DOF), under the administrative control of the Ministry of Fisheries and Livestock, supports sustainable growth in fish and shrimp production for domestic consumption and export, and the management of open water fisheries resources. The Bangladesh Fisheries Development Corporation (BFDC) owns a large portion of the sea-going fishing boats and ships, and has a wide-ranging mandate to promote and engage commercially in all aspects of fisheries; its core activities are handling, processing and marketing.<sup>34</sup> The DOF mandate includes: disseminate improved aquaculture technologies, through training and demonstration, and extend extension advisory services to the focal stakeholders; enhance fisheries resources, through enacting conservation and management measures; assist the administrative ministry to formulate policies, acts, etc; enforce quality control measures, and issue health certificates for exportable fish and fish products; conduct fisheries resources surveys and assessment of stock, to develop fisheries database for proper planning; facilitate the arrangement of institutional credit for fish and shrimp farmers, fishers and fish traders and entrepreneurs; facilitate alternative income-generating activities for rural poor and unemployed people, to alleviate poverty; formulate and implement development projects /programmes, for the sustainable utilization of fisheries resources, to ensure food security; and disseminate improved aquaculture technologies, through the e-extension service. There are 253 industrial fishing trawlers (see below) under the DOF's control, as well as approximately 67,000 artisanal mechanized and non-mechanized boats. Eight ships, two fish processing centres, and eight landing and marketing centres are under BFDC control.

4.45. In 2013, Bangladesh obtained the right to access 1 lakh km<sup>2</sup> of water area in the Bay of Bengal, through the International Tribunal for the Law of the Sea (ITLOS). The DOF is planning to assess the fisheries resources in the Bay of Bengal for maximum sustainable yield. A research vessel, to conduct appropriate stock assessment, is about to be purchased, and a vessel tracking monitoring system is to be developed.

4.46. Regarding inland fisheries, the Ministry of Land leases water bodies (*Jalmohals*) (e.g. ponds or wetlands) to individuals or groups on an annual basis; community-based fisheries management has been piloted through development projects (funded by the Government and by donor agencies) through 400 community-based organizations (CBOs).<sup>35</sup> Aquaculture is operated in ponds, seasonal water bodies, oxbow lakes (*baors*) and shrimp/prawn farms. Water bodies, oxbow lakes (*baors*), shrimp farms, prawn farms, mud crab culture, pen culture, and cage culture accounted for 78.56%, 9.24%, 0.34%, 10.56%, 0.62%, 0.57% and 0.11% of the activity's catch, respectively, in 2016/17. Marine fisheries are an open access resource, and its industrial sector is regulated through the licensing of vessels; regulated mesh sizes for cod-ends (45 mm for shrimp and 60 mm for fish trawl); shrimp trawlers must land, not discard; and shrimp trawlers are permitted to fish for 30 days, and must have at least 30% fish in the total catch. Licensed vessels must land at designated ports. The industrial fleet comprises fish and shrimp trawlers; in 2017/18, 253 (195 in 2011/12) were engaged in fishing with a court order, including 40 unregistered trawlers, of which 31 are active and 9 are out of order. There were 37 double-rigged shrimp trawlers in 2012, the same as in 2017/18.

4.47. Average MFN tariff protection for fish and fishery products remains high (23.8% in 2018/19, 23.4% in 2011/12). Under the latest Export Policy (2015-18), the frozen food and fish product industry have, *inter alia*, benefited from: loans at lower interest rates, payable in easy installments, to increase the production of shrimp and fish; venture capital to the frozen food sector, for producing, processing and exporting value-added products; duty-free imports of essential quality control machinery; shrimp and fish insurance, similar to that for agricultural crops; steps being taken to withdraw duty and VAT on fry, feed, electricity, chemicals, etc., to increase production of shrimp

<sup>34</sup> FAO online information. Viewed at: <http://www.fao.org/fishery/facp/BGD/en>.

<sup>35</sup> FAO online information. Viewed at: <http://www.fao.org/fishery/facp/BGD/en>.

and fish; and a loan facility at a low interest rate for registered small shrimp and fish cultivators, for the alleviation of poverty.

4.48. Bangladesh incorporated illegal, unreported and unregulated (IUU) fishing into its regulatory framework in 2010, through an amendment to the Marine Fisheries Ordinance, 1983, followed by SRO No. 59-ain/2010.

## 4.2 Mining and Energy

### 4.2.1 Mining

4.49. During the review period, Bangladesh continued to produce mainly coal, hard rock, peat, mineral sand, metallic minerals, white clay, silica sand, ordinary/sand mixed stone, limestone and gravel.<sup>36</sup> The mining sector's contribution to GDP increased slightly, from 1.7% in 2011/12 to 1.8% in 2017/18 (Table 1.2). The industry (HS Section 5, mineral products) accounted for 13.6% of total imports in 2016/17 (10.8% in 2011/12), and 0.1% of total exports in 2017/18 (1.3% in 2011/12); its main traded items are mineral fuels/oils.<sup>37</sup> According to the authorities, new mineral discoveries during the review period included bituminous coal and hard rock. Coal is one of the main energy resources of Bangladesh and, since 2010, the Geological Survey of Bangladesh (GSB) has discovered an estimated 2 billion tonnes of coal reserves, which is equivalent to more than 70 trillion cubic feet of gas.

4.50. Bangladesh maintains policies to further explore mineral resources; its 7<sup>th</sup> FYP 2016-20 provides for a Domestic Coal Export Policy (Section 4.2.2). The coal policy of Bangladesh was formulated in 2010 by the Ministry of Power, Energy and Mineral Resources, with the involvement of the GSB, but it has not yet been approved. According to the authorities, as the main exploration authority of coal energy, the GSB is entitled to perceive royalties from coal extraction, thereby allowing it to implement its exploration work more efficiently, and develop its manpower, technical assistance, equipment and laboratory facilities. The GSB also has the authority to engage in coal field development and mining activities. The main policy objective of the oil, gas and mineral resource sector is to meet the energy demand of the country by undertaking exploration, production, development and appraisal of oil and gas fields, and the subsequent enhancement of energy reserves (Section 4.2.2).<sup>38</sup> In 2010, Bangladesh planned to implement a coal power project to meet the country's demand for electricity, as gas reserves are drawn down, to promote the development, exploration, marketing, and mining of coal; a draft policy proposed a waiver of corporate taxes for contractors and licensees.<sup>39</sup> This plan is currently under review by the Government. The GSB has implemented various projects for mineral exploration, geo-hazard assessment, urban development, coastal geology, engineering geology, geophysical surveys, drilling, analytical chemistry, petrology-mineralogy, and palaeontological studies, etc. for sustainable economic development. As at November 2018, one power station, based on Barapukuria Coal, had been established. Local and overseas training in mining is being implemented, to develop a skilled workforce. Research facilities have been expanded, by procuring modern equipment to work in the micropaleontology, petrology-mineralogy, analytical chemistry, engineering geology, geophysics, remote sensing and geographic information system (GIS), sedimentology and clay mineralogy laboratories.<sup>40</sup>

4.51. During the review period, the main regulatory framework governing mining remained virtually unchanged. The White Clay Extraction and Marketing Guidelines, 2014 were introduced. Under the Mines and Minerals (Regulation and Development) Act, 1992 (Act No. 39, 1992) and the Mines and Minerals Rules, 2012, the Bureau of Mineral Development (BMD), under the Energy and Mineral Resources Division of the Ministry of Power, Energy and Mineral Resources, issues exploration licences, and grants mining leases and quarry leases for different minerals. The Bangladesh Oil, Gas

<sup>36</sup> General Economics Division (2015), *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>37</sup> Export Promotion Bureau of Bangladesh, and BBS.

<sup>38</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>39</sup> Five coal fields in the country contain 3.3 billion tonnes of coal. Fong-Sam, Yolanda (2012), *The Mineral Industry of Bangladesh*, published in the U.S. Department of the Interior, U.S. Geological Survey, *2010 Minerals Yearbook – Bangladesh*, August. Viewed at: <https://minerals.usgs.gov/minerals/pubs/country/2010/myb3-2010-bg.pdf>.

<sup>40</sup> General Economics Division (2015). *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

and Minerals Corporation (Petrobangla) continues to, *inter alia*, engage in: coal and granite mining; the development and marketing of minerals; and production-sharing contracts (Section 3.3.5 and 4.2.2). The Bangladesh Power Development Board (BPDB) (Section 4.2.2.2), a state-owned power-generating entity, buys fuel energy products (gas and coal) from Petrobangla's subsidiary companies. Government revenue (royalties) generated by the mining contracts from 2015 to 2018 totalled BDT 187.33 crore. In terms of licences, two subsidiary companies of Petrobangla were awarded three licences from the BMD. Between 2015 and 2017, the BMD signed lease agreements with 83 companies, to excavate stone from Sylhet, Lalmonirhat, Nilphamary, and Panchogar Districts; and 50 quarry lease agreements for silica sand from Maulvibazar and Hobigonj. The mining licence for coal for Petrobangla's Barapukuria Coal Mine Company Limited (BCMCL), and the hard rock mining licences for Modhyapara Granite Mining Company Limited (MGMCL) and for Dhighipara coal mine have been renewed.<sup>41</sup>

4.52. The average MFN tariff protection for minerals and metals stood at 13.2% in 2018/19 (Table A3.1), compared to 13.7% in 2011/12.

#### 4.2.2 Energy

4.53. Bangladesh's energy structure remains simple: fossil fuels, such as coal and gas, which are produced domestically; and petroleum products, which are imported. In 2017/18, natural gas met almost 71% of the country's total commercial use of energy (Section 4.2.2.1.2).<sup>42</sup> Sector-wise, gas usage in 2017/18 included: electricity, 40.22%; captive, 16.32%; fertilizer, 4.85%; industry, 16.88%, tea estates, 0.10%; commercial, 0.84%; domestic, 16.03%; and CNG, 4.76%. In addition, in 2017/18, coal met almost 4% of the country's total commercial use of energy. The rising share of overall energy imports (i.e. oil and electricity) compared with indigenous production and increased consumption implies that Bangladesh is becoming more dependent on energy imports (Section 4.2.2.1.1 and 4.2.2.2). In 2016/17, 282 licences, including 46 (out of which 15 are in operation) for gas and 84 licences for petroleum activities, were issued, to increase investment in the sector.

4.54. Bangladesh's energy policy remains focused on reducing extreme dependence on natural gas, through diversification of the energy mix and the use of alternative/renewable energy resources; balanced and synchronized development of gas production, transmission and distribution activities; and participation of private entrepreneurs in oil and gas exploration, production and distribution (Section 4.2.1).<sup>43</sup> The 7<sup>th</sup> FYP is focused on establishing/developing: a Gas Allocation Policy; a Domestic Gas Exploration Policy; an Energy Efficiency and Conservation Programme; a Domestic Coal Export Policy; an Energy Subsidy Policy; an Import of Liquefied Natural Gas Strategy; a Plan for Import Coal Facilities; and a Financial Incentive Mechanism for Improved Cooking Stoves. It also aims at promoting the use of liquefied natural gas in the domestic and transport sectors.<sup>44</sup> Furthermore, during the review period, action was taken to promote renewable energy and energy efficiency (Section 4.2.2.3).

4.55. To expedite the long-term development of the energy sector, the Bangladesh Energy Regulatory Commission (BERC) continues to carry out activities to create a favourable environment in the electricity generation, energy transmission, transportation, marketing, management, and operation of this sector.<sup>45</sup> The BERC has been working to ensure transparency in tariff fixation, protect consumers' interests, and create a competitive market. In terms of tariff fixation, the BERC determines the bulk tariff for power generation, the wheeling charge for transmission, and the retail tariff for distribution of electricity. It also determines the gas transmission charge for gas transmission companies, the distribution tariff (margin) for gas distribution companies, and the tariff

<sup>41</sup> Coal production from Barapukuria has increased significantly, due to the application of modern coal extracting methods. Energy and Mineral Resources Division online information. Viewed at: [https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/b618ee33\\_8727\\_40f6\\_b290\\_5dbd3d0090b/42\\_Energy\\_English.pdf](https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/b618ee33_8727_40f6_b290_5dbd3d0090b/42_Energy_English.pdf).

<sup>42</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>43</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>44</sup> General Economics Division (2015). *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>45</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

for end users of gas. It fixes tariffs by taking into consideration the financial capabilities of the producing/distributing agencies, consumers' affordability capacities, and the Government's capacity to provide subsidies. The BERC remains in charge of settling disputes between licensees and consumers in the energy sector. After the implementation of the BERC Act, 2003 and the Bangladesh Energy Regulatory Commission Dispute Settlement Regulations, 2014, the BERC settled several disputes between licensees and consumers and issued orders.<sup>46</sup> The Commission settled 84 disputes up to 2017/18. To increase accountability and transparency in the energy sector, in 2018, the BERC intends to introduce the Uniform System of Accounts for all licensees of gas production, transmission and distribution, targeting 2019/20.

4.56. Incentives remain available to foreign and domestic investors in the energy sector, including: tax allowances on the payment of royalties, technical know-how and technical assistance fees, and facilities for their repatriation; tax allowances on interest paid on foreign loans (for the power sector); tax exemption on capital gains from the transfer of shares by the investing company; avoidance of double taxation for foreign investors on the basis of bilateral agreements; approved remittances of up to 75% of salary for foreigners employed in Bangladesh, and facilities for the repatriation of their savings and retirement benefits at the time of their departure; based on the recommendation of the host ministry/agency, the issuance of work permits for project-related foreign nationals and employees is allowed without any restrictions; and facilities for the repatriation of invested capital, profits and dividends.<sup>47</sup>

#### 4.2.2.1 Hydrocarbons

##### 4.2.2.1.1 Oil

4.57. Bangladesh has an estimated storage capacity of about 13.27 million MT of fuel oil.<sup>48</sup> During the review period, mineral fuels/oils and products of their distillation (HS Chapter 27) rose by 78.4%, from USD 1.98 billion (2011/12) to USD 3.5 billion (2016/17).<sup>49</sup> In volume terms, crude oil imports increased by 28.1%, from 1 million MT in 2011/12 to 1.4 million MT in 2016/17; refined petroleum products imports, such as diesel oil, increased by 28.8%, from 3.4 million MT in 2011/12 to 4.4 million MT in 2016/17.<sup>50</sup>

4.58. The Bangladesh Petroleum Corporation (BPC) remains the country's sole petroleum refining entity, and retains monopoly rights in downstream activities (i.e. retail trading) (Section 3.3.5). Since 2013, the Government broke the monopoly of the BPC by allowing the private sector to import crude and refined oil, under the condition that the oil refined by them would be sold to the BPC for commercialization; however, private power-generation companies have been allowed to import refined oil for their own use. The BPC imports, acquires, stores and markets petroleum products. Its subsidiary, the Eastern Refinery Limited (ERL), is the sole refinery in Bangladesh, and plays a vital role in supplying around 40% of the country's current petroleum products. To strengthen energy security, in 2018, the BPC undertook the Installation of ERL Unit-2 Project, to increase the processing capacity of its existing refinery from 15.00 lakh MT to 45.00 lakh MT; the project is expected to be completed in 2023. In addition, in 2018, the Installation of Single Point Mooring (SPM) with Double Pipelines Project was implemented, with the aim of receiving importable crude and refined petroleum from vessels in the Bay of Bengal, to ensure smooth and cost-effective procedures. In 2014, an MOU was signed between the BPC and the China Petroleum Pipeline Bureau (CPP), a Chinese state-owned company, to implement the former project, and the Engineering, Procurement and Construction (EPC) Contract was signed in 2016. To finance the project, two loan agreements were signed between the Economic Relations Division (ERD) of the Ministry of Finance and China Exim Bank, amounting to USD 550.4 million, which is the total amount of the Engineering, Procurement, Construction and Commissioning Contract (EPCC) between the BPC and the CPP.

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<sup>46</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>47</sup> Bangladesh Country Commercial Guide online information. Viewed at: <https://www.export.gov/article?id=Bangladesh-Power-and-energy>.

<sup>48</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>49</sup> Data provided by the authorities.

<sup>50</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

4.59. The BPC imports crude and refined oil annually, according to the country's demand, without adjusting the domestic retail prices to world prices. As a result of losses by the state-owned BPC (Section 3.3.5) due to non-adjustment of the oil price in the domestic market and the custom duties paid on the higher oil price in the international market, subsidies were provided by the authorities for the import of petroleum products in 2011/12 (BDT 8,549.50 crore), 2012/13 (BDT 13,557.83 crore), 2013/14 (BDT 2,477.60 crore) and 2014/15 (BDT 600.00 crore); following the world oil price drop in recent years, no subsidy was required in the periods 2015/16 and 2016/17 (Section 3.3.1.2.4).<sup>51</sup> According to the authorities, the BPC proposed to the Government to provide a subsidy of approximately BDT 8,000 crore during the period 2018/19; as at November 2018, this proposal was still under consideration.

4.60. The average MFN applied tariff rate for petroleum stood at 15.5% in 2018/19 (Table A3.1), compared to 16% in 2011/12.

#### 4.2.2.1.2 Gas

4.61. Bangladesh was the 8<sup>th</sup> largest producer of natural gas in Asia Pacific (WTO geographical groupings) in 2015, and 28<sup>th</sup> in the world's.<sup>52</sup> Up to December 2017, a total of 25 onshore and 2 offshore gas fields had been discovered, of which about 15.22 trillion cubic feet of gas had been produced cumulatively, leaving net recoverable reserves at 12.54 trillion cubic feet. In 2017, gas was the main source of fuel for the power (41.3%), fertilizer (5.44%), industrial (16.13%), and domestic (14.63%) sectors. Between 2011/12 and 2016/17, annual natural gas production and consumption increased from 743.7 billion cubic feet and 971.6 billion cubic feet, respectively, to 751.7 billion cubic feet and 987.3 billion cubic feet, respectively.<sup>53</sup>

4.62. Petrobangla retains a monopoly in all gas-related activities (Section 3.3.5, 4.2.1 and 4.2.2.2). Its companies remain active in exploration and production (Bangladesh Petroleum Exploration and Production Company Ltd (Bapex), Bangladesh Gas Fields Company Ltd, and Sylhet Gas Fields Limited), transmission (Gas Transmission Company Ltd) and distribution (six companies).<sup>54</sup> The BERC's 2009 Gas Development Fund, which is financed by part of the gas retail tariff, supports the financial capacity for the exploration and production of gas by these nationalized companies; its cumulative deposit up to 30 June 2017 was BDT 9,185.95 crore.<sup>55</sup>

4.63. The main regulations in natural gas include the Bangladesh Gas Act, 2010, and the Bangladesh Gas Marketing Rules, 2014. According to the authorities, to minimize the demand-supply gap, the Government has enhanced gas production, and has taken initiatives to import a considerable quantity of liquefied natural gas (LNG). Two Terminal Use Agreements (TUAs) have been signed, with Excelerate Energy Bangladesh Limited (EBBL) and Summit LNG Terminal Co. (Pvt.) Ltd., to install two Floating Storage and Re-gasification Units (FSRUs) at Moheshkhali, Cox's Bazar, to supply 500 million standard cubic feet of gas per day each. The first FSRU, which is to be installed by the EBBL, was commissioned in October 2018, and the second FSRU, to be installed by Summit LNG Terminal, is to be commissioned in March 2019. To import LNG, in 2018, two long-term LNG Sales Purchase Agreements (SPAs) were signed, with Rasgas, Qatar and Oman Trading International (OTI), Oman, on a government to government (G2G) basis.

