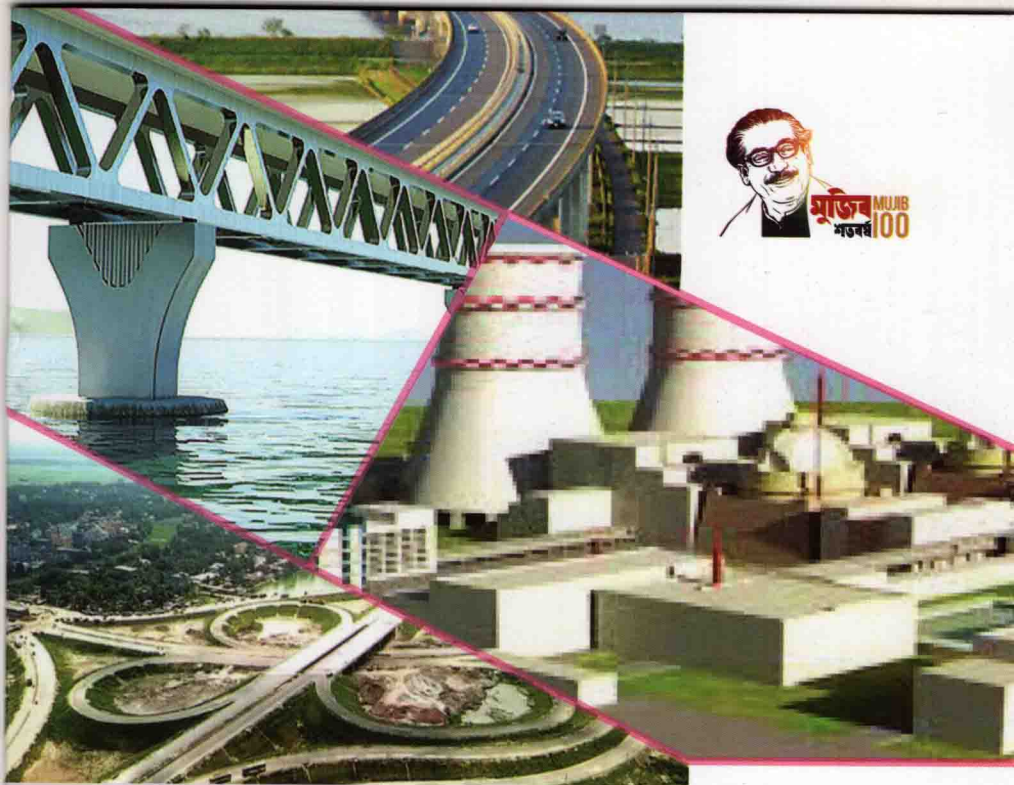




Infrastructure Sector



Bangladesh Investment
Development Authority

We Nurture Your Investment Dreams

Bangladesh Investment Development Authority
Prime Minister's Office
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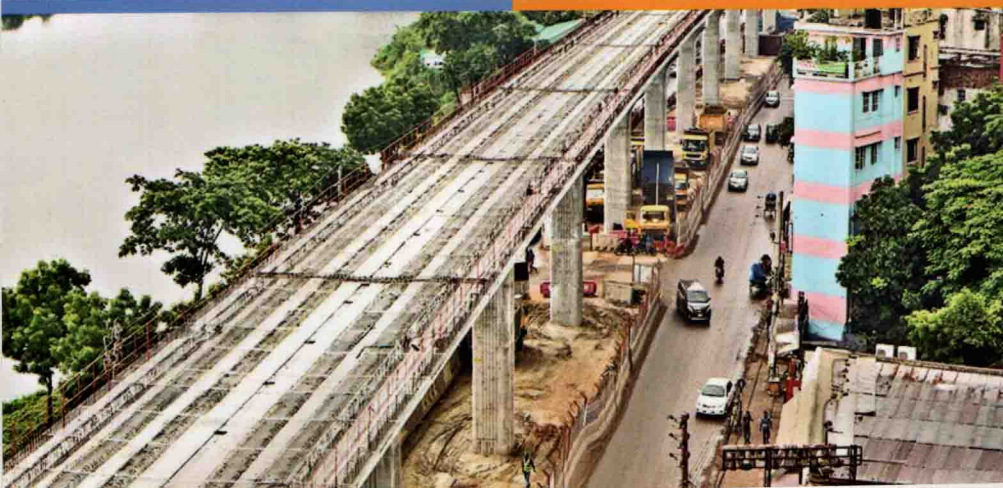
Global Perspective

Infrastructure is an important driver for the growth of economy of any region. Growing urbanization in developing countries helps boost infrastructure sectors. There is widespread consensus among governments and businesses that increasing the quality of infrastructure is an imperative for economic growth. According to research, the current infrastructure spending at the global level is USD 4.3 trillion. According to World Economic Forum, worldwide investment in infrastructure is expected to be US\$79 trillion by 2040. However, the actual global investment need is closer to US\$97 trillion. To close this US\$18 trillion gap, average annual global infrastructure investment would need to increase by around 23% per year.

