# STRATEGY SUMMIT 2022

EMPLOYMENT | EMPOWERMENT | ENGAGEMENT


The 'Strategy Summit 2022' was held on August 6, 2022, at Radisson Blu Water Garden in the pursuit of a better tomorrow. The summit, organized by Valor of Bangladesh (VoB), the first Bangladeshi knowledge management social hub, aims to pursue a sustainable and resilient economic environment by emphasizing sectors of excellence.

The Summit was initiated by **Mr. Najmus Ahmed Albab**, the Executive Director of Valor of Bangladesh. He mentioned that the summit congregated the most influential industry icons in the nation through a series of insightful panel discussions to stance their perspective on the macroeconomic challenges to build a sustainable future. In the welcome note, **Mr. Anis A. Khan**, the Chairman of Valor of Bangladesh opened the summit by delivering the understanding of the issues like good governance and the power of citizens. At the summit opening note, **Mr. Syed Mahbubur Rahman**, MD & CEO of Mutual Trust Bank Ltd. talked about the elements of sustainability and said that the environmental, social, and economic elements are very important to make the country perform more positively. The chairman of the Bangladesh Stock Exchange Commission (BSEC), **Professor Shibli Rubaiyatul Islam**, focused on Bangladesh's gradual growth and also pointed out the country's recent inflation scenario at his inauguration note of the summit.

The summit included eight-panel discussions on inflation and consumption, energy infrastructure, forex matrix, RMG and manufacturing, agro economics, banking and finance, digital economy, and ESG. These topics, which will shape the socio-economic landscape of Bangladesh, was discussed by engaging stakeholders from the government, corporate and social platforms, academia, and development agencies.

# INFLATION & CONSUMPTION

From left to right: KAM Majedur Rahman, Dr. Habibur Rahman, Dr. Mustafizur Rahman, M.H.M Fairoz and Ala Uddin Ahmed

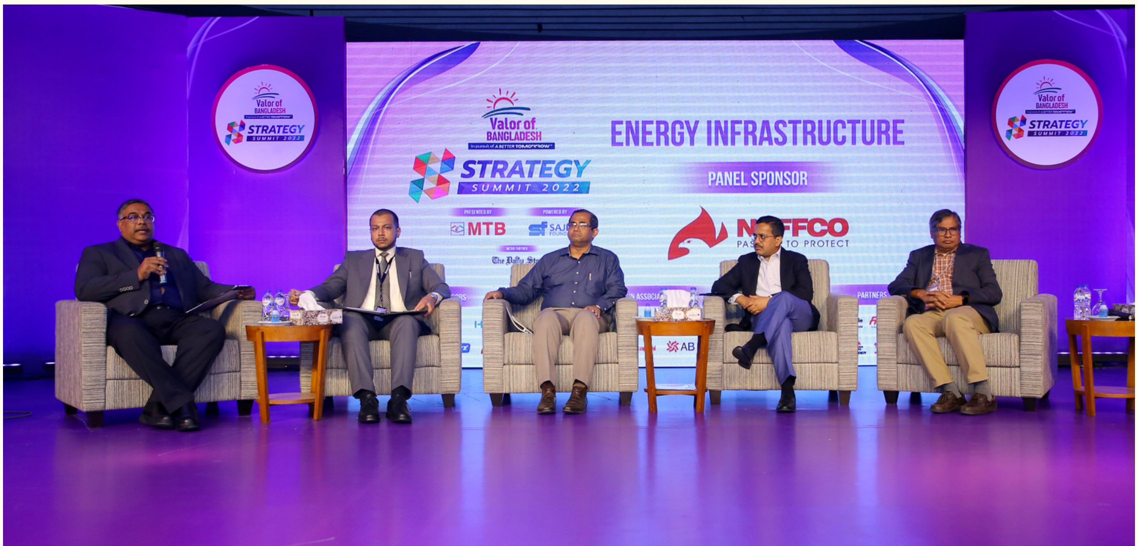
Dr. Mustafiz said that inflation hurts salary earners' social inclusion. Bangladesh lacks cost of living adjustment (**COLA**) and we have no **universal pension** or **health plan**. For fixed-income people, consumption and savings will fall since savers' actual savings state has fallen. So, fixed-earners will be disgruntled, which is bad for a country since **middle-class people** are the **barometer of society**. With a large **fiscal imbalance**, we must subsidize fuel, fertilizer, and other essentials. One of the big challenges is that we are confronting a worldwide price rise while trying to make our currency market-oriented. The **Impossible Trinity -** interest, inflation, and exchange rates, is an economic phrase and we can't handle all three. Raising interest rates can reduce investment, leading to poor output and inflation. Let's not deny the beast's nature. 85% of Bangladesh's economy is still domestic market-oriented, which is a **strength**. We have **policy tools** to encourage investment and recruiting notwithstanding the global economy. Our **domestic economy** can still be controlled and stabilized. Many experts say we should engage in **energy exploration** despite our reliance on imports. **We must make tough political, not economic, decisions**. Investment should be encouraged. Going forward, governance is crucial. When inflation gets out of hand, it hinders investment. We can fight inflation by producing more and investing more. We should **encourage investment** by improving institutions, business costs, and regulations. Institutions and institutional governance will encourage or disincentivize potential investors.

