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## Economic Zones as Key Players in Economic Advancement: the Bangladesh Perspective

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### ABSTRACT

*Bangladesh is one of the top five growing economies in the world, according to the World Bank. The country is now at a critical economic juncture with many challenges ahead. The double-digit growth rate of Gross Domestic Product, a massive influx of investment and a highly skilled workforce is the key bases to secure 'Vision 2041'. This study shows how the Economic Zones are contributing to foster economic development in Bangladesh. The background study of the Economic Zones showed that the 'Bangladesh Economic Zones Authority Act, 2010' was enacted to make each zone an engine for economic growth. Describing the challenges, the study shows the key dynamic aspects of Economic Zones and the rationale behind why investors and other people are marking them as key role players in the economic advancements of Bangladesh. Economic Zones are contributing to attracting Foreign Direct Investment, local investment and employment to promote the economic growth of the country. The priorities of the investors were sorted out, and some gaps were also detected. Upgrading online servicing in fostering 'One Stop Service' and revisiting fiscal rules are the suggestions more from this study.*

**Keywords:** Gross Domestic Product, Foreign Direct Investment, Investment, Employment, Sustainable Development Goal

### INTRODUCTION

Bangladesh has demonstrated strong economic fundamentals with a consistent GDP growth rate of over 6 per cent in the last ten years. Bangladesh has recently achieved new heights in economic performance by attaining more than 7% economic growth rate over the last three years, and this will continue to grow in the years ahead. Bangladesh is striving to reach the milestone of middle-income status by 2021 and a developed nation by 2041 (Bangladesh Economic Review 2017-18).

To achieve Sustainable Development Goals (SDG) by 2030 and to be a developed country by 2041, Bangladesh needs US\$ 15-20 billion every year. However, the country is getting around US\$ 7-8 billion every year. So it has been a great challenge for the country to minimize the required investment gap. By perceiving this challenge, the present government led by Honorable Prime Minister took the initiative in 2009 to formulate self-reliant legislation aimed at establishing economic zones in different areas, especially in the backward region. Bangladesh

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Economic Zones Authority Act, 2010 was enacted by the government. Establishing Economic Zones (EZ) in Bangladesh is a historic initiative of the present government. As a part of developing Economic Zones within the country, Bangladesh Economic Zones Authority (BEZA) under the Prime Minister's office is assigned with the responsibility to establish and develop Economic Zones. Apart from this, BEZA is working to expedite rapid economic development, especially industrialization, employment generation, production, enhance and diversification of export. Side by side with the investment in national and international economic zones and bilateral interest and prosperity, the initiative of establishing economic zones will contribute a lot in getting middle-income country's status of Bangladesh by 2021 and achieving SDGs by 2030. To augment investment in the private sector, the government has approved 'Bangladesh Private Economic Zone Policy, 2015'. Under this policy, the Private Economic Zones are being approved and established to attract investment in agriculture, industry, production, service, commercial, technology, tourism, housing, entertainment or power generation sector.

As a growing economy, the establishment of EZ's is necessary to enhance the development policies. Bangladesh is mitigating foreign aid dependency as a flourishing economy. Bangladesh has ranked 41<sup>st</sup> position among the world's largest economies in 2019, moving up two notches from the last year. In addition, Bangladesh positioned second in South Asian countries (the UK think tank report, 2019). Bangladesh will be a developed nation in 2041, with this vision Government has set 20 years vision. Approval of SAFE DELTA PLAN 2100, the establishment of 100 EZs over 1,00,000 acres of land all are great signs to attract FDI and GDP growth rate. By becoming eligible for graduation from LDC, Bangladesh introduced her as a competitive country in the world. This graduation may bring a lot of opportunities for Bangladesh and quite a few challenges as well. Current per capita of Bangladesh is US\$ 1751 but to become a developed country she will have to gain US\$ 12,000 as per capita. A huge portion of educated young in Bangladesh is unemployed till now. Employment of 10 million people will be a great challenge to intensify GDP rate. Ecological imbalance is another challenge that comes to light. Establishing EZ in Sonadia will threaten the life of "Lal Kakra" a rare type of animal. The environmental challenge is also a great fact to establish EZs. To maintain the balance between economic development and environmental security, EZs must have key regulations. Political instability is another impediment to attract foreign investors in EZs.

Before 2010 Bangladesh government took many initiatives to facilitate local and foreign investors, but it did not create any vibrant mode to modify economic development. When BEZA was created in 2010 with an Act, its visions and works could make a great space to develop the shaky image of FDI and other facts. One Stop Service (OSS) centre, incentives for developers, clustering enforcement of all regulations, technology transfer and joint inspection all are great initiatives of EZs. As a growing economy, the establishment of EZ's is necessary to enhance the development policies (Farole 2010, Jeong & Zeng 2011, Khan 2002, Tembe 2012, Wyman 2018). The economic development is the demand of time. Bangladesh is mitigating foreign aid dependency as a flourishing economic country. Therefore, the present government established BEZA to promote FDI, local investments, employment, and so forth. Hence, the investment climate is going to be friendly in almost all aspects; the assigned study is much logical to address the aspects of EZs.