National Perspective

According to The Global Competitiveness Index, 2019, Bangladesh has ranked 105th out of 141 countries. In terms of infrastructure, the country ranked 114th which is the lowest among South Asian countries. Sri Lanka ranked 61st. India 70th, Pakistan 105th and Nepal 112th.

Considering these facts, Bangladesh has identified access to infrastructure services as a major driver for accelerating growth and empowering citizens in its national development strategies such as the Five Year Plan (FYP), Perspective Plan, and SDGs Financing Strategy. The seventh FYP has classified infrastructure investment as a priority and emphasized on the categorization of the infrastructure projects, allocation of resources, and timely completion of transformational infrastructure investment. According to the seventh FYP, Bangladesh needs more than five percent of GDP as additional investment in major infrastructure projects per year to sustain growth at a higher level. However, to attain the infrastructure related SDG targets, the additional cost for infrastructural development has been estimated to be 5.67 percent for fiscal year 2030 (**GED, 2017**). Improving access to infrastructure services will boost socioeconomic activities and produce spill-over effects in its various productive sectors. The potential economic impact can be as high as USD 35.5 billion for Bangladesh by 2030 (UNESCAP, 2017). The government is giving highest priority to accelerate the ongoing mega projects with an aim to deliver the economic and social goods for millions of people of the country as per the *Vision 2021* and *Vision 2041*.



Performance Overview 2019 Key ○ Previous edition ▲ Lower-middle-income group average □ South Asia average

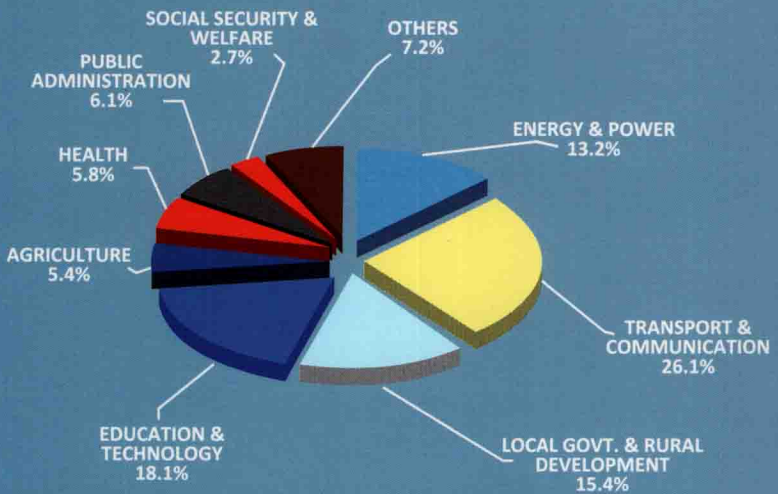


Under the visionary leadership of Prime Minister Sheikh Hasina, these gigantic infrastructure construction mega projects would significantly develop the country's communications, transportation, ports and energy sectors by 2030 and help the country to achieve reaching the status of upper mid-income country by 2041. In the 2019-20 fiscal, the government has allocated Tk 552.50 billion in transport and communication (roads, rails, bridges, and related other communications) sector and another 279.42 billion in power and energy sector to implement the mega projects to strengthen the country's communication network and to develop the power and energy sector to boost the economy. The mega projects include the Padma Multipurpose Bridge (PMB), Rooppur Nuclear Power Plant, Payra only deep seaport, coal-fired Matarbari and Rampal power plant, metro rail, Subway and liquefied natural gas terminal. Two more big projects, one for a Padma bridge rail link and another of the Karnaphuli river tunnel, have been undertaken for fast implementation.

Some details of the mega projects are given here in brief. Work of the much anticipated Padma Bridge is going on in full swing, while work of the 1200 MW coal fired power plant in Matarbari of Maheshkhali has witnessed significant progress. It is expected that the construction of the bridge will comprehensively transform the pace of economy in the region improving lives of millions of people on both sides of the river Padma. The bridge will directly connect the capital with 21 southern districts, through roads and railways.

