

Special Economic Zone: Unlocking the Comparative Advantage of Bangladesh

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Generic term Special Economic Zone concept has the principles



- Geographically delimited area, usually physically secured (fenced-in)
- Single management/administration
- Separate customs area (duty-free benefits) and streamlined procedures

The concept of Zones existed for centuries



- Gibraltar – 1704
- Singapore – 1819
- Hong Kong – 1848
- Hamburg – 1888
- Copenhagen – 1891

Potential benefits of economic zones (WB)



	Direct benefits	Indirect benefits
Foreign exchange earnings	<input type="checkbox"/>	
FDI	<input type="checkbox"/>	
Employment generation	<input type="checkbox"/>	
Government revenue	<input type="checkbox"/>	
Export growth	<input type="checkbox"/>	
Skill upgrading		<input type="checkbox"/>
Technology transfer		<input type="checkbox"/>
Demonstration effect		<input type="checkbox"/>
Export diversification		<input type="checkbox"/>
Enhancing trade efficiency of domestic firms		<input type="checkbox"/>

Reasons for regime transition



Export Processing Zone	Economic Zone
Static (attracting investment and generating employment)	Dynamic (structural transformation of the economy, diversification, upgradation, knowledge sharing, skill development, R & D)
Labor-intensive	Investment-intensive
Incentive-driven	Service-driven Management-driven
Exploitative Enclave	Integrated Development Tool
Limited spillover effect	Wider spillover effect

Major trends in zone development



- Larger size
 - **Cover larger areas**
 - **Greater flexibility in terms of plant location and scope for inter-firm linkages**
- Broader range of permissible activities
 - Can undertake any legal activity including manufacturing, tourism, warehousing, transshipment, re-packaging etc.
- Duty free privileges
- Full access to the domestic market on a duty-paid basis
- Zones are not developed and operated exclusively by the government authorities

Major trends in zone development



- **Ownership arrangements**
 - Private zones (more than 62% of the total zones of the world)
 - Public-private partnership zones
 - ✦ Off-site financing by the public party
 - ✦ On-site financing by the private party
 - ✦ Operation and management of zones

Major trends in zone development



- **Ownership arrangements**
 - G2G economic zone
 - Government zone
 - Zones owned by government entities

Major trends in zone development



- **Development approach**
 - Public provision of off-site infrastructure and facilities
 - Secured land title and development rights by the government for lease to private zone developer
 - Contracting private management for government –owned zones (management contracting, power generation)
 - Equity-shifting arrangement where private contract manager can exercise purchase option

Core Policies and Procedures



- Expansion of activities to include commercial and professional services
- Equal treatment of investors and forms of investment
 - Same benefits to foreign and local investors and to various forms of investment
- Provision of incentives for private zone developers
- Relaxation of minimum export requirements in line with WTO framework and to accommodate globalization of production
- Allowing zone developers and others to supply utilities services to tenants of zone
- Treatment of sales of goods and services from the domestic market to zones as “constructive exports” eligible for all relevant export incentives

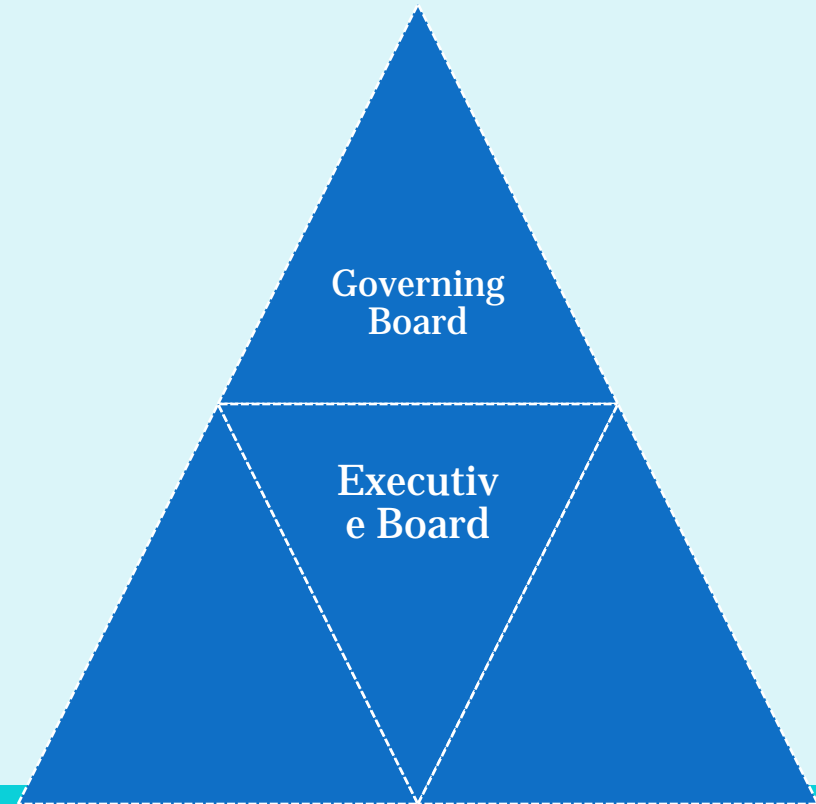
Bangladesh Economic Zones Authority (BEZA): Committed to Customer Satisfaction

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Bangladesh Economic Zones Authority was established by the Bangladesh Economic Zones Act 2010 with broad objectives to:

- Attract FDI
- Develop and diversify export
- Promote skill development, knowledge sharing and generate employment
- Ensuring dynamic economic benefits for structural change
- Social and environmental sustainability

BEZA is governed by a 2-tier management structure.