4.64. As from September 2015, an Energy Security Fund has been financed by the transfer of BDT 1.01 per cubic metre of gas sold; the cumulative deposit up to 30 June 2017 to this Fund was BDT 4,219.53 crore.<sup>56</sup> On 10 April 2018, a notification on the formation of the Energy Security Fund

<sup>51</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>52</sup> The Daily Sun online article entitled *Bangladesh holds largest oil, gas reserves in Asia Pacific*, 26 July 2016. Viewed at: <http://www.daily-sun.com/arcprint/details/153817/%E2%80%98Bangladesh-holds-largest-oil-gas-reserves-in-Asia-Pacific%E2%80%99/2016-07-26>; online data. Viewed at: [https://photius.com/rankings/2018/energy/natural\\_gas\\_production\\_2018\\_0.html](https://photius.com/rankings/2018/energy/natural_gas_production_2018_0.html).

<sup>53</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>54</sup> Petrobangla online information. Viewed at: <https://petrobangla.org.bd/#>.

<sup>55</sup> The Daily Sun online article entitled *Bangladesh holds largest oil, gas reserves in Asia Pacific*, 26 July 2016. Viewed at: <http://www.daily-sun.com/arcprint/details/153817/%E2%80%98Bangladesh-holds-largest-oil-gas-reserves-in-Asia-Pacific%E2%80%99/2016-07-26>.

<sup>56</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

Policy - 2018 was issued.<sup>57</sup> The Fund is to be used for exploring, extracting, purifying, transmitting, and distributing gas, importing LNG, and undertaking other related projects to ensure energy security in the country. The BERC is expected to manage the Fund.

4.65. During the review period, the BERC determined the gas transmission charge, the distribution tariff (margin), and the tariff for end users of gas (Section 3.3.4.2 and Section 4.2.2).<sup>58</sup> Gas retail tariffs vary, depending on the consumer category. Since 2012, the average gas retail tariff was increased three times. The end user-weighted average price per cubic metre of natural gas was as follows: BDT 4.93 in September 2015; BDT 6.22 (26% increase) in March 2017; BDT 6.96 (12% increase) in June 2017; and since November 2018, it is BDT 7.38 (6% increase).

#### 4.2.2.2 Electricity

4.66. In 2017/18, the main sources of power generation were: natural gas (66.44%), heavy fuel-oil (17.4%); power imports (8.1%); high speed diesel oil (4.6%); coal (1.8%); and hydro (1.7%).<sup>59</sup> Their shares in 2011/12 stood as follows: natural gas (79.18%); heavy fuel oil (11.83%); power imports (8.1%); high speed diesel oil (4.27%); coal (2.52%); and hydro (2.21%). In 2016/17, a total of 57.3 billion kWh of net energy was generated from power plants, compared to 35.1 billion kWh in 2011/12. In the same year, public-sector power plants generated 46.43% of electricity, and 45.43% was generated by the private sector; the rest consisted of power imports from India.<sup>60</sup> Despite the increase in generation, demand for electricity cannot be met, due to transmission and distribution bottlenecks and a deficit in gas supply to power plants. The per capita generation of 464 kWh (including captive) in 2017 was lower than that of many developing countries.<sup>61</sup> The system loss of electricity decreased from 14.61% in 2011/12 to 11.87% in 2017/18.

#### Regulatory developments

4.67. During the review period, the main regulatory framework developments included the passing of: the Rural Electrification Board (REB) Act, 2013, to reform the REB; the Bangladesh Energy and Power Research Council Act, 2015, to encourage and sponsor energy- and power-related R&D activities; the Special Act for Quick Procurement in Power and Energy Sector, 2018, to encourage private investors in the power sector; and the Electricity Act, 2018, updating the rules of the power sector.

#### Power Generation

4.68. The BPDB (Sections 4.2.1 and 4.1) remains responsible for a major portion of the generation and distribution of electricity, mainly in urban areas except Dhaka and the West Zone of the country.<sup>62</sup> To increase the efficiency and capability of the BPDB, on 1 February 2011, the BERC created the Electricity Maintenance and Development Fund; cumulative deposits to the Fund stood at BDT 5,962 crore up to 30 June 2017. The construction of the 383.51 MW (+/-10%) Bibiyana gas-based combined cycle power plant is being financed by this Fund; as at 2017, three additional projects had been approved, for a 5 MW solar power plant at Thakurgaon, a 75 MW power plant at Sylhet, and a 100 MW gas turbine power plant.

<sup>57</sup> Energy News of Bangladesh online article entitled *20-year Energy Security Fund Formulated for LNG Import*, 25 April 2018. Viewed at: <http://energynewsbd.com/details.php?id=1131>.

<sup>58</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>59</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>60</sup> Since 5 October 2013, 500 MW power has been imported from India; and an additional 500 MW power was to be imported from Bheramara after the enhancement of the substation's capacity by June 2018. A further 100 MW of power has been imported from India (Palatana, Tripura state) since March 2016. Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>61</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>62</sup> Subsidiaries of the BPDB are: the Ashuganj Power Station Company Ltd. (APSC); the Electricity Generation Company of Bangladesh (EGCB); the North West Power Generation Company Ltd. (NWPGCL); and the West Zone Power Distribution Company Ltd. (WZPDCL). BPDB online information. Viewed at: <http://180.211.137.22:8991/>.

4.69. Since October 1996, a policy to encourage the private sector to generate electricity under PPP, Rental Power Producer (RPP), and Independent Power Plant/Producers (IPP) arrangements have been in place. Up to June 2012, arrangements included: eight IPPs, with installed capacity of 1,445 MW and a share of electricity of 16% of the total installed capacity; 10 Small Independent Power Producers (SIPPs), with installed capacity of 325 MW and a share of electricity of 4%; 24 RPPs, with installed capacity of 1,419 MW and a share of electricity of 16%; and 7 Quick Rental Power Plants (QRPPs), with installed capacity of 517 MW and a share of electricity of 6%. Up to 30 June 2018, arrangements changed, and included: 32 IPPs, with installed capacity of 3,953 MW and a share of electricity of 25% of the total installed capacity; 13 SIPPs, with installed capacity of 350 MW and a share of electricity of 2%; 12 RPPs, with installed capacity of 523 MW and a share of electricity of 3% ; and 16 QRPPs, with installed capacity of 1,273 MW and a share of electricity of 8%. Power projects are exempt from corporate income tax for up to 15 years.<sup>63</sup> Several donors, including the World Bank Group, have financed energy projects.<sup>64</sup> As at 2017, 36 power generation projects were underway (17 of which were public), representing a capacity of 11,997 MW.

4.70. Considering the increasing scarcity of natural gas and the rising demand for electricity, a Power Sector Master Plan - 2016 (PSMP) was put in place; long-term targets have been set for an installed electricity generation capacity of 24,000 MW against a demand of 19,000 MW by 2021; 40,000 MW against a demand of 33,000 MW by 2030; and 60,000 MW against a demand of 52,000 MW by 2041.<sup>65</sup> As at November 2018, the PSMP-2016 was being reviewed.

### **Grid and distribution**

4.71. In 2017, 80% of the population (25.9 million consumers) had access to electricity facilities, and the national grid covered 401,000 km.<sup>66</sup> In 2017, the total grid-based installed capacity was 13,555 MW, including: 7,582 MW from the public sector; 5,373 MW from the private sector; and 600 MW from cross-border trade. Under the PSMP-2016, an integrated power distribution programme was undertaken, to increase the distribution network, to give access to electricity to the entire population by 2021 and to improve customer service.

4.72. The state-owned Power Grid Company of Bangladesh Ltd. (PGCB) is the sole company responsible for the operation, maintenance and development of the transmission system. Power generated in different power plants is transmitted to the national grid through 400 kV, 230 kV and 132 kV transmission lines. In 1996, when the PGCB was formed, the total lengths of 230 kV and 132 kV lines were 838 circuit kilometres (ckt km) and 4,755 ckt km, respectively; as at June 2018, transmission lines had increased to 3,342.622 ckt km and 6,994.788 ckt km, respectively, with an additional 697.762 ckt km at 400 kV. The total length of the Optical Ground Wire (OPGW) (a dual functioning cable) installed in the transmission line increased from 4,200 km to 5,549 km in 2017, upon completion of the National Load Dispatch Centre (NLDC) project in 2010.

4.73. Six state-owned organizations remain responsible for electricity distribution: the BPDB; the Bangladesh Rural Electrification Board (BREB); the Dhaka Power Distribution Company (DPDC); the Dhaka Electric Supply Company (DESCO); the West Zone Power Distribution Company (WZPDC); and the Northern Electricity Supply Company (NESCO).<sup>67</sup> Up to June 2017, the BREB had connected a total of 19.1 million consumers.<sup>68</sup> Among them, 17.2 million were domestic; 0.2 million, irrigation; 1.3 million, commercial; 0.2 million, charitable institutions; 0.2 million, industrial; and 0.04 million, other constructions. As at June 2017, 16 BREB projects were under way, at an estimated cost of

<sup>63</sup> SRO 211-Law/Income Tax/2013, 1 July 2013, amended by SRO 354-Law/Income Tax/2013, 18 November 2013, and SRO 213-Law/Income Tax/2013, 1 July 2013. Viewed at: <https://www.export.gov/article?id=Bangladesh-Performance-Requirements>.

<sup>64</sup> They include: the Ghorashal Unit 4 Repowering Project; the Rural Electricity Transmission and Distribution Project; the Power System Reliability and Efficiency Improvement Project; and the Siddhirganj Power Project. World Bank Group (2017), *Bangladesh Country Snapshot*, October. Viewed at: <http://www.worldbank.org/en/country/bangladesh>.

<sup>65</sup> General Economics Division (2015). *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>66</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>67</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>68</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.



nearly BDT 36,912.88 crore. They were related to: the expansion, development and enhancement of the existing distribution system; the installation of pre-payment meters; technical assistance; the replacement of overloaded transformers; the expansion of the distribution line; and consumer connection.

### **Electricity tariffs**

4.74. The retail electricity tariffs differ by consumer category and voltage level (low, medium, high, extra-high), and therefore involve cross-subsidization elements (Section 3.3.1.2.4).<sup>69</sup> According to the authorities, the average retail (end-user) electricity tariff increased from BDT 4.85 per kWh February 2012 to BDT 6.85 per kWh in December 2017. As at 2018, the flat tariff for agricultural irrigation pumping was one quarter of the highest tariff, which was charged on construction, and was followed by those on industry and commercial and office activities. Considering the socio-economic condition of the poor and lower middle-income consumers, the BERC has fixed the life-line tariff for residential users at 1-50 electricity units at BDT 3.36-3.87 per kWh, for the BREB, and BDT 3.33 per kWh for other electricity distribution utilities from September 2015; this remained unchanged until the latest tariff order, in December 2017, when the life-line tariff was fixed at BDT 3.50-3.87 per kWh for the BREB, and BDT 3.50 per kWh for other distribution utilities.

### **Regional cooperation**

4.75. To enhance the development of its power sector, Bangladesh is working with its neighbouring countries and with the SAARC, BIMSTEC, the South Asia Subregional Economic Cooperation (SASEC), and the D-8 regarding regional cooperation (Section 2.3.2.4). In addition to that with India, Bangladesh has initiated cross-border trade of electricity through bilateral cooperation with Nepal, Bhutan, and Myanmar.<sup>70</sup> An MoU was signed between Bangladesh and China in 2012, to enhance cooperation in the power sector, and increase investment opportunities in electricity generation, transmission, distribution, energy efficiency, and renewable energy (see below).<sup>71</sup>

#### **4.2.2.3 Renewable energy and energy efficiency**

4.76. Considering the gradual decrease in Bangladesh's primary fuel reserves (i.e. natural gas) (Sections 4.2.1 and 4.2.2.1.2), action has been taken to address viable alternatives. Under the Sustainable and Renewable Energy Development Authority (SREDA) Act, 2012, the SREDA was established. Several government agencies are working with it for the effective utilization and conservation of renewable energy, in both the public and private sectors; and to monitor and coordinate renewable energy and the efficiency of energy-related issues.<sup>72</sup>

4.77. The 2016 Energy Efficiency and Conservation Master Plan, up to 2030, developed by the SREDA with assistance from the Japan International Cooperation Agency (JICA), is aimed at ensuring energy efficiency and conservation.<sup>73</sup> Its energy-saving targets include saving 15% of "primary energy per GDP" by 2021, and 20% by 2030. The main components of the Master Plan are: setting an energy management programme for large industries; establishing an energy-efficient or star labelling programme for electrical appliances; setting an energy-efficient building programme and introducing a green building rating system; providing technical support and identifying the financing for project implementation; and creating awareness of energy efficiency among the population. An Interim Action Plan for Improvement of Energy Efficiency and Conservation was put in place in 2013, as an intervention for energy efficiency and demand side management, and a Clean Cook Stove Country Action Plan was put in place in the same year

<sup>69</sup> BERC online information. Viewed at: <https://dpdc.org.bd/article/view/52/Tariff%20Rates>.

<sup>70</sup> As at 2017, there were plans to import 4,000 MW from Bhutan and Nepal by grid interconnection; at the same time, a feasibility study on grid interconnection facilities for the import of an additional 1,000 MW from India was underway. Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>71</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>72</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>73</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

4.78. During the review period, energy saving and environmentally-friendly power generation systems were introduced, using renewable and modern technology. As at September 2018, 14 solar minigrids, 1,000 solar irrigation pumps, 2 solar parks (total 23 MW capacity), and 5.2 million solar home systems were installed. According to the authorities, the following incentives and financial benefits are being provided for the establishment of these systems: solar power companies are exempted from income tax after commencement; solar power companies are allowed to import spare parts, without paying customs duty, VAT, supplementary duty, or import fees, up to an amount of 10% of the total cost of plant and equipment, for the first 12 years of commercial operation (exemptions not applicable for locally produced "international standard equipment"); foreign companies are allowed to repatriate equity and profit to their home country; foreign investors are exempted from income tax for solar power projects; foreign investors are allowed to form joint ventures to implement solar power projects; with the consent of the lender and the utility company, the solar power company can insure the project through its headquarters; local company registration by foreign investors is exempt from stamp duty; companies enjoy the existing benefits of IPPs (Section 4.2.2.2); companies are allowed to raise funds locally, as per the regulation of the Board of Investment (BOI); and companies are encouraged to use locally produced quality products and engineering services for solar power generation.

4.79. In 2018, a Net Metering Guideline was published by the Government, to accelerate investment in renewable energy power generation.<sup>74</sup> It is intended to help household, commercial and industrial consumers of grid-connected electricity to use solar energy for power generation. The Guideline is also aimed at facilitating them to become electricity producers, meeting their power demand, partly or fully, on their own, and even sell excess electricity to the power distribution agencies or companies. Furthermore, the Power Division, under the Ministry of Power, Energy and Mineral Resources, is planning to set up floating solar power plants across the country, as part of the Government's plan to generate 24,000 MW of electricity by 2021, as well as encourage solar boating and other new technologies in the renewable energy field.

### 4.3 Manufacturing

#### 4.3.1 Features, policy and measures

4.80. Manufacturing remains a priority economic sector in terms of its contribution to the economy, employment and merchandise exports. Its share in GDP increased from 16.8% in 2011/12 to 19% in 2017/18 (Table 1.2), while its share in total employment increased from 12.34% in 2010 to 14.4% in 2016/17 (Chart 4.1).<sup>75</sup> Low wages continue to assist the expansion of manufacturing activities led by SMEs in the labour-intensive textile and RMG areas, which employ an estimated 5 million people, of which about 60% are female.<sup>76</sup> Bangladesh's narrow industrial base remains concentrated in the garment industry, although subsectors, such as jute products, pharmaceuticals, shipbuilding, toys, ceramics, and furniture, are further being developed. As at 2017/18, manufacturing continued to account for 96.8% of total exports (95.9% in 2011/12), of which 89.6% (87.9% in 2011/12) were textiles and textile articles (Table A1.1). In 2016/17 textile and textile products (mainly cotton) and machinery and electrical equipment remained the main manufacturing imports, representing 22.3% and 16.0% of total imports, respectively (Table A1.2).

#### 4.3.2 Policy and institutions

4.81. The authorities' long-term development strategy, Vision 2021 (Section 2.2.3), includes strategies for developing manufacturing activities by, *inter alia*: undertaking initiatives to ensure the competitiveness of potential labour-intensive manufactures, beyond textiles, RMG and leather goods; developing SME-based industrialization; policy support for emerging sectors, such as high-end RMGs, pharmaceuticals, shipbuilding, etc.; promoting FDI through incentives, to stimulate access to technology and "frontier know-how" capital market liberalization and reform, to create opportunities for raising equity capital to support industrial sector growth; the continuation of

<sup>74</sup> Viewed at: <https://www.dhakatribune.com/opinion/special/2018/01/21/guideline-net-metering-grid-consumers-finalized> and [https://powercell.portal.gov.bd/sites/default/files/files/powercell.portal.gov.bd/notices/c7bca4a1\\_9cd9\\_4cf4\\_b6e\\_848642a2a527/Report%20\(Net%20Metering%20Guideline\)-%202017.10.22.pdf](https://powercell.portal.gov.bd/sites/default/files/files/powercell.portal.gov.bd/notices/c7bca4a1_9cd9_4cf4_b6e_848642a2a527/Report%20(Net%20Metering%20Guideline)-%202017.10.22.pdf).

<sup>75</sup> As per BBS Labour Force Survey data available for the years 2010 and 2013.

