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COUNTRY INDUSTRIAL DEVELOPMENT PROFILE
OF BANGLADESH *

27 OCT 1979

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PREFACE

The International Centre for Industrial Studies, Regional and Country Studies Section, has undertaken, under its 1978-1979 work programme, the preparation of a series of Country Industrial Development Profiles. These profiles are desk studies, providing statistical and economic analyses of the industry sector, its growth, present status and future prospects. It is hoped that the profiles will provide analyses of use to programming technical assistance, industrial redeployment and investment co-operation activities.

This profile on Bangladesh has been prepared during the later part of 1978 by the UNIDO Regional Adviser on Industrial Economics, M. T. Haq, attached to ESCAP, Bangkok.

The views or comments contained in this document do not reflect those of the Government of Bangladesh nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

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SUMMARY AND CONCLUSIONS

The Background

1. The general economic background of Bangladesh highlights a number of factors which indicate the economic and social backwardness of the country. These factors are the increasing pressure of population on limited land, high population growth, low per capita income, high level of unemployment and underemployment, small share of manufacturing in GDP, low yield of agricultural produces per acre, small proportion of labour force employed in manufacturing, illiteracy, low life expectancy, malnutrition and the low level of infrastructural development of all kinds, economic, social and physical. All these symptoms of under-development have presented a great challenge to the development planners in Bangladesh.
2. Bangladesh (which was East Pakistan then) had no background of modern industrialism at the time of the partition of the Indian sub-continent in 1947. Nor were there any serious development efforts made to improve its lot until after the partition in 1947. Before emerging as an independent state in 1971, however, Bangladesh passed through a period of planned development for about two decades as part of Pakistan. To continue the same policy of planned economic and social development, Bangladesh launched its First Five-Year Plan in July 1973 and is now in the final year of the plan.
3. The major economic objectives of the Plan were: (i) to achieve 5.5 percent growth in GDP per annum over the bench mark figure (or 8.8 percent growth over the 1972-1973 actual) resulting in 2.5 percent annual growth in per capita income when population was growing at the rate of about 3 percent; (ii) to complete the work in reconstruction and to raise the output in agriculture and industry to the bench mark of 1969-1970; (iii) to arrest the rising price level of the essential commodities; (iv) to reduce the rise in the consumption of the upper income group of people by putting a ceiling on income and wealth as well as by redistributive fiscal measures; (v) to reduce dependence on foreign aid through promotion of self-reliance; (vi) to transform the institution and technological base of agriculture with a view to increasing output and widening employment opportunities in agriculture; and (vii) to reduce population growth rate from 3 to 2.8 percent per annum.

4. In view of the difficulties in the implementation of the First Plan, the Government worked out the Hard-Core Development Programme extending from 1975-76 to 1977-78 in more specific and practical terms. The broad objectives of the programme have remained the same. There was, of course, a small shift in favour of the industry sector. As the preparation of the Second Five-Year Plan for the period 1980-85 will take a longer time and require adequate expertise, the Government has decided in favour of a Two-Year Plan (1978-79 to 1979-80) for the intervening period. The Two-Year Plan again remain much the same.

Growth of the Economy and Industry in Recent Years

5. The gross domestic product of Bangladesh at 1972-73 prices increased at the rates of 9.4, 2.0 and 9.7 percent during the periods 1973-74, 1974-75 and 1975-76, respectively. The projected growth rates in GDP during 1976-77 and 1977-78 were 5.0 and 5.6 percent, respectively. The industrial growth rates were 14.7 and 5.6 percent during 1973-74 and 1975-76, respectively. The projected industrial growth rates during 1976-77 and 1977-78 were 11.6 and 8.8 percent, respectively. The industrial growth rate was negative (-1.3 percent) during 1974-75 when the GDP growth rate was only 2.0 percent. The pattern of growth rates of both GDP and the industry sector demonstrate considerable variations from year to year, depending perhaps on weather conditions and the performance of agriculture which inevitably affected the industrial and other sectors of the economy. The share of the dominant agricultural sector in the GDP progressively declined from 59.4 percent in 1972-73 to 52.1 percent in 1976-77, whereas the total share of both large-scale and small-scale industries increased from the low figure of 6.6 percent in 1972-73 to 11.2 percent during 1976-77 for which the target was 11.6 percent. The actual GDP growth figure for 1977-78 is not yet available, but it is expected to be around 8 percent. The project growth rate in industry for 1977-78, set at 8.8 percent, much lower than that for 1976-77 may be achieved. The industry sector is viewed as a dynamic sector of growth, but no major structural change in the economy through industrialization has yet been attempted or achieved. The performance of the industrial sector has improved, but in several sub-sectors, it is still below the 1969-70 level.

The Pattern of Industrial Development

6. Bangladesh succeeded in developing a few consumption goods industries such as textiles, food, chemicals, etc., but it had gradually moved on to the production of some intermediate and capital goods. While there was a shift in this direction, most industrial goods produced were light consumption goods. Industrial production methods are more labour intensive and industries consist mainly of medium and small-sized enterprises producing mostly for the domestic market except the jute textile industry which is export-oriented.

Location of Industry

7. The modern manufacturing industries in Bangladesh have mostly centred round the three big cities namely, Dacca including Narayanganj and Tongi; Chittagong; and Khulna. This pattern of regional distribution of industry has naturally restricted employment creation to certain zones and has led to regional differences in industrial investment, employment and economic well-being. In fact the rest of the country outside the three areas is treated as less developed. The present policy of the Government in regard to the distribution of industry, therefore, encourages regional dispersal of industrial activities and the location of new industrial enterprises in the non-metropolitan areas.

Inter-Sectoral Linkages

8. The pattern of industrial development in the country shows evidences of inter-sectoral linkages which are most marked between agriculture and industry in particular. Industries are based mainly on local raw materials and produce inputs needed for agricultural production. The future development of industries is to be encouraged on the basis of the advantages accruing from inter-sectoral linkages.

Industrial employment, productivity, capacity utilisation and external imbalance

9. Industrial employment has grown over the years, but the productivity of labour which is low needs to be raised through the training of labour and other methods. In most key industrial sectors, there is an under-utilization of capacity which has given rise to the problem of high costs incurred by the consumers. This is again partly due to the difficulty about importing machines and parts due to the heavy deficits in the country's balance of international accounts. The value of imports far exceeds that of exports and this gap is an important handicap to the country's economic development. This imbalance has made the country extremely dependent on foreign economic assistance. The situation aggravates at times when food has to be imported on a substantial scale.

Performance of the industrial sector

10. The performance of the modern industrial sector which was all nationalized with the establishment of Bangladesh has been very unsatisfactory. Almost all industries have incurred losses due to their inefficiency and mis-management and the Government policy of price control. There was no surplus generated within the industrial sector for reinvestment in industry. The industrial development banks advanced loans to these industries which the latter were not able to pay back. With the improvement in the management and operation of the public enterprise industries, their performance has been improving, but the supply of industrial capital from the institutional sources as well as from the public remains a serious problem. The improvement in the performance of the nationalized industries is, therefore, of paramount importance. Although the present Government of Bangladesh has created opportunities for private enterprise and foreign investment to accelerate the pace of the country's industrialization, the fact remains that the major industries are nationalized. The nationalized industries must be managed and run on commercial lines.

Institutional infrastructure

11. A major bottleneck to the efficient industrial development in Bangladesh has been the lack or inadequacy of institutional facilities or services rendered to industry. A review of the functions of the various categories of industrial institutions in Bangladesh has shown that they cover a wide range of activities. Some are concerned with the formulation of industrial plans as part of the national plans, the allocation of resources to the overall industrial sector, the formulation of national industrial policies and the approval of large industrial projects. Others play a developmental, organizational and managerial role, while some others play a specialized financing and promotional role. There are also institutions which support industries by rendering infrastructural services in the form of industrial management and training. Some institutions render services to industry in respect of the standardization of products and, the control of their qualities. Others have undertaken the important work of scientific and industrial researches, both fundamental and applied. There are thus institutions performing industrial functions at the macro-level, while others are concerned with such functions at the micro-level, that is dealing with specific projects and products and their particular problems.

Need to reorganize and strengthen industrial institutions

12. Although there are many industrial institutions to perform various functions, almost all of them need to be reorganized and strengthened by removing the obstacles that have impeded their efficient operation. The present government has worked out definite industrial policies designed to create a new environment in which industry can develop and operate. To conform to these policies, industrial institutions would need to strengthen their organization and increase their capabilities so that they can render effective services to industry.

Deficiencies of the institutions and action needed to deal with them

13. There are handicaps or deficiencies from which almost all institutions suffer in varying degrees. Some of these may be pointed out. First, in general, they lack qualified, trained and experienced staff. There is, therefore, the urgent need to provide for increasing the supply of trained staff in the required areas. For instance, the sector corporations are badly in need of trained managerial personnel and the existing facilities are inadequate to cope with their requirements. The financing institutions require trained personnel in their areas of work such as project development and appraisal, financial analysis, etc. So training needs should be determined and more people should be trained at all levels, particularly when there is an exodus of existing trained people for various reasons the most important of which is the present unattractive salary scales. For some institutions, it has become difficult to retain their trained staff because of unsatisfactory service conditions. These matters were recently examined by a Pay and Services Commission, and conditions in this respect were improved.

14. Secondly, there is hardly any liaison between the technical, scientific and research institutions and industry and hence the work of the former is not geared to the requirements of the latter. These institutions do not have the capabilities to cater to the needs of industry because they are not properly staffed and equipped. They do not have the needed expertise and up-to-date research facilities in the form of equipments and even technical literature.

15. Thirdly, the organization and management of some of the institutions are highly centralized. The government has recently formulated guidelines governing the relations between the government and the sector corporations/bodies and between the corporations and the enterprises under them. A policy is now being developed on the basis of decentralization of responsibilities and decision-making in almost all organizations.

16. Fourthly, although the present situation is encouraging, both the policy framework and the existing institutions must be so oriented as to bring together the entrepreneurs and the investment opportunity. Apart from lack of effective coordination among various agencies involved, there has been a insufficiency of enthusiasm and motivation in the various institutions and their personnels. There is an urgent need for clarifying the functions, delineating the respective roles of the different institutions and agencies involved in assistance programmes to the private sector and ensuring effective coordination among them.

17. Fifthly, a situation exists in which long delays in dealing with the procedural matters connected with the consideration of applications for the approval of industrial projects and loans are involved. There is every reason to simplify and quicken this whole procedure. To facilitate and promote investment and to hasten the procedure, some kind of an arrangement which may be called a "one-door service" to the investors may be introduced. The "one-door service" already introduced with good results in some developing countries of Asia means that all the administrative procedures necessary for the implementation of an investment are dealt with at one place to eliminate red-tapeism and delays in the investment process. A delegation from each institution related to investment may be despatched to the investment institution or board concerned to issue necessary permits and certificates and, when a representative is unable to solve a problem on the spot, he has the responsibility to coordinate with his own organization to find a way out. The concerned investment institution or board or agency will represent the investor to obtain necessary papers from those organizations which did not send a delegation to the investment board or agency.

18. Lastly, the climate in which industrial institutions can fruitfully operate cannot be viewed in isolation from the general environment prevailing in the country. It must be said to the credit of the present government in Bangladesh that general administration is firmly established, that the law and order situation which has greatly improved has succeeded in restoring confidence of the people now working in secure surroundings and that the policies and priorities of the government are in the right direction. Within the environment now prevailing, it is expected that industrial institutions will play their full part, within the limitations from which they still suffer. One, however, cannot help feeling that effective steps must be taken to ensure that the governmental machinery works quickly and efficiently

so that the decision-making process at all stages and in all organizations is facilitated and quickened. There is no magic by which the whole machinery can be made to work swiftly and effectively, but what is essential is to create incentives for the officials at all levels of the government and elsewhere, by suitably revising the scales of salaries and other conditions of service and also, at the same time, by installing into their minds a sense of devotion to honest work in the interests of the young nation which greatly suffered in the recent past not so much from the paucity of its resources as from the gross mismanagement of its affairs. Honest leadership of the country at the top must be able to motivate its people to work harder and better.

New institutional infrastructure for industry needed

19. Apart from what has been said above, new institutions are needed in the country. These must include (i) a national productivity council and a productivity unit in each sector or sub-sector of industry; (ii) an institute of chemical technology; (iii) a leather development centre; (iv) a sugar cane research centre; and (v) a small industries training institute to promote entrepreneurship development, industrial management, etc.