On the flip side, Dr. Habib expressed that if we compare our economy to any other normal condition, we're not doing well, but relative to other nations in terms of economic activity, social safety nets, and indices, **we're doing well**. We see **favorable** effects from private sector credit and loan growth. Price hikes don't affect investment activity. We must keep the economy expanding and limit inflation by continuing the growth, investment, and employment momentum. COVID and the Russia-Ukraine situation have caused **tremendous pricing pressure** in the nation. Inflation must be controlled while the economy grows.

Mr. Ala shared that in times of inflation, people with larger incomes try to move their bank accounts, gold, and real estate to **unproductive industries** that undermine the economy. The perception of how inflation will continue contributes to occurrences like the recent foreign exchange rate shock, rising gold prices, and firms raising prices. Better **financial planning** can assist enterprises and retail customers manage current spending. When it comes to employment, Bangladesh have enough workers but **not enough employment**. 46% of companies won't find new candidates' talents, says a poll. Youth should **invest** more in themselves since **skill development** creates confidence and they can look out for potential gaps in abilities. Managing inflation will be difficult if we desire paid jobs. Social business platforms and flexible employment methods must be rethought.

Mr. Firoz connoted that the **FMCG experts** claim there's good, better, and best in every category of inflation. Inflation impacts **non-food commodities**, including durables and other industries. Low-income people in any country spend more money on food. Inflation affects their health and nutrition, affecting how much they consume. **Food shortages, supply chain disruptions, raw material price increases, and transportation costs affect all industries.** Sustainable businesses must understand the market. Even non-essential industries are in a pricing war, and profitability is a worry given the uncertain scenario. And retention, how much we want to shrink the organization or eliminate large usage.

# ENERGY & INFRASTRUCTURE




From left to right: Ishtiaq Ahmed, Tanzeem Chowdhury, Dr. Khondoker G Moazaem, Alamgir Morshed, and Humayun Rashid

Mr. Tanzeem shared that Bangladesh is facing a crisis in the **energy sector**; however, this crisis is temporary. **LNG/Natural** gas (natural gas is its base form, LNG is liquefied form) can be an alternative solution. Natural gas is the most important aspect of our economic development, as power generation mostly depends on it. But we are not paying the **real price** for LNG when we are using it, at least at the consumer level, we are just paying $3 per MMBtu for LNG, and a lot of industries are not getting a natural gas connection. LPG needs to be thought of as an **alternative solution** to natural gas immediately. Also, the larger and more efficient power plants need to be promoted, and the smaller ones can be turned into more efficient ones. Also, **co-generation** can be initiated, whereby the heat from the generators used by other industries can be worked on to generate power for industries.

Mr. Alamgir suggested that we need to drive the **sustainable energy agenda** in a collective and coordinated manner. **40 trillion cubic feet** of the gas reserve has been explored in Bangladesh, which is positive news during this energy crisis. Banks have been helpful and have come forward to finance in better terms. So, funding is not an issue, and there are development partners who can finance these ventures. Buyers from RMG sector companies are wanting **ESG-compliant** factories these days, and to make sure of it, renewable energy is crucial (like **solar power**). Green and renewable energy ventures need to be backed up by responsible organizations.