Foreign investment, as well as a domestic investment, will come only if we are able to create a hassle-free environment for the investors in setting up industries and running their business. The essence is to reduce the cost of doing business in Bangladesh in order to create an investment-friendly environment. The rapid growth of Foreign Direct Investment (FDI), an

accelerating rate of GDP, graduation from Least Developed Country (LDC), environment-friendly industrialization, the growth rate of employment all are the great signs of the economic boom to keep pace with the advanced world. Therefore, the objectives of this research are to evaluate how EZs are going to connect economic development (FDI implementation, enhancement of local investment, employment); and to assess the dynamic aspects of EZ, those are being treated as the contributors of flourishing the economy of Bangladesh.

**Theoretical Framework**

The theory is a systematic elaboration of interrelationships among different variables. A theory depends much on observed phenomena and touches the test of time and different situation within the context of social, political and economic phenomena. The Purposes of the theoretical framework are given below:

- To explain causal relationships among the assessed variables.
- To understand the world better and provide a basis for policy implementation

The theoretical basis of this research is the assimilation of concepts and approaches applied in fundamental scientific works of foreign and domestic scientists on the free economic zones, their contents and contribution to the improvement of investment advancements of national economies. The subject of this research is how EZs, a key role player in the economic advancements of Bangladesh.

The economic zone is an area where the business and trade laws are distinct in nature from other economic projects in a country. EZs have some major goals- to attract FDI, employment, make environment-friendly institutions, etc. There are six types of Economic Zones introduced in Bangladesh. These are:

- Government Economic Zones: This type of EZ belongs to the government
- PPP Economic Zones: Here, government and private companies work together to develop EZs
- Private Economic Zones: Establishment and ownership of private EZ belong to any non-governmental organizations, individuals and group of local or foreign investors
- Special Economic Zones: Specialized sector based industries established here by PPP, private groups, governmental groups (e.g. ICT, tourism, etc.).
- G2G Economic Zones: Government of a foreign country and Bangladesh share the ownership; and
- Economic Zones (with the collaboration of other Government agencies): Collaborative ownership and initiatives among BEZA and other government agencies work here

Before analyzing, the role of Economic Zone, this study analyzes a theoretical model between economic growth and Investment. This study discusses the neoclassical model of exogenous growth. The aggregate production function of the Neoclassical Model of Exogenous Growth is given below:

$$Y_t = F(K_t, L_t, A_t) \tag{1}$$

Where  $Y_t$ = flow of output at time t;  $K_t$ = represents the capital needed for production;  $L_t$ = represents the input associated with the human body, and  $A_t$ = represents the technology available at time t. In general, the production function without the subscript-

$Y = F(K, L, A)$  and again we assume technology is constant. So production function is-

$$Y = F(K, L) \dots\dots\dots(2)$$

Capital is often created from existing resources in the economy of a country, therefore; there is a chance of agents to face a trade-off between producing some resources today and turning them into capital, have the probability of producing more capital tomorrow. The process of turning resources into a capital in future and away from current situations called investment (I). According to the economic theory, Savings (S) = Investment (I). If the more savings are owned by any firm, the more capitals will pile up. Thus we have more output, y. However, if the savings are less than expected investment, we cannot have the expected level of output, y. Therefore, in order to accomplish the gap between savings and expected investment, a country needs Foreign Direct Investment (FDI) and Foreign Aid. From national accounting identities, we know that-

$Y = C + S^p + T = C + I + G + X - M$ ; C=Private consumption,  $S^p$ = private savings, T=tax; I=investment, G=government expenditure, CA=current account.

$$S^p + (T - G) - I = X - M$$

$$S^p + S^g - I = X - M.$$

$$S + (M - X) = I$$

$$I = S + F$$

.....(6)

Where F=foreign exchange gap. Using the above-mentioned relationship, the following scenarios may arise- S could be insufficient to finance the expected level of Investment. Therefore, a savings gap will exist there. Even export is not enough to achieve the desired level because of import of machinery for production. Therefore, the foreign exchange gap will be there. Thus, FDI and foreign aid could fill the gap. In 2015, the country got the status of a lower middle-income economy as per World Bank assessment. In March 2018, the country entered into a new height of graduating from a Least Developed Country (LDC) to a middle-income country by 2024. The recognition came from the United Nations Development Committee. By fulfilling all three criteria to be eligible for graduation - per capita income, human assets index, and economic vulnerability index, Bangladesh got recognition. Therefore, foreign aid is in a decreasing flow in terms of contributing to GDP growth of Bangladesh. Bangladesh needs to deal with several challenges as it moves forward to make its growth sustainable. One such challenge will be a mobilization of FDI to keep pace with economic development. If FDI could be converted into capital, then k increases and new production function is achieved even with the same savings.

BEZA is committed to attract investment from home and abroad with its land bank and promise to provide all the utilities at the door so that the investors can readily set up their industries. With the coordination from the Prime Minister's Office, BEZA looks forward to establishing Bangladesh as an attractive location provided that it has to face challenges with the other competitors in the region. With the vision to create skilled labours for economic zones and provide services in shortest possible time from OSS, BEZA wants to uphold the image of Bangladesh as a potential hub in the region for investment in diverse sectors. BEZA has offered fiscal incentives as well as non-fiscal fiscal to captivate the foreign and domestic investors. It is empirically found in many that as the cost of capital goes down with incentives investment is attracted in many developing countries. Since the establishment of BEZA, the following incentives have been improvised for alluring incentives.