<sup>76</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

privatization and adequate support to identified SOEs to run as commercially viable profitable organizations; providing adequate resources to industrial development institutions, to enable them to function efficiently to stimulate domestic investment, FDI and joint ventures; and developing diversified jute products, through the appropriate use of technology.<sup>77</sup>

4.82. Under the 7<sup>th</sup> FYP 2016–20 (Section 2.2.3), policy objectives include: full utilization of the current production capacity in the industrial sector, with special focus on Cottage, Micro, Small and Medium Enterprises (CMSMEs) (Section 3.3.1.2.1); infrastructural development, including ports, power, transport and communications; human resource development; assisting backward linkage industries on a priority basis; treating the RMG and textile industries as priority sectors, in view of their special contributions to the country's export trade, and strengthening other industry-related policies, such as the Textiles Policy, the Jute Policy, and the Silk Policy as supplementary to the Industrial Policy (below, and Sections 4.3.5.1 and 4.3.5.2); collecting information on industrial development and arranging for technology dissemination; removing policy discrimination, if any, between domestic and foreign investments, and enhancing regional and sub-regional cooperation, and taking steps to bring about industrial development in line with different agreements with the WTO; providing assistance for the creation of a strong capital market, so that investments in the industrial sector are increased; initiatives to set up industrial parks (Section 3.3.1.2.3); taking into consideration highly-developed technology-based seed breeding, production and development, and agricultural goods-processing activities as industries; incentives for R&D, and the acceptance and transfer of environmentally-friendly appropriate technology; promoting FDI to bring about technology transfer, efficiency and management development, and enhance marketing skills; and creating a long-term credit fund to generate industrial production capacity, and a venture capital fund to support the commercial production and marketing of creative industries.<sup>78</sup>

4.83. The National Industrial Policy (2016) is, *inter alia*, aimed at promoting sustainable and inclusive industrial growth, through the generation of productive employment, to create new entrepreneurs; mainstreaming women in the industrialization process; and creating international market linkage. To implement this Policy, the authorities are focusing on SME development. The key objectives of the Policy are: infrastructural transformation; diversification of the economic base; accelerated economic growth, mainly through the development of the private sector; employment generation; and an increase in income level and the development of the livelihood of the people. A time-bound Action Plan has been developed, in consultation with concerned ministries, divisions and other stakeholders, to achieve the desired industrial growth.<sup>79</sup>

4.84. The Ministry of Industries continues to formulate and implement policies and strategies, as well as providing necessary facilities and assistance to establish and expand industries for growth, employment generation and improvement in living standards. During the review period, the manufacturing-related policies adopted include: the National Industrial Policy (2016); the Policy Strategies for Development SMEs (2015); the Handicrafts Policy (2015); the Motorcycle Industry Development Policy (2018); the Innovation and Intellectual Property Policy (2018) (Section 3.3.7); and the National Quality (Goods) and Services Policy (2015). The important and underlying objectives of the Industrial Policy 2016 include sustainable and inclusive industrial growth through the generation of productive employment to create new entrepreneurs, mainstreaming women in the industrialization process and international market linkage creation.<sup>80</sup> To this end, special emphasis is being put on SME development.

### 4.3.3 Border measures

4.85. The simple average MFN tariff on industrial goods stands at 13.2% in 2018/19, a slight reduction from 13.9% in 2011/12 (Tables 3.1 and A3.1). The IPO 2015-18 (Section 3.1.5) contains provisions governing the import of many items, including those relating to export-oriented industries. According to the authorities, the Economic Zones and Export Processing Zones have been kept outside the purview of IPO 2015-18. Some import-facilitating provisions are in the IPO for

<sup>77</sup> General Economics Division (2012), *Perspective Plan of Bangladesh (2010-2021): Making Vision 2021 a Reality*.

<sup>78</sup> General Economics Division (2015), *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>79</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>80</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

factories located outside the BEZs or BEPZs. Goods and commodities, including restricted goods, can be imported for re-export. Under the latest Export Policy (2015-18) and the Strategy for Export Diversification (2015-20), the 12 highest-priority activities with non-utilized potential benefit from: project loans at reduced interest rates on a priority basis; corporate income tax rebates; possible financial benefits or subsidies for utility services, such as electricity, water and gas, consistent with the WTO Agreement on Agriculture, and the Agreement on Subsidies and Countervailing Measures; export credit at lower interest rates and on softer terms; air transportation facilities on a priority basis; duty draw-back/bond facilities; facilities for setting up ancillary industries, including infrastructural development, to reduce production costs; expansion of institutional and technical facilities, for improving and controlling quality of products; duty-free import of equipment, for setting up compliant industry; assistance in the production and marketing of products; assistance in exploring markets abroad; and initiatives to attract foreign investment.<sup>81</sup> Similar measures (except for corporate income tax rebates) benefit another 14 special development sectors.<sup>82</sup>

#### 4.3.4 Domestic support measures

4.86. During the review period, general and industry-specific manufacturing activities continued to benefit from tax incentives. VAT exemptions at the import or manufacturing stage remain in place (Section 3.3.1.1.2). Support is available for the establishment and operation of economic zones (EZs) and high-tech parks (Section 3.3.1.2.3). In addition, a tax holiday is provided, for 10 to 12 years, to the developers of SEZs and high-tech parks, which includes 10 years of full holiday and another 2 years of reduced tax rates. Companies set up in the zones are subject to tax exemptions starting from 100% for the first three years, and reduced rates for the following seven years. In addition to measures under the Export Policy (2015-18) (Section 4.3.3), there are corporate income tax holidays of five to seven years for new enterprises in textiles, pharmaceuticals, plastic, ceramics, sanitary items, iron works, steel works, fertilizers, insecticides, computer hardware, petrochemicals, pharmaceutical raw materials, agricultural equipment and industrial machinery (Section 3.3.1.2.4).

4.87. CMSMEs, mainly engaged in the manufacturing sector, have been assisted through industrial loans and other additional supports, by banks and financial institutions, under the close monitoring and supervision of Bangladesh Bank, for financing and development (Section 3.3.1.2.1). There has been a gradual increase of CMSME financing in the manufacturing sector, from BDT 21,897.33 crore in 2012 to BDT 161,777.32 crore in 2017 (BDT 77,515.25 crore up to June 2018).<sup>83</sup> In addition, the Bangladesh Bank, with the assistance of the Government and development partners, operates refinance schemes for SMEs in agro product-processing industries in rural areas (in 2018, total loans of BDT 1,602.97 crore were granted up to September 2018). The number of beneficiaries in the industrial sector was 2,897 in 2018 (up to September).<sup>84</sup>

4.88. A few SOEs remained in place in textile mills, jute mills, steel and engineering, and chemicals activities (Section 3.3.5). Domestic support continues to be provided through a price-preference scheme for domestic suppliers in the case of international tendering (Section 3.3.6.3).

#### 4.3.5 Selected activities

##### 4.3.5.1 Garments

4.89. Bangladesh is the world's second-largest producer of RMGs. The RMG industry, the backbone of the country's exports (Section 4.3.1), comprises large and medium scale companies and a few small-scale manufacturing enterprises, with a skilled workforce. Labour costs are among the lowest in RMG-producing countries, with a minimum wage of BDT 6,805 per month in 2013. In 2018,

<sup>81</sup> These highest priority activities consist of: high value-added RMGs and garment accessories; software and IT-enabled services, and ICT products; pharmaceutical products; ships and ocean-going fishing trawlers; footwear and leather products; jute products; plastic products; agro-products and agro-processed products; furniture; home textiles and terry towelling; home furnishings; and luggage.

<sup>82</sup> The special development sectors consist of: diversified jute products; electric and electronic products; ceramic products; light engineering products (including auto-parts and bicycles); value-added frozen fish; poppadums; printing and packaging; rough diamonds and jewelry; paper and paper products; rubber; silk products; handicrafts; handloom products, including lungis; and coir products.

<sup>83</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>84</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

according to the authorities, the minimum wage was expected to increase to BDT 8,000; however, as at November 2018, this increase was still under process for approval. In 2017/18, there were more than 4,300 RMG factories, and 1,430 textile mills, with a capacity of yarn production of 2.1 billion kg per year. According to the authorities, in 2018, 100% of yarn and fabric needs were met by the domestic primary textile sector (PTS); in 2016/17, about 85%-90% of knit yarn and 35%-40% of woven fabric requirements for the RMG subsector exports were met by the domestic PTS.<sup>85</sup>

4.90. As at November 2018, Bangladesh continued to maintain a policy framework for investment in RMG, offering investors: establishment of new textile/RMG mills in the private sector; joint ventures with existing textile/RMG mills; acquisition of public sector textile mills that are being privatized; and indirect investment through financial services and/or leasing.<sup>86</sup> The state-owned Bangladesh Textile Mills Corporation (BTMC) remains operational. According to the authorities, the share of the BTMC in domestic production decreased from 9.36% in 2011/12 to 4.98% in 2017/18.

4.91. In 2018/19, the corporate income tax rate of manufacturers and exporters of RMGs was reduced to 15%, and 12.5% for a public limited company. Furthermore, any garment factory that obtained a green building certification would benefit from a lower tax rate of 12% (Section 3.3.1.2.4). The RMG industry also benefits from concessional interest rates and subsidies on the cost of utilities. The BEPZA allows the setting-up of garment and textile industries in EPZs (Section 3.2.4.3). As at August 2018, RMG-related investment in EPZs included: garments, USD 1.7 billion; garment accessories, USD 630.7 million; textiles, USD 663.7 million; knitting and other textiles, USD 312.7 million.

4.92. The simple average MFN applied tariff on textiles increased from 16.8% in 2011/12 to 19.4% in 2018/19; and for clothing it increased from 19.6% in 2011/12 to 24.5% in 2018/19 (Table A3.1). To facilitate the import of commodities by garments exporters, the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) was entrusted with the responsibility of issuing Utilization Declarations (UDs) in 2018. IPO 2015-18 contains provisions governing RMG trade operations, including Customs duty concessions for raw materials for the leather and textiles industries (Section 3.1.3.6). Special bonded warehousing is applicable for 100% of export-oriented RMG industries, which include woven garments, knitwear and sweater manufacturing industries (Section 3.2.4.2). In addition, declarations for the export of RMGs under bonded warehouses are mandatory (Section 3.2.1). In 2017/18, Bangladesh's largest RMG export market was Germany, generating USD 5.57 billion, an 8.65% increase from the previous year, followed by the United States (USD 5.35 billion) and the United Kingdom (USD 3.72 billion).

#### 4.3.5.2 Jute industry

4.93. The jute industry (both raw fibre and jute manufactured goods) remains relatively important in terms of employment and exports. According to the authorities, in 2017/18, jute's contribution to total exports was 2.8%. An estimated 4 million people work in jute mills.<sup>87</sup> According to the authorities, in 2017/18, Bangladesh exported more than 90% of the world's demand of raw jute, and about 80% of jute goods. According to the authorities, they contributed 2.8% to total national export earnings. Diversified commodities produced by jute are increasing, along with traditional jute products (see below). The main manufactured products produced using jute include: yarn and twine; jute sacking; geo-jute; hessian; tobacco sheets; bags; serum cloth; decorative items; and carpet backing cloth. It is also blended with other textiles.

4.94. Jute mills are operated by both the public and the private sectors. In 2017, there were 26 government and 234 private jute mills in the country.<sup>88</sup> The Bangladesh Jute Mills Association (BJMA), representing the private jute spinning sector, has 26 different categories of mills, producing hessian sacking, carpet backing cloth, yarn, geo-jute, and cotton bagging. According to the

<sup>85</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>86</sup> Bangladesh Investment Development Authority (BIDA) online information. Viewed at: <http://bida.portal.gov.bd/>.

<sup>87</sup> Ministry of Textiles and Jute online information. Viewed at: [https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/5e31763f\\_f5b2\\_4ecb\\_bf9a\\_edc8609d2f3f/G-2\\_05\\_41\\_Textile\\_English.pdf](https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/5e31763f_f5b2_4ecb_bf9a_edc8609d2f3f/G-2_05_41_Textile_English.pdf).

<sup>88</sup> Ministry of Textiles and Jute online information. Viewed at: [https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/5e31763f\\_f5b2\\_4ecb\\_bf9a\\_edc8609d2f3f/G-2\\_05\\_41\\_Textile\\_English.pdf](https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/5e31763f_f5b2_4ecb_bf9a_edc8609d2f3f/G-2_05_41_Textile_English.pdf).

authorities, the state-owned Bangladesh Jute Mills Corporation (BJMC) seems to have been subject to a "wind-up" (Section 3.3.5). In 2016/17, the country's mills produced 1.41 million MT of jute products, and increased their exports to 0.89 lakh MT, earning BDT 735.25 crore (0.85 million MT with export earnings of BDT 653.51 crore in 2015/16).<sup>89</sup>

4.95. The National Jute Policy (2018) focuses on the reopening of closed jute mills, the modernization of mills, and the establishment of jute as the second most important export item by 2021. Its specific objectives include: establishing composite jute mills to produce high-quality fabric from jute; establishing a professional design institute to develop various designs of jute and jute products to meet international demand; the automation of the market information system (MIS) of the jute sector; and prioritizing the jute sector.

4.96. The Jute Act, 2017 was formulated to identify and address existing problems in the textile and jute subsectors.<sup>90</sup> The objectives of the Act included: issuing and renewal of licences for jute and jute goods businesses; production, marking, and "connection" of the export income of jute and jute goods; development, expansion and research of jute cultivation; increase of jute and jute goods' production to cope with local and international demand; preparation of a land use plan for jute cultivation; research and invention of diversified jute goods; supply of necessary information among jute cultivators; quality control, ensuring the quality of jute goods, and providing consultation/suggestion and support to jute mills during production; prevention of irregularities and dishonest activities in the jute business; and implementation of advance technology-based jute and jute seed production and extension project. Upon implementation of the Compulsory Use of Jute Fibre Packaging Act, 2010 and the Rules for Compulsory Use of Jute Fibre Packaging, 2013, the packaging requirement became compulsory for 17 items, including rice, wheat, maize, fertilizer, sugar, chili, onions, garlic, turmeric, ginger, pulses, coriander, potatoes, flour, wheat grain and rice bran (Sections 3.3.1.2.4, 3.3.2.4 and 4.3.5).

4.97. Since 2002, a Jute Diversification Promotion Centre (JDPC) has provided financial and technical support to the private sector, to diversify jute products and their usage.<sup>91</sup> The JDPC focused on increasing awareness and skills, market expansion through market research, feasibility studies, demonstration programmes and fair design workshops, and buyer-seller interactions. By 2018, it had supported the development of 25 medium-scale, 100 small-scale and 400 cottage industries. JDPC's achievements during 2009-18 included: registering an estimated 650 small- to medium-sized entrepreneurs; undertaking training of around 8,000 trainees; acquiring 43 technologies; identifying 250 jute diversified products (JDPs); and establishing 7 Jute Entrepreneur Service Centres (JESCs) and two Raw Materials Banks (RMBs).

4.98. In 2017/18, the JDPC arranged events to promote jute products, including: fairs and exhibitions (28); awareness workshops (10); buyer-seller meets (6); and entrepreneur development training (260). It also implemented a multi-country and multi-dimensional research project, the Development and Application of Potentially Important Jute Geotextiles (JGT), under which it completed 14 field trials and created the expansion of the market of JGT for use as an engineering material for rural road construction, river bank protection, and hill slope stabilization. According to the authorities, internal consumption of JGT in 2017/18 is estimated at 10 crore m<sup>2</sup>, amounting to USD 70 million.

4.99. During the review period, the simple average MFN applied tariff on jute remained unchanged, at 25%. The jute industry has benefited from a cash subsidy to exports, which is announced annually with a rate varying from 5% to 20% (Section 3.2.4). The export of jute and jute goods requires additional documentation, including an Export Registration Certificate (Section 3.2.1). The disbursements of export subsidies/cash incentives increased from BDT 350 crore in 2012/13 to BDT 480.8 crore in 2017/18 (Table 3.5). In line with other support measures to the jute sector (Sections 3.3.2.1 and 3.3.2.3), as from 2016/17, the corporate income tax rate for the jute sector has also been reduced to 10% (Section 3.3.1.2.4).

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<sup>89</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>90</sup> The Daily Star, *Jute packaging made mandatory for 11 more products*, 23 January 2017. Viewed at: <http://www.newagebd.net/article/7648/jute-packaging-made-mandatory-for-11-more-products>.

<sup>91</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

### 4.3.5.3 Pharmaceuticals

4.100. During the review period, the importance of the pharmaceutical sector to economic growth continued to increase, as Bangladesh kept taking advantage of the transition period during which LDCs do not have to protect or enforce patents and undisclosed information relating to pharmaceuticals (Section 3.3.7). According to the authorities, in 2017, 98% of total domestic demand for medicine was met by domestic production.<sup>92</sup> In 2017, 267 pharmaceutical manufacturing units produced 26,910 brands of medicine. Exports of finished pharmaceutical products increased from BDT 539.62 crore in 2012 to BDT 2,245.60 crore in 2016 (latest figures available).<sup>93</sup> Furthermore, export destinations have increased from 87 countries in 2012 to 127 in 2016, including the European Union, African countries, and the United States. According to the authorities, pharmaceutical imports are limited to high-tech products, such as blood products, bio-similar products, anti-cancer drugs, and vaccines.

4.101. Corporate income tax holidays, of five to seven years, for new enterprises in pharmaceuticals remain in place (Section 3.3.1.2.4). During the review period, the simple average MFN applied tariff on pharmaceuticals dropped from 4.4% (2011/12) to 3.8% (2018/19). Cash incentives involving local content requirements are also available for exports of active pharmaceutical ingredients (Section 3.2.4.1).

## 4.4 Services

### 4.4.1 Features

4.102. Services continue to be the main contributor to GDP; its share remained slightly above 56% during the review period (Table 1.2). The annual growth in the services sector declined moderately between 2011/12 and 2012/13, and then rose progressively to above 6%, peaking in 2016/17 at 6.7%, and moderately slowing down in 2017/18 to 6.4% (Table 1.2). According to data from the authorities, the share of services in total employment increased from 34.1% in 2013 to 36.9% in 2015/16 (Chart 4.1) and to 39% in 2016/17 (only data available). In 2017/18, the leading services sectors were: wholesale and retail trade; hotels and restaurants; transport, storage and communication; and real estate and business services. In terms of employment, trade, hotels and restaurants accounted for a large percentage of employment, at 15.1% in 2015/16; this was followed by commodities and personal services (11.3%), transport, maintenance and communication (8%), public administration and defence (1.7%), and finance and business services (0.7%) (Chart 4.1).

4.103. In 2017, Bangladesh ranked as the 104<sup>th</sup> largest exporter and 64<sup>th</sup> largest importer of commercial services in the world.<sup>94</sup> In 2017/18, its main services exports consisted of telecommunications, computers and information (15.7%); transportation (12.0%); and travel (8.3%). Imports largely consisted of transportation (70.6%), financial services (10.0%) and travel (6.3%) (Table 1.4). FDI in the services sector is mostly concentrated in the trade and commerce; and transport, storage and communication sectors.

4.104. According to the World Bank's Services Trade Restrictiveness Database, Bangladesh applies trade-restrictive services policies. With a services trade restrictiveness index (STRI) score of 44.2 (where 100 is the most restrictive, and 0 the least), it ranked 88<sup>th</sup> out of the 104 countries covered by the World Bank. It is more restrictive in mode 4 (index score of 70), than in mode 1 (46.2) or mode 3 (33.8).<sup>95</sup> Although the services sector has been a major contributor to the economy

<sup>92</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>93</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>94</sup> WTO online data. Viewed at:

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=BD>.