Dr. Khondoker connoted that only focusing on the energy access and availability issue is **not viable**; need to look into efficiency, competitiveness, and transparency. We need to focus on renewable energy to shape the future and fulfill the agenda for **vision 2041**. For achieving that, investing only in the **fossil fuel** industry is not feasible, need to have a balance between other energy sources as well. Better **policy level restructuring** needs to be done to ensure better investment in the energy sector, and local organizations need to be able to have scopes of work in local fields so that they can contribute to the energy sector according to their capacity.

Mr. Humayun expressed that the **domestic level energy production** has seen a spike, whereas, at the industry level, it has not been so, thus, we have to use efficient domestic appliances to ensure domestic level savings. We must address the proper **transmission and distribution line** of the existing power sources along with their instrumentation and protection. System loss should be reduced by 10% per year since we cannot avoid the technical losses, but we can improve on this.

# FOREX MATRIX

From left to right: Selim Barkat, Mamun Rashid, Asif Ibrahim, Naser Ezaz Bijoy and Muhammad Ali

Mr. Mamun shared that through a World Bank's study it is found that there is a huge influence of *'hundi'* in both Bangladesh and Sri Lanka. **Pricing metrics** are not working properly due to lack of confidence among users. Historical record has shown that conducting **International Investment Summit** has given zero output. Bringing confidence up on the currency that it won't devalue anymore affects in a good way as people starts to send **remittence**. In a developing economy like ours, doing any kind of financial planning without keeping an eye on lending rate and interest rate is like trying to make us move towards a **failed state of affairs**. Cutting back on **import** will be hard given 66% of it consists of raw materials and capital machinery. We have got a major issue with regard to **governance**.

Mr. Asif expressed that the **RMG sector** is positively growing 14% year on year yet in the coming season they are expecting a 30% shortage of work orders. We need to focus on our **LDC graduation** as it is quite imminent. We need to adopt strategies tackling the eroding trade preferences due to European Union's rising concern on **living wage and rights of workers**. Bangladesh is the 7th highest remittance recipient, so we need to strengthen and adopt polices with an open mind to bring more **foreign exchange** through formal channels. We must emphasize on getting into bilateral Free Trade Agreements (FTA)s with our core competencies, with the countries where we can reap benefits.

Mr. Naser said that the relaince on US dollar can be reduced when two countries are coperating with each other and needs to have **regulatory framwork** for more convertibility with main currencies. Exports and importers need to have interest in **home currency** to reduce the dependency on US dollar. There is no short-term solution but going on the right direction ensure over time the dependency on dollar will decrease. There's a great **hedging opportunity** which the **apparel industry** but the strategy needs to be implemented. **Banks** can extend its help to businesses with the variable of Taka devalution but not at the full rate the devaluation has happened.

Mr. Ali connoted that while we are seeing growth in export but the growth of import is way more which is one of the factor impacting the **volatility** of the market. We need to adopt **policies** tackling the rising imports and also intervening the *'hundi'* market to bring funds through proper **formal channel**. We need to focus on **reduction on import** even if it means less consumption. The **deferral payment** especially the **backlogged ones from pandemic years** are also heavily contibuting to the volatility of the exchange rate market. The exchange market needs to be stabilized especially stop taka from more devaluation as that's what is making remittance flow towards Bangladesh expecting higher rate in future.

# RMG & MANUFACTURING


From left to right: Shams Mahmud, Barrister Vidiya Khan, Zubayr Shahid, Sheikh Shabab Ahmed, Mohammad Al Kashem and Hasan Chowdhury

Mr. Kashem said that to improve its export performance, Bangladesh will need to diversify its **export basket** and explore new emerging markets such as the African and Latin American markets. Also, opportunities in the value chains across the existing industries will need to be identified and capitalized on. Innovative new processes and R&D activities are recommended to focus on the upper-value end products. In addition, creating brands in other countries and working in joint ventures with other countries may elevate the country's export. The **key challenges** the RMG sector of Bangladesh faces include the high cost of doing business, lack of infrastructure, absence of a culture of manufacturing excellence, and lack of skilled manpower among others. There need to be policy-level interventions to ease doing business in Bangladesh.