## Fiscal Incentives

Economic Zone Developers are enjoying the exemption on Income-tax payable on all of the designated Economic Zone's income arising out of its commercial operation. The tax holiday will start from the date of commercial operation and rates of tax holiday are 100% for the 1<sup>st</sup> ten years, 70% for the 11<sup>th</sup> year and 30% for the 12<sup>th</sup> year. However, Industrial units inside EZs are enjoying tax holiday at different rate and the rates are 100% for 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year, 80% for the 4<sup>th</sup> year, 70% for the 5<sup>th</sup> year, 60% for the 6<sup>th</sup> year, 50% for the 7<sup>th</sup> year, 40% for the 8<sup>th</sup> year, 30% for the 9<sup>th</sup> year and 20% for the 10<sup>th</sup> year. Foreign employees, having the technical knowledge, working in EZ, are also getting benefitted from their income. In this case, the rate is 50% for a period of 3 years from the date of employment. The Income Tax on Dividend, Capital Gain, and Royalties are also exempted.

Import Duties, regulatory duties, supplementary Duties and Value Added Tax (VAT) on the importation of goods, related to the development of EZ, have been exempted. The industrial unit inside the EZs is also entitled to import capital machinery and construction materials without tax and One Sedan car with 2000 CC engine capacity and one Microbus or Pick up Van or double cabin pick up. Each Economic Zone, including the Industrial Unit within the said Zone shall be treated as Warehousing stations. The Industrial units of any Economic Zone are allowed to import raw materials from abroad or procure raw materials from the domestic market for production purpose under the bond facility and can sell the output to the domestic market; provided, they will have to pay the import tax applicable on the used raw materials. Industrial Unit, which is registered under VAT Act 1991, may get VAT exemption on the utilization of electricity, water, gas and procurement of raw materials from the domestic market for exclusive use in the production process of the said unit.

Economic Zone and Industrial units established under the provisions of Bangladesh Economic Zones Act, 2010 are exempted from payment of government Tax, Cess, Toll, Fees etc. under section 65 of Local Government (*Union Parishad*) Act, 2009; land development tax under section 13 of Land Development Tax Ordinance, 1976; land transfer tax payable to *Upazila Parishad* Fund under Section 44 of *Upazila Parishad* Act, 1998; stamp duty imposable on signing of Lease Deed in between BEZA and the developer; payment of stamp duty imposable on the lease deed to be executed for allotment of land, building or space to a person for setting up industry or business house; stamp duty imposable on signing of Mortgage Deed between PPP Economic Zone developer and any schedule Bank or financial institutions for raising loan to develop the designated Economic Zone; registration fees imposable on signing of Sale Deed between the land owner-sponsor of the Economic Zone and the Consortium or Joint venture Company (private Economic Zone Developer) and the unit investor; stamp duty imposable on signing of Sale Deed between the Land owner-sponsor of the Economic Zone and the Consortium or Joint venture Company (Private Economic Zone Developer) and the unit investor. Banks (AD) also off-shore banking units may remit the royalty, technical know-how and technical assistance fees of enterprises of EZs from their FC accounts without prior permission from Bangladesh Bank or BEZA if the total fees and other expenses connected with the above-mentioned purposes do not exceed the following limit:

- For new projects, not exceeding 6% of the cost of imported machinery;
- For ongoing concerns, not exceeding 6% of the previous year's sales as declared in the income tax returns.

However, remittance of such fees in excess of the prescribed limit is subject to prior specific approval from BEZA.

## Non-Fiscal Incentives

**Table 1:** A list of non-fiscal incentives

<i>Incentives</i>	
Full repatriation of Capital and Dividend	Credit facility from home and abroad
Free Flow of Foreign Direct Investment (FDI)	Repatriation of dividend to non-resident shareholders
Backward linkage facilities to and from Domestic Tariff Area (DTA)	Repatriation of Disinvested proceeds by non-resident shareholders
20% local sale permitted from 100% Export Oriented Industry	Remittance facility by foreign nationals working in EZs
Sub-contracting with DTA industries allowed	Sale of goods to local Export Oriented Industries for getting the export benefit
Facility to maintain Foreign Currency Account	Credit facility for 'A' category company from Off-shore Banks operated under BEZA
Interbond transfer facilities available	Custom clearance from Economic Zone site
Security and commissariat facilities available	One Stop Service facilities to all types of permits, clearances etc.
A pool of professionals for all types of business solutions	Investment regulatory Acts, Rules, Policy, Guidelines, Orders etc.