20. To strengthen the institutional infrastructure for industry in Bangladesh in general, technical assistance is required for financing laboratory equipments, technical books, foreign experts and consultants, fellowships and training and the conduct of special studies aimed at reviewing, developing and planning the activities of the industrial institutions on sound and efficient lines.

Some constraints on industrial development

21. Bangladesh as East Pakistan up to 1970 had a background of industrial development predominantly under a system of private enterprise in which the State restricted itself to industrial infrastructure building and intervened as a catalyst in selected industrial sectors with the ultimate objective of further stimulating private enterprise. With the creation of Bangladesh in 1971, this mixed framework was completely destroyed when almost all the manufacturing industries were nationalized by the then Government partly on socialistic grounds, and partly on the need to take care of the units abandoned by the non-local businessmen. The sector corporations were set up. The pattern of industrial ownership and management was basically changed. The sphere of private enterprise was strictly limited to a small investment limit.

22. Since 1974 and particularly since 1975 when the present Government came to power there have been again remarkable changes in industrial development and investment policies in favour of private enterprise and foreign investment. A policy of disinvestment of some of the industrial enterprises, on a selective basis, has been adopted. This uncertainty about Government policy towards industry has acted as a deterrent to industrial growth. Other constraints on the development of industry has been the scarcity of industrial investment resources, the damage of the already inadequate physical and social infrastructures like transport, energy, water, education and training and the lack of entrepreneurs, qualified managers and skilled personnel. Some other constraints include the relative stagnation in agriculture keeping down the purchasing power of the general people, the limited market and the low income of the people. Appropriate policy measures to deal with these bottlenecks will surely facilitate industrial development.

Areas of further industrial expansion

23. Although Bangladesh's industrial resource base is rather limited and narrow, further industrialization could be pushed forward in a number of directions. There are opportunities for expansion in the cotton textile sector if new sources of raw materials based on Bangladesh gas are available. The fertilizer industry based again on gas may further expand, There are good prospects for the growth of engineering industries. Linkage effects create demand for spares and components, or for agricultural tools and irrigation equipment, or for components for the transport industry or for electrical accessories or equipment. There is a case for reorganization of the existing steel enterprise which is of basic importance. Industries such as those using the locally available raw materials, the cement, paper and food and pharmaceutical industries have good prospects for further expansion. Another possible area of new industrial growth lies in the field of petrochemicals based on local natural gas. The small scale industry sector which already contributes substantially to the industrial economy could be further promoted particularly in the rural areas through the adoption of appropriate measures in the field of technology, technical skill, finance, marketing etc.

Participation in regional/sub-regional/bilateral cooperation

24. Bangladesh has participated in regional or sub-regional cooperation relevant to industrial development in certain ways, such as, in the setting up of the Regional Centre for Technology Transfer, the Regional Network for Agricultural Machinery, the formulation of industrial strategies and policies etc.

The industrial policies of the Government have welcomed the participation of foreign capital in the setting up of joint industrial ventures. The scope in this field at one time severely restricted by the nationalization of industrial enterprises is now being widened and opportunities are being created for the establishment of joint industrial ventures on a bilateral basis. Bangladesh can in fact gain a lot from technical collaboration and cooperation with other developing countries of the region in the field of industrial development.

Areas of technical assistance:

25. Bangladesh which is listed by the United Nations as a least developed country is in need of technical assistance in the field of industrial development in many ways. Apart from the assistance it gets from bilateral sources and other organizations in the economic and industrial field, the country's technical assistance activities are financed mainly by the United Nations Development Programme (UNDP), partly under its allocations to assist national development programmes. In the industrial projects UNIDO acts as an executing agency for UNDP. There are already a number of industrial projects in Bangladesh receiving UNDP/UNIDO technical assistance. To make this technical assistance programme more effective and fruitful in the future, action is needed in three directions. First, for UNDP/UNIDO technical assistance, the country industrial programming must be done more effectively than at present by taking account of the suggestions made in Chapter XI. Secondly, there are serious gaps or deficiencies in the capabilities of the institutions which render important economic and technical services to industry. The capabilities of these institutions need to be improved and technical assistance must be directed to this purpose. This question has been discussed in detail in Chapter IV. Thirdly, attention must be paid to the integrated rural development programme and a strong support must be given to such a programme by assisting the country to develop an industrial component of that programme through relevant researches and studies and the building up of the appropriate institutional machinery.

I. THE GENERAL ECONOMIC BACKGROUND AND THE ROLE OF
MANUFACTURING IN THE ECONOMY

The economic background

1. There is rarely a country in the world like Bangladesh where so many live in so small an area. Bangladesh covers an area of 55 thousand square miles of which 35 thousand square miles are agricultural land inclusive of fallows: 8.6 thousand square miles are forest and 10 thousand square miles are non-cultivable land inclusive of rivers and urban areas. According to the census of 1974, the population of the country was approximately 76.4 million estimated to increase to about 82.7 million and 88.7 million in 1977 and 1980, respectively. The average density of population per square mile of agricultural land including fallows was around 2,182 and 2,363 in 1974 and 1977, respectively. It averaged 1,283 per square mile, one of the highest in the world. The annual rate of population growth is estimated at around 2.8 per cent. The large size of the initial population combined with its high growth rate has exerted an ever-increasing pressure on the limited amount of agricultural land and lies at the root of the low living standards of the vast majority of the people of Bangladesh, about 60 percent of whom are said to be below the poverty line.

2. The per capita GNP in 1976-77 at constant price of 1972-73 was Taka 681m that is, US\$ 44.60 approximately while per capita GNP at 1976-77 market prices was Taka 1,208 or US\$ 80.50 approximately. In view of the low per capita income which is much less than US\$ 100 and other criteria of economic and social backwardness such as, the low share of manufacturing in GDP (which was less than 10 per cent), the higher rate of illiteracy (which is over 80 per cent), the high proportion of labour force employed in agriculture, low life expectancy, malnutrition, the low level of infrastructural development etc., Bangladesh was listed by the United Nations as one of the least developed countries.

3. Agriculture (including crops, livestock, forestry and fishery) continued to be the occupation for 85 per cent and 77.2 per cent of the civilian labour force in 1961 and 1974, respectively. This sector still accounted for 52.1 per cent of the gross domestic product (at constant factor cost) in 1976-77, while it accounted for 59.4 per cent of the same in 1972-73. Agriculture is dominated by the production of a few major crops such as rice, jute, tea, sugarcane, potatoes, etc. The value of agricultural crops constituted 41.1 per cent (out of a total of 52.1 per cent) of the gross domestic product at constant factor cost, in 1976-77.

4. While some improvements in agriculture in recent years have been due to the application of the high yielding variety (YV) technology and other facilities or inputs such as irrigation, the use of fertilizers etc., agriculture in Bangladesh is still very dependent on the rainfall due to the monsoons and is subject to occasional droughts and floods. A year of bumper crops due mainly to a favourable weather will be a good year for Bangladesh, while a year of floods or droughts will bring a disaster to the country, destroying agricultural production and creating a famine or a near-famine situation.

The role of manufacturing in the economy

5. Although the manufacturing industry is, at present, a growing and dynamic sector, its size, in relation to the total economy is small, only about 10 per cent and as such the economic well-being of the people is still inextricably bound up with what happens to agriculture, the dominant sector in the economy of Bangladesh. While the present economy of Bangladesh is still predominantly agricultural in character, during the period from 1947 to 1970 during which Bangladesh was part of Pakistan as East Pakistan, the country had achieved, under the stimulus of both state enterprise and private initiative, some measure of modern industrialization based mainly on local resources and domestic markets. The economy of Bangladesh grew at an average rate of 3.8 per cent per annum during the period from 1964-70, while the average growth rate in the industry sector per annum was 9/0 per cent during the same period. The growth position is shown in Table I.

Economic Development and Planning

6. Before emerging as an independent state in 1971, Bangladesh passed through a period of planned development for about two decades, as part of Pakistan. To continue the same policy of planned development, Bangladesh launched its First Five-Year Plan in July 1973 and is now in the final year of the Plan.

7. The basic objectives of the First Five Year Plan, 1973-78 were as follows:

- (i) "To reduce poverty. This is the foremost objectives of the Plan. It requires an expansion of employment opportunities for the unemployed and under-employed. It also requires an acceleration in the rate of growth of national income, as well as effective fiscal and pricing policies for its equitable distribution.

- (ii) To continue and complete the work of reconstruction and to raise output in the major sectors of the economy, particularly in agriculture and industry, to the benchmark of 1969-70 as adjusted for expansion of capacity by 1973-74.
- (iii) To increase the rate of growth of GDP to at least 5.5 per cent per annum, thus appreciably exceeding the rate of growth of population (which was estimated then at about 3 per cent per annum). The target of increase in full time jobs is 41 lakh, just in excess of the projected increase in labour force. In addition, under-employment will be reduced. Efforts will be made, on a voluntary basis, to mobilize labour in the unorganized non manufactured sectors, with a view to expanding output and employment beyond the targets for income and employment set out above. It will be necessary in this context to strengthen the institutional framework at the local level in the form of viable, development oriented local governments for the purpose of mobilizing both human and financial resources.
- (iv) To expand the output of essential consumption items with a view to provide the minimum consumption requirements of the masses. These items include, in particular, food, clothing, edible oil, kerosene and sugar. The expansion of employment and income for the poorer people is meaningful only if essential consumption goods are available in the market at reasonable and stable prices.
- (v) To arrest the rising trend in the general price level, which has characterized the Bangladesh economy since last year and to stabilize, and reverse the rising trend in the prices of essential commodities.
- (vi) To increase per capita income at the modest rate of 2.5 per cent per annum. This distribution policy will seek to ensure that the poorer sections of the people would enjoy a rise in per capita income and consumption greater than the average while the upper income groups would have to forego a rise in per capita income and consumption. This is to be attained by various direct measures such as putting ceilings on income and wealth as well as by redistributive fiscal measures.
- (vii) To consolidate the gains made so far in the socialist transformation of Bangladesh; to extend by stages the sphere of State participation, consistently with the ability of the State to manage and organize efficiently; to ensure a wider diffusion of economic opportunities in the self-employed sectors in the urban and rural areas; and to change the institutional framework of the economy of Bangladesh at a pace consistent with concomitant changes in social and political attitudes, motivation, organization and mobilization of effort.
- (viii) To reduce dependence on foreign aid over time through mobilization of domestic resources and the promotion of self-reliance. Maximum efforts will be made to achieve the expansion and diversification of exports and an efficient pattern of import substitution to reduce the foreign exchange gap. Import substitution in the critical sector of intermediate goods,

such as fertilizer, cement, and steel. will be pursued to the limits of efficiency with a view to reducing dependence on uncertain external supplies.

- (ix) To transform the institutional and technological base of agriculture with a view to attaining self-sufficiency in foodgrains, widening employment opportunities in agriculture and stemming the flow of labour force to the cities.
- (x) To lay the groundwork for an ambitious programme of population planning and control; to ensure the total commitment of the political leadership and social consciousness to this most critical bottleneck to development efforts in Bangladesh; to build up an appropriate institutional framework for population planning; to experiment with a wide variety of techniques of family planning while retaining flexibility of approach in the light of continuous and close evaluation and research. To attain a reduction in the growth rate of population from 3 to 2.8 per cent per annum.
- (xi) To accelerate the rate of development expenditure and remedy the glaring deficiencies in the traditionally neglected fields of social and human resources development by improvement in education, health, rural housing and water supplied, etc., all of which will also help improve general capability and efficiency of work.
- (xii) To ensure a wide and equitable diffusion of income and employment opportunities throughout Bangladesh by a suitable combination of projects and programmes designed to harmonize the requirement of economic efficiency with the considerations of spatial equity. To promote mobility of labour to the areas of expanding economic opportunities."

8. The major economic objectives of the plan were: (i) to achieve 5.5 per cent growth in GDP per annum over the bench mark figure (or 8.8 per cent growth over the 1972-73 actual) resulting in 2.5 per cent annual growth in per capita income when population was growing at the rate of about 3 per cent; (ii) to arrest the rising price level of the essential commodities; (iv) to reduce the rise in the consumption of the upper income group of people by putting a ceiling on income and wealth as well as by redistributive fiscal measures; (v) to reduce dependence on foreign aid through promotion of self-reliance; (vi) to transform the institutional and technological base of agriculture with a view to increasing output and widening employment opportunities in agriculture; and (vii) to reduce population growth rate from 3 to 2.8 per cent per annum.