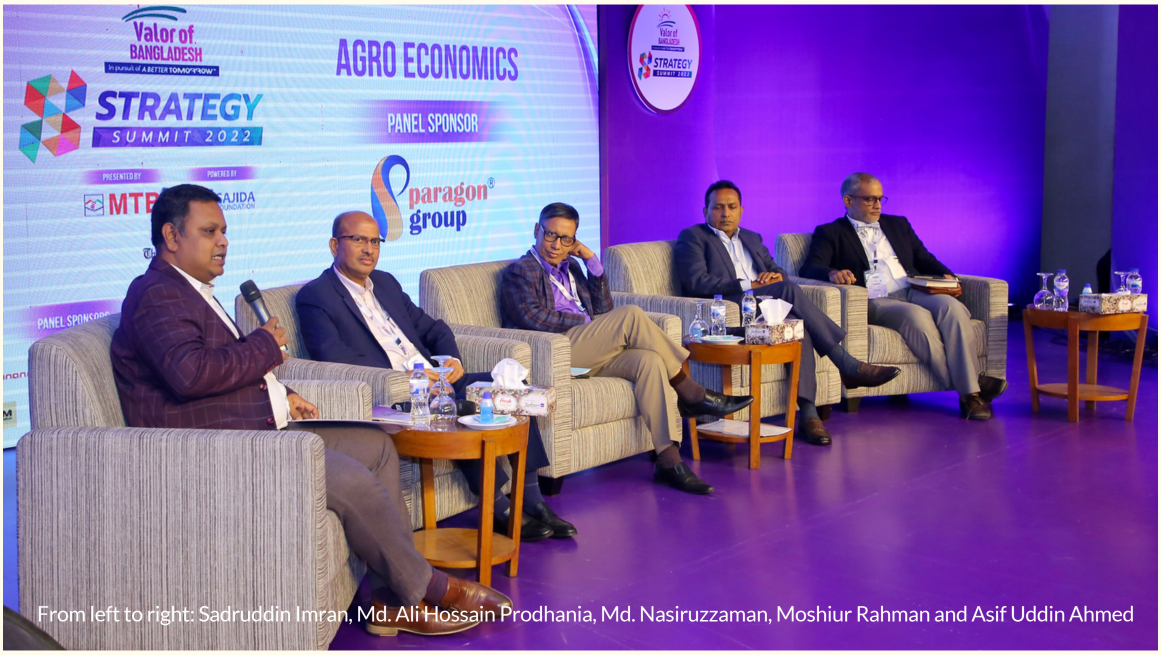
Barrister Vidiya connoted that there has been a global interest in promoting circularity and sustainability in the RMG industry. Availing the **green financing** remains a point of concern for the RMG factory owners of Bangladesh since the eligibility criteria are not convenient for them. The Bangladesh RMG sector has been facing problems relating to circularity much of which particularly originates from the management of waste fabric i.e., '*jhoot*'. The **backward linkage** of the RMG sector of Bangladesh is challenged by several issues including the rising price of fuel and the shortage of electricity. Sourcing of essential raw materials like **cotton** due to issues faced at the ports. Also, structural barriers such as the **miscellaneous expenses** make investing in Bangladesh less appealing for foreign investors.

Mr. Hasan expressed that Bangladesh faces looming challenges of groundwater alongside carbon emissions. Like **Japan**, the Bangladesh **steel industry** should focus on transition efficiency by promoting production and supply chain efficiency. The industry faces several problems such as port facilities, lack of skilled labor, outward transportation etc. which must be addressed urgently. Also, timely receipt of the raw materials and export of the produced will be beneficial to the manufacturing industries in Bangladesh.

Mr. Shabab shared that by adopting the **Integrated Working System** (IWS), BAT Bangladesh has identified its manufacturing problems, came up with solutions, and trained its workforce to implement those solutions. They have turned their workers into equipment owners who are now transferring knowledge across the factories. These trained workers are being sent abroad as trainers. This model can be **replicated** by other **manufacturing industries** in Bangladesh.