## One Stop Service (OSS)

There are some ranking based on some aspects in Bangladesh- starting a business (138<sup>th</sup>), dealing construction permit (138<sup>th</sup>), property registering (183<sup>rd</sup>), getting electricity (179<sup>th</sup>). The investment comes from borrowing from financial institutions at the cost of interest. Usually, Investors in Bangladesh do not know how to start a business, what types of permissions or approvals are required, where to go, which documents are required, the required time of getting service; as a result, they cannot predict their commercial date of operation. When the investors are suspicious about the prediction of starting production in a land, they face unnecessary bank loan interest. The main objective of BEZA is to act as a great mover to foster stable economic growth by creating an investment-friendly environment in the country. To attain the goals, BEZA introduced one-stop service (OSS) centre for rendering all necessary services from different departments of the government to the investors under one umbrella to ensure providing hassle free and time-bounded services. On 12<sup>th</sup> February 2018, BEZA enacted a law named OSS Act. BEZA also introduced OSS Rules on 16 October 2018. Due to time-bounded services under OSS rules, investors inside the EZs can predict the starting time of business as well as production. OSS Rules mentions the lists of documents, the process or steps required to deliver specific services within a stipulated time. BEZA OSS facilitates the following business support services (Table-2):

**Table 2: A list of support services**


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<i>Support Services</i>	
Import Permit, Export Permit, Local Sale Permit, Local Purchase Permit, Sample Permit, Sub-Contract Permit	Building Plan Approval
Permission for Utility Connection	Environmental Clearance, Fire Safety Clearance, Clearance on Electrical wiring/plan/connection, Clearance on Plumbing/Water Connection
No Objection Certificate for Off Shore Banking License, License for Service Provider, Trade License	Factory Registration with DIFE
Permission for Installation of STP, WTP, CETP, a. Name Clearance and Generator	Boiler Registration
Certificate of Incorporation/Registration	Captive Power Plant
TIN Certificate, VAT Registration	Visa Recommendation, Work Permit, NoC for Bank Loan, Customs Clearance

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EZ is offering developed land, which is great for investors. Infrastructural system of EZs is much lucrative. Electricity, gas, water, security, medical emergency, taxation system, environment-friendly infrastructure, hassle-free land lease out or sale to the investors made EZs lucrative for the foreign and local investors. Therefore, OSS, ready hassle-free land and the incentives mentioned above, it is expected that both FDI and local investment and employment will boost inside zones.

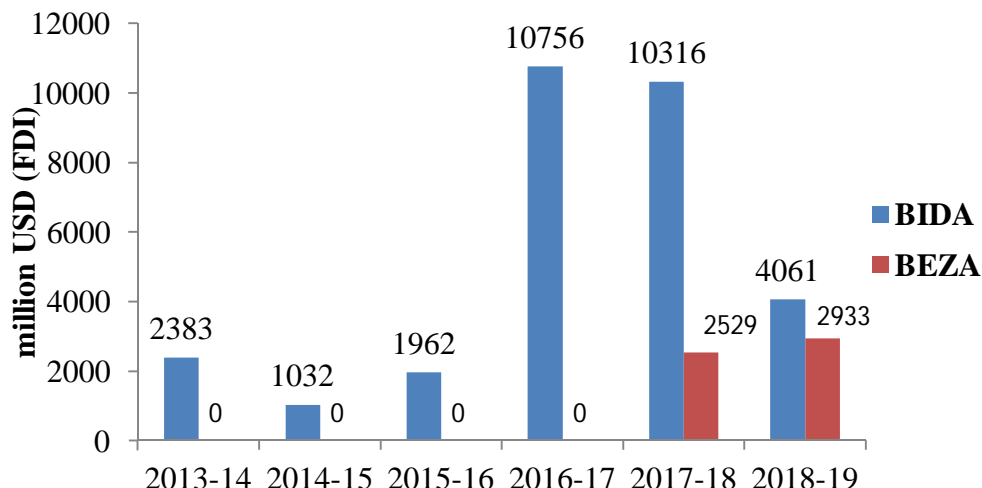
## **METHODOLOGY**

Both primary and secondary data have been used for this study — primary data collected through Key informant interview (KII) with seventy-eight investors. The main goal of KII was to collect information from professionals; those have experience about the Economic Zones. They provided insight into the nature of challenges and recommendations for overcoming those challenges. Foreign and local investors, BEZA professionals were the key respondents of KII. Secondary data (growing trend of FDI, local investment, employment) were collected from Beza's publications, World Bank reports, reports of Bangladesh Bank and BIDA website and other websites. Comparative analysis, a growing trend of FDI, local investment, employment all are interpreted below using secondary data.

## **FINDINGS**

### **Attracting FDI**

Attracting FDI is one of the main goals of establishing EZs in Bangladesh. EZs are offering greater incentives (fiscal or non-fiscal) to grow up FDI more. The following figure shows the comparison of the increasing trend of FDI inflow in this country between BIDA and BEZA.



**Figure 1:** Comparative FDI inflow between BIDA and EZs

The Figure-1 shows a clear image of the FDI flow of BEZA and BIDA. In the FY 2017-18 FDI in 3EZs [Bangabandhu Sheikh Mujib Shilpa Nagar (Mirsarai EZ), Moheshkhali EZ and Shreehatta EZ] was US\$ 2529 million and it rose to US\$ 2933 million in FY 2018-19. On the other hand, BIDA’s FDI was US\$ 10316 million in FY 2017-18, but it decreased to US\$ 4061 million in FY 2018-19. This comparison is showing that FDI is flourishing inside EZ at the desired rate.