However, Chattogram-Cox's Bazar Rail Link, Padma Rail Link and Payra Deep Sea Port are running speedily. The country's first-ever metro rail will be able to start operation on December 16, 2021, when the nation celebrates its golden jubilee of independence. Originally, the project's implementation period was 2012-2024. However, the government wanted to complete it within December 2020. Now, the entire part (the 20km) will be operational within 2021. Once completed, a total of 24 trains together will transfer 60,000 passengers every hour in both directions. Work of Rooppur Nuclear Power Plant Project is going on as scheduled. Having begun in 2016, the project is scheduled to be completed within 2025. Construction of the powerplant consists of two power units in Rooppur of Pabna with a capacity of 1,200MW each. Work of Matarbari power plant is going on in full swing with 25 percent of the work completed as of May this year. The Tk 35,984 core project is scheduled to be completed by 2023. The 1320MW Rampal Coal Power Project near the Sundarbans, whose work started in April 2017, is scheduled to be operational by June 2020. Once the projects are completed, the communication and power sectors will get a huge boost, traffic congestion in Dhaka city will reduce, and ultimately trade and tourism will be benefited immensely. Various studies show that the country's GDP will increase by 3 to 4 percent after the completion of the projects.

Graph-V
DEVELOPMENT BUDGET: 2019-20
(TAKA 2,116.83 BILLION)
Details of Sector-wise Allocation



HIGHLIGHTS: MEGA PROJECTS



PADMA BRIDGE
TOTAL COST
 TK 30,193 CR
 EXPENDITURE TILL MAY, 2019
 TK 19,153.12 CR
 PROJECT TENURE
 JANUARY 2009 TO
 DECEMBER 2019

PADMA RAIL LINK PROJECT

TOTAL COST
 TK 34,988 CR
 EXPENDITURE TILL MAY, 2019
 TK 9,305.64 CR
 PROJECT TENURE
 JANUARY 2016 TO
 JUNE 2024



METRO RAIL
TOTAL COST
 TK 21,985.07 CR
 EXPENDITURE TILL MAY, 2019
 TK 6,458.56 CR
 PROJECT TENURE
 JULY 2012 TO
 DECEMBER 2024

CHATTOGRAM-COX'S BAZAR RAIL LINE

TOTAL COST
 TK 18,034 CR
 EXPENDITURE TILL FEB, 2019
 TK 3,367 CR
 PROJECT TENURE
 JULY 2010 TO
 JUNE 2022



RAMPAL POWER PROJECT
TOTAL COST
 TK 16,000 CR
 EXPENDITURE TILL FEB, 2019
 TK 3,923 CR
 PROJECT TENURE
 JULY 2009 TO
 JUNE 2020

MATABARI COAL POWER PLANT

TOTAL COST
 TK 35,984 CR
 EXPENDITURE TILL MAY, 2019
 TK 8,501.84 CR
 PROJECT TENURE
 JULY 2010 TO
 JUNE 2023



PAYRA DEEP SEA PORT (FIRST PHASE)
TOTAL COST
 TK 3,350 CR
 EXPENDITURE TILL MAY, 2019
 TK 1,449.27 CR
 PROJECT TENURE
 JULY 2015 TO
 JUNE 2020

ROOPPUR NUCLEAR POWER PLANT

TOTAL COST
 TK 1,13,092 CR
 EXPENDITURE TILL MAY, 2019
 TK 17,927.20 CR
 PROJECT TENURE
 2016 TO
 DECEMBER 2025



B) INFRASTRUCTURE MATERIALS/PRODUCT INDUSTRY SECTOR

i) Cement

Currently in Bangladesh there are 32 cement manufacturing companies of which 7 are currently listed and 4 are multinationals. The total installed capacity of cement production of the industries of the country is about 33-35 million metric tons per year and the effective capacity is around 25-27million metric tons per year. Most of the cement manufacturing plants in Bangladesh operate at 60-65 per cent efficiency. On the other hand the current annual demand forcement in the country is around 18-20 million metric tons indicating the country has asurplus cement production capacity. Moreover every month on an average 15,000- 20,000 MT of cement is being exported by the industry.

ii) Sand

There are about 700 rivers in Bangladesh. Sand/Silt/gravel has carried by the upstream water from Indian River or hilly region. The settlement of sand/silt/gravel onriver is used in infrastructure construction works.



iii) Bricks

The country currently has 8,033 brickfields in 64 districts. Only 5,225 of them received environment certificates. On the other hand, environment-friendly technology is used in 5,798 brickfields while environment-friendly chimneys are used in 72 percent of the kilns. Brick production is about 18 billion pieces a year.

iv) Rod/ Steel

Steel is a basic raw material for infrastructural development and multiple other uses. Production of crude steel has risen at an astounding rate, reaching 1,689 MN tones by 2017.

vii) Mechanical Product Lift, Generator, Elevator, Motor and pump

This type of machinery equipment is imported from countries like Germany, Turkey and China.