Mr. Zubayr added that while the **RMG industry** of Bangladesh has come a long way in terms of ensuring workers' safety and promoting sustainability in the workplace, **other manufacturing industries** lag regarding this important aspect. We must follow the global standards and all manufacturing industries must be compelled to follow these standards in which the government and other policymakers need to take the lead.

# AGRO ECONOMICS



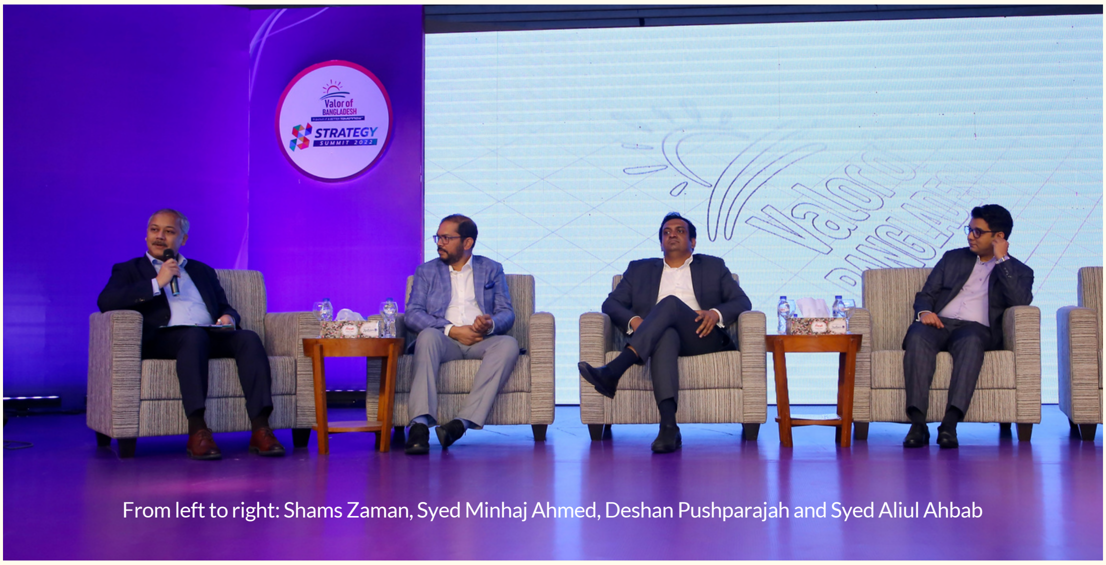

From left to right: Sadruddin Imran, Md. Ali Hossain Prodhania, Md. Nasiruzzaman, Moshiur Rahman and Asif Uddin Ahmed

Md. Ali shared that despite impressive growth, there is still scope for development in the agriculture industry especially when it comes to production (through mechanization, involvement of technology) and marketing. We have to go through mechanization despite barriers (e.g. fragmentation of land) as it is a precursor for **agriculture development**. If we don't proceed with the commercialization of agriculture, then at one point we would have a significant blockage of the overall growth of the sector. Farmers do not get a fair price, consumers pay a high price. The gap is filled in by **middlemen**. Middleman will always play a role but there needs to be a limit. We need to build innovative technology to limit the presence of middlemen. For example, **China's Pinduoduo** greatly contributed to bringing the gap in China's agro-economy. Farmers do not get formal financing despite Bangladesh Bank's mandate for banks to give loans to farmers. Thus, it might be better to set quotas on the total outstanding loan with respect to the entire portfolio. The demand side of the financing need is yet to be determined, we need to work on this.

Mr. Nasir expressed that formal **financing** contributes only about 24% to the agriculture sector. One of the reasons is that bank loans are very slow to get. Therefore, farmers prefer informal channels albeit at a much higher cost. Bangladesh Bank's policy state that the interest rate should be 11% but banks take it up by even 32%. Bangladesh Bank must monitor this, as, without monitoring, the entire agriculture financing sector is at a major risk. Currently, only the public financial sector is active in the agro sector. The private financial sector must equally come forward to work with the agro sector. Just limiting to agro-processing is not enough. We are not efficiently exploring the scope for other products such cashew, coffee, processed jute, etc. **Agriculture subsidy** should not be considered as subsidy, rather it should be considered as an investment. Under no circumstances should agriculture not be subsidized. Sri Lanka started to spiral when it stopped subsidies on fertilizers. Skill development is a major barrier as the agro sector lacks a lot in terms of skilled people who are well versed in technical know-how.