**Actual FDI for BIDA**

**Table 3:** The actual FDI in BIDA

Sl No	The calendar year	FDI (Million US\$)	
		EPZ	Excluding EPZ
1	2017	193.14	140.09
2	2018	41.92	690.04
		Total = 1065.19 (including EPZ)	
		= 730.13 (Excluding EPZ)	

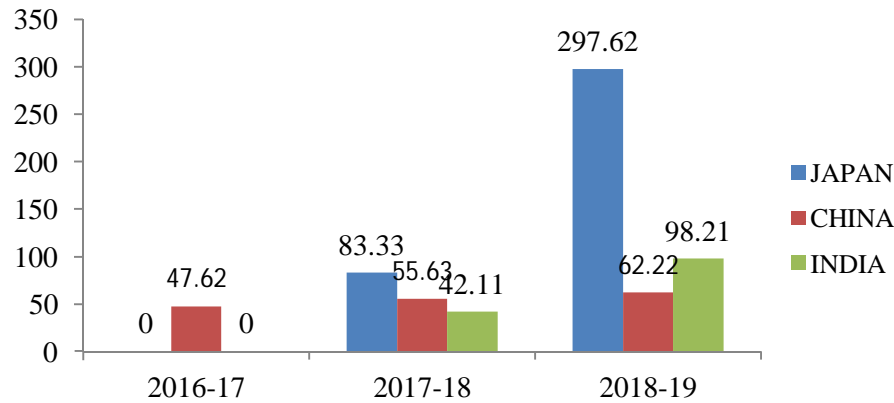
It reveals that actual FDI in Bangladesh is very low compared to registered FDI. However, looking into BEZA’s picture, BEZA has also got proposed investment, but strict procedures are followed before considering this proposal as registered FDI. After assessment and evaluation if it gets above 50% marks, then it is placed before the executive committee (EC) for approval. After approving the application by EC then BEZA issues LOA (Land of acceptance) with giving 60



days time for depositing signing money. BEZA has already secured around US\$ 97.92 million as FDI from leasing out the lands to foreign investors.

**G2G Foreign Investment in EZs**

Foreign Investment is also in fluxing into Government to Government EZs. The amount of Foreign Investment invested for developing Japanese EZ, China EZ and India EZ is shown below:



**Figure 2:** G2G Foreign investment inflow

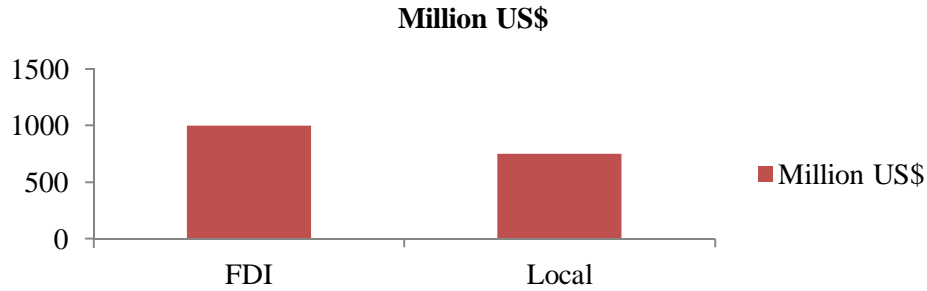
Japan, China and India have been increasing their investment since the FY 2017-2018. In FY 2016-17 investment of China was US\$ 47.62 million, and in FY it was US\$ 55.63 million and US\$ 62.22 Million respectively in FY 2017-18 and 2018-19. In FY 2017-18, Japan invested US\$ 83.33 Million while in FY 2018-19, it increased to US\$ 297.62 Million. In FY 2017-18, India invested US\$ 42.11 Million, and it jumped to US\$ 98.21 Million USD in FY 2018-19. The projection of investment in those 3 EZs are given below in Table-2:

**Table 4:** Government-to-Government FDI

Projected FDI (2020-2025) by different Investors from Japan, China and India (Million US\$)	
Country	
JAPAN	6000
CHINA	5500
INDIA	4000

**Investment waiting for Final Approval**

The amount of investment waiting for final approval is given below in ‘Figure-3’

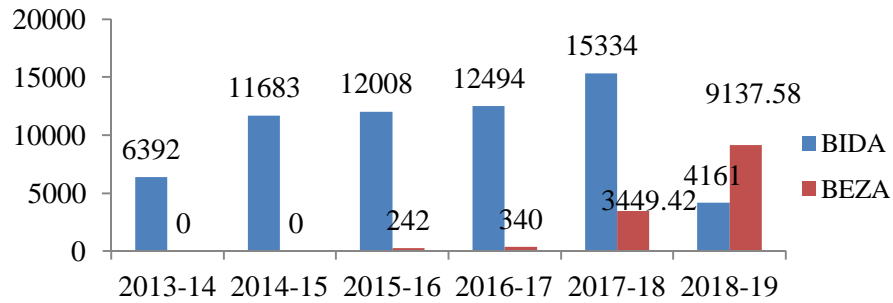


**Figure 3:** Investment waiting for Final Approval

In both cases, all procedures, including assessment and evaluation by EC, have been completed and waiting for final approval from the authority.