1/ Planning Commission, Government of the People's Republic of Bangladesh: The First Five-Year Plan, 1973-1978, pp. 9-10.

9. The objectives of the Plan were thus many and varied and were undoubtedly both economically and socially desirable. The size of the financial outlay of the plan was Taka 4,455 crore of which Taka 686 crore was to be non-investment development expenditure. About 89 per cent of the total financial outlay of the plan was to be incurred in the public sector and the remainder was allocated to the private sector. About 40 per cent of the total plan outlay was expected from external capital inflow.

10. The country, however, did not have the resources for the implementation of the First Five-Year Plan. The experience of the first two years of the plan was frustrating. Expenditures in current prices during the first two years was far behind the plan provision in real terms. There was a substantial short-fall in the levels of development effort during the period. Most of the planned targets were not fulfilled and the gross domestic products was below the 1969-70 level. In fact, the First Five-Year Plan was formulated in the background of rehabilitation and reconstruction of the economy of Bangladesh which, at liberation in 1971, inherited a war-torn economy, a weak administration, and a poor law and order situation and a political and social climate which had not favoured economic and social development.

11. The performance of the first two years of the First Five-Year Plan fell short of expectations and as such the Government decided to re-examine the whole plan in the beginning of its third year. As a result, the Hard Core Programme for the remaining three years of the plan was prepared. The Programme did not go in for any major change in the economic and social objectives of the First Plan. The main features of the Hard-Core Programme were as follows:

- (a) To undertake and formulate a set of policies which would help in realizing the objectives of the Plan to the maximum extent within the limit of the available resources;
- (b) To protect the programme with such projects as would make the programme stable and sustained by re-structuring priorities such as:
 - (i) to ensure the efficient use of the existing productive capacities through complementary investment;
 - (ii) to attach priority to those sectors and sub-sectors which would yield output at the shortest possible time,
 - (iii) to identify programme and projects for the future to achieve the overall objectives,
 - (iv) to complete the on-going projects which are in advanced stage of completion,
 - (v) to expedite completion of aided projects.
- (c) To strive not only to maximize short-term growth but also promote, through restructuring investment priorities, the long-run growth prospect. ^{1/}

^{1/} The Planning Commission, Government of the People's Rep. of Bangladesh: The Two-Year Approach Plan, 1978, pp. 20-21.

12. The First Five-Year Plan of Bangladesh covering the period from 1973 to 1978 for could not be fully implemented. The Government therefore worked out a 3-year Hard-Core Development Programme extending from 1975-1976 to 1977-1978 for implementation by annual development budgeting. The main objective of this 3-year programme remained the same, namely, the priority to the development of the agriculture sector. Since the establishment of Bangladesh the growth of GDP slowed down below the population growth rate and hence the main thrust of the development programme was to raise the growth rate to a reasonable level that would ensure an improvement in the material conditions of life. The strategy for this was to raise the size of the development programme. Though the highest priority was still given to agriculture it was accepted that for stable growth, the industrial sector must increasingly assume greater importance and that the allocation of resources would gradually be tilted in its favour.

13. The overriding consideration in the determination of the size of the programme was the availability of resources. The size was fixed at Taka 3,700 crore of which Taka 960 crore would be from domestic resources and the remaining Taka 2,740 crore from external resources. The programme was thus dependent on the availability of external resources to the extent of about 74 per cent of the total resources required for the implementation. Whether this was again a realistic approach to the formulation of the programme was a matter for serious consideration. Table 2 shows the break-up of sectoral allocations reflecting relative priorities in the First Five-Year Plan and the Hard-Core Programme in the public sector.

14. In the Hard-Core Programme, 20.38 per cent of the resources has been allocated to the industry sector as against 18.70 per cent under the First Five-Year Plan. There was a shift in favour of the industry sector.

Growth performance, global and sectoral

15. The pattern of investments in development programmes from 1972/73 to 1976/77 in the Government sector including the industries sector is shown in Table 3 and the rates of growth and in industry are shown in Table 4.

16. The gross domestic product at 1972-73 prices rose at the rates of 9.4, 2.0 and 9.7 per cent during the periods 1973-74, 1974-75 and 1975-76, respectively. The projected growth rates in GDP during 1976-77 and 1977-78 were 5.0 and 5.6 respectively. The industrial growth rates were 14.7 and 5.6 per cent during 1973-74 and 1975-76, respectively. The projected

industrial growth rates during 1976-77 and 1977-78 were 11.6 percent and 8.8 per cent respectively. The industrial growth was negative (-1.3 per cent) during 1974-75 when the GDP growth rate was only 2.0 per cent. The patterns of growth rates of both GDP and the industry sector demonstrate considerable variations from year to year, depending perhaps on the weather conditions and the performance of agriculture which also inevitably affected the industrial and other sectors of the economy.

17. Table 5 shows sectoral shares of gross domestic product (at constant factor cost) in percentage during the years from 1972-73 to 1976-77. The figures show that the share of agriculture in the gross domestic product has progressively declined from 59.4 per cent in 1972-73 to 52.1 per cent in 1976-77, whereas the total share of both large-scale and small-scale industry increased from the low figure of 6.6 per cent in 1972-73 to 11.2 per cent during 1976-77. The share of trade services increased from 8.7 per cent in 1972-73 to 13.4 per cent in 1976-77. There have been no appreciable changes in the relative shares of the other sectors. The changes in the relative shares of the sectors in the gross domestic product are some indication of the diversification of the economic structure of the country through industrialization and the growth of service industries.

18. Table 6 shows the gross domestic product of Bangladesh at constant price of 1972-73 from 1972-73 to 1976-77, whereas Table 7 shows its gross domestic product at current price during the same period. Both tables show the changes in GNP, population and per capita national income.

19. The Hard-Core Programme (1975-1978) envisaged a development outlay of Taka 3,700 crore. About 81 per cent of this total was to be realized by the end of the programme period. An average annual growth rate of 6.3 per cent in GDP is likely to be achieved. The economy witnessed a growth rate of 9.7 per cent in 1975-76 and 1.7 per cent in 1976-77. A growth rate of 7.8 per cent projected for 1977-78 is expected to be realized. The overall growth-rate during this plan period is estimated at 6.1 per cent per annum against the plan target of 8.8 per cent. The achievement during the last five years has been much less than the original targets. There are only two sectors in which the growth target has been either exceeded or reached. These are power and gas and trade, transport and other services. There were substantial shortfalls both in agriculture and manufacturing. Table 8 shows the growth of GDP and per capita income at 1972-73 prices during the First Five-Year Plan period.

20. GDP rose by about 3 per cent only during 1976-77 as against the expected growth of 5 per cent for the year and the actual growth rate of 9.7 per cent in 1975-76. The reduction in the growth rate primarily reflected the unexpected setback in the agricultural sector. Agricultural production recorded a decline of 0.5 per cent during 1976-77 as against a marked increase of 9.9 per cent in 1975-76. The negative growth rate of the agricultural sector should not, however, be attributed to the unfavourable weather conditions alone as over a large part of the year food grain prices ruled at levels which were even notably lower than the Government's procurement prices. The low level of prices might have discouraged farmers from making investment in fertilizers, seeds and pesticides and might have also discouraged the use of pumps and other irrigation equipments. In the industrial sector, the growth rate picked up from 5.5 per cent in 1975-76 to 9.1 per cent in 1976-77. The better production programme did not, however, appear to have been accompanied by any appreciable improvement in efficiency levels, as several of the nationalized industries continued to suffer losses.

21. Table 9 shows the contribution of the various sectors to the growth in GDP. It will be seen that there has been very little change in the structure of the economy. The predominance of the agricultural sector and trade, transport and other services is obvious. There is a minor shift towards manufacturing and construction.

The rationale of the Two-Year Approach Plan

22. A very substantial part of the work under the First Five-Year Plan (1973-78) cannot be completed by the end of June, 1978. The reasons are the late start, the lack of implementation, the rise in general price level, resources constraint, etc. When the time for the preparation of the Second Plan came in 1977, two views were expressed. One view favoured the launching of the Second Plan with effect from July 1978 for maintaining continuity in the planning process. The alternative view put forward by the Planning Commission was to defer the Second Five-Year Plan up to July 1980 and to prepare a programme-oriented Two-Year Plan for the intervening two years i.e. 1978-80. Other grounds for postponement were: (i) the poor performance of the First Five-Year Plan, (ii) inadequate data base for the planning exercise, (iii) shortage of technical staff and economists in the Planning Commission and in executing agencies, (iv) inadequate administrative and organizational support for the implementation of the plan, and (v) carry over of a large number of on-going projects which would limit the

funding of new projects etc. Moreover, the formulation of the Second Five-Year Plan on realistic and sound lines would require quite some time. Therefore, a Two-Year Plan was preferred to a "plan-holiday", to be followed by the Second Five-Year Plan to be launched in July 1960.

23. The objectives of the Two-Year Plan were stated as follows:
- (i) To achieve a rate of growth of GDP of 5.6 per cent per annum, thus ensuring an increase in per capita GDP.
 - (ii) To develop the rural economy with special emphasis on raising productivity in agriculture. Employment opportunities will also be expanded for the landless and the rural poor on and off farm, through better use of local human and natural resources. The main focus of rural development strategy will be on reduction of poverty.
 - (iii) To improve provision of basic needs such as food, clothing, drinking water, and health and education facilities for the development of human resources.
 - (iv) To create additional facilities for training unskilled workers with a view to finding employment at home and abroad.
 - (v) To intensify multi-sectoral population and family planning programme.
 - (vi) To hold the price line, especially of essential commodities. Incentive prices for farm goods, specially, rice and jute, will be ensured.
 - (vii) To improve efficiency of the public sector and provide greater opportunities incentives and training to the private sector.
 - (viii) To meet critical gaps in the system of transport and communication and to expand the use of natural gas.
 - (ix) To move towards self-reliance in respect of self sufficiency in major foodgrains, reduction of dependence on foreign aid and making public sector enterprises self-financing.
 - (x) To foster increasing mass participation in economic and social development programmes. In this context, viable development oriented local government institutions will be strengthened for mobilizing both human and financial resources. ^{1/}

24. The strategy of the Two-Year Plan aims at (i) the growth of employment by adopting labour-intensive methods of production; (ii) the use of local resources both material and human, (iii) rural development; and (iv) the improvement of development administration and the implementation of on-going projects. The plan seeks a compound rate of growth of 5.6 per cent during the Plan period (1978-79 to 1979-80) and a 2.8 per cent increase in per capita GDP.

^{1/} Planning Commission, Government of the People's Republic of Bangladesh: The Two-Year Plan, 1978, pp. 68-69.

Population and income distribution

25. Bangladesh is a poor country with one of the lowest of the per capita incomes. The distribution of income is unequal, although it is difficult to quantify it in the absence of sufficient statistical data. It is reported in a recent World Bank Report on Bangladesh ^{1/} that the highest 20 per cent of the population own 40 percent of the national income ^{2/}. The majority of the population of the country, about 60 per cent of the total, live below the poverty line.

The labour force

26. The total labour force of Bangladesh is estimated at 26.2 million, the break-up among agriculture, industry and services in percentage being 78, 7 and 15 respectively as shown in Table 10.

27. The labour force in Bangladesh is continually increasing and is characterized by a high degree of unemployment and underemployment. About 25 per cent of the agricultural workers are landless workers and about 30 to 40 per cent of the total labour force are unemployed. This state of the economy means a colossal waste of a valuable national asset that is labour.

Participation of the manufacturing sector in gross domestic product

28. In the foregoing discussion under sub-heading "Growth Performance, Global and Sectoral", the role of manufacturing in the total economy has been demonstrated in terms of its contribution to the gross domestic product and it need not be repeated. The manufacturing sector is viewed as a dynamic sector of growth and it regarded as the centre-piece of the development process, although a structural change through industrialization yet remains to be achieved. The manufacturing sector is looked upon as a means of achieving improved living standards, a broader distribution of income, greater self-reliance and diversification of the economy and above all as a means of creating greater employment opportunities.

1/ The World Bank: Bangladesh: Current Economic Situation and Development Policy Issuer, May 19, 1977, p. 1 of 2 pages.

2/ Ibid., p.1 of 2 pages.