<sup>95</sup> According to the World Bank's Services Trade Restrictiveness Database, Bangladesh's score compared to India (65.7), Nepal (42.9), Pakistan (28.3) and Sri Lanka (38.2). Viewed at: <http://iresearch.worldbank.org/servicetrade/>.

and its growth, it seems confronted by severe capacity constraints, owing to the lack of sufficient infrastructure, energy, and financial and qualified human resources.<sup>96</sup>

#### 4.4.2 Overall commitments under the General Agreement on Trade in Services and RTAs

4.105. Bangladesh's GATS commitments cover less than 10% of all services subsectors. Its schedule of specific commitments covers tourism and tourism-related services (five-star travel and lodging services) and telecommunications.<sup>97</sup> Bangladesh has MFN exemptions in relation to international telecom services.<sup>98</sup> Its SAFTA RTA deals with trade in services too (Section 2.3.2).

#### 4.4.3 Financial services

4.106. During the review period, despite a slowdown in growth, the financial services' contribution to GDP rose slightly from 3.6% in 2011/12 to 3.9% in 2017/18 (Table 1.2). The sector's total assets rose from BDT 10,891.8 billion in 2011/12 to BDT 21,826.2 billion in 2017/18. Total assets in the banking sector increased from BDT 1,539.0 billion in 2011/12 to BDT 3,203.1 billion in 2017/18. The financial sector includes: the Bangladesh Bank (the Central Bank); scheduled banks; various cooperative banks; non-bank financial institutions (NBFIs); micro finance institutions (MFIs); insurance companies; credit trading agencies; and the Stock Exchange. In addition, the financial system comprises three broad fragmented sectors, in accordance with their degree of regulation: the formal sector; the semi-formal sector; and the informal sector.<sup>99</sup> The formal sector includes all regulated institutions, such as banks, NBFIs, insurance companies, capital market intermediaries like brokerage houses, merchant banks, etc., and MFIs. The semi-formal sector includes those institutions which are regulated but do not fall under the jurisdiction of the Bangladesh Bank such as, the Insurance Authority, the Securities and Exchange Commission, and any other enacted financial regulator. This sector is mainly represented by specialized financial institutions, such as the House Building Finance Corporation (HBFC), the Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank, etc., and non-governmental organizations (NGOs).<sup>100</sup> The informal sector is composed of shadow banking entities and activities of other financial intermediaries that are unregulated or less regulated.

4.107. Since the last Review, policies to establish stable financial markets and service systems include the 7<sup>th</sup> FYP 2016–20. According to the Plan, the Government strives to: expand access to financial services to the underserved, including micro and household enterprises now operating in the informal market, and deepen the financial markets by introducing relevant products; introduce a Core Banking Solution (CBS) in all state-owned commercial and specialized banks; establish a Real Time Gross Settlement (RTGS) system for the banking sector; and develop strategy and implement identified measures for better supervision of state-owned banks.<sup>101</sup> Furthermore, the Plan envisions that the Bangladesh Securities Exchange Commission would establish a separate clearing corporation for speedy settlement after trade (Section 4.4.3.1). The capacity of the Insurance Development and Regulatory Authority would be strengthened through providing manpower and promulgating relevant rules and regulations (Section 4.4.3.2). A separate Credit Information Bureau (CIB) for microfinance would be established.

4.108. As part of its financial inclusion policy, the Bangladesh Bank has taken different initiatives, such as: "mandating banks" to open at least 50% of their branches in rural areas; introducing mobile financial services in 2011, to facilitate access to financial services by previously unserved and underserved citizens; introducing agent banking in 2013, to provide banking services in remote areas; introducing an automated cheque clearing process, thereby reducing processing time by two days per cheque; introducing electronic fund transfer, to facilitate Internet banking and online fund

<sup>96</sup> UNCTAD (2016), *Services Policy Review: Bangladesh*.

<sup>97</sup> WTO documents GATS/SC/8, 15 April 1994; and GATS/SC/suppl.1, 11 April 1997.

<sup>98</sup> WTO document GATS/EL/8, 11 April 1997.

<sup>99</sup> Bangladesh Bank online information. Viewed at: <https://bb.org.bd>.

<sup>100</sup> Bangladesh Bank online information. Viewed at: <https://bb.org.bd>.

<sup>101</sup> General Economics Division (2015), *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.



transfer; and establishing an RTGS system in October 2015 for the banking sector (57 banks are connected with the system).<sup>102</sup>

#### 4.4.3.1 Banking and finance

4.109. The banking sector continued to expand; the net domestic assets of the banking system increased from BDT 438,280.8 crore in June 2012 to BDT 749,379.1 crore in June 2017.<sup>103</sup> During the same period, net foreign assets of the banking system increased from BDT 113,384.8 crore to BDT 266,697.0 crore.<sup>104</sup> During the review period, according to data from the authorities, there has been an increase in FDI inflows in to the banking sector, from USD 136.47 million (2012) to USD 278.86 million (2017) (Table A1.5).

4.110. The banking sector consists of banks, NBFIs, and the stock market. It includes state-owned commercial banks (SOCBs), state-owned specialized development banks (SDBs), private commercial banks (PCBs), foreign commercial banks (FCBs), NBFIs, the Investment Corporation of Bangladesh (ICB), the House Building Finance Corporation (HBFC), and the Bangladesh Securities and Exchange Commission (BSEC). As at June 2017, 57 scheduled banks were operating in Bangladesh, of which 6 were SOCBs, 2 were SDBs, 40 were local PCBs, and 9 were FCBs.<sup>105</sup> In addition, six non-scheduled banks are operating in Bangladesh: Bangladesh Palli Shanchay Bank; Ansar VDP Unnayan Bank; Karmasangsthan Bank; Grameen Bank; Jubilee Bank Ltd.; and Probashi Kalayan Bank. NBFIs also provide finances to the industrial, commercial, housing, transportation, and information technology sectors. According to the authorities, as at December 2017, NBFIs (with 255 branches) with total capital reserves of BDT 115.1 billion included: 3 government-owned entities, 19 privately-owned local companies, 2 owned by local and foreign governments, and 10 joint ventures with foreign participation.

4.111. MFIs remain the dominant players in rural financial markets and, as at June 2017, 784 licensed micro-finance institutions operated a network of 17,120 branches, with 29.9 million members.<sup>106</sup>

#### Role of central bank

4.112. The Bangladesh Bank is the *de jure* autonomous regulatory body for the country's monetary and financial system (Section 1.2.3.1). It performs all the core functions of a typical monetary and financial sector regulator, and a number of other non-core functions, such as: formulation and implementation of monetary and credit policies; regulation and supervision of banks and NBFIs, and promotion and development of domestic financial markets; management of the country's international reserves; issuance of currency notes; regulation and supervision of the payment system; acting as banker to the Government; money laundering prevention; collection and furnishing of credit information; implementation of the Foreign Exchange Regulation Act; and managing a deposit insurance scheme.<sup>107</sup> Its general supervision and strategic direction is entrusted to a nine-member Board of Directors, which is headed by the Bangladesh Bank's Governor.

#### Institutional setting and supervisory board

4.113. The institutional setting remained unchanged since the previous Review. The Bangladesh Bank continues to supervise banks and financial institutions via: on-site supervision by, *inter alia*, formulating and implementing strategies, and on-site planning by producing assessment reports, ensuring compliance with laws and regulations, cooperating with banks and financial institutions; and off-site supervision, including regularly supervising, monitoring, and analysing the operations and review of periodic financial reports of banks and financial institutions to ensure compliance with

<sup>102</sup> Financial inclusion has become one of the strategic instruments for achieving Sustainable Development Goals (SDGs), including the 7<sup>th</sup> FYP goals. Viewed at: <https://opinion.bdnews24.com/2018/06/21/bangladesh-shows-the-way-for-financial-inclusion/>.

<sup>103</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>104</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>105</sup> Bangladesh Bank online information. Viewed at: <https://bb.org.bd>.

<sup>106</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>107</sup> Bangladesh Bank online information. Viewed at: <https://bb.org.bd/aboutus/index.php>.

regulatory requirements and safe and sound banking practices. Since 2012, the Bangladesh Bank introduced an online reporting system for foreign exchange transactions, known as Dash Board. The Integrated Supervision System is also in place, as a web-based monitoring tool which is integrated with the existing multi-fold supervision mechanism of the Bangladesh Bank.

### **Regulatory framework**

4.114. During the review period, several changes were made to the regulatory framework governing banking activities.<sup>108</sup> In 2016/17, the Bangladesh Bank undertook the task of restructuring the banks and the financial market, to develop a banking system in line with international standards, and to stabilize its overall financial base. As a result the Bangladesh Bank, *inter alia*: introduced liquidity indicators, a liquidity coverage ratio (LCR), and a net stable funding ratio (NSFR), developed in line with Basel-III requirements; developed a reporting format, the Comprehensive Risk Management Reporting (CRMR), to make the banking risk management system more resilient and updated; and undertook regular monitoring of fraud/forgery, after the implementation of the Self-Assessment of Anti-fraud Internal Control, to strengthen the internal audit system. In 2018, the Parliamentary Standing Committee enacted the Bank Company (Amendment) Bill, 2018; its amendments allow up to four members of a family to be on a bank's board of directors, and raise the tenure term of directors from six to nine years.<sup>109</sup>

4.115. To improve financial market infrastructures, to improve the regulatory and supervisory capacity of the Bangladesh Bank, and to extend long-term financing to the manufacturing sector, between 1 July 2015 and 31 March 2021, a Financial Sector Support Project (FSSP) is being implemented, with the assistance of the International Development Association (IDA).<sup>110</sup> The total approved cost of the project is BDT 2,751 crore (USD 350 million), of which the IDA is to provide BDT 2,358 crore (USD 300 million) and the Bangladesh Bank, BDT 393 crore (USD 50 million).

4.116. To expedite the settlement of disputes related to loan recovery of banks and financial institutions, in 2017, banks were advised to speed up the recovery of the defaulted loan, and to resolve legal cases through Alternative Dispute Resolution (ADR), in accordance with the Finance Loan Court Law Artha Rin Adalat Ain, 2003 (as amended in 2010). In this context, banks are provided necessary consultations/instructions from time to time. In 2016, in light of the Bank Company Act, 1991, the Company Act, 1994, the Financial Reporting Act, 2015, and Principle 27 of the Basel Committee Core Principles, Guidelines on External Audit of Banks was being prepared jointly by the Bangladesh Bank and the Ministry of Finance.<sup>111</sup>

4.117. According to the authorities, by September 2018, the authorities had signed 68 MoUs, with several exchanging information related to money laundering and terrorist financing.

### **Market access**

4.118. Foreign banks established in Bangladesh must be either a locally incorporated entity or a branch of a foreign bank.

### **Prudential regulations and capital adequacy requirements**

4.119. In December 2014, the Bangladesh Bank issued revised Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III), and adopted a roadmap with an action plan to implement these Guidelines between January 2015 and January 2020.<sup>112</sup> According to the Guidelines, banks scheduled in Bangladesh should maintain minimum

<sup>108</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>109</sup> Financial Express online article, *Bangladesh Bank in the yardstick of CBI*, 23 September 2018. Viewed at: <http://thefinancialexpress.com.bd/public/index.php/views/bangladesh-bank-in-the-yardstick-of-cbi-1511448910>.

<sup>110</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>111</sup> Online information viewed at: [https://www.bb.org.bd/aboutus/regulationguideline/draft/ex\\_audit\\_bank20160919.pdf](https://www.bb.org.bd/aboutus/regulationguideline/draft/ex_audit_bank20160919.pdf).

<sup>112</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

capital in relation to their risk profile, determine their strategies against their potential risks, and preserve adequate liquidity to address any unexpected risk in the future. The main objectives of this policy are to promote a more shock-absorbent and resilient banking sector, and to prepare banks to deal with financial crises arising in the banking sector in the future. Under this policy, banks must maintain a sufficient capital buffer against various risks. In addition to increasing the quality of capital, Basel III increased the level of capital that banks must hold. As per the Guidelines, banks are expected to maintain a minimum total capital ratio of 10%, while Tier-1 capital should be at least 6%. Under Basel III, banks had to build up an additional capital conservation buffer of 0.625% in 2016 and 2.5% in 2019.<sup>113</sup>

4.120. SOCBs are monitored under an MoU.<sup>114</sup> With the goal of improving the quality of credit management and strengthening the internal control system of the four SOCBs (Sonali Bank Ltd., Janata Bank Ltd., Agrani Bank Ltd., and Rupali Bank Ltd.), guidelines are being provided by the Bangladesh Bank to ensure proper implementation of the internal control and compliance of the respective banks. In addition, monitoring of two specialized banks (Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank) has also been undertaken since FY 2006/07 under the MOU.

4.121. According to the IMF, in 2017, the authorities continued to implement the Capital Market Development Master Plan, with the support of the Asian Development Bank, and have made progress in including better regulations and demutualizing the Stock Exchange (Section 4.4.3.2).<sup>115</sup> National Savings Certificates (NSCs) play an important role in ensuring social security for many people, including women, pensioners and low-income households. Their issuance still represents an obstacle to capital market development. The authorities have adopted policies for an effective capital market, by mobilizing savings and supporting investment and growth. These reforms include institutional capacity-building, adoption of rules and regulations, knowledge sharing events, training programmes, and helping small investors in the capital market. In addition, in 2017, an approved reform plan included creating a database of existing investors, and linking them to the investors' National Identity Cards, which would improve monitoring and reduce misuse.

4.122. The SOCB's, which represent about a quarter of total banking system assets, continue to suffer balance sheet weaknesses, with high NPL ratios. The NPL ratio in the banking system increased during the review period, from 6% in 2011/12 to 10% in 2016/17.<sup>116</sup> The SOCBs showed much higher NPLs than the PCBs and the FCBs; in 2017, the SOCBs' NPL ratio was almost five times higher than that for the PCBs.<sup>117</sup> In addition, the SOCBs' capital adequacy ratio (CAR) is much lower than that of the PCBs and the FCBs. The SOCBs' CAR had attained about 11% in 2013, above the minimum requirement of 10%, and 8.47% in 2017. However, in 2018, the ratio decreased, to below 6%. In contrast, the PCBs' CAR has been relatively stable and above the minimum CAR requirement.<sup>118</sup> The poor performance of the SOCBs in terms of NPLs and CAR during the review period have also led to poor profitability indicators. Both return on assets (ROA) and return on equity (ROE), two standard indicators of profitability, show weak performance in the SOCBs.

4.123. The relatively small, albeit varying, interest spreads between lending rates and the remuneration of deposits remain in place. Between January 2012 and January 2018, Bangladesh's bank interest rate spread (the difference between the average borrowing and lending rates in nominal terms) dropped from 5.63% to 4.41% (Chart 4.2). Changes in the spread are an indicator of profitability developments, as the spread is where the bank makes its money. The weak financial performance of the SOCBs can be partly linked to a relatively low interest rate margin.<sup>119</sup> While the

<sup>113</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>114</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>115</sup> IMF (2018), *IMF Country Report No. 18/158*, Bangladesh. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2018/06/08/Bangladesh-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45959>.

<sup>116</sup> IMF (2018), *IMF Country Report No. 18/159*, Bangladesh. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2018/06/08/Bangladesh-Selected-Issues-45960>.

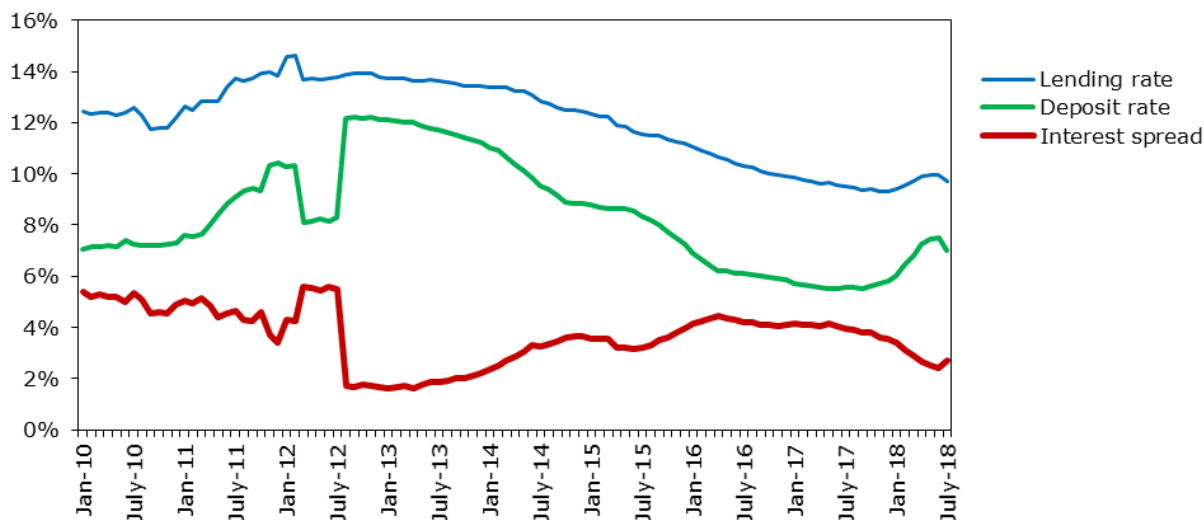
<sup>117</sup> IMF (2018), *IMF Country Report No. 18/158*, Bangladesh. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2018/06/08/Bangladesh-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45959>.

<sup>118</sup> IMF (2018), *IMF Country Report No. 18/159*, Bangladesh. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2018/06/08/Bangladesh-Selected-Issues-45960>.

<sup>119</sup> IMF (2018), *IMF Country Report No. 18/159*, Bangladesh. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2018/06/08/Bangladesh-Selected-Issues-45960>.

SOCBs' average deposit rates have been only slightly lower than the PCBs' rates, their average lending rates have been lower by about 2%, resulting in a much lower (by about one third) interest rate margin. Given their ownership status and perceived government backing, the SOCBs attracted deposits at lower costs than the PCBs (including government deposits and deposits by SOEs); however, this did not translate into higher profitability, as their lending rates are even lower, compared to the PCBs' rates.<sup>120</sup>

**Chart 4.2 Interest rate spread (%), January 2010 to July 2018**



Source: International Monetary Fund, IFS online information.