**Local Investment**

Proposed local investment in BIDA nad BEZA is given below in Figure-4:

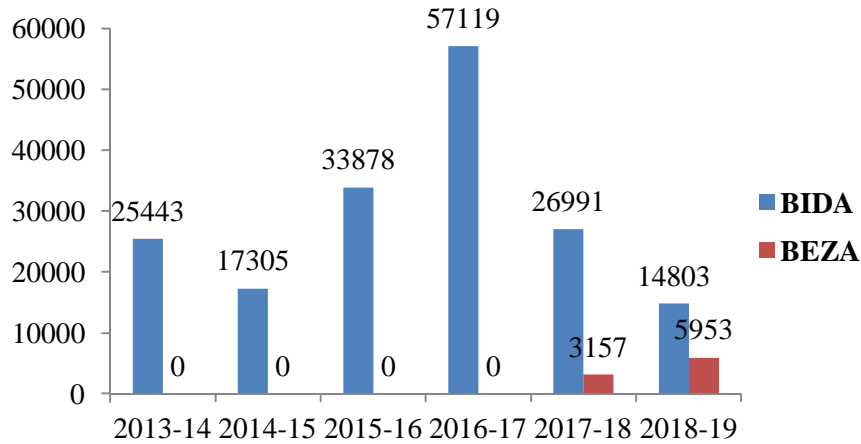


**Figure 4:** Local investment by BEZA and BIDA

The Figure-3 shows that in FY 2015-16 BEZA got US\$ 242 million as the local investment, and it gradually increased to US\$ 340 million in FY 2016-17, US\$ 3449.42 million in FY 2017-18 and US\$ 9137.58 million in FY 2018-19. Whereas BIDA got investment proposal of US\$ 12008 million in FY 2015-16, US\$ 12494 Million in FY 2016-17, US\$ 15334 million in 2017-18, US\$ 4161 million in 2018-19. The incremental rising trend in an investment indicates the popularity of BEZA compares to BIDA.

**Statement of employment from FDI**

Employment from FDI in BEZA and BIDA is given in Figure-5:

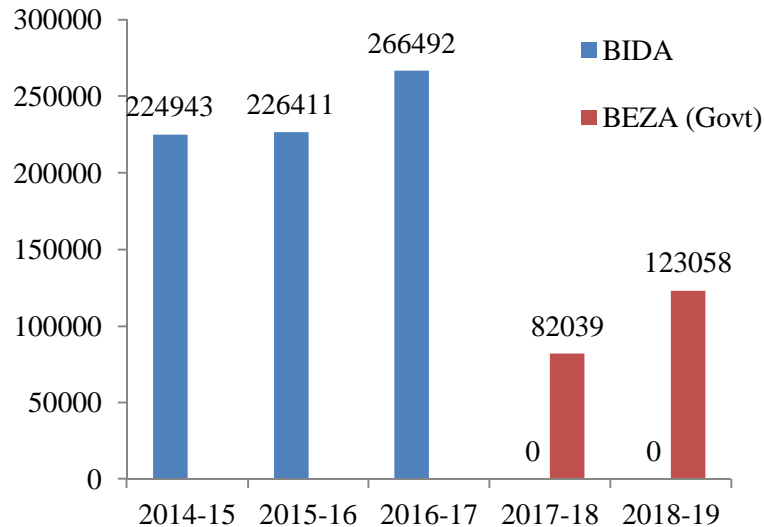


**Figure 5:** Employment of people (FDI)

The employment from FDI inside EZs was 3157 in FY 2017-18 and increased to 5953 in FY 2018-19. Whereas BIDA got employment 26991 in FY 2107-18 and 14803 in FY 2018-19 from the same. Therefore, it is clear from the above figure that a declining trend of employment in BIDA from FDI. Whereas, EZs are generating more employment

**Statement of employment from local investment in government EZs)**

Employment from local investment in BEZA and BIDA is given in Figure-6:

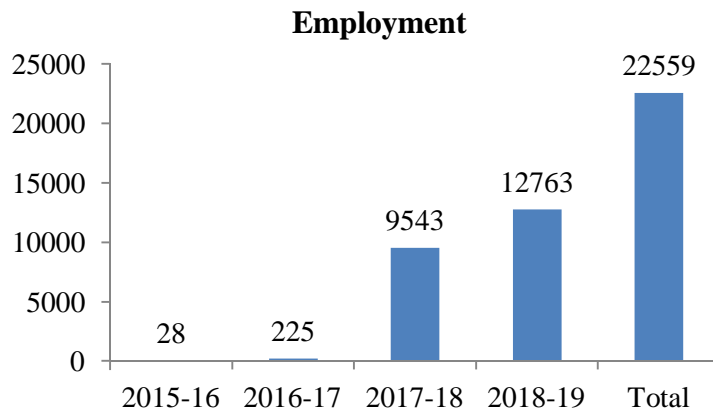


**Figure 6:** Employment through local investment (NB: No data is available for FY 2017-2018, 2018-2019 in BIDA website.)

Inside EZs 82039, employment was created in FY 2107-18 and 123058 in FY 2018-19. Gradually EZs are attracting more local investors and creating more employment in this country.