Export Potential

Bangladesh, at present, exports bricks to some adjacent Indian provinces. Bangladesh House Building Research Institute (HBRI) produced cement concrete (CC) brick is produced without fire. It is also called green brick. Barapukuria coalmine's stone is high quality stone that can be exported or used within Bangladesh for infrastructure development.

Skill Availability

There are about 42,000 skilled graduate engineers and IT experts registered with Institute of Engineers Bangladesh (IEB). So infrastructure specialists are available here. Bangladesh has continued to be an attractive destination for foreign companies to do business due to lower production cost and labor wage compared to those of 19 countries in Asia and Oceania.

Investment Potentials

Bangladesh is one of the fastest growing economies in the world. The country has been hailed by The Economist as the new Asian Tiger. Besides, a recent report of Price water house Coopers (PWC), a renowned economy reviewer projects that Bangladesh is going to be the 23rd largest global economy in the world by 2050 which is good news for the investors.

The potential investment areas related to infrastructure in Bangladesh are power generation, distribution and exploration of gas and other mineral resources, highway development including bridge, express-way and tunnels, Port infrastructure facilities, Industrial parks/private export processing.

Developing and increasing access to infrastructure services and improving their quality is a key to industrialization. Investment in infrastructure is a priority agenda. Bangladesh will remain a priority market for potential investors and development partners for next decades. Its economic growth and growing demand will drive to attract for more foreign investment in infrastructure sector.

South Asia is the least integrated region and the cost of trading across borders is one of the highest in the world. Co-operation with its neighbouring countries offers benefits to Bangladeshi owned road, rail and water transport services and port services. Opening up Chittagong or Mongla Port will earn huge revenue for Bangladesh. Similarly such benefits could be realized if the Government offer Bhutan, Nepal and the North-East India states, the opportunity to transit through Bangladesh to reach the heartland of India, in exchange for the right of Bangladeshi truck and river vessel operators and Bangladesh Railways to share in this traffic. Bangladesh can earn huge potential revenue from connectivity with Nepal, Bhutan and India to Payra deep seaport through the development of Road and Railway infrastructure and services.

Policy Support

The laws, rules and relations related to infrastructure are enlisted below:

- i) Technical Assistance Financing, Validity gap financing, Financing against equity and loan, Finance against link component under PPP act 2015
- ii) Policy for Implementing PPP Projects through Government to Government (G2G) Partnership, 2017 i) GoB to be injected as equity or debt to the company, ii) equity stakes or provide debt financing to the project company
- iii) Infrastructure Investment Facilitation Company (IIFC) was incorporated in 1999 as a company limited by guarantee under the Companies Act 1994. It became operational in January 2000. IIFC's objective is to promote and facilitate infrastructure projects in the country through Public-Private Partnership (PPP).
- iv) National Land Transport Policy 2004
- v) Double taxation treaties (DTTs) with 33 countries Canada, Poland, Norway, China, Romania, Turkey, Denmark, Singapore, Vietnam, France, Republic of Korea, Philippines, Germany, Sri Lanka, Indonesia, India, Sweden, Switzerland, Italy, Thailand, Oman, Japan, The Netherlands, Malaysia, UK, Belarus, Belgium, KSA, Mauritius, Myanmar, Pakistan, UAE, USA)
- vi) Bilateral Investment treaties (BITs) signed with 29 countries Austria, DPR Korea, Thailand, Belgium, Republic of Korea, UK, Canada, Malaysia, USA, China, Pakistan, Uzbekistan, France, Poland, Vietnam, Germany, Romania, Singapore, Indonesia, Switzerland, Denmark, Iran, The Netherlands, India, Italy, The Philippines, UAE, Japan, Turkey)
- vii) Building Construction Rules 1996
- viii) Bangladesh National building code (BNBC)
- ix) Private sector infrastructure guideline 2015