4.124. The capital shortfall in some banks, accumulated NPLs in SOCBs, and weakening corporate governance across the board have affected the stability of the financial sector. The Government's reform strategy to address the banks' losses and improve operations entails improved governance, gradual recapitalization, credit growth limits, and automated financial reporting. In this regard, these banks are being recapitalized in a phased manner, and the compliance of the state-owned banks with their MOUs with the Bangladesh Bank is also being closely monitored. Furthermore, the authorities recognize the need to streamline the legal framework for loan recovery, given the longstanding NPLs, and proposals to that effect are being considered, including modifications to the Bank Companies Act (see above). Moreover, the Bangladesh Bank has appointed observers to banks, to ensure governance of the banking companies. At present, 14 observers have been appointed in 14 different banks. Reviewing the minutes of different committees (Board, Executive Committee (EC), audit) has been performed by the Department of Off-Site Supervision (DOS) of the Bangladesh Bank, to ensure corporate governance, and compliance with the Bank Company Act, 1991 and other regulations and guidelines in making various decisions. All banks have been categorized, based on their capital adequacy, quality of assets, quality of management, earnings, liquidity, and sensitivity to market risks (CAMELS) rating, to determine their overall strength, quality and governance. A comprehensive risk management guideline has been issued, with a view to creating an international-standard risk management environment for mitigating overall risks and ensuring governance in the banking system.

4.125. According to the authorities, during the review period, strong monitoring of liquidity management via the Structural Liquidity Profile (SLP), implementation of the Liquidity Ratio (LCR and NFSR) under Basel-III, monitoring of large loan defaulters and top-20 defaulters, implementation of Basel-III CAR, monitoring of loan concentration, and large loan exposure of the banking companies has been undertaken.

#### 4.4.3.2 Securities

4.126. The primary issues and secondary trading of equity securities of the capital market take place through two stock exchanges: the Dhaka Stock Exchange (DSE) and the Chittagong Stock

<sup>120</sup> IMF (2018), *IMF Country Report No. 18/159*, Bangladesh. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2018/06/08/Bangladesh-Selected-Issues-45960>.

Exchange Limited. According to the authorities, the clearing and settlement functions are also conducted by the Stock Exchanges but the establishment of a separate clearing and settlement company is in the process. The Central Depository Bangladesh Limited (CDBL), for the safe custody of securities, is in place. As at September 2018, the DSE Market Capitalization stood at USD 48.33 billion. The instruments in these Exchanges are equity securities (shares), debentures, corporate bonds, mutual funds, and treasury bonds. The capital market is regulated by the Bangladesh Securities and Exchange Commission (BSEC). The Stock Exchanges are registered as public limited companies whose activities are regulated by the Securities and Exchange Ordinance, 1969; the Bangladesh Securities and Exchange Commission Act, 1993; the Companies Act, 1994; the Demutualization Act, 2013; and the Securities and Exchange Rules, 1987, along with its Article of Association, rules and regulations, and demutualization scheme.

4.127. According to the authorities, the BSEC prepares drafts of capital market-related acts, formulates rules and regulations, and approves by-laws regarding Exchanges, depositories, or any other self-regulatory organizations in the capital market. It is also entrusted with the responsibility of ensuring the proper implementation and compliance of those issuers, Stock Exchanges, depositories, market intermediaries, persons or institutions related to the capital market. The government securities market consists of tradable and non-tradable securities. Non-tradable securities include NSCs (Section 4.4.3.1), and Sanchayapatras and Sanchayabonds, which are only for retail investors. In 2013, the BSEC became a full signatory of the International Organization of Securities Commissions (IOSCO) MOU, and was elevated to the 'A' category of regulators.

4.128. During the review period, regulatory developments to the capital market included: the Bangladesh Securities and Exchange Commission (Research Analysis) Rules, 2013, for recognition of research analysts, and controlling the function of research analysis; the Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015, to introduce venture capital funds, private equity funds, and impact funds; the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015, which were subsequently amended in 2017 by repealing the Rules of 2006 to widely cover public offering processes, such as book-building methods, online application processes, detailed disclosure requirements, etc.; the Framing of the Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016, to introduce the exchange traded fund as a new product of mutual funds; the Bangladesh Securities and Exchange Commission (Qualified Investor Offer by Small Capital Companies) Rules, 2016, to introduce a separate public issue process for small capital-based companies; the Bangladesh Securities and Exchange Commission (Development of Investors Education and Training) Rules, 2016, to introduce a nationwide financial literacy programme, to establish the Bangladesh Academy for Securities Market, etc.; the Bangladesh Securities and Exchange Commission (Market Maker) Rules, 2017, to ease the registration process, and to broaden the scope of market-making by designated client, operation and others; the Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017, to introduce an independent clearing and settlement company separate from the Exchange; the Bangladesh Securities and Exchange Commission (Substantial Share Holding, Acquisition, Takeover) Rules, 2018, governing the introduction of substantial acquisition in cash and other-than-cash forms, in the Exchange and separate from the Exchange platform, through negotiated deals; the Corporate Governance Code, 2018, for listed companies, repealing the earlier corporate governance guidelines of 7 August 2012; the Notification on Financial Reporting and Disclosure Requirements for the Listed Companies, 2018; the Dhaka Stock Exchange (Listing) Regulations, 2015, to accommodate the listing requirement of securities other than corporate issuers, exchange recommendation processes before the IPO, disclosure requirements, etc; and the Chittagong Stock Exchange (CSE) (Listing) Regulations, 2015.<sup>121</sup>

4.129. In 2016, the BSEC issued an order regarding the dissemination of price-sensitive information, and a notification exempting PPP companies from the obligations of approval of the Commission for capital raising.<sup>122</sup> The PPP companies were also exempted from the obligations of becoming public limited companies and being listed on stock exchanges before fund raising. In addition, since 2015, foreign-owned companies and joint venture companies with foreign investments are exempted from the obligation to become a public limited company and a listed company.

<sup>121</sup> BSEC online information. Viewed at: <http://www.sec.gov.bd/home/laws>.

<sup>122</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

4.130. In 2017, the BSEC took steps to improve regulatory oversight, including installing a modern surveillance system, the Instant Market Watch, that provides real-time connectivity with exchanges and depository institutions. As a result, the market abuse detection capabilities of the BSEC have increased significantly.<sup>123</sup> A new mandatory Corporate Governance Code for listed companies was introduced in August 2012, and was revised as the Corporate Governance Code in 2018. Additionally, a Notification was issued on Financial Reporting and Disclosure Requirements for listed companies in 2018. Demutualization of both the DSE and the CSE was completed in November 2013, to separate ownership of the Exchanges from trading rights. In addition, a tribunal was established to expeditiously resolve capital market-related criminal cases. All these reforms target a disciplined market with better infrastructure, so that entrepreneurs can raise capital and attract foreign investors. Non-resident individuals and institutional investors are eligible to buy Bangladesh Government Treasury Bonds (BGTBs) through a non-resident foreign currency account or a non-resident investor's taka account maintained with a commercial bank of Bangladesh. In March 2017, the Government relaxed investment rules, making it possible for foreign investors to use local currency to invest in local companies through the purchase of corporate shares.<sup>124</sup> The DSE has attracted some foreign portfolio investors to the country's capital market, and the volume of foreign investment has gradually increased as a share of total market capitalization. According to the authorities, the volume of foreign investments in capital markets increased during the review period, from BDT 19.04 billion in 2012 to BDT 114.48 billion in 2017 (latest data available).

#### 4.4.3.3 Insurance

4.131. In 2017, the insurance industry market size increased from USD 1.1 billion in 2012 to USD 1.5 billion.<sup>125</sup> The total assets of the insurance industry gradually increased during the review period, from USD 3.7 billion in 2011/12 to USD 5.8 billion in 2017/18.<sup>126</sup> Bangladesh is exposed to a variety of risks (weather-related); however, insurance penetration is particularly low. According to the 7<sup>th</sup> FYP 2016-20, the vast majority of the population remain untapped by the insurance market across product segments (life and non-life). The low insurance penetration, with about 17.1 million policy holders in 2014, compares unfavourably with other South Asian countries.<sup>127</sup> The current penetration rate in the insurance market is 0.55%; however, the Government has targetted increasing the penetration rate to 4% by 2021.<sup>128</sup>

4.132. As at January 2017, the sector comprised 78 companies operating under the Insurance Act, 2010, of which 32 were life insurance companies, including 1 foreign company and 2 state-owned companies; and 46 were general insurance companies, including 1 state-owned company.<sup>129</sup> Insurance companies provide: life insurance; general insurance; reinsurance; micro-insurance; and Takaful (a cooperative system of reimbursement or repayment) or Islamic insurance. The sector remains small but is gradually expanding, with FDI inflows in the insurance sector increasing from USD 7.2 million in 2012 to USD 35.3 million (2017) (Table A1.5).

4.133. In 2017, initiatives to improve the private sector insurance industry and the two state-owned insurance corporations (Shadharan Bima Corporation (SBC) and Jiban Bima Corporation (JBC)) were undertaken. These include the Bangladesh Insurance Sector Development Project (BISDP) in 2018, with the objective of improving the capacity and effectiveness of the Insurance Development and Regulatory Authority (IDRA) and the Bangladesh Insurance Academy (BIA). During the review period, the state-owned general insurance sector growth rate shifted from 11.5% in 2012 to -7.7% in 2017 (June), while private-owned insurance decreased from 38.6% in 2012 to 20.85% in 2017

<sup>123</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>124</sup> Bangladesh country Commercial Guide online information. Viewed at: <https://www.export.gov/article?id=Bangladesh-6-Financial-Sector>.

<sup>125</sup> Ministry of Finance, Financial Institutions Division, 2018.

<sup>126</sup> Ministry of Finance, Financial Institutions Division, 2018.

<sup>127</sup> World Bank (2017), *Bangladesh Insurance Sector Development Project*.

<sup>128</sup> Ministry of Finance, Financial Institutions Division, 2018.

<sup>129</sup> Viewed at: [https://ipfs.io/ipfs/QmXoypizjW3WknFjJnKlWLCnL72vedxjQkDDP1mXWo6uco/wiki/List\\_of\\_Insurance\\_Companies\\_in\\_Bangladesh.html](https://ipfs.io/ipfs/QmXoypizjW3WknFjJnKlWLCnL72vedxjQkDDP1mXWo6uco/wiki/List_of_Insurance_Companies_in_Bangladesh.html).

(June). For state-owned life insurance, growth accelerated from 11.5% in 2012 to 34.73% in 2017 (June), whereas for private insurance it shifted from 4.5% in 2012 to -7.94% in 2017 (June).<sup>130</sup>

### **Policy and institutional setting**

4.134. During the review period, Bangladesh's insurance policy and institutional framework remained unchanged. In 2011, the IDRA, under the Ministry of Finance, replaced the Chief Controller of Insurance as the regulator of the insurance industry, in line with the Insurance Development and Regulatory Authority Act, 2010 (see below).<sup>131</sup> Its main responsibilities are: inspection, supervision and direction of business; inquiry and investigation of insurance institutions; developing new policies; controlling the fund and investment; maintenance of the solvency margin and determining the proposed premium rate; settlement of disputes or claims, and providing the procedure for preparing actuarial reports. The IDRA provides registration and certification of insurers, re-insurers, and mediators; and renewal, amendment, removal, withholding or cancellation of such registration.

### **Regulatory framework**

4.135. The regulatory framework of the sector remained largely unchanged during the review period. It includes: the Insurance Act, 1938; the Insurance Rules, 1958; the Insurance (Amendment) Ordinance, 1984; the Insurance Regulations, 1990; the Insurance Ordinance, 2008; the Insurance Act, 2010; and the Insurance Development and Regulatory Authority Act, 2010. The Asian Reinsurance Corporation Act was implemented as from 2013, in connection with the Insurance Corporation Act, 1973; and Labour Acts, 2006 and 2016 guide workers' compensation insurance. According to the authorities, five new rules and 13 regulations were published in the government gazette, and implemented.

### **Market access**

4.136. The regulatory framework does not distinguish between domestic and foreign insurance firms. Both local and foreign companies, in the life insurance or non-life insurance industry, must apply to the IDRA to obtain a registration certificate to run insurance business in Bangladesh. In terms of life insurance companies registered in Bangladesh, the minimum capital requirement is BDT 30 crore, of which 60% is covered by the sponsor shareholders and 40% by the public. For life insurance companies incorporated outside Bangladesh, the minimum required capital is also BDT 30 crore. The minimum capital requirement for non-life insurance companies registered in Bangladesh is BDT 40 crore, of which 60% is paid by sponsor shareholders and 40% by the public. Similarly, for non-life insurance companies incorporated outside Bangladesh, the minimum required capital is BDT 40 crore.

### **Prudential regulations and CAR**

4.137. The legislation stipulates that foreign companies need a minimum of BDT 100 crore for a joint venture with a local company to form a life insurance company, while local entrepreneurs need a minimum of BDT 30 crore to form a life insurance company.<sup>132</sup> In addition, the IDRA requires foreign insurance firms to own at least 50% of the total paid capital of the BDT 100 crore in the joint venture company.

4.138. As at 2018/19, publicly traded insurance companies are subject to corporate income tax at a rate of 37.5% (previously 40%, since 2013). Non-publicly traded companies are subject to corporate income tax at a rate of 40% (42.5% prior to 2018/19) (Section 3.3.1.1.3). Taxes are withheld from premiums paid overseas, for both insurance and reinsurance.

### **Reinsurance**

4.139. Under the Insurance Cooperation Act, 1973, 50% of the re-insurable general insurance business is required be re-insured with the state owned SBC; the remaining 50% may be re-insured

<sup>130</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>131</sup> IDRA online information. Viewed at: <http://www.idra.org.bd/>.

<sup>132</sup> *Daily Star* online information, "Foreign insurers backtrack from Bangladesh entry", 22 July 2016. Viewed at: <https://www.thedailystar.net/business/foreign-insurers-backtrack-bangladesh-entry-1257394>.

either with the SBC or with any other insurer, whether in Bangladesh or outside of it.<sup>133</sup> The IDRA may request, in writing, that any re-insurer, if required, submit necessary information regarding the availability of sufficient money and assets to meet the demand for the policy.

#### 4.4.4 Telecommunications

4.140. According to the authorities, the contribution of telecommunications to GDP rose from 2.41% in 2011/12 to 2.52% in 2017/18; between 2011/12 and 2016/17, its share increased by 45.9%. During the review period, the number of mobile subscribers rose from 86.6 million in 2012 to 136.0 million in 2017 (June), with the majority (132.8 million) using private mobile phone companies' SIM cards.<sup>134</sup> In 2017, more than 1 million people were employed, directly or indirectly, in the mobile phone sector. Moreover, the sector remains a large VAT and other taxes revenue provider. The number of Internet users has also increased, from 28.4 million in 2012 to 73.3 million in 2017 (June).<sup>135</sup> However, the number of fixed phone subscribers decreased, from 1 million in 2012 to 0.6 million in 2017 (June).<sup>136</sup>

4.141. As at 2017, there were five (state-owned) public limited companies in the telecommunication services, including: Bangladesh Telecommunication Company Limited (BTCL); TeleTalk Bangladesh Limited; Bangladesh Submarine Cable Company Limited (BSCCL); Telephone Shilpa Sangstha Ltd. (TSS); and Bangladesh Cable Shilpa Limited (BCSL) (Section 3.3.5).<sup>137</sup> As at June 2017, there were five main mobile operators: Grameen Phone Ltd. (private domestic, 38%; and foreign-owned 62%), Banglalink Digital Communications Limited (100% foreign-owned), Robi Axiata Limited (100% foreign-owned), Pacific Bangladesh Telecome Limited (Cntycell) (private domestic 55%; foreign-owned 45%), and Teletalk Bangladesh Ltd (Teletalk) (100% state-owned).<sup>138</sup>

#### Policy and institutional framework

4.142. Vision 2021 (Section 2.2.3) includes strategic policies for developing a digital Bangladesh, to strengthen and use ICT capacity, skills and services. The 7<sup>th</sup> FYP 2016–20 intends to provide affordable telecommunication services, to empower citizens.<sup>139</sup> Its main objectives in this area include: installation and development of the telecommunication network; production of telecommunication commodities and equipment; expansion of the mobile network; expansion of value-added services; and supply of high-frequency voice and data bandwidth.

4.143. In 2014, the Ministry of Posts and Telecommunications and the Ministry of Information Communication Technologies were integrated into the Ministry of Posts, Telecommunications and Information Technology. Its main areas of responsibility include: broadband policy and programmes; postal and telecommunications policies and programmes; spectrum policy management; national policy issues relating to the digital economy; and content policy relating to the information economy. Its Posts and Telecommunications Division (PTD) oversees: the BTRC; the BTCL; and the mobile operator Teletalk Bangladesh.<sup>140</sup>

<sup>133</sup> *Daily Sun* online information, "Overseas Insurance Relating to Public Projects in Bangladesh", 9 September 2018. Viewed at: <https://www.daily-sun.com/printversion/details/334667/2018/09/09/Overseas-Insurance-Relating-ToPublic-Projects-in-Bangladesh->

<sup>134</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>135</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>136</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>137</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>138</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>139</sup> General Economics Division (2015), *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>140</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.



### **Regulatory, operational and investment framework**

4.144. During the review period, the main regulatory framework in the telecommunications sector remained unchanged. It includes the Telecommunications Act, 2001 (last amendment in 2010). In 2015, the Directives on Service and Tariffs were issued, regulating the BTRC to complement other laws and the Regulatory Frameworks of the Commission. The Directives were focused on: systems and services; tariffs and charging; promotional activities; and market communications.

4.145. Upon the request of the BTRC, a service provider is required to submit the business report and/or information regarding any service/offer (regular, converted regular, new, value-added, premium rate, promotional, etc.) and its market communications.<sup>141</sup> Furthermore, the service provider is also required to share information about its annual gross revenue with the Commission as to remit payments with the Government (the Commission) in the form of licence fees, taxes, universal service contributions, etc.

### **Number portability**

4.146. Bangladesh introduced number portability in 2018. In 2017, the BTRC handed over the mobile number portability licence to the joint venture firm Infozillion BD Teletech Consortium Limited through a bidding process. The licence acquisition fee was BDT 10 crore, and the company must share 15% of its revenue with the Government as from the second year of implementation. The company started its commercial operations in October 2018.

### **Tariffs**

4.147. Under the Directives on Service and Tariff, 2015, all tariff structures must comply with the cost model provided by the BTRC. The tariff of any service which lies beyond the approved tariff structure shall require the prior approval of the Commission. VAT, where applicable, is added to the tariff/price/fee/charge.<sup>142</sup> According to the authorities, every mobile service is associated with a 5% supplementary duty, 15% VAT, and an additional 1% surcharge on the overall price. There is 15% VAT on broadband Internet access. While IT exporters are entitled to a tax rebate, Internet service providers are not permitted such a rebate, which also contributes to the high cost of Internet use. In 2008, the BTRC had a fixed floor price of BDT 0.25 per minute for on-net calls (same network) and BDT 0.60 for off-net calls (different network), as well as a BDT 2 ceiling on domestic mobile voice tariffs. In August 2018, telecom operators also introduced the minimum uniform call rate of BDT 0.45 per minute, and retained the ceiling of BDT 2. In terms of fixed phone lines, in 2008, the Commission had fixed a floor price of BDT 0.10 per minute for on-net calls and BDT 0.40 for off-net calls, as well as a ceiling of BDT 2; this remained unchanged in 2018.