**Statement of Employment in private EZs:**

Employment from local investment in BEZA is given in Figure-7:

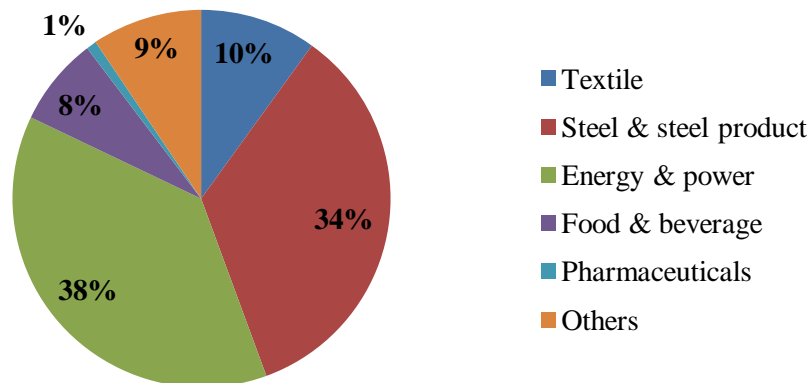


**Figure 7:** Employment by private EZs

The figure shows that private EZs created employment of 28 in FY 2015-16, 225 in FY 2016-17, 9543, in FY 2017-18 and 12763 in FY 2018-19. The trend is very encouraging inside private EZs.

**Sector-wise Investment in Government EZs**

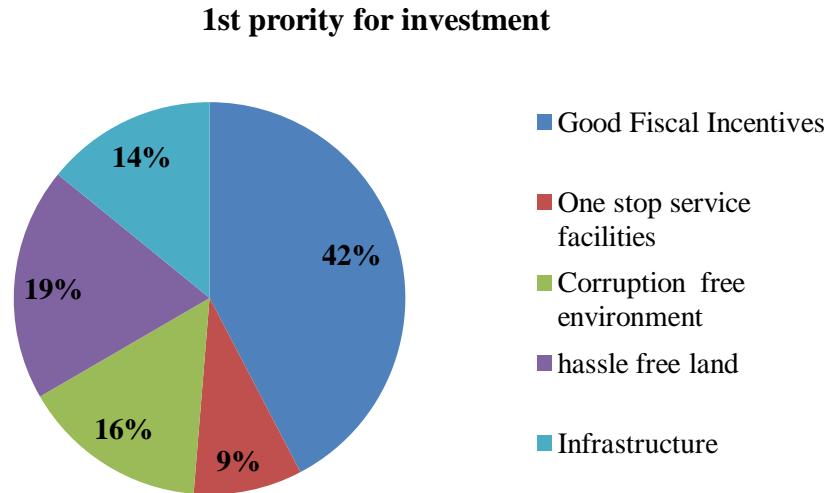
Sector-wise investment in Government EZs are given below in Figure-8:



**Figure 8:** Sector-wise investment by govt. EZs

This chart shows the share of sector-wise investment in government EZs by foreign and local investors. Steel and steel product covers 34% with the amount of US\$ 4368.37 million while energy and power cover 38% with US\$ 4772.16 million, textiles 10% with the amount of

US\$ 1261.3 million, food and beverage 8% with US\$ 962.9 million, pharmaceuticals 1% and 9% others with US\$ 1199.15 million. The good sign of the investment indicates that it has got the proposal in high-value addition sector which would help Bangladesh to elevate as a middle-income country by 2021. To find out the reasons for the influx of investment inside EZs, KII was conducted with 78 investors of different EZs. After having a discussion with them, it is found that the following eight reasons are alluring them to invest inside EZs. The reasons are Good Fiscal Incentives, Good Non-fiscal Incentives, cheap labour, OSS facilities, corruption-free environment, hassle free land, infrastructure and strong management. Seventy-eight investors have ranked different reasons as their 1<sup>st</sup> priority to choose BEZA for investment. The result is given below in Figure-9:



**Figure 9:** 1st priority for investment

The chart shows that 33.42% of them mentioned good fiscal incentives as the 1<sup>st</sup> priority, 15.19% marked hassle-free land as their 1<sup>st</sup> choice, 12.16% spotted corruption-free environment as the 1<sup>st</sup> option, 11.14% described infrastructure as the foremost priority, and 7.9% marked OSS as the 1<sup>st</sup> aspect to investing in EZs. A total of 33 (out of 78) KII respondents, those who ranked food fiscal incentives as first priority, among 78 have also mentioned that though they mentioned fiscal incentives are the first priority, it is not fiscal incentive alone but also other reasons like corruption-free environment, hassle free land transfer, good infrastructure and OSS altogether had driven them to invest in EZs. From the overall data analysis, it is very clear that EZs, with their great incentives, visions, and procedures have uniqueness in nature, are attracting FDI inflow, local investment, and creating more employment. EZs are contributing to the economic development of Bangladesh.