Tax/Incentive structure Incentives

- Special facilities and venture capital support will be provided to export-oriented industries under "Thrust sectors". Thrust Sectors include Agro-based industries, Artificial flower-making, Computer software and information technology, Electronics, Frozen food, Floriculture, Gift items, Infrastructure, Jute goods, Jewellery and diamond cutting and polishing, leather, Oil and gas, Sericulture and silk industry, Stuffed toys, Textiles, Tourism.
- 100% tax exemption on income and capital gain for certain projects under Public Private Partnership (PPP) for 10 years.
- Rural-based poverty alleviation projects shall be given incentives similar to the incentives provided in the Private Sector Power Generation Policy 1996, plus a further 10 to 15 years corporate tax holiday, upon certification of their eligibility by the Major Terms and Conditions Committee of BIDA
- A set of incentives, including exemption from income tax on interest income, investment allowance and other policy support for institutions investors, should be given to attract investors to invest in the fund under PPP's Project
- Any investment in this sector will enjoy similar tax exemption as available in other sectors.
- Special Incentives for any specific project may get special unique incentives with the approval of the Cabinet Committee on Economic Affairs (CCEA) which shall be declared in the Request for Proposal (RFP) documents.





Current Infrastructure Scenario

At present multiple mega projects are being implemented with public and private financing. Some of the mega projects already have been completed. Japan and China are major development partners for long time. JICA is supporting us in Dhaka Mass Rapid Transit Development Project, the Kachpur, Meghna and Gumti 2nd Bridge Construction and Existing Bridges Rehabilitation Project, Western Bangladesh Bridges Improvement Project (WBBIP) and Cross-Border Road Network Improvement Project Bangladesh. China has investment in Padma Railway Bridge and some other mega projects. Greater Dhaka Sustainable Urban Transport Project (BRT Gazipur-Airport), South Asian Sub-regional Economic Cooperation (SASEC) Road Connectivity Project, Improvement of Joydevpur-Chandra-Tangail-Elenga Road (N-4) to a 4-Lane Highway and SASEC Road Connectivity Project-II: Improvement of Elenga-Hatikamrul-Rangpur Road to a 4-Lane Highway are supported by Asian Development Bank (ADB). Moreover, Korean International Cooperation Agency (KOICA), Saudi Fund and Kuwait Fund have investment in infrastructure sector in Bangladesh.



Bangladesh Investment Development Authority

"Bangladesh - We Nurture Your Investment Dreams"



BIDA undertakes the functions of investment promotion and facilitation, and policy advocacy in accordance to the Industry Policy and provides inquiry/consultation/licensing facilitation services to the investors outside the jurisdiction of other investment authorities (BEZA, BEPZA, High-tech Park Authority). Those investors registering with BIDA for their investment projects are able to benefit from the following key incentives and privileges:

Category	Notes
Tax holiday	- Phased Corporate Income Tax (CIT) exemption for 32 designated sectors/ products (as per the Finance Act 2020), depending on location of factories - Phased CIT exemption for private IPPs (which construct powerhouse after June 2016) and full CIT / capital gain tax exemption for PPP projects - Full CIT exemption for ICT / software industry
Tax rebate	Applicable for manufacturing industries of which factories i) are located, ii) move, iii) have already operated, outside Dhaka City
Import duty exemp.	- On capital machinery / spares - VAT exemption for imported capital machinery / spares
Other Tax Exemption	- On interest payable on foreign loans - On royalty/technical license fees obtained from foreign company/expert - On personal income tax for foreign technician - One capital gain from the transfer of shares of listed public companies
Non-tax incentives	- Accelerated depreciation for newly established industries in lieu of tax holiday on their factory, machinery and plant

* The above may be subject to revision upon annually enacted Finance Act and individual regulations.
Export-oriented industries regardless of their locations can benefit from additional privileges and facilities.

Bangladesh Economic Zones Authority

"BEZA is a smart way for business in Bangladesh"



BEZA develops and manages economic zones (EZs) in view of generating more spillover effects of investment for industrialization. Currently a number of EZs are being developed throughout the nation to cater for investment needs of both foreign and local investors, utilizing a variety of development schemes including BEZA's own initiative, private initiative, public-private-partnership and bilateral agreement with foreign government. The investors tenanted in EZs are able to benefit from the following key incentives/ privileges:

Fiscal incentive	- Phased Corporate Income Tax (CIT) exemption for 10 years - VAT exemption for imported machinery/const. material, utility expense - Duty exemption for imported vehicle - Duty exemption for import/export of goods/ materials with bonded warehouse facility - Personal Income Tax exemption for expatriate salary - Tax exemption for dividend/royalty and technical license fees, etc. - Exemption of local government tax/ land development tax - Exemption from registration fee on land transfer/ loan document, stamp duty on loan document/lease of land and space
Non-fiscal Incentive	- A variety of privileges and facilities are available. (see the website of BEZA: http://www.beza.gov.bd/)

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* Disclaimer: BIDA shall not be liable for any incidental or consequential damages that may result from the usage of information obtained from this brochure.