II. THE STRUCTURE OF THE MANUFACTURING SECTOR

Industrial sector by branches of industry

29. The present structure of the manufacturing industry in Bangladesh is composed of the major industry groups as shown in Table 11. The picture of industrial development in Bangladesh was undoubtedly encouraging, if one went by the nature and extent of her industrialization right up to 1970. With little or no industrial base in 1947, the year of the establishment of Pakistan of which Bangladesh was a part as East Pakistan, the performance of Bangladesh in the field of manufacturing industry over the years had been impressive. The annual compound growth rate of the large-scale industries during the 5 years from 1964-65 to 1969-70 was 16.1 per cent, in contrast to a 9.3 per cent growth rate during the preceding five-year period. Small-scale industries exhibited a growth rate of 2.7 per cent during both those five-year periods.

30. The number of registered factories in Bangladesh in 1976-77 were 2,976 of which 516 (excluding handloom factories) were in the textile group; 576 in the chemical and chemical products group; 572 in the food manufacturing sector; 206 in the footwear, other wearing apparel and made-up textiles; 228 in the metal products except machinery and equipment; 147 in the leather and leather products group; and 147 in the printing, publishing and allied industries. Table 11 also shows the number of registered factories by major industrial groups in Bangladesh from 1969-70 to 1976-77.

31. The gross value added by manufacture by major industrial groups in 1969-70, 1973-74, 1974-75 and 1975-76 are shown in Table 12, whereas employment by major industrial groups in 1969-70, 1973-74, 1974-75 and 1975-76 are shown in Table 13. In addition there are a large number of non-registered small-scale units.

32. During 1969-70 the jute industry produced 561 thousand tons of jute goods (hessian, sacking, carpet backing, etc.) declining to a total of 490 thousand tons during 1976-77. The cotton textile industry produced

105.6 million lbs. of yarn and 59 million yds. of cloth in 1969-70, it produced 82.4 million lbs. of yarn and 68 million yards of cloth in 1976-77. The sugar industry produced 88 thousand tons in 1969-70, it produced 68 thousand tons in 1976-77. In 1969-70, the cement industry produced 53 thousand tons; in 1976-77 it produced 308 thousand tons. A total of 455 motor vehicles were assembled in 1969-70 whereas in 1976-77, the total number of motor vehicles assembled were 931. These figures would show that even in 1976-77, in several industrial sectors, the level of production had not reached that of 1969-70, although there were gains in a few fields.

33. In general the picture was that Bangladesh succeeded in developing a few consumption goods industries such as textiles, food, chemicals, etc., but it had gradually moved on to the production of some intermediate and capital goods. For example, Table 11 shows that the number of basic metal industries factories in 1969-70 was 35; in 1976-77 it had risen to 48. The establishments for the production of machinery except electrical machinery numbered 88 in 1969-70; in 1976-77 the number increased to 114. The number of factories producing electrical machinery, apparatus, appliances and supplies rose from 34 in 1969-70 to 38 in 1976-77. While there was a shift in this direction, most industrial goods produced were light consumption goods. Sectoral industrial targets as set under the 3-year Hard-core Programme are shown in Table 14.

Regional distribution, urban-rural location

34. The location of industry is an important aspect of the industrial development of a country. It really means the location of work and hence the geographical distribution of industry indicates the distribution of industrial labour force in a country. The modern manufacturing industries in Bangladesh have mostly centered around the three big cities, namely, Dacca including Narayganj and Tongi, Chittagong and Khulna. This pattern of regional distribution of industry has naturally restricted employment creation to certain zones. The rest of the country is treated as less developed.

35. In 1973-74, there were 62 cotton textile mills under the control of the Bangladesh Textile Industries Corporation. Of this total, 14 mills were located in Chittagong including the Chittagong Hill Tracts and 27 mills were located in the Dacca area. The rest of the mills were distributed all over the country. Of the 77 jute textile mills existing in 1976-77, employing some 132,000 permanent workers, most of them are located in the Dacca, and Khulna and Chittagong areas. These two major industries are highly concentrated and they together accounted for an employment of 226,359 persons out of a total industrial employment of 373,933 persons in 1975-76. Other industries also have tended to locate themselves in or in the neighbourhood of the three areas, namely, Dacca, Chittagong and Khulna due to the pull of the urban markets and other facilities available in large towns. The geographical distribution of manufacturing industry in Bangladesh is pretty uneven, although there are a few manufacturing establishments thinly spread all over the country. Handloom factories are mostly located in certain specified areas such as the Pabna district, whereas the small-scale and cottage industries are more widely dispersed.

36. In both developed industrialized countries as well as developing countries, the metropolitan areas offer many locational advantages, such as markets and infrastructural advantages and, as such, are preferred for the location of industrial activities. An undue concentration of industry and industrial population has, however, been accompanied by certain economic and social disadvantages like higher labour costs, lack of space for further expansion and consequent cramped factory layouts, undue pressure on the basic services such as the supply of water, electricity, housing, etc. Locational difficulties in the few metropolitan areas have brought to the fore the advantages of, and the need for, non-metropolitan and rural locations now being encouraged by the Government of Bangladesh through the creation of infrastructural facilities and the adoption of appropriate policy measures. The Government fully appreciates the dispersal of industry and the location of industry in the non-metropolitan and rural areas. The Government has designated

the "less developed areas" which include the whole country excluding only the major police station areas in the industrial zones of Dacca, Chittagong and Khulna. Operative incentives are given by the Government for location of factories in the "less developed areas" than in the already established industrial zones in the main urban areas.

37. If one goes by the distribution of population between urban and rural areas, it will be seen that the whole country is practically rural and as such there are promising growth possibilities in the non-urban rural areas. The estimated percentages of distribution of population in Bangladesh by urban and rural areas were 8.8 and 86.8 respectively in 1974. The regional distribution of industry is further discussed in chapter IV.

Size distribution

38. The annual censuses of manufacturing industry gives some idea of the structure of established industries and their sizes, although the information is not complete. The factories employing less than 10 workers are not covered by the censuses. Table 15 compiled from Tables 4.7 and 4.8 of the Summary Statistics of Census of manufacturing industries, 1970-71 gives some information on the number of establishments, fixed assets, employment, value added by major industry groups. As small-scale and cottage industries are not covered by the census, the table probably does not cover more than two-thirds of the total industrial output. For lack of information on industrial factories, no size distribution of groups of establishments in terms of employment or fixed assets can be worked out, though the average size of the establishments in major industry groups can be determined. The average sizes of establishments in major industry groups important from the employment consideration, namely, food, jute textiles, cotton textiles, chemicals, metal products excluding machinery, are shown by dividing the total number of workers by the total number of establishments in each group.

Inter-sectoral linkages

39. The question of linkages should be viewed as linkages between primary, secondary and tertiary sectors and between different industries or industry groups within the industrial sector. The objective to study linkages is to identify sectors and industries whose development would maximize employment expansion consistently with overall economic growth.

40. In the process of formulating the industrial development programme of Bangladesh (then East Pakistan) from the very beginning, due attention was given to the question of inter-sectoral linkages or interrelationships between the broad agricultural sector including livestock, fisheries and forestry, the manufacturing sector and the tertiary sector. There was a disruption in linkages after the secession of East Pakistan (now Bangladesh) from Pakistan when the economy of the whole country was largely developed on the basis of inter-wing interdependence. Several important material inputs, intermediate goods and consumer goods were previously imported from Pakistan which source was lost with the separation. Most raw cotton, yarn and thread, tobacco and mustard seeds, cement, some pharmaceuticals and other chemicals come under this category. The results were obvious shortages of these commodities. Again the import of raw materials from abroad was difficult as the sources of supply were not sorted out; there was the worldwide shortage of shipping space; there was a shortage of oil; and the port facilities were inadequate.

41. Several major industries had, however, strong linkages with other sectors. The jute textile industry developed mainly on the basis of the local supply of raw jute. Other examples are sugar, fruits and vegetables, tobacco, tea, fish, leather, timber, gas, clay and limestone. The industrial resource base of Bangladesh is rather limited. In particular, however, natural gas may offer considerable opportunities for industrial development, especially for that of a petrochemical industry. Utmost importance has been given to the development of industries producing fertiliser, power-pumps, tube wells, pesticides,

sprayers and power tillers, providing inputs to agriculture. Attention has been given to gradually developing through linkage effects to feed inputs to other sectors, for example, transport and other industries, namely, machinery and electrical goods. Attention has also been given to encouraging the growth of indigenous and semi-indigenous technology through research and adaptation. The small cottage and village industries are encouraged for spatial dispersal and for promotion of private sector efficiency and are complementary to the large-scale industries. While the emphasis has been on the growth of import substitution industries based on domestic raw materials, a major export industry, the jute textile industry has been developed on the basis of the locally available raw material. Attempts have also been made to promote newer products (e.g. ores) for export; leather and leather products are another subsector of industry that has been developed on the basis of locally available hides and skins.

42. For lack of input-output statistics, it is not possible to quantify the linkages. The pattern of industrial development in Bangladesh however demonstrates the evident existence of linkages among the different economic sectors of the country. Albert O. Hirschman has referred to two types of linkage effects. First, the input provision derived demand, or backward linkage effects, i.e. every non-primary economic activity, will induce attempts to supply through domestic production the inputs needed in that activity. Second, the output utilization, or forward linkage effects, i.e., every activity that does not by its nature cater exclusively to final demands, will induce attempts to utilize its outputs as inputs in some new activities. Hirschman continues, "Development policy must attempt to enlist these well-known backward and forward effects; but it can do so only if there is some knowledge as to how different economic activities "score" with respect to these effects. Ordinarily economists have been content with general references to the advantages of external economies, complementarities, cumulative causation, etc. But no systematic effort

has been made to describe how the development path ought to be modified so as to maximise these advantages even though the existence of input-output statistics supplies us with a few tools for an analysis of this kind".^{1/}

Industrial Employment and Productivity

43. Table 17 shows the number of workers in major industries, 1965-72. The total number of workers in 1972 was only 209,980. Table 18 shows that industrial establishments employing less than 10 persons employed 22,073 workers in 1972. Table 13 shows the average daily employment by major industry groups from 1969-70 to 1975-76. In this table, the figures of handloom factories are not included from 1973-74 to 1975-76. The total employment in 1975-76 was 373,933 while it was 307,404 in 1973-74. Total employment increased between these two periods.

44. Industrial productivity is a matter of fundamental importance and depends on many factors. Moreover, the criteria of productivity measurement in the developing countries are different from those in the developed countries. In general, however, as the supply of labour is abundant in relation to capital supply in developing countries, these countries tend to adopt labour intensive techniques of production in their attempt to economize the use of capital, whereas the developed countries where labour is scarce and capital is plentiful adopt the capital intensive methods of production in order to economize the use of labour. This arrangement is generally expected to ensure the efficient use of the resources in industry that is, to ensure industrial efficiency. It is, therefore, important to consider industrial productivity in terms of the efficiency of labour in the context of Bangladesh, although industrial productivity will depend on many other factors. The fundamental human problems of industrial productivity in a least developed country like Bangladesh often relate to such basic matters as regular working habits, reduced absenteeism, improved literary and vocational training, although it must at the same time be appreciated that it is also predominantly a function of management development and technical services.

^{1/} Albert O. Hirschman: The Strategy of Economic Development, 1958, p. 100.

45. Available evidences are that the Bangladesh industry is inefficient.^{1/} The major nationalised industries are incurring losses and the private industry is also handicapped in many ways. There is a need to create efficient industry, both public and private, because only an efficient industry can generate surplus needed for further development and creating employment. The principal bottlenecks, in present circumstances, are lack of labour discipline, lack of managerial ability, lack of trained manpower and skill and lack of appropriate institutional arrangements for industrial development and promotion, such as, for standardisation, quality control and testing facilities and productivity increase.

46. The paramount need for productivity increases in Bangladesh industry is to set up a National Productivity Council and productivity units in each factor of industry about which more will be said in Chapter IV.