### **Universal service obligations**

4.148. Bangladesh adopted universal service obligations (USOs) in November 2011, including: voice services (individual mobile cellular services as part of the universal service definition); and Internet services (broadband as part of the universal service definition).<sup>143</sup> Other services included in the universal service/access definition are: telecentres; schools, at the sub-district and union level; health centres, at the sub-district and union level; emergency services; and services for the impaired/elderly. Operators under universal access/service obligation include: network/facilities-based operators; and incumbent fixed line operators. Since the last quarter of 2011, the operators have been contributing 1% of their gross revenue to a USO fund, on a quarterly basis. The amount had reached BDT 1,070.47 crore as at September 2017.<sup>144</sup> It seems that the Commission kept the money as a bank deposit because of the absence of any initiative from the Government to use it.

#### **4.4.5 Transport**

4.149. According to the authorities, the contribution of the transport sector to GDP decreased slightly, from 8.56% in 2014/15 (only data available) to 8.02% in 2017/18. The transport sector

<sup>141</sup> BTRC (2015), *Directives on Service & Tariff 2015*, March.

<sup>142</sup> BTRC (2015), *Directives on Service & Tariff 2015*, March.

<sup>143</sup> ITU (2017), *Bangladesh Profile Information*.

<sup>144</sup> Viewed at: <https://lrneasias.net/2018/01/bangladesh-worse-nepal-disbursing-universal-service-funds/>.

employed 8% of total service sector employment in 2015/16 (Chart 4.1). The transport system of Bangladesh consists of roads, railways, inland waterways, ports, maritime shipping, and air transport.

4.150. The institutional framework remains unchanged, and is entrusted to the following four ministries: the Ministry of Road Transport and Bridges; the Ministry of Civil Aviation and Tourism; the Ministry of Shipping; and the Ministry of Railways. A National Integrated Multimodal Transport Policy (2013), approved on 26 August 2013 and covering all modes of transport, was put in place to improve connectivity. The authorities have expanded the role of PPP investments, through a regulatory and institutional framework. A PPP office was set up to provide institutional support and identify potential projects.

#### 4.4.5.1 Shipping

4.151. The volume of cargo traffic in the main ports (Chittagong and Mongla Port) increased from 82.10 tonnes in 2012 to 182.39 tonnes in 2017. Bangladesh's national flag merchant fleet capacity increased from 975,300 deadweight tonnes (dwt) in 2010 to 1.85 million dwt in 2017.<sup>145</sup> The fleet consisted of bulk carriers, oil tankers, and general cargo and container ships, reflecting the structure of merchandise exports. The state-owned Bangladesh Shipping Corporation (BSC) remains operational (Section 3.3.5); between 2011/12 and 2016/17, its carried cargo rose by 83.6%, its owned vessels were reduced from 13 to 3, and its chartered vessels rose from 23 to 34.<sup>146</sup> As at November 2018, the BSC was operating four owned vessels and, according to the authorities, four vessels are going to be added to the fleet in February 2019.

#### *Policy, regulatory and institutional framework*

4.152. To ensure maximum use of waterways as efficient, environmentally-friendly and secure communication, policies are adopted to ensure modern port management, safe and uninterrupted movement of water vessels, the development of human resources, and the provision of efficient and affordable water transport services.<sup>147</sup> The 7<sup>th</sup> FYP 2016-20 objectives include: reducing port induced semi-trailer truck traffic, by developing wider intermodal rail and river connectivity; enhancing already-saturated container storage port yard facilities, by developing existing dilapidated 2.3 km general cargo berthing (GCB) facilities at Karnaphuli into a modern gateway terminal of international standard, that can play a key role in boosting the nation's trade and commerce, and regional connectivity; developing the Chittagong Port as "climate resilient" against sea level rise (SLR) and land subsidence; maintaining and improving the navigability of channels, through capital dredging and regular maintenance dredging; increasing the container handling capacity, through the expansion of terminal/yard facilities, the acquisition of modern container handling equipment, and the procurement of harbour crafts and vessels to ensure improved operating systems; setting up cargo distribution centres by PPPs; involving the private sector in port management and port development infrastructure; and improving institutional capability, through training, planning, safety and environmental management control in the ports.<sup>148</sup>

4.153. The Bangladesh Flag Vessel (Protection) Ordinance, 1982 continues to provide that at least 40% of the sea-borne cargoes relating to the country's foreign trade be carried by Bangladesh-flag vessels.<sup>149</sup> The implementation of this Ordinance is jointly monitored by DG Shipping, the Department of Shipping (DOS), the Department of Food, the BADC, and the state-owned Bangladesh

<sup>145</sup> UNCTAD online Maritime Profile Data. Viewed at:

<http://unctadstat.unctad.org/CountryProfile/MaritimeProfile/en-GB/050/index.html>.

<sup>146</sup> BBS (2018), *2017 Statistical Year Book Bangladesh*, Table 7.37, May, Dhaka. Viewed at:

[http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758\\_8497\\_412c\\_a9ec\\_6bb299f8\\_b3ab/S\\_Y\\_B2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758_8497_412c_a9ec_6bb299f8_b3ab/S_Y_B2017.pdf).

<sup>147</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>148</sup> General Economics Division (2015), *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>149</sup> The ordinance was promulgated in 1982 to protect the interest of the state-owned BSC, when foreign trade in Bangladesh was much smaller than what it is today. Flag vessel protection has reportedly not played any positive role in increasing local flag vessel business in the last 35 years. Md. Asrafal Alam and Md. Golam Zakaria (2016), *Flag Vessel Protection Law in Bangladesh: A Critical Analysis*, published in Vol. 5 Issue 9 of the *International Journal of Innovative Research and Development*, August. Viewed at: [www.ijird.com/index.php/ijird/article/download/100019/72169](http://www.ijird.com/index.php/ijird/article/download/100019/72169).

Chemical Industries Corporation (BCIC) (Section 3.3.5). As at November 2018, there was no container ship under the Bangladesh flag. Foreign-flag vessels carry cargo to and from Bangladesh through waivers. The number of waivers increased from 2,500 in 2012 to 3,500 in 2018 (up to October). A limited quantity of bulk, petroleum or chemical cargo is carried by Bangladesh-flag vessels, which carry less than 40% of sea-borne goods. The remaining percentage of cargo is shipped by foreign-flagged vessels. Cargo for carriage by a third-country-flag vessel is allowed only when there is no available national-flag vessel or flag vessel of the trading country.

4.154. The Ministry of Shipping remains responsible for ensuring the safety of inland, coastal, and fishing ocean-going vessels of Bangladesh, and foreign vessels calling at ports. It also protects the trade interests of the Bangladeshi vessels. Organizations/agencies working under the Ministry of Shipping include: the Bangladesh Inland Water Transport Authority (BIWTA); the Bangladesh Inland Water Transport Corporation (BIWTC); the Chittagong Port Authority (CPA); the Mongla Port Authority (MPA); the Bangladesh Land Port Authority (BLPA); the DOS; the BSC; the Marine Academy, Chittagong (MA); the National Maritime Institute, Chittagong (NMI); the National River Conservation Commission (NRCC); and the Payra Port Authority (PPA).

4.155. Under the DOS, the Mercantile Marine Office carries out the registration and regular safety survey of fishing vessels, coastal vessels and foreign-going Bangladesh-flagged vessels. It is also delegated to undertake port state control inspection of foreign-flagged vessels calling to Bangladesh. In addition, it ensures the safety of inland, coastal, fishing, and ocean-going vessels of Bangladesh and foreign vessels calling at Mongla Port.

4.156. The BLPA, a statutory regulatory body whose remit is to expedite and facilitate export-import activities through land ports located at land and inland water (river) boundaries with India, Nepal, Bhutan and Myanmar, has so far declared 23 land ports, of which only 10 are operational.<sup>150</sup> Benapole, Bhomra, Burimari, Akhaura, and Nakugaon land ports are operated by the BLPA, while Sonamosjid, Hilli, Teknaf, Banglabandha and Bibirbazar land ports are operated on a Build Operate Transfer (BOT) basis.

### **Port services**

4.157. Bangladesh continues to be mainly served by the state-owned and -operated Chittagong and Mongla Ports (Section 3.3.5); in 2016/17, the former accounted for 90.7% of total cargo, of which 91.6% related to imports.<sup>151</sup> In 2017, the annual growth of trade conducted through Chittagong Port was between 12% and 14%.<sup>152</sup> Considering the economic importance of Chittagong Port, the Government undertook projects to add more dynamism in its operating activities, such as: reconstruction of Service Jetty-1 near the Dock Office (July 2018); increasing navigability of the Karnaphuli River from Sadarghat to Bakalia Char, by capital and maintenance dredging (project initiated in May 2017 and to be completed by June 2021); construction of a New-Mooring Overflow Yard (initiated in January 2018 and to be completed by June 2019); construction of Patenga Container Terminal (initiated in January 2017 and to be completed by June 2019); procurement of equipment for a new-mooring container terminal (initiated in January 2014 and to be completed by June 2019),

4.158. Turn-around time at Chittagong Port, the time it takes between the arrival of a vessel at the port and its departure (frequently used as a measure of port efficiency), increased to 2.83 days in 2017 from 2.52 days in 2012. The dwelling time of containers, the time taken for exports inside the terminal gates to be loaded onto a ship, or imports onto a truck or train, decreased from an average of 16.05 days in 2012 to 11.15 days in 2017.<sup>153</sup>

<sup>150</sup> BLPA online information. Viewed at:

[http://bsbk.portal.gov.bd/sites/default/files/files/bsbk.portal.gov.bd/page/1da6d5ad\\_5287\\_4dc7\\_8146\\_0326260b1894/overview%20\(Nov%2717\).pdf](http://bsbk.portal.gov.bd/sites/default/files/files/bsbk.portal.gov.bd/page/1da6d5ad_5287_4dc7_8146_0326260b1894/overview%20(Nov%2717).pdf).

<sup>151</sup> BBS (2018), *2017 Statistical Year Book Bangladesh*, Table 7.43, May, Dhaka. Viewed at:

[http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758\\_8497\\_412c\\_a9ec\\_6bb299f8b3ab/S\\_Y\\_B2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758_8497_412c_a9ec_6bb299f8b3ab/S_Y_B2017.pdf).

<sup>152</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>153</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

4.159. Bangladesh's second-largest container port, Mongla Port, was developed into a modern facilitated seaport. In 2017, it had the capacity to berth 35 ships at a time, using 6 jetties, 6 mooring buoys, 16 anchorages, and 7 private company jetties.<sup>154</sup> Efforts to revamp and improve port processes, including the acquisition of 30 more pieces of container-handling equipment such as cranes and straddle carriers, were to be completed in 2018.<sup>155</sup> In addition, in 2018, the authorities have developed and are implementing several other projects at Mongla Port, including: dredging at the outer bar of the Mongla Port Channel; dredging at the outer bar of the Pashur River Channel; capital dredging Project at Mongla Port so that coal-laden vessels can travel through it to Rampal Power Plant; introduction of a Vessel Traffic Management and Information System; and improvement of the navigability of the River Route from Mongla to Paksi, via Chandpur, Mawa and Goalanda.

4.160. According to UNCTAD, Bangladesh's liner shipping connectivity index (LSCI) increased from 8 in 2012 to 10.8 in 2017; China had the highest score, at 158.8 in 2017 (156.2 in 2012).<sup>156</sup>

#### 4.4.5.2 Air transportation

##### *Air transportation services*

4.161. Between 2012 and 2016, the number of passengers carried in Bangladesh rose from 2.2 million to 3.8 million, whereas freight dropped dramatically from 152.32 million tonne-km to 53.98 million tonne-km (see below).<sup>157</sup>

4.162. As at May 2015, Bangladesh was served by a total of 29 airlines, with the state-owned national carrier, Biman Bangladesh Airlines, being a relatively sizeable player in the market, controlling 31% and 21% of all weekly seats and flights, respectively.<sup>158</sup> Domestic flights represented 33% of all weekly seats, and 19 other countries could be reached non-stop from Bangladeshi airports. The United Arab Emirates remains the dominant international market, being served by Air Arabia, Emirates and Biman, with 70 weekly flights from international airports in Dhaka, Chittagong, and Sylhet. According to the authorities, in 2017/18, 95.3% of cargo movement and 73.55% of passenger transport by Biman were international.<sup>159</sup>

4.163. The Civil Aviation Authority of Bangladesh (CAAB) maintains and operates aerodromes, air traffic, air navigation and communication services and facilities. All other aviation-related ground services and facilities are also regulated by the CAAB, for safe aircraft operation within the territorial air space of the country. At present, it operates three international airports, seven domestic airports, and two Short Take-Off and Landing (STOL) airports.<sup>160</sup>

4.164. The main regulatory framework governing the sector is the Civil Aviation Act, 2017 (Act No. 18 of 2017) and Civil Aviation Authority Act, 2017 (Act No. 03 of 2017).

4.165. The domestic market is reserved for all Bangladeshi Air Operator Certificate (AOC) holders, and cabotage rights are not granted to foreign airlines. In addition, Bangladesh applies International Air Transport Association (IATA) slot allocation, and is a member of the International Civil Aviation

<sup>154</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>155</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>156</sup> The LSCI is generated from five components: (a) the number of ships; (b) the total container-carrying capacity of those ships; (c) the maximum vessel size; (d) the number of services; and (e) the number of companies that deploy container ships on services from and to a country's ports. UNCTAD online information. Viewed at: <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=92>.

<sup>157</sup> ICAO online, Civil Aviation Statistics of the World and ICAO staff estimates. Viewed at: <https://www.indexmundi.com/facts/bangladesh/air-transport>.

<sup>158</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>159</sup> BBS (2018), *2017 Statistical Year Book Bangladesh*, Tables 7.27 and 7.28, May, Dhaka. Viewed at: [http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758\\_8497\\_412c\\_a9ec\\_6bb299f8\\_b3ab/S\\_Y\\_B2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758_8497_412c_a9ec_6bb299f8_b3ab/S_Y_B2017.pdf).

<sup>160</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

Organization (ICAO), and applies ICAO principles to fees and charges. Furthermore, all airlines must submit their fares to the CAAB.

4.166. Bangladesh has continued to pursue greater integration of its aviation into international markets, to improve its connectivity, through the conclusion of air service agreements (ASAs). As at November 2018, Bangladesh maintained 53 bilateral ASAs, of which 26 had been formally signed and 27 had been initiated. During the review period, one ASA with Austria was signed (Table A4.1). Most of Bangladesh's ASAs provide for fifth freedom rights, and the majority also allow for the designation of multiple airlines. All prescribe a pre-termination clause for the setting of capacities. Finally, although information regarding ASA clauses relating to cooperation, withholding, pricing and the exchange of statistics is incomplete, when available, it points to relatively restrictive versions of these clauses (i.e. no cooperation, substantial ownership and effective control withholding, dual approval pricing and a mandated exchange of statistics).

### **Airport and auxiliary services**

4.167. During the review period, the capacity of Bangladesh's three CAAB-owned and -operated international airports (Hazrat Shahjalal International Airport (HSIA); Shah Amanat International Airport (SAIA); and Osmani International Airport) increased significantly. In 2018, HSIA, which was upgraded in 2012, handled 7.6 million passengers, and 0.32 million MT of cargo. Average aircraft movements per day was around 235, and the airport could handle 12 flights per hour. The use of air freight has been increasing, with apparel dominating. In 2016, almost 4.7% of Bangladesh's total exports were composed of air shipments to the European Union. However, in 2016, the United Kingdom, Australia and Germany began restricting direct cargo flights from Bangladesh, citing insufficient safety and security measures.<sup>161</sup> The cargo sector of Biman was directly affected; in 2016/17, the state-run carrier earned BDT 2.44 billion from its cargo business, in contrast with BDT 3.15 billion in 2015/16 (the year the ban was imposed).<sup>162</sup> In response, in 2017, the authorities equipped HSIA with Explosives Detection System (EDS) and Explosive Trace Detector (ETD) machines, to comply with EU security standards.<sup>163</sup>

4.168. Upgrading infrastructure remains critical for improving international competitiveness. The 7<sup>th</sup> FYP 2016–20 set objectives to enhance and strengthen the operational facilities of existing airports and the development of new ones. The main objectives include: the expansion of the operational and passenger facilities at HSIA; the development of Cox's Bazar Airport into an international airport, for the operation of wide-body aircrafts; the enhancement of cargo aircraft parking facilities at SAIA; the strengthening of the existing runway at SAIA; the strengthening of the existing runway at Osmani International Airport, Sylhet; the construction of a new airport in the southern region of the country; the improvement of the quick communication system between the rivers and the coastal belt of the southern zone of the country and the capital city, especially in times of natural disaster; and a detailed feasibility study for the construction of Bangabandhu Sheikh Mujib International Airport.

4.169. Bangladesh Biman Corporation and its subsidiaries provide aircraft ground handling for all international operators (in all airports in Bangladesh); however, in 2017, the authorities developed third-layer regulations, in the form of an Air Navigation Order (ANO), to facilitate national/international, government or private entities for ground handling. The policy is being developed, and interested entities may apply for ground handling licences as per the ANO. As at November 2018, Biman was the main maintenance service (aviation engineering) provider for international operators, and Biman Flight Catering Center (BFCC) was the sole provider of flight catering services with an international-standard flight kitchen. In addition, as at November 2018, three flying academies were conducting flight training, and one was organizing engineering training.

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<sup>161</sup> The international airports in Bangladesh seem to lack specific international requirements, such as air cargo screening using bomb detection equipment. The Financial Express, *Air cargo and Bangladesh's export trade*, 17 April 2018. Viewed at: <https://thefinancialexpress.com.bd/views/air-cargo-and-bangladeshs-export-trade-1523978675>.

<sup>162</sup> The Financial Express, *Air cargo and Bangladesh's export trade*, 17 April 2018. Viewed at: <https://thefinancialexpress.com.bd/views/air-cargo-and-bangladeshs-export-trade-1523978675>.

<sup>163</sup> The Financial Express, *Air cargo and Bangladesh's export trade*, 17 April 2018. Viewed at: <https://thefinancialexpress.com.bd/views/air-cargo-and-bangladeshs-export-trade-1523978675>.

Furthermore, all air operators have their own training wing, to provide training to their own pilots, cabin crews and other employees.