## IMPLICATIONS AND RECOMMENDATIONS

Bangladesh is now in a growing economic wheel and to be a developed country by 2041 and this spirit must continue. Developing countries benefitted from EZs. The real outputs of EZs, in terms of attracting FDI, local investment, employment are at an effective pace. Fiscal and non-fiscal incentives, along with OSS, are working as dynamic aspects of the economic development of Bangladesh. Attaining SDGs is one of the biggest challenges of the

government. Effective practice of initiatives of EZs could connect the goal 8 of SDGs i.e. Promote inclusive and sustainable economic growth employment and decent work for all (Target 8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries, Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high - value added and labor-intensive sectors and Target 8.9: By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products) and goal 9 of SDG i.e.. Industry, Innovation & Infrastructure: Build resilient infrastructure promote inclusive and sustainable industrialization and foster innovation industry, innovation and infrastructure (Target 9.2: Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry' s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries) and indirectly related to Target 17.3: Mobilize additional financial resources for developing countries from multiple sources. Honourable Prime Minister Sheikh Hasina has taken ten initiatives for attaining SDGs and investment development is one of the ten initiatives. Data analysis reveals that her initiative is functioning. Projection of investment in Government to Government EZs is another good sign of our growing economy. KII shows that investors marked EZs as a lucrative place to invest. Many investors mentioned that they have several industries outside of EZs as well. According to their opinion, investing and developing factory within an Economic Zone is certainly much safer compared to outside of EZ. All KII respondents unanimously propounded that blended mixture of all reasons is the most important factor to allure investment in EZs. Investors also mentioned that BEZA One Stop Service (OSS) is one of the major factors that is believed to attract investors. With a requirement of obtaining different permission from different departments located at different places, if they can get all of them under one roof, then it is not only time-saving for investors, but also gives a competitive advantage for the country. This study explores that Economic Zones are empirically found to be an excellent instrument for the betterment of Bangladesh.

From the above implications, the recommendations are mentioned below:

- The OSS rule covers 125 services. BEZA will provide 37 services and rest 88 services will be rendered by 20 government agency. At present, BEZA renders 11 services of the 37 through online. Rest 26 services should bring under OSS online system immediately to reduce the cost and time of the investors. BEZA should be integrated with other government agencies to provide all services mentioned in the OSS Rule, which will enhance the confidence of the investors. Apart from occasional troubles and glitches, most of the investors expressed their satisfaction with the OSS online system, but some mentioned have some inconsistencies in a few fields of online form. So, BEZA should upgrade the online system to provide flawless service. Under the BEZA OSS Rule, the services of other departments of government are being rendered by the respective focal point of the department. Focal point received the application and got the job done by his office. In many cases, the focal point does not have the legal authority to give approval by itself. Therefore, BEZA must take initiatives so that the respective focal point can provide the assigned service.
- Declaring private EZ is a lengthy process and complex in nature. It needs huge documentation and developers are asked to provide the same documents 2-3 times. BEZA should go for business process reengineering to simplify the process.

- Fiscal Rules must be revisited as it is playing a great role in attracting FDI and local investment. Though investors can import duty-free capital machinery, they are not entitled to import related spare parts without import duty. BEZA has taken the initiative long ago with the National Board of Revenue (NBR) to solve this issue, but it is yet to be solved. This issue should be solved immediately.
- In order to achieve double-digit GDP growth, Bangladesh needs to shift the high-value addition manufacturing industry. Fortunately, high-tech (Honda Japan) investment is coming inside EZ. To take the proper advantage from this high-tech investment, BEZA should take the initiative in collaboration with the National Skill Development Authority to enhance the skill of the workforce. Otherwise, Bangladesh will not be able to get the advantages of technology transfer.
- The projection of investment in G2G is a good sign for the country. The history of Japanese investment in other developing countries divulges that those countries were successful in developing their economy. So, if BEZA can implement this G2G project successfully in time, then Japanese investors will get confidence to invest more which will, in turn, make Bangladesh as a new investment hub as it is expected that other countries would come to establish G2G EZs.

## CONCLUSION

To be a middle-income country by 2024 and to be a developed country by 2041, the sound economic development of this country is a must. This study codified how the establishment of EZs across the country is promoting economic development. The study shows the growing trends of FDI, local investment and employment. The ruling government has established BEZA to reach the development goals. The country is now on the road to be a middle-income country, so, the GDP growth rate is gradually increasing. The present government is aiming to achieve double-digit GDP growth rate, and for attaining, the target required investment is necessary. Lucrative initiatives of the EZs have been contributing towards economic development as the figures shown in the data analyses part. Moreover, BEZA is strongly committed to fulfilling the goals to make the country a developed one. The research also showed the dynamic aspects (good fiscal incentives, OSS, corruption-free environment, hassle free land, strong managing procedures, cheap labour) of EZs those are helping to boom the economy of Bangladesh. The environment-friendly initiative made EZs unique in nature. As per Bangladesh Economic Zones (Construction of Building) Rules, 2017, 20% of the site shall be opened to sky soak area, and 30% of the site shall be covered by driveway, open parking, fire command centre, internal roads, an underground water tank and septic tank. Thus, Green economic development is ensured inside EZ. Environmental and fire safety regulations are strictly monitored at the time of establishing any EZ and constructing factory inside EZs. Due to clustering project monitoring procedures by the department of environment and fire service and civil defence are comparatively easy. Beza has also extended full support to people living around EZs with legitimate compensation and training to enhance their skills so that they can earn when these EZs are fully functional. BEZA has now become an attracting destination of both local and foreign investors to bring forth an industrial revolution in the country.

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