Capacity Utilisation

47. Industrial productivity and production in Bangladesh can be increased substantially by more intensive use of existing capacity. Studies of this problem in Bangladesh indicate that not only the machine rated productivity has not been attained but there has been reduction in productivity levels compared to the past in some units.^{2/}

48. Table 19 indicates production by certain key industries. Although figures shown in Table 19 go up to 1974-75, still these areas are a broad indication of the low capacity utilisation in the key industrial sectors. Recovery of industrial production still remains to be achieved. There is much unused capacity according to the official figures. This is due

^{1/} The First Five-Year Plan of Bangladesh, p. 245

^{2/} The First Five-Year Plan of Bangladesh, p. 246

partly to the result of the previous establishment of units with capacity far beyond the ability of Bangladesh to pay for the imported inputs required to keep them going and partly to the direct result of continuing import shortages arising from the need to save foreign exchange from purchasing raw materials and spares, inexperienced management and frequent labour unrest. It is clearly undesirable to add to industrial capacity in general unless the import of intermediate goods can be increased.

49. Although the situation in regard to capacity utilization might have improved recently due to the creation of a more favourable industrial climate due to changes in the industrial and investment policies of the government initiated since 1976, there are reasons to believe that there is still considerable under utilization of capacity in the industrial sector. As the World Bank report on Bangladesh issued in 1977 stated:

"The overall index of industrial production has yet to reach the 1969/70 level the peak reached before independence, and capacity utilisation remains at low levels, perhaps less than 50 per cent in most industries. A more efficient utilisation of industrial capacity in Bangladesh remains a serious problem."^{1/}

Import and Export of Manufactured Goods

50. Inevitably it is necessary for Bangladesh to import a wide variety of raw materials which are not available in the country either in crude or manufactured form. Further, there are number of commodities that Bangladesh could not hope to be able to produce economically, for lack of production know-how, technical skills and access to large enough markets to make possible significant economies of scale. The market

^{1/} The World Bank: Bangladesh: Current Economic Situation and Development Policy Issues, May, 1977, p. 9.

for many highly manufactured products is small in Bangladesh and hence it can usefully specialise in the production of some items, relying on imports for the supplies of others. There are thus the general constraints of the size of markets and economies of scale and, in spite of these, import substitution still goes on and also efforts continue to be made to explore avenues of export promotion. In the long run many things currently imported can be provided from Bangladesh's own production. Import requirements may be effectively eased if oil may be discovered in the Bay of Bengal and if food imports could be substantially reduced through the increase of production and productivity at home and if also other crops and raw materials, namely, rubber, coffee, limestone, etc. could be domestically produced. While these possibilities are there, Bangladesh continues to import a variety of manufactured goods, raw materials and food. Table 20 shows the principal commodities imported into Bangladesh from foreign countries from 1973-74 to 1976-77.

Exports

51. In spite of import substitution, Bangladesh has to substantially increase its exports needed to pay for its increased quantities of imports. Table 21 shows the composition of exports from Bangladesh to foreign countries in volume. It will be seen that most of the items except jute manufactures and newsprint and paper consist of agricultural raw materials and raw materials in semi-processed form like leather and hides and skins. The export base of the country is extremely narrow. The table shows the extreme dependence on jute manufactures which have not very good long-run promise. The studies of the potential of jute as an export material and of the market for jute manufactures hold that the importance of jute is declining in the developed areas of the world with some exceptions, and expanding only in the developing areas mostly in the Indian sub-continent itself. The decline in the importance of jute has been due to two powerful forces. One is the movement to bulk

transport which has tended to reduce the demand for packaging material and the other is the widespread use of synthetics to replace jute when packaging continues to be required as well as other uses such as carpet bagging. The capacity of synthetic substitutes to compete with jute is very strong and jute can only retain its importance in competition with other substitutes by maintaining its relative cheapness in the international market which again means an efficient production of jute and jute manufactures. The jute industry, however, could not be considered to be an expanding industry and, as its position in the future is not promising, Bangladesh's reliance on this as the chief export item must be reduced.

52. Table 22 shows the provisional estimates of the Balance of Payments of Bangladesh for 1976-77. The country suffers from a chronic deficiency in the balance of trade account and is largely dependent on capital transfer and other loans and grants, private transfer and I.M.F. account drawings for balancing its international accounts. Foreign aid plays the dominant role in the economic life of Bangladesh, but the dependence of the country on aid needs to be reduced by working out a mechanism of economic growth based on self-reliance and consistent with modest living. This demands the management of the available resources of the country in the proper way by reducing the dependence of the country on food imports and foreign aid and exploiting the available and potential resources of the country most judiciously both for domestic and export requirements. Realistic development planning on the basis of self-help with a view to reducing dependence on foreign aid, with strong policy measures in strategic areas, namely, the urgent need to produce food from agriculture and to control population by limiting family size and other methods, seems to be the only effective instrument for economic and social progress in Bangladesh.

53. In view of the serious balance of payments position of the country, the Government has adopted appropriate measures to stimulate the export

of traditional primary commodities as well as the export of manufactured products covering a wide range of articles, such as, the pre-shipment and packing loan from commercial banks at cheap rate of interest, the provision of the loans up to 80 per cent of the letters of credit which the exporters can get from the banks, the addition of new items in the list of export industries eligible for obtaining Export Performance Licences, the increase in the percentage of entitlement in respect of some non-traditional items at different rates so that the exporters of these items can be competitive in the international market and can thus increase their quantum of export etc. Both the export and import policies of the Government have taken account of the overriding need to improve the balance of payments position of the country. The growth of new export industries and the strengthening of institutional arrangement to promote exports have both occupied the attention of the Government.

Capital formation in industry, investment and sources of financing including external financing

54. The task of mobilizing the resources of the country for both current public expenditures as well as for development is a crucial one. The imbalances between public expenditure and public revenues in Bangladesh have continued to grow. The maintenance of existing investments and the expansion of the development effort have necessarily meant a continuing growth of expenditure. The Government has tried to improve its fiscal performances by improving its tax effort in both levels of taxation and tax administration. As the average per capita income is, however, too low, the emphasis has been placed less on direct taxes and more on indirect taxes especially import duties. About 90 per cent of tax collection comes from the indirect taxes of which almost 40 per cent comprises customs duties. Excise duties and sales taxes account for about 25 per cent and 15 per cent respectively, of the indirect taxes levied. This structure has remained almost unchanged, mainly

because of the increased volume of imports and the very slow growth in income. For instance, the ratio of imports to GDP increased from 13 per cent in 1972/73 to about 24 per cent in 1975/76. This problem is acute and there is an overriding case for increasing the revenue potentials in Bangladesh by improving the country's fiscal management.

55. But then where will the resources for development come from? The revenue resources of the country are extremely limited. With independence in 1971, the sources of institutional savings such as the life insurance companies, banks and other productive institutions were lost, as these organizations were all nationalized in a hurry and became losing concerns. The present proportion of investment as a percentage of the gross domestic product is no more than 10 per cent which is very low. In earlier years, it was even much lower.

56. An area of source of potential revenue and resources lies in public enterprises numbering about 400 units and accounting for over 80 per cent of the value added in manufacturing industry. These units cover most large and medium-scale enterprises and are organized under a number of public sector corporations. The First Five-Year Plan (1973-78) estimated the replacement value of assets in nationalized industries to be Taka 9 billion (at 1973/74 prices) and also expected a 10 per cent rate of return from these assets by 1975/76. Unfortunately, the financial performance of the major corporations has been deplorable. The enterprises servicing the domestic market have generally done better than industries geared to exports. Table 23 shows the financial performance of the public sector corporations. The overall position is that the losses sustained by three major industries, namely, jute, paper and chemicals, have more than offset the small profits by the rest.

57. The real problem is to transform the losses of the nationalized industries into profits by taking effective and sustained action on a number of fronts to solve the key problems, namely, lack of operational autonomy, price controls, inadequate incentives, and insufficient

accountability. "The ability of public enterprises to pursue flexible policies and to act as true commercial entities has been hampered by a tendency towards excessive centralization of decision-making in the Government ministries, including such matters as the selection of personnel". These difficulties have been recognized and the Government, in May 1976, issued guidelines on the relationship between the Government and sector corporations and the sector corporations and the enterprises under them. Detailed Rules of Business for all sector corporations have now been formulated.

58. Price controls existed and/or exist for "essential" commodities (cotton yarn, medicines, soap, edible oil, cement, paper, newsprint, cigarettes etc.) and "monopoly" products like fertilizers, chemicals, steel products and sugar. As a result the financial performance of many public enterprises is highly dependent on centrally determined prices. Newsprint and fertilizer prices were initially controlled without reference to production lots but were later on raised substantially. In the cotton textile industry, profits were turning into losses, largely because the controlled prices of the finished products did not reflect the higher prices of imported raw cotton. In the case of jute manufactures, the price of raw jute is adjusted to provide incentives to jute growers. While product prices have to be maintained at levels competitive with other exporting countries and with synthetic substitutes, this has contributed to heavy losses. It is, therefore, essential to maintain cost-price relationship by relaxing price controls.

59. Incentives for public enterprises employees should be improved by establishing a bonus system on productivity for workers and financial performance for managers of all public enterprises by making the pay structure of employees of public enterprises independent of that of the civil service and by adopting a system of profit participation for workers. Apart from these, prompt and reliable auditing resolution of the financial liabilities inherited by the corporations, the realistic valuation of the assets of public enterprise for measuring financial

performance in terms of a rate of return on investment and the formulation of appropriate principles for depreciating capital stock.

60. A special group of public sector entities are the "natural monopolies" -- the public utilities such as water supply and sewerage works, gas, electricity, telephone and air transport. These utilities suffer from unsatisfactory financial rates of return. These units must be able to make returns on the assets so that they could contribute to their own investment and maintenance programmes.

61. Apart from taxation and improved profitability of public sector enterprises, the revenue - expenditure gap could be reduced by curtailing the high level of production and consumption subsidies which also tie down a large part of the Governments' administrative machinery. There may also be a good case for reducing subsidies in due course.

62. In Bangladesh, as in other countries of the Indian subcontinent, public enterprises, both in the traditional as well as in the modern manufacturing sector, plays a dominant role and hence this sector must be looked upon as the leading sector for profitable operation and capital formation. The yardstick applied for the measurement of efficiency in the sector must be the same as in the private sector and it is the generation of surplus in this sector that can usefully be invested for further industrial development in the national interest. Unfortunately, this fact is not sufficiently realized in Bangladesh, and hence development has suffered and the country has been made much too dependent on external financing.

63. While the sources of domestic capital in Bangladesh are limited, there are a number of specialized financial institutions in the country which provide industrial finance for development and as working capital. This matter will be dealt with in the appropriate section on institutional arrangements.

Foreign Aid (Foreign Economic Assistance)

64. Bangladesh has to depend considerably on foreign aid from bilateral

sources and from international institutions or bodies, only a part of which may have gone into industrial development. It is however difficult to separate it out. There are certain industrial projects in Bangladesh under the IPF of UNDP for the second cycle a part of which is used for industrial projects assisted by UNIDO. This will be described in Chapter XI.

65. Table 24 shows the total commitment of foreign economic assistance to Bangladesh from 1971-72 to 1976-77 and the disbursement of foreign economic assistance to Bangladesh from 1971-72 to 1976-77 and the disbursement of foreign economic assistance during the same period. Foreign economic assistance has been given to Bangladesh in the form of grants (non-project aid and project aid), loans (non-project aid and project aids) and export credit/suppliers' credit (non project aid and project aid). Bangladesh received foreign economic assistance of various kinds amounting to US\$ 3,628,629 million from December 1971 to 30 June, 1977. Of the total amount of disbursed foreign economic assistance, US\$ 1,841,348 million was in the form of grants and US\$ 1,787,081 million as loans/credits. A lot of this assistance has been received as food aid over the years.

66. Bangladesh is dependent on foreign aid to an unusual extent and the problem of debt servicing including the repayment of the principals in a serious one. This dependence needs to be reduced and the strategies for development should accordingly be formulated by placing a greater reliance on self-help in any scheme of her economic and social development. It has, however, been found to be extremely difficult to do so till now. For instance, for the implementation of the first five-year plan (1973-78), Bangladesh was dependent on external resources to the extent of over 70 per cent of the total outlay which was to be gradually reduced, whereas for the implementation of the Two-Year Plan (1978-79 to 1978-80) also, it would still be dependent on external assistance to the extent of over 60 per cent.

III. COMPARISON OF PLANNED INDUSTRIAL DEVELOPMENT TARGETS WITH
RECENT PERFORMANCE OF THE MANUFACTURING SECTOR (PAST 3-5 YEARS)

Growth of industrial output in relation to GDP (Crores Taka at 1972-73 prices)

	Benchmark Industrial Output	Estimated Actual Industrial Output	Projected Industrial Output	Annual Percentage Rate of Growth Over Bench- mark Output	Annual Percentage Rate of Growth Over Actual Benchmark Output
		1972-73	1977-78		1972-73 Industrial Output
Manufacturing	520 (10.4 % of the total GDP)	358 (8.3 % of the total GDP)	731 (11.2% of the total GDP)	7.1	15.4

Source: From the First Five-Year Plan, p. 15, table 11-12.