#### 4.4.5.3 Railways

4.170. As at 2017, railway transport comprised of 4,229.5 km of railway track, 3,143 bridges, 460 station buildings, 1,410 passenger coaches, and 8,154 wagons. To make a dependable, affordable, environmentally-friendly and compatible mass-transport system, the Railway Division of the Ministry of Communications was transformed into a separate Ministry on 4 December 2011, and was allocated more resources for railway development.<sup>164</sup> The overall performance of the state-owned Bangladesh Railway increased during the review period, and freight increased from 582.11 million tonnes in 2011/12 to 1,052.68 million tonnes in 2016/17.<sup>165</sup> According to the authorities, there are no restrictions on foreign investment or operation.

4.171. Policy priorities under the 7<sup>th</sup> FYP 2016–20 include: expansion of the railway network, to expand rail operations; double-tracking of important sections and gauge unification, to overcome operational bottlenecks; rehabilitation/upgrade of existing rails, for improved speed and safety; construction of railway bridges and other infrastructure, for operational improvement; procurement of new locomotives, to improve service quality; procurement of new coaches, for passenger comfort; upgrade of railway workshops and maintenance; improvement in rail speed and safety; improvement in rail efficiency; and improvement in railway finances.<sup>166</sup> According to the authorities, in 2018/19, the Ministry was implementing 43 development projects; including the Padma Bridge Rail Link Project (initiated in January 2016 and expected to be complete in June 2024), and a project to procure 20-meter gauge diesel electric locomotives and 150-meter gauge passenger carriages for Bangladesh Railway.

#### 4.4.5.4 Road

4.172. In 2018, the total length of the road network in Bangladesh was 21,302.08 km, of which 18,202.06 km is paved, and is under the management of the Roads and Highways Department.<sup>167</sup> Of the total road network under this Department, 3,812.78 km is national highways (17.90%); 4,246.97 km, regional highways (19.94%); and 13,242.30 km, Zila roads (62.16%). During the review period, the road transport infrastructure has developed and, as at June 2017, 5,200 km of roads were paved, compared to 4,905 km in 2011/12.

4.173. The Bangladesh Road Transport Authority (BRTA) is responsible for ensuring the overall supervision, management and control of road transport. It is also responsible for issuing registration and fitness certificates for vehicles, and executing other regulatory activities as per the Road Transport Act, 2018.

4.174. The Road Transport Act, 2018 was enacted, and replaced the Motor Vehicle Ordinance, 1983. In addition, the Road Fund Board Act, 2013 was enacted, to ensure proper and continuous supply of funds for road repair and maintenance.

4.175. In 2013, an agreement was signed with the Italian-Thai Development Public Company Limited to construct the 46.73 km-long Dhaka elevated expressway, at a cost of BDT 8,940.18 crore from HSIA to Kutubkhali on the Dhaka-Chittagong highway, on a PPP basis. Construction, including ramps, is ongoing, and is expected to be completed by 2020. In 2018, the authorities were implementing 12 road and bridge projects through PPP arrangements. The procedure of selecting

<sup>164</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>165</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>166</sup> General Economics Division (2015), *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>167</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

investors is underway for the following projects: construction of the Dhaka-Chittagong Expressway; and upgrading of the Madanpur-BhultaDebogram-Joydevpur road to four lanes (Dhaka Bypass).<sup>168</sup>

#### 4.4.6 Tourism

4.176. During the review period, the contribution of hotels and restaurants to GDP remained unchanged, at 1% (Table 1.2); in 2015/16, they accounted for 15.1% of total employment at the services sector employment (Chart 4.1). As at 2014, the main source market in the sector was India, with 64.8% of tourists; in the same year, 119,161 international visitors arrived in the country, compared to 124,943 in 2012.<sup>169</sup>

4.177. Tourism is in the list of entitled thrust sectors in the National Industrial Policy (2010), and is identified as one of the key drivers for future growth, economic diversification, and poverty reduction.<sup>170</sup> It is also cited as a thrust sector under the National Intellectual Property Policy (2018) (Section 3.3.7). Tourism policies focus on the development of Bangladesh through employment generation, infrastructure development, and the ensuring of inclusive socio-economic development through linkages with local populations and local government organizations, and by protecting the environment and natural diversity.<sup>171</sup> According to the authorities, tourist facilities have been created in different tourist spots around the country and, on arrival, visa applications for foreign tourists have been facilitated. Furthermore, money exchange facilities in different tourist centres have been developed.

4.178. The policy priorities in the tourism industry in the 7<sup>th</sup> FYP 2016–20 consist of two broad elements: the expansion of the fixed infrastructure, to facilitate an expanded and safe aviation system; and the expansion and upgrade of tourist industry facilities, comprising visa and currency exchange facilities, hotels, restaurants, tourist resorts, and inland transportation.<sup>172</sup>

4.179. In 2017, to attract foreign and local investors, seven projects were selected for implementation through PPPs: an integrated tourism and entertainment village, Cox's Bazar; a five-star hotel on Zakir Hossen Road, Chittagong; an international standard tourism complex at the existing Motel Upal compound of the Bangladesh Petroleum Corporation (BPC) at Cox's Bazar; an exclusive tourist zone, Sabrang; a five-star hotel with other facilities at the existing Motel Sylhet compound, Sylhet; a five-star hotel and training centre, Khulna; and a three-star Hotel, Mongla.<sup>173</sup> As at November 2018, five of these projects were being implemented. The authorities have granted tax exemptions on imports of tourist equipment.

<sup>168</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

<sup>169</sup> BBS (2018), *2017 Statistical Year Book Bangladesh*, Table 7.48, May, Dhaka. Viewed at: [http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758\\_8497\\_412c\\_a9ec\\_6bb299f8\\_b3ab/S\\_Y\\_B2017.pdf](http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b2db8758_8497_412c_a9ec_6bb299f8_b3ab/S_Y_B2017.pdf).

<sup>170</sup> Bangladesh offers many tourism attractions, including three World Heritage sites, archaeological sites, historical mosques and monuments, historical temples made of red earth, one of the longest natural beaches in the world, picturesque landscapes, hill forests, wildlife, and rolling tea gardens.

<sup>171</sup> Viewed at: [http://unctad.org/en/PublicationsLibrary/ditctncd2015d3\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ditctncd2015d3_en.pdf).

<sup>172</sup> General Economics Division (2015), *7<sup>th</sup> Five-Year Plan FY2016-FY2020: Accelerating Growth, Empowering Citizens*.

<sup>173</sup> Ministry of Finance (2017), *Bangladesh Economic Review 2017*, Economic Adviser's Wing Finance Division, December.

## 5 APPENDIX TABLES

Table A1.1 Merchandise exports, by HS sections and major HS chapters, 2011-18

HS section/chapter	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total (USD million)	24,231.1	26,925.7	30,061.9	31,076.4	34,105.3	34,655.9	36,668.2
	(% of total exports)						
01 Live animals and products	2.5	2.1	2.2	1.9	1.6	1.6	1.4
02 Vegetable products	0.9	1.0	1.1	0.8	0.7	0.5	0.4
03 Fats and oils	0.1	0.1	0.1	0.1	0.1	0.2	0.1
04 Prepared food, beverages and tobacco	0.7	0.9	0.8	1.0	0.9	0.9	1.2
05 Mineral products	1.3	1.3	0.6	0.3	0.9	0.8	0.1
06 Chemicals, and products thereof	0.4	0.3	0.3	0.4	0.4	0.4	0.4
07 Plastics and rubber	0.4	0.4	0.4	0.4	0.3	0.4	0.3
08 Raw hides and skins; leather, furskins and articles thereof	1.8	2.1	2.5	2.1	2.0	2.0	1.4
09 Wood, cork, straw	0.0	0.0	0.0	0.0	0.0	0.1	0.1
10 Pulp of wood; paper and paperboard	0.1	0.1	0.1	0.1	0.1	0.2	0.2
11 Textiles and textile articles	87.9	88.0	88.0	88.5	88.3	87.3	89.6
61 Articles of apparel and clothing accessories, knitted or crocheted	39.1	38.9	40.1	40.0	39.2	39.7	41.4
62 Articles of apparel and clothing accessories, not knitted or crocheted	39.6	41.0	41.4	42.0	43.2	41.5	42.1
63 Other made-up textile articles; worn textile articles	4.5	3.8	3.0	3.0	2.6	2.7	2.7
12 Footwear, headgear, etc.	1.6	1.8	2.1	2.4	2.6	2.8	2.8
13 Articles of stone, plaster, cement	0.1	0.1	0.2	0.1	0.1	0.1	0.2
14 Precious stones and metals, pearls	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15 Base metals and articles thereof	0.5	0.5	0.4	0.4	0.3	0.4	0.4
16 Machinery, electrical equipment	0.6	0.4	0.4	0.6	0.7	1.0	0.3
17 Transport equipment	0.7	0.5	0.4	0.6	0.5	0.8	0.3
18 Precision instruments	0.1	0.2	0.2	0.2	0.2	0.4	0.2
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	0.2	0.2	0.3	0.3	0.3	0.3	0.3
21 Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO calculations, based on Export Promotion Bureau of Bangladesh online information.



**Table A1.2 Merchandise imports, by HS sections and major HS chapters/subheadings, 2011-17**

HS section/chapter/subheading	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Total (BDT billion)	2,942.8	3,144.3	2,822.3	3,670.7	3,869.3	4,712.5
Total (USD million)	37,205.4	39,336.8	36,313.0	47,257.4	49,439.9	59,562.0
	(% of total imports)					
01 Live animals and products	0.8	0.8	0.9	0.9	0.8	0.8
02 Vegetable products	4.8	4.6	5.4	6.9	6.5	7.0
1001 Wheat and meslin	1.6	1.5	2.0	2.1	2.0	2.3
03 Fats and oils	9.5	7.9	6.3	6.0	5.8	5.9
04 Prepared food, beverages and tobacco	4.4	3.1	3.3	3.0	2.9	3.5
05 Mineral products	10.8	11.0	8.0	13.4	12.3	13.6
2710 Petroleum oils, other than crude	7.8	7.5	6.6	9.8	8.3	9.4
06 Chemicals, and products thereof	8.7	8.8	7.0	8.2	8.1	6.8
07 Plastics and rubber	4.0	4.2	4.3	4.6	4.2	4.3
08 Raw hides and skins; leather, furskins, and articles thereof	0.2	0.3	0.2	0.4	0.4	0.4
09 Wood, cork, straw	0.3	0.3	0.3	0.2	0.6	0.2
10 Pulp of wood; paper and paperboard	1.7	1.8	1.6	1.8	1.8	1.7
11 Textiles and textile articles	22.6	26.7	22.9	24.5	24.8	22.3
5201 Cotton, not carded or combed	5.3	5.8	6.4	5.0	4.6	4.7
12 Footwear, headgear, etc.	0.4	0.4	0.3	0.3	0.3	0.4
13 Articles of stone, plaster, cement	0.4	0.4	0.4	0.4	0.4	0.5
14 Precious stones and metals, pearls	0.0	0.0	0.0	0.0	0.0	0.0
15 Base metals and articles thereof	7.3	7.6	7.7	7.3	7.1	7.2
72 Iron and steel	6.7	6.8	5.7	6.6	6.2	5.9
16 Machinery, electrical equipment	14.9	9.2	14.0	15.5	16.7	16.0
17 Transport equipment	7.3	6.4	4.6	5.1	5.1	6.9
18 Precision instruments	0.8	0.8	0.6	0.7	1.0	1.1
19 Arms and ammunition	0.3	0.3	0.3	0.1	0.4	0.6
20 Miscellaneous manufactured articles	0.7	0.8	0.5	0.7	0.8	0.8
21 Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Not classified	0.0	4.5	11.2	0.0	0.0	0.0

Note: Totals differ from imports by selected origins, shown in Table A1.4, because the totals in this table were taken from Bangladesh Bank online information.

Source: WTO calculations, based on online data from the Bangladesh Bureau of Statistics.

**Table A1.3 Merchandise exports by selected destinations, 2011-18**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total exports (USD million)	24,231.1	26,925.7	30,061.9	31,076.4	34,105.3	34,655.9	36,668.2
	(% of total exports)						
EU-28	52.6	51.9	54.6	54.8	54.8	55.8	58.2
Germany	15.2	14.7	15.7	15.1	14.6	15.8	16.1
United Kingdom	10.1	10.3	9.7	10.3	11.2	10.3	10.9
Spain	4.7	4.8	5.4	5.6	5.9	5.8	6.7
France	5.7	5.6	5.6	5.6	5.4	5.5	5.5
Italy	4.0	3.8	4.4	4.4	4.1	4.2	4.3
The Netherlands	2.9	2.6	2.9	2.7	2.5	3.0	3.3
Poland	1.4	1.6	1.9	1.9	1.9	2.3	2.6
Belgium	3.1	2.7	3.2	3.1	3.0	2.7	2.4
Denmark	1.7	2.0	2.1	2.1	1.9	2.0	1.9
Sweden	1.5	1.5	1.4	1.5	1.4	1.5	1.6
Czech Republic	0.3	0.3	0.4	0.4	1.2	1.0	1.4
Other EU	2.0	2.0	2.0	1.9	1.7	1.7	1.7
United States	21.1	20.1	18.6	18.6	18.2	16.9	16.3
Japan	2.5	2.8	2.9	2.9	3.2	2.9	3.1
Canada	4.1	4.0	3.7	3.3	3.3	3.1	3.1
India	2.1	2.1	1.5	1.7	2.0	1.9	2.4
Australia	1.4	1.7	1.6	2.0	2.1	1.9	1.9
China	1.7	1.7	2.5	2.5	2.4	2.7	1.9
Turkey	2.3	2.4	2.8	2.3	1.9	1.8	1.4
Russian Federation	0.5	0.8	0.9	0.9	0.9	1.3	1.3
United Arab Emirates	0.7	0.9	0.8	0.9	1.2	1.1	0.9
Hong Kong, China	1.0	1.3	0.9	0.8	0.6	0.8	0.9
Korea, Rep. of	0.9	0.9	1.1	0.9	0.8	0.7	0.7
Others	9.2	9.3	8.1	8.2	8.5	9.0	7.9

Source: WTO calculations, based on Export Promotion Bureau of Bangladesh online information.

**Table A1.4 Merchandise imports by selected origins, 2011-18**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total imports (BDT billion)	2,809.7	2,723.3	3,165.7	3,151.8	3,138.8	3,445.8	4,350.4
Total imports (USD million)	35,522.0	34,069.7	40,731.5	40,577.6	40,105.3	43,551.6	52,984.3
	(% of total imports)						
China	18.1	18.6	18.5	20.3	24.1	23.4	22.1
India	13.4	14.0	14.8	14.4	13.6	14.1	16.3
EU-28	6.1	5.7	5.8	6.0	6.5	6.5	6.8
Singapore	4.8	4.2	5.9	5.4	4.8	5.6	5.1
Japan	4.1	3.5	3.2	3.8	4.1	4.0	3.5
Indonesia	3.5	3.1	2.7	3.4	3.1	2.6	3.4
United States	2.0	1.6	2.1	1.7	2.5	2.6	3.2
Brazil	3.4	2.3	2.5	2.3	2.4	2.7	2.7
Malaysia	3.9	5.6	5.1	3.2	2.4	2.4	2.7
Korea, Rep. of	4.4	3.8	2.9	3.0	2.9	2.9	2.4
Thailand	2.5	2.0	1.8	1.7	1.7	1.8	2.3
United Arab Emirates	2.3	2.3	2.3	2.1	1.5	1.8	1.7
Australia	1.8	1.4	1.5	1.3	1.4	1.6	1.6
Saudi Arabia, Kingdom of	2.3	2.5	2.0	2.0	1.5	1.6	1.5
Chinese Taipei	2.2	2.2	2.3	2.0	1.9	1.8	1.5
Kuwait, State of	3.7	2.9	2.6	2.1	1.5	1.3	1.5
Hong Kong, China	2.0	1.8	1.9	2.1	2.0	2.1	1.3
Viet Nam	0.8	1.0	1.4	1.5	1.0	1.0	1.3
Russian Federation	0.9	1.0	0.7	0.6	0.7	1.1	1.2
Argentina	1.1	0.7	1.2	1.0	0.9	1.0	1.2
Pakistan	1.4	1.4	1.3	1.2	1.3	1.1	1.0
Canada	1.3	1.8	1.4	1.9	1.8	1.4	1.0
Imports from Export Processing Zones	6.0	7.3	7.3	7.4	7.8	7.1	6.7
Other	8.2	9.4	8.8	9.6	8.9	8.5	8.0

Note: Totals differ from imports by product groups, shown in Table A1.2, because the totals in this table were taken from the Bangladesh Bureau of Statistics online information.

Source: WTO calculations, based on Bangladesh Bank online information.

**Table A1.5 FDI inflows by sector and origin, 2012-17**

(USD million)

	2012	2013	2014	2015	2016	2017
Total	1292.56	1599.16	1551.28	2235.39	2332.72	2151.56
Agriculture and fishing	60.85	31.04	31.58	24.72	43.15	35.17
Mining and quarrying	0	0.13	0	0	0.3	-0.08
Power, gas and petroleum	126.63	98.88	49.76	573.6	434.31	260.37
Manufacturing	515.21	702.05	722.87	841.23	846.81	980.24
Food products	74.55	40.13	59.82	125.15	86.51	107.27
Textiles and clothing	307.48	421.63	378.93	442.92	364.44	421.68
Pharmaceuticals and chemicals	20.48	33.5	41.07	30.06	43.73	30.35
Cement	29.33	39.06	22.12	31.3	43.95	35.94
Leather and leather products	15.69	28.49	38.52	23.09	25.21	70.23
Construction	2.9	6.53	7.94	4.91	5.52	32.08
Services	586.88	760.53	713.99	765.06	968.74	817.16
Trade and commerce	163.72	345.51	414.16	419.16	282.22	409.58
Trade	8.33	12.81	62.75	80.97	88.39	88.41
Banking	136.47	345.51	358.17	309.64	166.07	278.86
Insurance	7.23	0.01	-15.46	27.84	26.27	35.33
Transport, storage and communication	375.64	326.21	237.18	258.42	582.05	238.71
Telecommunication	374.97	324.39	226.75	254.57	572.76	229.64
Other services	47.52	88.81	62.65	87.48	104.47	168.87
Computer software and IT	12.16	37	10.38	8.26	22.05	83.55
Other sector	0.09	0	25.14	25.86	33.89	26.62

Source: Information provided by the authorities.