Our Mission



Develop 100 EZs
in the next 15 years



Create 10 million
employment
opportunities



Foster
industrialization
by increasing
additional export
of USD 40 billion



Category of Economic Zones

1

- Public and Private Partnership Economic Zones

2

- Private Economic Zones

3

- Government Economic Zones

4

- Special Economic Zones

5

- Economic Zones under Government to Government (G2G) Agreement

6

- Economic Zones implemented by Government Agency

BEZA moves on ...

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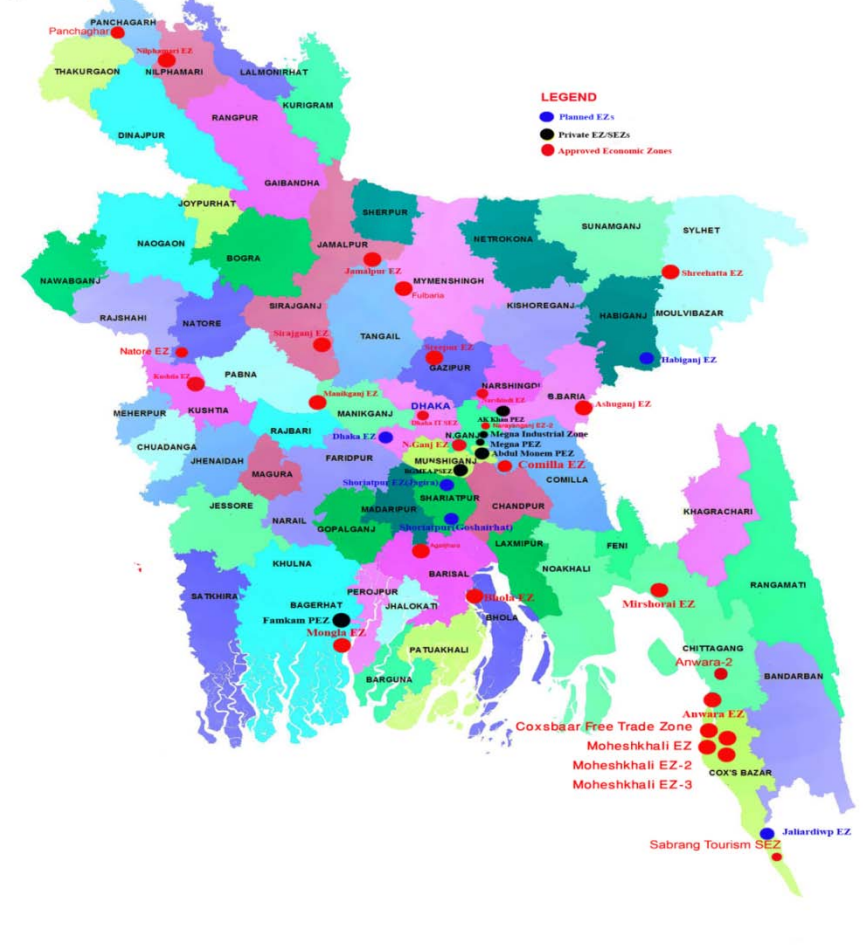
Number of Economic Zones: 74

Private Economic Zones: 20

Land Area: 35,000 hectares

MAP OF ECONOMIC ZONES

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Bangladesh Economic Zones: Incentives

Incentives For Developers

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Income Tax exemption : 100% for the first 10 years; 70% for 11th year; 30% for the 12th year.

Exemption from import duty, regulatory duty, supplementary duty and VAT on all goods for development of economic zone (except locally available construction goods)

Bangladesh Economic Zones: Incentives

Incentives For Developers

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Exemption of stamp duty and registration fees for land registration

Exemption of stamp duty and registration fees for registration of loan/credit document

Exemption from dividend tax

Bangladesh Economic Zones: Incentives

Incentives For Unit Investors

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**Income Tax exemption : 100% for first 3 years;
80% for 4th year; 70 % for 5th year;
60% for 6th year; 50% for 7th year; 40%
for 8th year; 30 %for 9th year and
20% for 10th year.**

**Exemption from import duty, regulatory duty,
supplementary duty and VAT on all capital
machinery and raw materials (except locally
available construction goods)**

Bangladesh Economic Zones: Incentives

Incentives For Unit Investors

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Tax exemption on royalties, technical fees etc.

Duty exemption on export

Tax exemption on capital gains from transfer of shares

Important non-fiscal incentives

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100% foreign ownership permissible

Foreign currency loan allowed in compliance with existing laws

Sub-contracting with Domestic Tariff Area allowed

No ceiling on foreign investment

Full repatriation of capital and dividend

50 years land lease period with scope of extension

Transfer of shares of foreign shareholders allowed

Ezs will enjoy MFN status and DFQF access to many countries

Hold nonresident foreign currency deposit account

Challenges



- **Balancing competitiveness with sustainable wages and working condition**
- **Diversification**
- **Upgradation**



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Thank You