Mr. Asif connoted that Bangladesh's past growth and achievements will cushion current global anomalies and will be safe from major crises. However, with the gradual fall of arable land, there is a need to be more and more efficient. Mr. Moshiur expressed that the price varies due to many reasons: storage, distance, season, absence of a deep sea port, etc. Poultry, dairy, and fishery have done considerably well in the past decade. We have to create high-value crops with support from insurance and banks. Mr. Asif added that the use of **geo satellites**, and drones are recent technological interventions that we can develop. **Agribusiness** and business resource in the agriculture sector are crucial for the sector.

# FINANCE & BANKING

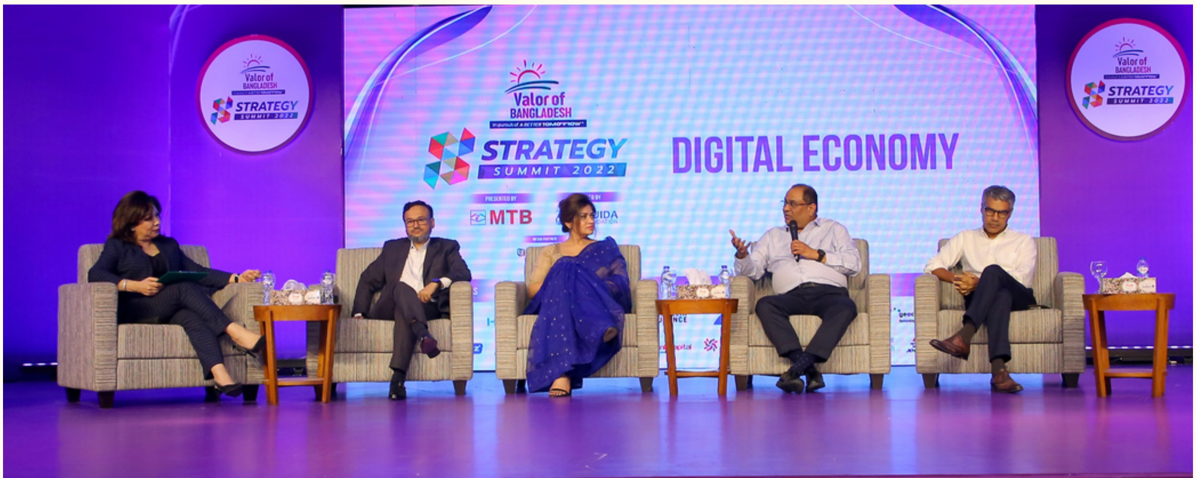

From left to right: Shams Zaman, Syed Minhaj Ahmed, Deshan Pushparajah and Syed Aliul Ahbab

Mr. Ahbab shared that the **insurance industry** has less than 1% penetration rate which demonstrates a huge potential of the industry. Individuals hardly use insurance because of a lack of awareness and a bad reputation regarding unsuccessful claim settlements. Corporations use insurance more than individuals but that's regulation-driven. The industry struggles with getting regulatory support with basic like the adoption of digitization. The high tax rate at 37.5% with low market penetration and slim profit margin is squeezing the industry's distribution, marketing, and R&D expense, consequently hampering growth. A new product, **Bankassure** is to be introduced in the market and it is projected to help the insurance industry grow.

Mr. Minhaj expressed that the **NBFI industry** is more than 40 years old and functions on an act that is almost 20 years old. The progress of the industry depends a lot on the policy amendment to grow which is under process. The industry struggles with retaining long-term deposits which can come from the bond market. However, bond issuance needs more than six months and that devalues the purpose of floating a bond. The **fintech industry** is growing rapidly however, struggles with regulatory and consumer trust issues. The fintech industry is challenging the NBFI and **banking industry** with its dynamic products. This can be dealt with by introducing collaborative products, using the strength of the specific industries. Regarding bankruptcy, the financial institutions should have a higher capital structure and banks should be categorized in terms of asset quality, capital base, area of business, etc. Stakeholder capital should be injected more into the organizations. On the other hand, the bad quality loan affects the deposit repayment which can be covered with insurance.