Table A3.1 MFN applied summary, 2018/19

	Number of lines <sup>a</sup>	Average (%)	Range (%)	Standard deviation	Nuisance rate (%)	Duty free (%)
<b>Total</b>	<b>7,135 (26)</b>	<b>14.8</b>	<b>0-25</b>	<b>9.8</b>	<b>9.3</b>	<b>4.6</b>
HS 01-24	1,538 (5)	20.3	0-25	8.7	0.0	8.1
HS 25-97	5,597 (21)	13.2	0-25	9.6	11.8	3.7
<b>By WTO category</b>						
WTO agricultural products	1,130 (5)	18.1	0-25	9.5	0.0	9.4
Animals and products thereof	183	21.1	0-25	8.5	0.0	6.6
Dairy products	31	23.1	10-25	5.0	0.0	0.0
Fruit, vegetables, and plants	376	21.3	0-25	7.6	0.0	3.2
Coffee and tea	29	22.9	10-25	5.2	0.0	0.0
Cereals and preparations	140	15.1	0-25	10.2	0.0	17.1
Oil seeds, fats, oils and their products	107	9.2	0-25	8.7	0.0	30.8
Sugars and confectionary	21 (5)	25.0	25-25	0.0	0.0	0.0
Beverages, spirits, and tobacco	50	25.0	25-25	0.0	0.0	0.0
Cotton	6	3.3	0-25	2.4	0.0	33.3
Other agricultural products, n.e.s.	187	12.6	0-25	9.4	0.0	12.3
WTO non-agricultural products	6,005 (21)	14.1	0-25	9.8	11.0	3.7
Fish and fishery products	478	23.8	0-25	5.3	0.0	4.4
Minerals and metals	1,071 (20)	13.2	0-25	8.8	3.7	4.6
Chemicals and photographic supplies	1,129	10.4	0-25	7.6	0.2	6.7
Wood, pulp, paper, and furniture	324	15.4	0-25	9.6	0.3	7.1
Textiles	624	19.4	1-25	8.2	1.3	0.0
Clothing	219	24.5	10-25	2.8	0.0	0.0
Leather, rubber, footwear, and travel goods	171	13.9	0-25	9.3	3.5	0.6
Non-electric machinery	643	5.4	0-25	8.2	67.7	1.7
Electric machinery	339	13.4	0-25	9.5	20.1	0.9
Transport equipment	507 (1)	16.7	0-25	9.5	2.8	3.2
Non-agricultural products, n.e.s.	468	12.5	0-25	9.7	18.8	4.9
Petroleum	32	15.5	5-25	7.5	0.0	0.0
<b>By ISIC sector</b>						
ISIC 1 - Agriculture, hunting and fishing	694	17.3	0-25	10.2	0.0	14.6
ISIC 2 - Mining	107	9.4	0-25	8.1	0.0	8.4
ISIC 3 - Manufacturing	6,333 (26)	14.6	0-25	9.8	10.5	3.5
Manufacturing, excluding food processing	5,444 (21)	13.4	0-25	9.6	12.2	3.6
Electrical energy	1	5.0	5	0.0	0.0	0.0
<b>By stage of processing</b>						
First stage of processing	1,193	16.3	0-25	10.2	0.0	10.9
Semi-processed products	2,091 (25)	12.8	0-25	8.3	0.0	3.8
Fully processed products	3,851 (1)	15.4	0-25	10.3	17.2	3.1
<b>By HS section</b>						
01 Live animals and products	675	22.7	0-25	22.7	0.0	4.7
02 Vegetable products	568	17.5	0-25	17.5	0.0	13.2
03 Fats and oils	53	13.8	0-25	13.8	0.0	5.7
04 Prepared food, beverages and tobacco	242 (5)	21.5	0-25	21.5	0.0	5.8
05 Mineral products	196 (4)	10.3	0-25	10.3	0.0	5.1
06 Chemicals and products thereof	1,007	9.4	0-25	9.4	0.0	9.9
07 Plastics, rubber, and articles thereof	283	14.1	0-25	14.1	2.5	0.7
08 Raw hides and skins, leather, and their products	77	11.6	1-25	11.6	2.6	0.0
09 Wood and articles of wood	127	11.7	1-25	11.7	0.8	0.0
10 Pulp of wood, paper and paperboard	170	16.3	0-25	16.3	0.0	13.5

	Number of lines <sup>a</sup>	Average (%)	Range (%)	Standard deviation	Nuisance rate (%)	Duty free (%)
11 Textiles and textile articles	829	20.4	0-25	20.4	1.0	0.4
12 Footwear, headgear, etc.	49	25.0	25-25	25.0	0.0	0.0
13 Articles of stone, plaster, and cement	171	17.1	1-25	17.1	5.8	0.0
14 Precious stones and metals, pearls	54 (4)	14.5	5-25	14.5	0.0	0.0
15 Base metals, and articles thereof	682 (12)	13.6	0-25	13.6	4.4	2.1
16 Machinery, electrical equipment, etc.	998	8.4	0-25	8.4	50.4	1.4
17 Transport equipment	518 (1)	16.5	0-25	16.5	2.7	3.1
18 Precision equipment	260	7.5	0-25	7.5	33.1	8.8
19 Arms and ammunition	27	16.7	5-25	16.7	0.0	0.0
20 Miscellaneous manufactured articles	142	20.0	1-25	20.0	0.7	0.0
21 Works of art, etc.	7	19.3	5-25	19.3	0.0	0.0

a Figures in brackets refer to the number of tariff lines with a specific rate.

Note: Excluding specific rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A3.2 Tariff comparison, 2018/19

	No. of lines	MFN applied		Final bound <sup>a</sup>			Total tax incidences <sup>b</sup>	
		Average	Range	Average	Range	% bound	Average	Range
<b>Total</b>	<b>7,135</b>	<b>14.8</b>	<b>0-25</b>	<b>162.0</b>	<b>0-200</b>	<b>19.0</b>	<b>59.3</b>	<b>0-845.6</b>
HS 01-24	1,538	20.3	0-25	184.0	15-200	70.4	62.9	0-603.9
HS 25-97	5,597	13.2	0-25	75.4	0-200	4.9	58.4	0-845.6
<b>By WTO category</b>								
WTO agricultural products	1,130	18.1	0-25	186.4	15-200	100.0	59.7	0-603.9
Animals and products thereof	183	21.1	0-25	195.4	45-200	100.0	40.0	0-60.3
Dairy products	31	23.1	10-25	155.3	30-200	100.0	60.0	33-91.4
Fruit, vegetables, and plants	376	21.3	0-25	188.5	17.5-200	100.0	57.8	0-130.2
Coffee and tea	29	22.9	10-25	189.7	50-200	100.0	77.6	38.5-130.2
Cereals and preparations	140	15.1	0-25	183.5	15-200	100.0	53.2	0-603.9
Oil seeds, fats, oils, and their products	107	9.2	0-25	169.7	25-200	100.0	34.0	0-338.5
Sugars and confectionary	21	25.0	25-25	178.1	45-200	100.0	78.8	60.3-130.2
Beverages, spirits, and tobacco	50	25.0	25-25	200.0	200-200	100.0	307.6	60.3-603.9
Cotton	6	3.3	0-25	200.0	200-200	100.0	21.0	0-32.4
Other agricultural products, n.e.s.	187	12.6	0-25	186.8	15-200	100.0	33.2	0-91.4
WTO non-agricultural products	6,005	14.1	0-25	40.0	0-200	3.8	59.3	0-845.6
Fish and fishery products	478	23.8	0-25	66.4	30-200	4.6	65.4	0-91.4
Minerals and metals	1,071	13.2	0-25	32.7	0-50	2.1	53.5	0-845.6
Chemicals and photographic supplies	1,129	10.4	0-25	49.5	12.5-200	4.7	41.8	0-215.6
Wood, pulp, paper, and furniture	324	15.4	0-25	32.2	15-50	4.9	53.7	10-215.6
Textiles	624	19.4	1-25	33.3	10-50	0.5	66.7	5-130.2
Clothing	219	24.5	10-25	n.a.	n.a.	0.0	124.5	38.5-130.2
Leather, footwear, and travel goods	171	13.9	0-25	3.0	3-3	0.6	52.7	11.3-130.2
Non-electric machinery	643	5.4	0-25	44.5	3-50	6.5	35.3	6.3-215.6
Electric machinery	339	13.4	0-25	45.3	3-50	2.9	46.9	10-215.6
Transport equipment	507	16.7	0-25	20.1	3-50	2.4	121.4	6.3-836.8
Non-agricultural products, n.e.s.	468	12.5	0-25	23.3	15-50	9.6	49.1	5-293.3
Petroleum	32	15.5	5-25	n.a.	n.a.	0.0	52.9	32.4-91.4

n.a. Not applicable.

a Final bound calculations are based on the 2018/19 tariff schedule.

b Total tax incidences (TTIs) include Custom duties, supplementary duties, VAT, advanced income taxes, regulatory duties and advanced trade VAT.

Note: Excluding specific rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

**Table A3.3 EPZs: investment by sector, as at March 2018**

<b>Product</b>	<b>No of industries in operation</b>	<b>Investment (USD '000)</b>
Agro products	8	4,009.68
Bags	1	16,950.77
Caps	6	66,595.20
Chemicals and fertilizers	6	27,732.57
Electronics and electrical goods	19	156,733.06
Fishing reels and golf equipment	1	41,500.45
Footwear and leather goods	32	267,021.32
Furniture	3	39,148.98
Garment accessories	94	630,701.80
Garments	118	1,734,432.87
Knitting and other textile products.	32	312,717.56
Metal products	11	35,999.05
Paper products	3	4,439.20
Plastic goods	13	72,570.30
Power industry	2	106,823.89
Ropes	3	12,377.16
Service-oriented industries	11	48,833.51
Sports goods	3	19,200.57
Tents	13	134,714.44
Terrytowelting	17	100,933.97
Textiles	39	663,696.54
Toys	1	34,742.60
Other	1	1,192.84
Miscellaneous	36	171,444.50
<b>Total</b>	<b>476</b>	<b>4,704,512.83</b>

Source: BEPZA.



**Table A3.4 EPZs: investment, employment, and export, July 2012-June 2018**

<b>Investment (USD million)</b>								
<b>Year</b>	<b>CEPZ</b>	<b>DEPZ</b>	<b>MEPZ</b>	<b>ComEPZ</b>	<b>UEPZ</b>	<b>IEPZ</b>	<b>AEPZ</b>	<b>KEPZ</b>
<b>2012/13</b>	133.84	68.45	3.52	21.06	20.62	5.12	29.99	45.93
<b>2013/14</b>	109.46	125.79	5.10	23.39	17.27	3.15	73.75	44.67
<b>2014/15</b>	152.02	84.02	8.27	23.41	19.89	5.42	48.51	64.81
<b>2015/16</b>	110.71	80.63	18.98	30.18	33.53	15.11	54.70	60.51
<b>2016/17</b>	90.57	70.12	6.15	29.32	24.56	20.07	50.36	51.32
<b>2017/18</b>	86.19	68.69	11.78	31.51	20.42	20.17	50.16	50.67
<b>Local employment</b>								
<b>Year</b>	<b>CEPZ</b>	<b>DEPZ</b>	<b>MEPZ</b>	<b>ComEPZ</b>	<b>UEPZ</b>	<b>IEPZ</b>	<b>AEPZ</b>	<b>KEPZ</b>
<b>2012/13</b>	8,732	2,543	91	1,937	169	0	9,857	12,240
<b>2013/14</b>	0	488	0	1,761	2,460	1,123	5,133	6,575
<b>2014/15</b>	8,194	0	182	5,347	4,864	1,129	4,084	9,167
<b>2015/16</b>	6,154	3,330	15	2,522	7,124	0	6,368	8,306
<b>2016/17</b>	2,788	2,372	491	2,676	5,025	1,003	6,663	4,511
<b>2017/18</b>	2,041	520	895	4,629	3,008	1,512	5,090	4,031
<b>Export (USD million)</b>								
<b>Year</b>	<b>CEPZ</b>	<b>DEPZ</b>	<b>MEPZ</b>	<b>ComEPZ</b>	<b>UEPZ</b>	<b>IEPZ</b>	<b>AEPZ</b>	<b>KEPZ</b>
<b>2012/13</b>	2,095.121	1,780.7	74.10	176.93	20.38	55.71	274.10	379.61
<b>2013/14</b>	2,261.619	1,937.5	77.2835	209.41	33.221	93.1657	386.23	526.85
<b>2014/15</b>	2,383.76	1,997.5	84.2649	274.63	87.995	108.263	467.37	709.74
<b>2015/16</b>	2,419.71	2,183.9	74.6572	308.33	188.8	114.737	562.91	823.28
<b>2016/17</b>	2,254.16	2,091.3	45.79	337.39	227.07	96.55	644	853.08
<b>2017/18</b>	2,443	2,203	53	409	225	132	765	979

Source: Information provided by the authorities.

**Table A4.1 Bangladesh's ASAs<sup>a</sup>, as at October 2018**

Partner	Date	5th <sup>b</sup>	7th <sup>c</sup>	Cabotage <sup>d</sup>	Coop <sup>e</sup>	Designation <sup>f</sup>	Withholding <sup>g</sup>	Pricing <sup>h</sup>	Capacity <sup>i</sup>	Stat <sup>j</sup>
Afghanistan	25.06.1975	Y	N	N	..	S	..	..	PD	..
Austria	17.05.2018	Y	N	N	..	M	..	..	PD	..
Australia	15.08.2008	Y	N	N	..	M	..	..	PD	..
Azerbaijan	11.12.2014	N	N	N	..	M	..	..	PD	..
Bahrain, Kingdom of	06.02.1990	Y	N	N	..	M	..	..	PD	..
Belgium	20.10.1995	Y	N	N	N	M	SOEC	DA	PD	Y
Bhutan	04.06.1986	Y	N	N	..	M	..	..	PD	..
Canada	20.08.2013	Y	N	N	..	M	..	..	PD	..
China	24.07.1980	Y	N	N	N	M	SOEC	DA	PD	N
Egypt	12.04.1994	Y	N	N	..	M	..	..	PD	..
France	03.07.1998	Y	N	N	..	M	..	..	PD	..
Germany	08.12.1992	Y	N	N	..	M	..	..	PD	..
Hong Kong, China	25.10.2000	Y	N	N	N	M	PPoB	DA	PD	Y
Iceland	13.12.1913	Y	N	N	..	M	..	..	PD	..
Indonesia	22.12.1992	Y	N	N	..	M	..	..	PD	..
India	05.05.1978	Y	N	N	N	M	SOEC	DA	PD	Y
Iran	23.10.1991	Y	N	N	..	S	..	..	PD	..
Iraq	28.02.1988	N	N	N	..	S	..	..	PD	..
Italy	16.12.1980	Y	N	N	..	M	..	..	PD	..
Japan	12.02.1980	Y	N	N	N	S	SOEC	DA	PD	Y
Jordan	03.08.2010	Y	N	N	..	S	..	..	PD	..
Kenya	16.01.2008	Y	N	N	..	M	..	..	PD	..
Korea, PDR	16.06.1976	N	N	N	..	S	..	..	PD	..

Partner	Date	5th <sup>b</sup>	7th <sup>c</sup>	Cabotage <sup>d</sup>	Coop <sup>e</sup>	Designation <sup>f</sup>	Withholding <sup>g</sup>	Pricing <sup>h</sup>	Capacity <sup>i</sup>	Stat <sup>j</sup>
Korea, Republic of	13.02.1979	N	N	N	N	S	SOEC	DA	PD	Y
Kuwait, the State of	28.04.1980	Y	N	N	N	M	SOEC	DA	PD	Y
Libya	13.03.1980	N	N	N	..	S	..	..	PD	..
Luxembourg	10.12.2013	N	N	N	..	S	..	..	PD	..
Malaysia	19.07.1978	Y	N	N	N	M	SOEC	DA	PD	Y
Maldives	08.02.1985	Y	N	N	N	M	SOEC	DA	PD	Y
Morocco	03.08.1996	N	N	N	..	M	..	..	PD	..
Myanmar	29.08.1977	Y	N	N	N	M	SOEC	DA	PD	Y
Nepal	02.04.1976	N	N	N	N	M	SOEC	DA	PD	Y
Netherlands	03.11.1973	Y	N	N	N	S	SOEC	DA	PD	Y
Oman	30.04.1987	N	N	N	N	M	SOEC	DA	PD	Y
Pakistan	04.01.1979	Y	N	N	..	S	..	..	PD	..
Philippines	08.09.1979	Y	N	N	N	S	SOEC	DA	PD	N
Poland	09.06.1997	Y	N	N	..	S	..	..	PD	..
Qatar	31.12.1979	N	N	N	..	M	..	..	FD	..
Russian Federation	23.08.1973	Y	N	N	N	S	SOEC	DA	PD	Y
Saudi Arabia, Kingdom of	22.04.1986	N	N	N	..	S	..	..	PD	..
Serbia	09.02.1974	Y	N	N	..	S	..	..	PD	..
Singapore	26.05.1979	Y	N	N	..	M	..	..	PD	..
Slovak Republic	17.01.2007	Y	N	N	..	M	..	..	PD	..
Sri Lanka	23.05.1994	Y	N	N	..	M	..	..	PD	..
Syria	03.03.1996	N	N	N	..	S	..	..	PD	..
Thailand	06.12.1978	Y	N	N	..	M	..	..	PD	..
Turkey	19.02.1992	Y	N	N	..	M	..	..	PD	..

Partner	Date	5th <sup>b</sup>	7th <sup>c</sup>	Cabotage <sup>d</sup>	Coop <sup>e</sup>	Designation <sup>f</sup>	Withholding <sup>g</sup>	Pricing <sup>h</sup>	Capacity <sup>i</sup>	Stat <sup>j</sup>
United Arab Emirates	02.10.2017	Y	N	N	..	M	..	..	PD	..
United Kingdom	05.07.1978	Y	N	N	N	M	SOEC	DA	PD	Y
United States	15.08.2013	Y	N	N	..	S	..	..	FD	..
Uzbekistan	06.07.1993	Y	N	N	..	S	..	..	PD	..
Viet Nam	06.09.1993	Y	N	N	..	S	..	..	PD	..
Yemen	11.11.1974	Y	N	N	..	M	..	..	PD	..

.. Not available.

a The term "Air Transport Agreements" is used here to refer to ASAs, MOUs, Exchanges of Notes, and other such relevant instruments.

b Indicates if fifth freedom rights, even limited ones, are granted. If fifth freedom rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.

c Indicates if seventh freedom rights, even limited ones, are granted. If seventh freedom rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.

d Indicates if cabotage rights, even limited ones, are granted. If cabotage rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.

e Indicates if there are clauses allowing cooperation between airlines, e.g. code-sharing.

f Indicates if designation is single, by an "S", or multiple, by an "M".

g Indicates the type of withholding clause: Substantial Ownership and Effective Control (SOEC), Principal Place of Business (PPoB), or Community of Interest (COI).

h Indicates the type of pricing clause: Double Approval (DA), Double Disapproval (DD), Country of Origin (CoO), Zone Pricing (ZP), or Free Pricing (FP).

i Indicates the type of capacity clause: Pre Determination (PD), Bermuda I (B1), Free Determination (FD), or other (O).

j Indicates if an exchange of statistics is foreseen by the agreement.

Source: WTO Secretariat, based on information by the authorities.