67. The figures given above show planned industrial development targets as set in the First Five-Year Plan of Bangladesh, (1973-78). The benchmark estimates is based upon but are not exactly the same as the levels of output reached in 1969-70, the last normal year before the war of liberation. While a small part of the increase could be achieved by a recovery to the benchmark level of activity through a better utilization of existing capacity, the large part of the planned increase would require new investment and a development programme.

68. The plan did not envisage any sharp structural change through industrialization. The share of the manufacturing industry in GDP would remain rather relatively small; even at the end of this plan period, perhaps just at over 11 per cent. A large part of this increase will take place in small-scale and cottage industries. Thus the plan avoided the pace and pattern of industrialization based upon modern, borrowed capital-intensive technology, except in areas where the choice was limited and import substitution was urgently needed.

Planned Development Outlay for Industries (Taka in Crore)

Sector	Financial Development Outlay			Non-financial development outlay private subsistence investment		
	Investment	Non-Investment	Total	Public Sector Outlay	Private Sector Outlay	
Industries	798	79	877 (19.7 % of the total)	738 (18.7%)	139 (27.7%)	18 (3.1%)

Source: The First Five-Year Plan of Bangladesh, p. 32, Table III-I

69. The above figures show the planned development outlay for industries in the First Five-Year Plan of Bangladesh, 1973-78. Industries were allocated about 20 per cent of the total financial outlay. These include the large-scale, small-scale and cottage industries. Petroleum refining is however excluded from this sector and is included in the natural resources sector. Industries also include cold storage and a telephone and cables factory which form an integral part of the telecommunications programme. The private sector industries account for nearly one-sixth of the total outlay reflecting the industrial policy, as announced in January 1973. Any undertaking requiring more than Taka 25 lakhs of fixed capital investment was required to be set up under public ownership. The plan was dominated by some very big projects in the public sector (e.g. in petrochemicals, cement and steel) and hence the outlay in the private sector would be a very small proportion of the total allocation to the industries sector, despite the heavy emphasis in the industrial programme on small-scale enterprises in terms of the number of projects.

70. The sphere of private sector industry was severely curtailed, although it would continue to play an important role in some industrial activities. Apart from textile-weaving dominated by handloom and cottage weavers, the private sector, based on modern technology, would have a crucial role to play in industries like edible oils, food processing, textile garments

and products, leather products, consumer chemicals, metal products, small-scale engineering and repairs, furniture and various types of consumer goods. Industries like sugar, jute, textiles, large-scale cotton mills, paper, fertilizer, petrochemical, cement and steel ware, however, by their very requirement of heavy investment were excluded from private enterprise. Table 25 shows the major physical targets of the industry sector during the Five-Year Plan (1973-78).

71. The allocation to the industry sector which was 18.7 per cent under the Five-Year Plan was raised to 20.38 per cent of the total public sector outlay under the Hard-Core Programme.

72. It would appear from Table 4 that the growth rates of GDP and of industry were realized and projected as follows:

At 1972-73 prices

	<u>Growth GDP</u>	<u>Industry</u>
1972/73	-	-
1973/74	9.4	14.7
1974/75	2.0	-1.3
1975/76	9.7	5.6
1976/77 (projected)	5.0	11.6
1977/78 (projected)	5.6	8.8

73. In Table 5 the shares of industry in gross domestic product (at constant factor price) in percentage are shown as follows:

<u>1972/73</u>	<u>1973</u>	<u>1974</u>	<u>1975/76</u>	<u>1976/77</u>
6.6	6.9	10.8	5.6	11.2

74. The two sets of figures here may not be strictly comparable, but it appears that the projected growth rate in industry, 11.6 per cent in 1976/77, was nearly achieved, that is 11.2 per cent. The actual GDP growth figure for 1977/78 is not yet available, but it is expected to

be around 8 per cent. The projected growth in industry for 1977-78 has been set at 8.8 per cent, much lower than that for 1976-77, which may be more than achieved. The present position of industry has been maintained, but no structural change in the economy through industrialization has yet been attempted.

75. The performance of the industrial sector in achieving the physical targets compared with the benchmark level is a good indication. It appears that the performance of the industrial sector is improving, but in several sub-sectors it is still below the 1969-70 level.

76. In Table 26 it is noticeable that in sugar, cement and cotton yarn, both the levels of 1969-70 and the target levels of 1976-77 were surpassed, although in other sectors, production has yet to recover.

IV. THE INSTITUTIONAL INFRASTRUCTURE FOR INDUSTRY AND CONTEMPLATED CHANGES

Introduction

76. The Lima Declaration of 1975 set an important target: that by the year 2000 the present developing countries should provide at least 25 per cent of the total world industrial production. The accompanying plan of action noted a number of measures which the national industrialization policies of developing countries should emphasize in moving towards that goal. One of these was the "development and strengthening of public, financial and other institutions in order to protect and stimulate industrial development of the developing countries". In this context a review of the institutional arrangements for industry in Bangladesh which has been designated by the United Nations as a least developed country becomes important.

Constituents of the institutional infrastructure for industry

77. There are institutions which are concerned with the formulation of national industrial plans and policies and with the determination of industrial priorities as part of the overall national plans and economic policies. These institutions or bodies are the National Economic Council and its Executive Committees, the Ministry of Planning (Planning Commission), the Ministry of Industries and other concerned ministries, departments, and agencies of the Government. A second set of institutions include the various public corporations set up by the government for the development, administration and supervision of the different sectors or sub-sectors of the industrial economy. Under a public corporation, come the many companies formed for the operation and management of individual industrial enterprises. The third category of institutions includes the financial bodies or corporations which finance industries in both public and private sectors. Before deciding to finance industrial projects for which loans are requested by the promoters, these institutions undertake the feasibility studies of projects and evaluate them in all their aspects to ascertain if they are technically feasible, economically viable, financially sound and socially desirable. These aspects of the projects must be studied before the projects are approved by the sponsoring agencies and the licenses are issued by the Government for the starting of the projects. The fourth category of institutions are concerned with the training of management personnel as well as with on-the-job training of persons engaged in industry or training institutes. The fifth category of institutions are concerned with such specific responsibilities as the determination of the standards and the qualities of industrial products.

Another category of institutions are concerned with such specific responsibilities as the determination of the standards and the qualities of industrial products. Another category of institutions may be called industrial research institutions serving specific industrial sectors or sub-sectors. Then there are the private organizations like the industrial associations concerned with the general or specific problems and interests of industry. This is only a broad classification of the industrial institutions in Bangladesh adopted for the sake of convenience of discussion.

Institutional structure

78. The institutional structure for industry at present consists, in the main, of the following:

- (i) The National Economic Council and its Executive Committee
- (ii) The Ministry of Planning and the Planning Commission
- (iii) The Ministry of Industry
- (iv) Department of Industry
- (v) The Board of Investment
- (vi) The Ministry of Finance
- (vii) The Ministry of Commerce
- (viii) Bangladesh Shilpa Bank (Industrial Development Bank)
- (ix) Bangladesh Shilpa Rin Sangatha (Industrial Credit Corporation)
- (x) Sector Corporations for Nationalized Industries
- (xi) Small and Cottage Industries Corporation
- (xii) Forest Industries Development Corporation
- (xiii) Other Public Corporations for Industrial Subsectors
- (xiv) Investment Advisory Centre
- (xv) Standards Institution
- (xvi) Central Testing Laboratories
- (xvii) Industrial and Technical Assistance Centre
- (xviii) Council of Scientific and Industrial Research
- (xix) Jute Research Institute
- (xx) Management Development Centre
- (xxi) Institute of Business Administration, Dacca University
- (xxii) Industrial Relations Institute
- (xxiii) Dacca Chamber of Commerce and Industries and other industry organizations.

The functions of these institutions are briefly described.

(i) The National Economic Council and its Executive Committee

79. The National Economic Council is a standing committee of the highest policy-making body of the country, i.e., the Cabinet. The Council is the link between the Cabinet and the National Planning Commission. It examines all policy recommendations, deliberates on the allocation of economic resources and on all major economic and industrial policy issues, approve the national plans and the annual development programmes before all these matters are finally placed before the Cabinet for its approval. All large projects need to be approved by the Executive Committee of the National Economic Council.

(ii) The Ministry of Planning and the Planning Commission

80. The Planning Commission of the Ministry of Planning is charged with the task of preparing all periodic and perspective plans as well as formulating policies for the implementation of the plans. The Commission acts in an advisory capacity and the Planning Division of the Ministry of Planning acts as the Secretariat of the Commission, the two other divisions of the Ministry being the External Resources Division and the Statistics Division. The Minister of Planning is the Chairman of the Planning Commission. The Commission is divided into various Divisions. The Division of Industry is charged with the task of preparing plans for the industrial sector. A member of the Planning Commission is in charge of the Industry Division.

(iii) The Ministry of Industry

81. The Ministry of Industry headed by the Minister is responsible for formulating industrial development and investment policies for both the public sector and the private sector industries (except the jute textile industry and the cotton textile industry, which are now under the Ministry of Jute and the Ministry of Textiles, respectively).

82. With the coming into power of the present government, the Ministry of Industry has been reorganized in view of the new changes introduced by the government in the field of industrial ownership, policies and investment. The purpose behind this reorganization is to secure a homogeneity and coordination of industrial policies aimed at by the present administration. The Ministry which has now one Secretary only is divided into a number of

wings, each wing being under a Joint Secretary, as mentioned below:

- (i) Planning, implementation and evaluation;
- (ii) Corporate bodies including sector corporations and other corporations;
- (iii) Administration including the Department of Industry which is solely in charge of the private sector industry;
- (iv) Industrial Policies and implementation of policies; and
- (v) Disinvestment dealing with the release of abandoned industrial units to local entrepreneurs, the payment of compensation, etc.

83. The organizational set-up of the Ministry has been streamlined on practical lines so as to enable it to carry out the new policies in the industrial field. The reorganization has made the decision-making process in different areas of industry, direct and definite. It is expected that as a result of the reorganization, decision-making will be quick and efficient.

(iv) The Department of Industry

84. The Department of Industry of the Ministry of Industry acts as the secretariat of the Investment Board which is headed by the Minister of Industry. One of the main functions of the Department of Industry which is under a Director-General is to prepare the Industrial Investment Schedule for the plan period, which is intended to serve as an instrument for implementation of the planned objectives by guiding and regulating private investment in the desired channels. The objectives of the latest schedule for the years 1976 and 1978 for the private sector which was announced on 15 July 1976 are:

- (i) to ensure optimum utilization of the existing capacities in the country both in the public and private sectors, increase in the production of items of essential consumption goods, dispersal of industries throughout the country particularly in less developed areas to foster balanced development and preferential treatment for the promotion of export-oriented industries;
- (ii) to ensure proper utilization of indigenous raw materials, machinery and manpower;
- (iii) to reduce the unemployment and under-employment in the country by developing small and medium sized industries and other labour-intensive industries;
- (iv) to develop agro-based and import-substitution industry.

85. The sanctioning agencies of the country have to work within the discipline of the schedule. Such agencies in operation now are (a) the Investment Board; (b) Bangladesh Shilpa Rin Shangstha; (c) Bangladesh Shilpa Bank; (d) Bangladesh Small and Cottage Industries Corporation and (e) the Department of Industries. The Department of Industries is the official organization

of the government entrusted with the task of formulating industrial policy, planning of industries in the private sector within the targets laid down in the national development plan and preparation and implementation of the investment schedule. These sanctioning agencies accept and process projects within the limits of investment specified for them.

86. Bangladesh would welcome foreign investment for which a liberal policy has been adopted. There would be no bar to foreign private investment going into any industrial field. Foreign private investment would be particularly welcome in all export-oriented industries (except jute, textile, and sugar) such as the capital-intensive and technically complex. All foreign investment cases are also processed by the Department of Industry.