Mr. Deshan connoted that the private sector **bond market** needs market makers, dealers, and investors who will frequently trade in the market. Long-term investors are vital for a bond market to grow sustainably. A secondary market is very important so that investors get the option of short-term investment and the flexibility of buying and selling. The **Repo market** is vital that will support someone who is willing to borrow against a bond they hold and there's another party who's readily available to support that borrowing need. This collective ecosystem makes a bond market vibrant and is required for Bangladesh. When it comes to foreign investment in Bangladesh, the market has got a good reputation but the investable opportunities are very slim. The country needs more institutions in the exchange market with higher depth so that investors can park a substantial portion of their portfolios. **Investors Relations** are something that Bangladesh needs to highly invest in. The more transparent a company or market is, the more like an investor is willing to invest. And lastly, ease of investment is highly required to attract foreign investment, so that the investor has comfort and access to their fund.

# DIGITAL ECONOMY




From left to right: Sonia Bashir, Akhter Hamed, Rubaba Dowla, Chowdhury Lutful Huda and Sajid Rahman

Mr. Akhter said that breaking up the silo of data is crucial for **digital equity**. The telecommunication industry has data. However, there is a barrier that Telco data cannot be shared. The government has data on almost 10 million farmers, and the **microfinance industry** has data on 35 million customers. This huge database needs to be converted into digital data and tangible equity. Sajida Foundation is exploring how they can create digital equity for their customers.

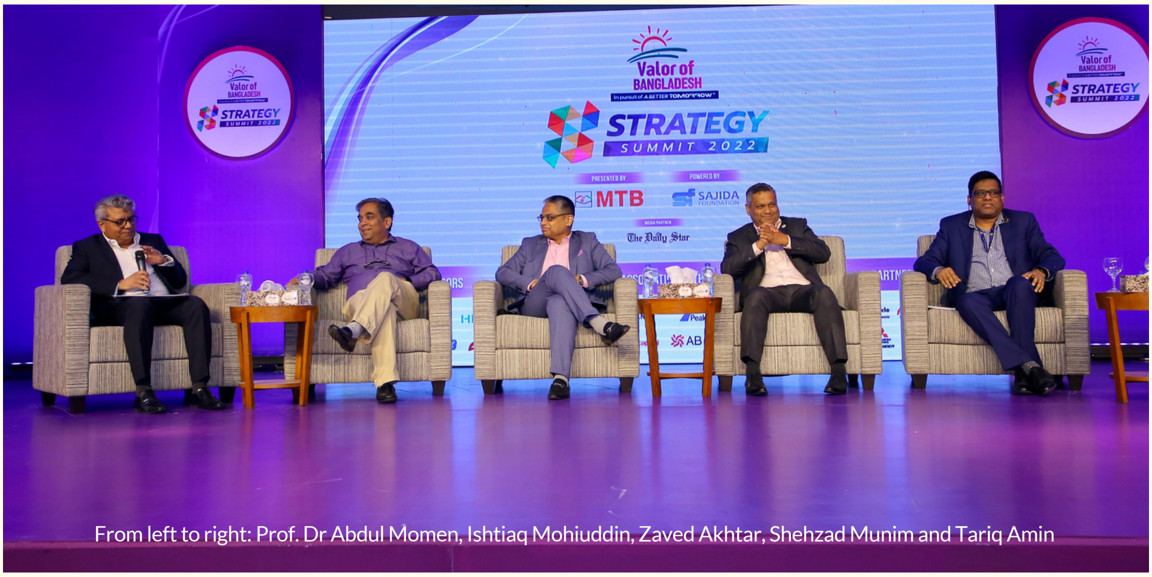
Ms. Rubaba shared that the **global** average of companies that are digitizing their products and services has increased from 33% to 55%. Data will soon be at our **fingertips**. How it is processed, and how we process the data, will change the way we live our life. Right now, we do a lot of computing ourselves. The future is to rely on emotional intelligence to process data.