87. The Department of Industry is a major institution active in the promotion of private industrial enterprises. It has, however, experienced difficulties in a number of areas. First, there is a big gap in the availability of expertise in project appraisal and evaluation. It is short of trained staff particularly in this area. A second major difficulty is that some useful industrial institutions stimulating private industrial investment promotion were either inadequately developed in Bangladesh or declined in their scope of work due to the restriction on private enterprises in the immediate post-liberalization period. On such instance is the Investment Advisory Services Centre of Bangladesh. This and other institutions giving supporting facilities to private industry ought to be revitalized and strengthened. In the same way, the small industrial advisory services of the Bangladesh Small Industries Corporation should be expanded and strengthened for the benefit of the private entrepreneurs. The licensing of industrial enterprises has been much expanded in scope. The collection of information alone on various matters affecting private industry and its dissemination among the intending entrepreneurs is a very important task which must be performed by some specialized industrial institution. To acquaint the intending entrepreneurs most of whom are not well informed with all the formalities relating to the establishment of industrial projects is a very important task.

(v) The Board of Investment.

88. Reference has already been made above to the Investment Board whose scope of action in the sphere of private enterprises has been considerably widened lately. New investments processed by the Bangladesh Shilpa Bank and the Bangladesh Shilpa Rin Sangstha in the private sector involving a loan of

more than Taka one crore (Taka 10 million), either in foreign exchange or in local currency or both or where the import liability is more than 20 percent of total raw material requirement (regardless of the amount of the loan either in foreign exchange or in local currency or both exceeds Taka 10 lakhs (1 million) or where the import liability is more than 20 per cent of the total raw material requirements (regardless of the amount of loan) also require the approval of the Investment Board.

(vi) The Ministry of Finance

89. The role of the Ministry of Finance in relation to industrial development is extremely important because important financial institution participating in the development activities of the country work under the general supervision of the Ministry and their policies are substantially shaped and guided by the measures taken by the Ministry of Finance. In the years to come, the commercial banks and the specialized financial institution, namely the Bangladesh Shilpa Bank and the Bangladesh Shilpa Rin Sangstha will play a vital role in the industrial development of the country, through the mobilization of resources into the most desirable directions. To facilitate the operation of the new investment policy, new financial institutions may have to be created and, in this task, the Ministry will play an important role.

(vii) The Ministry of Commerce

90. There is a great emphasis on the promotion of export-oriented industries. The Export Promotion Bureau of the Ministry of Commerce takes care of their promotion. There is also an Export Promotion Council operating under the chairmanship of the Minister of Commerce. Joint industrial ventures which are export-oriented are particularly welcome for establishment in association with foreign partners.

(viii) The Bangladesh Shilpa Bank (Industrial Development Bank)

91. The Bangladesh Shilpa Bank was established in 1972. The undertakings of the former industrial Development Bank of Bangladesh and the Equity participation Fund were vested in the Shilpa Bank. The Fund was originally established in 1970 to cater to the needs of small entrepreneurs.

92. The Head Office of the Bank is located in Dacca. It has 6 branches in 6 district headquarters, viz., Bogra, Chittagong, Comilla, Khulna, Rajshahi and Sylhet. Two branches, namely, Rajshahi and Bogra, are located in the northern part of the country which is relatively less developed and to which the Government has given special attention for industrial development. The Bank mobilizes resources within and outside the country for investment in industry and stimulates industrial development through financing and advising industries regarding the establishment of new projects and the balancing, modernization, replacement and expansion of the existing industries. It performs all the

developmental and promotional functions of an industrial development bank and follows the procedures, methods and criteria relating to industrial project appraisal before it lends long-term and short-term loans to industrial concerns.

(ix) The Bangladesh Shilpa Ria Sangstha (Industrial Credit Organization)

93. The Sangstha (BSRS) was established in 1972 to provide credit facilities and other assistance to industrial concerns and to encourage and broaden the base of industrial investment in Bangladesh. It has been vested with the undertakings of some former development finance organizations. The Sangstha is authorized to provide financial assistance without limit to projects in the public sector and in the private sector to projects with fixed cost of Taka 20 lakhs (2 million) and above. BSRS also assists prospective entrepreneurs in identification of projects and formulation of project proposals. This assistance is particularly aimed at promoting export-oriented projects and those to be located in less developed areas. The Sangstha is a development finance organization and is expected to render long-term and short-term financial assistance or loans to industrial projects which are economically viable, technically feasible, financially sound and socially desirable. It follows the procedure, methods and criteria according to which a development bank should operate and extend long-term and short-term loans to individual projects.

94. The Sangstha has its problems. Most of its financial assistance from 1972 onwards has been given to nationalized industries. The performance of these industries has been unsatisfactory and as such the recovery of the loans advanced to them has been very unsatisfactory. Secondly, one big gap in its operation is the lack of an organized stock market in the country, now to be developed under the stimulus of the new industrial investment policy of the government which seeks to stimulate private investment. The Government has already set up the Investment Corporation of Bangladesh. These steps will stimulate the work of the Sangstha and facilitate its operation in the future.

95. The present position of both industrial finance corporations - BSB and BSRB - is unsatisfactory in that the recovery of loans most of which have been given to nationalized industries (about 80 to 90%) has been bad. It is expected that revised industrial investment policy of the Government aimed at stimulating private investment, improving the position of nationalized industries through better operation and management and creating new institutions or strengthening the existing institutions in the related field, will reactivate the operation of these two important financial institutions on a commercial basis.

(x) Sector Corporations for Nationalized Industries

96. There are at present five public sector corporations in Bangladesh, namely, Chemical Industries Corporation, Sugar and Food Industries Corporation, Steel and Engineering Corporation, Bangladesh Textile Mills Corporation and Jute Industries Corporation. Immediately after the emergence of Bangladesh, all large-scale industries were nationalized and 10 sector corporations were created. The number of these corporations has now been reduced to 5 by bringing several industrial sectors under one corporation. The public Sector Corporations have been consolidated in this way for reasons of administration and economy.

97. The public corporations were created in a great hurry to take over all large industries owned by both local as well as non-local entrepreneurs. Industrial activities were disrupted and disorganized and the corporations were faced with financial and other problems. The most serious were the management problems. There was a serious scarcity of management personnel with required skill and experience leading to a complete vacuum in the managerial field. Production planners, managers and marketing experts were scarce in supply. Training in all fields was a great need and even if few trained people were available, it was difficult to keep them because of low local salaries and better attractions elsewhere. There were virtually no principles formulated by the Government to govern the organization, management and operation of the corporations and the enterprises under them. There was no definite labour policy. All these deficiencies made the operation of the public corporations extremely difficult and unprofitable.

98. The corporations have now been organized on a sound basis. Each corporation is headed by a Chairman and the Directors are appointed on a functional basis. For instance, the Board for the Bangladesh Chemical Industries Corporation, consists of 5 Directors as follows:

- (i) Director - Planning and Development
- (ii) Director - Commercial (Sales and Purchase)
- (iii) Director - Finance
- (iv) Director - Production
- (v) Director - Engineering

Other corporations have been organized more or less on the same basis.

99. There are a large number of enterprises under each corporation. The Bangladesh Chemical Industries Corporation has 99 units under its management. There are 74 jute mills under the Jute Industries Corporation, while the Steel and Engineering Corporation has 60 units of large and medium sizes.

100. The present government has recently formulated useful guidelines governing the relationship between the government and the corporations and the corporations and the enterprises under them. The corporations are to operate, as national concerns, on commercial and economic basis and to meet the needs of the public in the most efficient and economic manner.

101. As regards the relationship between the concerned ministry and the corporations, the functions of the Ministry are confined to policy-making, appointment of Chairman/Director, approval of budget, appointment of auditors and review of audit reports and evaluation of performance. The functions of a corporation are confined to its smooth and efficient operations within the limits of respective laws, rules and regulations. The corporation is required to submit a report periodically in such form as prescribed by the government in a ministry. The responsibilities of the corporations and the procedure in regard to personnel administration, labour matters, financial matters, pricing policy, etc. have been clearly laid down in details.

102. As regards the relationship of government, corporation and enterprises under them, government as owners of the corporation set the overall policies and objectives of the industry and provide the environment in which these can be achieved. As a shareholder of the individual enterprises, the corporation guides and assists them to achieve the overall objectives of the industry within the guidelines of government policy. The enterprises act with the maximum commercial autonomy to achieve individually their share of the required contribution of the sector. The functions of the corporation are confined to supervision and coordination to ensure smooth and efficient operation of the enterprises which have to submit performance and other reports to the corporation periodically. Each enterprise (or a number of enterprises) forms a company which operate on a commercial basis and has a Management/Enterprise Board. The Board is the highest policy-making body at the enterprise level and may consist of the following:

Chief Executive of the Enterprise

Corporation appointee

Financial Institution nominee

Workers' Representative

The principles underlying the administration of the nationalized industries are efficiency, professional competence, decentralized authority and workers'

participation and the necessary guidelines and the rules of business have been formulated by the government. It is expected that the corporations and the enterprises will now be able to work with speed, efficiency and autonomy to fulfil their responsibilities.

(xi) Bangladesh Small and Cottage Industries Corporation

103. There were previously two organizations, namely, the Bangladesh Small Industries Corporation, which was the main institutional mechanism to assist the private sector small industries and the Bangladesh Cottage Industries Corporation entrusted with the task of promoting the growth and development of cottage industries. The functions of the Cottage Industries Corporation are to promote cottage industries, to preserve the traditional arts and crafts, to develop handloom and other cottage industries and to undertake measures to carry out all forms of activities connected with or ancillary to cottage industries. The present government has merged the two corporations to create a single corporation, the Bangladesh Small and Cottage Industries Corporation.

104. The merging of the two corporations will be meaningful and useful if the deficiencies and shortcomings of both corporations are remedied in order to enable the new institution to fulfil its assigned tasks effectively. The reorganized corporation must be given autonomy in the discharge of its functions. It should be treated on the same basis as the sector corporations and development banks in respect of the service conditions of its employees. The corporation requires qualified, trained and experienced staff to do the important tasks assigned to it. Unless the corporation is strengthened through reorganisation, it will not be able to command the resources, particularly external aid needed for its activities in the context of the new industrial investment policy. At present, the corporation lacks in effectiveness and its resources in terms of expertise and fund are limited.

(xii) Bangladesh Forest Industries Development Corporation (BFIDC)

105. The corporation was established in 1959 and is responsible for the extraction and utilization of timber. It has set up projects in different areas of the country such as Chittayong Hill Tracts, Chittagong, Khulna, Dacca and Sylhat. The corporation supplies the government, government agencies, industry and private clients with various timber products. It has timber-processing plants in several areas. The corporation participates in an supports development of forest-based industries in Bangladesh. The corporation is run by a Chairman and Board of Directors under the supervision of the Ministry of Agriculture and Food.

106. The corporation's work is that the concern with the use of solid wood only. It needs to work out programmes and projects to satisfy domestic requirements by economising the use of solid wood and for this purpose, the organization has to have the benefit of expertise and technical know-how.

(xiii) Other Public Corporations

107. There are a number of other public corporations in charge of the development of specific industrial sub-sectors such as Bangladesh Mineral Exploration and Development Corporation, Bangladesh Oil and Gas Development Corporation (Petro-Bangla). Bangladesh Fisheries Development Corporation, Bangladesh Film Development Corporation organized on more or less on similar lines. The Power Development Board has the overall responsibility of the development and supply of power to industry. Titas Gas Transmission and Distribution Company is another important organization dealing with the supply of gas for industrial and domestic purposes.

(xiv) Investment Advisory Centre of Bangladesh

108. The Centre was originally started in Dacca as a zonal office of the Investment Advisory Centre of Pakistan to render valuable services to private enterprise. both in planning and formulation of new projects and in the expansion of existing ones and to assist the investors in securing technical advice for making investment decision. In Bangladesh mobilization of capital for industrial development the growth of entrepreneurship, the collection and dissemination of information relating to industrial investment, pre-investment studies and the preparation of feasibility reports, identification of industrial opportunities and consultancy services are important industrial functions which need to be performed by a specialized institution. The Centre was established with a view to rendering these services to private enterprise and other interested bodies.

109. In the post-liberation period, the whole industrial policy and ownership underwent a change and not much room was left for private enterprise and initiative. The industrial picture was completely different and as such the Centre became a problem child and there was little scope of work for it. It lacked personnel, expertise and resources. With the formulation of revised industrial investment policy and the creation of renewed opportunities for private enterprise, the Government has decided that the Centre will be organized on sound lines and strengthened in respect of expertise. The Centre will operate as a consultancy body under the Ministry of Industry for the benefit of private industry.