Bangladesh is soon going to be the **24th largest economy**, and we have the vision of a digital Bangladesh. It's very important to create awareness around **digital security** among the people, government authorities, and organizations because digitization is going to generate a lot of data. It's important that as economies shift towards online and digital models, we know that the threats can quickly outpace the traditional approaches. It's important that we look at the 40% of the population who are under the age of 25 and how we are going to build them for the future because of the fourth industrial revolution that we are seeing happening and the displacement that may happen when it comes to job opportunities. The strength of Bangladesh is the young population. **Europe** will be taking people from Bangladesh pretty soon. It's important that the **young population** is equipped with the right skill set to adapt to this shift.

Mr. Huda expressed that **Financial literacy**, digital literacy, policy, and advocacy are vital at this age and time of the digitization wave. More people need to embrace technology and come in order to make it a **sustainable platform**.

Mr. Sajid connoted that the **regulatory** landscape of Bangladesh needs to be proactive. One example would be the **digital bank**. We are still struggling to get a proper digital bank framework, whereas countries like Indonesia, and India have really done well and moved ahead. The other would be **crypto and blockchain**. There are some genuine concerns on how that will impact the money flow but it's a gray area in Bangladesh. The idea of moving from a trusting organization, like a bank to a trustless organization, can be immensely helpful to reduce the **cost of transactions**. But that needs clarity on the regulation. Secondly, is the environment for **investments**. Bangladesh's investment infrastructure for the **start-up industry** is essentially a few angels and some seed stage funds. Bangladesh lacks a series of growth stage funds. Because we don't have a very clear **tax infrastructure**.

# ENVIRONMENTAL, SOCIAL & GOVERNANCE



From left to right: Prof. Dr Abdul Momen, Ishtiaq Mohiuddin, Zaved Akhtar, Shehzad Munim and Tariq Amin

Mr. Zaved shared that **investors** today are not only looking for financial return at any cost but rather, how it is derived sustainably. The World Business Council for Sustainable Development said that shareholders' return needs to be derived in a sustainable manner. So, an organization's **ESG reporting** is as good as its financial statement.

Mr. Shehzad expressed that the ESG initiatives have to be led by the shareholders. The investors in the stock market, both the potential and the current ones have to demand for it. While approaching the ESG goals someone needs to be in the forefront leading it while other corporations can support it and even better if they help in the places where they are specialized at. Instead of tackling a solution separately, it's more efficient and effective when everyone is doing it together where one is leading it. Therefore an ecosystem of helping each other is needed at the national level. The structure is there with different departments like HR, Marketing, and others with particular functions of sustainable strategies. So the internal side is on the right course but where we need to really focus is on collaboration with external entities with similar ESG goals. Here most of the time the **Government** plays an important part but forums like **Valor of Bangladesh** can also help bring everyone together to work with each other.

Mr. Tariq connoted that in 2030, Bangladesh will be the **28th largest economy** in the world. At that time, the GDP in Bangladesh will be around $760 billion. In eight years, we have to double our GDP. Currently, the market cap of the stock exchange is only $70 billion. **ESG is actually one of the answers to growing the stock market in parallel with the GDP.** Dhaka Stock Exchange is planning for an **ESG index** but there are only 18 companies under the ESG umbrella. DSE needs more ESG linked bonds and Exchanged-Traded Funds (ETFs) to grow the market. ESG enriched exchange market with **attract foreign funds**. A survey suggests 40 plus investment companies that manage **$14 trillion** of funds and want to make investments into each ESG link theme. The National Advisory Board of Bangladesh recently launched the **Bangladesh Impact Investment Strategic Action Plan** for Impact investment or ESG investment. This reflects the importance of ESG and all institutions' engagement with it.

Mr. Ishtiaq shared that NGOs like Sajida Foundation works with some smaller NGOs. They are not only providing **challenge funds** to new startup social enterprises but also helping them in terms of ESG policy formulation and implementation. Large corporates struggle with implementing ESG which organizations like Sajida Foundation can help to **implement** as they already have relevant experience and expertise.