(xv) Bangladesh Standards Institution

110. The institution is an autonomous body under the Ministry of Industry and is responsible for dealing with standardization, quality control, and

metrology. The present institution has been inherited from the Pakistan Standards Institution which was set up in 1958. It inherited about 400 standards from the former organization. The institution is a member of the International Organization for Standardization.

111. Starting from 1975, the institution has made about 40 standards. Most of the standards are in the field of agricultural and food products. The quality control of products for both export and internal consumption is treated as very important and the institution issues the necessary certification in this respect. On the instruction of the government the institution is also working on the metrication of weights and measures. The institution has staffing, equipment and expertise problems and seeks UNIDO assistance in the field of metrology.

(xvi) Bangladesh Central Testing Laboratories

112. The Central Testing Laboratories were set up as centralized laboratories under the administrative control of the Ministry of Industry. The laboratories are connected with the development of trade and commerce, industries and construction activities and their work is concerned with researches and testing. Research is mainly concentrated on utilizing the country's resources in the most efficient manner, on developing new methods and techniques to achieve certain objectives and new ideas and new products for the welfare of the country. Testing is done with a view to determining the quality, quantity and suitability of any product for a specific purpose and various other things. All products, domestic, exportable or importable, are covered. Testing is done according to the standards desired.

(xvii) Bangladesh Industrial and Technical Assistance Centre (BITAC)

113. The Centre was set up in 1966 on an effective scale to improve industrial productivity. It was established to increase expertise and technical know-how, tooling facilities, training and trained personnel and consultancy services. With available facilities in a number of areas, on-the-spot industrial training is imparted to trainees periodically. The Centre now needs modernization in respect of its equipment and facilities.

(xviii) Bangladesh Council of Scientific and Industrial Research (BCSIR)

114. The Bangladesh Council of Scientific and Industrial Research has been inherited from the Pakistan Council of Scientific and Industrial Research started in 1953. BCSIR now consisting of three regional laboratories are located in Dacca, Chittagong and Rajshahi. The Council acts as the central body to coordinate and control the research progresses and activities of the regional laboratories. It operates under the Ministry of Scientific and Technological Research and has many aims and objects. Some of these most relevant to industrial development are as follows:

- (i) Initiation, promotion and guidance of scientific and industrial research having a bearing on problems connected with the establishment and development of industries;
- (ii) Establishment or development of national institutions for research, testing and standardization, with the overall object of utilizing the economic resources in the best possible manner;
- (iii) Encouraging the establishment of industrial research associations by various industries; and
- (iv) Taking out patents and arranging industrial utilization of processes developed in the institutes and laboratories.

115. BCSIR laboratories, Dacca under a Director have recently been reorganized into 10 divisions, each under a scientist-in-charge. These divisions are as follows:

- (i) Food technology and nutrition
- (ii) Natural products
- (iii) Glass and ceramics
- (iv) Fibre and polymer
- (v) Fuel technology
- (vi) Physical instrumentation
- (vii) Analytical
- (ix) Industrial physics, and
- (x) Engineering and process development.

116. The Chittagong Laboratories have 5 research divisions, namely, (i) Chemistry, (ii) Nutrition, (iii) Botany, (iv) Pharmacology and (v) Microbiology, while the Rajshahi Laboratories consist of 4 divisions such as (i) Lac Research Division, (ii) Oils, Fats and Waxes Division, (iii) Fibres Division and (iv) Fruit Processing and Preservation Division.

117. The fields of research covered by the Council are very wide. Although one of the main purposes of the Council is to service industrial growth, the Council has not been able to make a demonstrable impact on it. It is, therefore, essential to increase research and technological capabilities of the Council. The bottlenecks in this respect seem to be the lack of both a definite technological policy of the Government and also a responsible coordinating government machinery for it. Foreign technical assistance in this field is much desired.

118. As regards the contacts of the Council with industry, it has liaison with private industry but with public sector industry it has till now no contracts which are essential in view of the fact that the major industries now belong to the public sector. The Council is in need of expanding its activities so that it can be operationally effective and more useful.

(xix) Jute Research Institute

119. The Institute is engaged in two types of research - agricultural and technological research. The main purpose of the agricultural research on jute is to increase its productivity, while the main object of the technological research is to find new uses of jute for manufacturing purposes. The Institute is however, not an effective research institute because of its lack of up-to-date and adequate equipments, lack of liaison with the jute industry etc. What is needed is an effective jute industry development centre under the Jute Mills Industries Corporation. Such a project is now in the process of development with UNDP/UNIDO assistance.

(xx) Management Development Centre

120. The Centre operating under the Ministry of Industry serves as a management development centre in the fields of general management, supervisory training, financial management and accounting, market research and sales promotion productivity and consultancy and research. Its training programmes consist mainly of short period courses in the various fields. Its trainees come from enterprises both public and private and extend from the supervisory level to the top management level.

121. The need for knowledge and application of modern management skill, techniques and methods in Bangladesh is very great. The Centre has been

an extremely useful organization in the country and has helped the private and public industrial enterprises in training and developing personnels at all levels of management. In the post-liberation period due to nationalization of industry, banks and insurance companies in the country, the need for training for management development has assumed greater importance. The responsibilities for training the personnels of these organizations also fell on this Centre. The Centre has trained 400 to 500 persons per year. It has liaison with the Institute of Business Administration, Dacca University, industry and various agencies.

(xvi) Institute of Business Administration, Dacca University

122. The Institute was established in 1966 with a programme of management education at the post-graduate level designed to educate and train young persons who intend to build up their career mainly in the field of business and industrial management. It seeks to produce managers who can provide leadership in the management of the industrial, commercial and other sectors of the society. The Institute conducts executive development seminars and short courses in functional areas of management which have been found to be very useful, particularly in the post-liberalization period, when the need for management personnel was greatly felt.

(xvii) Bangladesh Industrial Relations Institute

123. The Institute operating under the supervision of the Ministry of Labour was set up in 1963 for the benefit of the employers, trade unions and government organizations dealing with labour-management relations. To achieve this purpose the institute plans, organises and runs periodic training courses, seminars and symposia among government officials, management officials and trade unionists including workers.

124. The institute is not purely an academic one. The courses organized are practice-oriented so that these help the participants in the development and maintenance of healthy labour-management relations in the context of prevailing local conditions. In Bangladesh labour-management relations have not been currently conducive to industrial productivity and management. A lot can be done through the institute to promote healthy labour-management relations if it is strengthened with adequate resources.

(xviii) Dacca Chamber of Commerce and Industries and other trade and industry organizations

125. As the major industries of the country were all nationalized in 1972, the scope of work for the manufacturers' associations was strictly limited. With the recent changes in the industrial investment policy of the government and stimulation of private enterprise, the role of the trade and industry associations has increased. Trade is now mostly in private hands and governments has retained only bulk supplies under its control. The Dacca Chamber of Commerce and Industries has just submitted a proposal for an Export Credit Corporation to the government. The chamber is represented on the Consultative Committee for Industry to express the private sector views. The representative of the Chamber thinks that things were moving in the right direction for the private sector which will surely play an increasing role in the industrial development of the country.

Conclusion

126. Bangladesh has a fairly comprehensive range of institutional infrastructure for the development of industry with only a few gaps such as the need for a National Productivity Council. Many of the existing institutions have, however, inadequate staff and expertise, out-of-date equipment and machinery and lack of financial resources and need modernization in order to be able to render better services to industry. The first line of action needed is therefore to increase the effectiveness of the existing institutions by re-organizing them with the most up-to-date facilities.

V. MAIN FEATURES OF INDUSTRIAL, DEVELOPMENT OBJECTIVES AND STRATEGY - POLICY MEASURES AND PROGRAMMING OF IMPLEMENTATION

Industrial development objectives and strategies

127. To repeat, Bangladesh as East Pakistan up to 1970 had a background of industrial development predominantly under a system of private enterprise in which the state restricted itself to industrial infrastructure building and intervened as a catalyst in selected industrial sectors with the ultimate objective of further stimulating private enterprise. With the creation of Bangladesh in 1971, this mixed framework was completely demolished when almost all the manufacturing industries were nationalized by the then Government partly on socialistic grounds, partly on the need to take care of the abandoned units. The sector corporations were set up. The question of public ownership and management of industry and the problems arising from them have been discussed in chapters IV and IX. The sphere of private enterprise was strictly limited. The ceiling for a private sector enterprise was restricted to an investment below Taka 2.5 million as announced in January 1973.

128. As regards to industrial development objective and strategies these were laid down in the First Five-Year Plan (1973-1978). The objectives of planned industrial investment were laid down in the Plan and remain the same. "The Government has set for itself the task of realizing a level of development where people will be assured of adequate food, clothing, shelter, health care, education, transport and such other basic needs. The industrial plan can only be viewed as a part of this endeavour. In achieving this goal, it is also expected that the broadened industrial base of the economy will generate substantial surplus, create additional employment and income and usher in a self-reliant economy through utilization of the nation's own resources".

128a. "The essential ingredients of the above objectives are:

- (i) to increase supply of key agricultural inputs such as fertilizer, power pumps, tubewells, pesticides, sprayers and tillers;
- (ii) to utilise domestic resources such as jute, sugarcane, tobacco, fish, leather, timber, gas, clay, limestone, fruits, vegetables, fish and livestock products;
- (iii) to gradually develop a capital goods industry starting from simple operations and developing through linkage effects to feed inputs to other sectors (e.g. transport) or other industries (vis., machinery and parts);

- (iv) to encourage growth of indigenous and semi-indigenous technology through research and adaptation;
- (v) to encourage small, cottage and village industries for spatial dispersal and for promotion of private sector efficiency;
- (vi) to aim for economic self-reliance by building up export-oriented and import substituting industries; and
- (vii) to aim at a balanced geographical distribution of industries for wide dispersion of income and employment effects^{1/}.

129. As a strategy for increasing industrial output, reliance has been placed both on the nationalized sector which continues to remain a dominant element in the industrial sector and which must be made efficient. The private sector industry whose role has been enhanced will also play an important part in increasing industrial production. The policy towards attracting foreign investment has been liberalized. Efforts will be made to achieve a geographical dispersal of industry. There is more emphasis on increased capacity utilization and on industrial growth through linkages. The development of management and skill has also been emphasized. There is a greater emphasis on the use of labour-intensive technology, although linkages. The development of management and skill has also been emphasized. There is a greater emphasis on the use of labour-intensive technology, although the use of capital-intensive methods is not ruled out, for example, in petrochemicals.

130. The important elements in the objectives and strategies of industrial development have been to further strengthen the linkage between agricultural development and industrial development, to establish and strengthen inter-sectoral linkages, particularly these between large and small industries, to redistribute or disperse industries away from the metropolitan to the non-metropolitan or rural areas in order to create employment opportunities in the latter and to encourage the growth of export industries.

Private Sector Industry and Changes in Industrial Policy

131. Since 1974 and particularly since 1975 when the present Government came to power, there have been again remarkable changes in industrial development and investment policies. All large scale industrial enterprises were nationalized and the sector corporations were set up. The ceiling for a private sector enterprise was restricted to an investment below Takas 2.5 million. The new industrial investment policy was announced in July 1974, as a modification

^{1/} Planning Commission, Government of the People's Republic of Bangladesh
The First Five-Year Plan, 1977-1978.

of the industrial investment policy announced in January 1973. In view of the high increases in the prices of land, buildings and machineries for setting up any sizeable industry and an expanded scope for investment in the private sector, the ceiling on private sector was raised from Takas 2.5 million to Takas 30 million. The new policy was reviewed by the present government. Industries of basic and strategic importance or in the nature of public utility services should remain in the public sector. To ensure mobilization of investment funds and rapid industrialization, the private entrepreneurs should be afforded adequate scope and facilities for setting up industrial enterprises. In view of higher investment cost, the ceiling on private sector investment was raised from Takas 3 crore (30 million) to Takas 10 crore (100 million). The reference in the new investment policy to the moratorium on nationalization for a period of fifteen years was deleted. It was also made clear that if any industry was ever nationalized, compensation would be paid on fair and equitable basis. Tax holiday and other incentives will be offered. Institutional support for industrial development should be strengthened and reactivated. Foreign private investment will be permitted in collaboration with both government and local entrepreneurs. Disinvestment of abandoned industrial units under the sector corporations to the local entrepreneurs will be followed.

132. According to the new industrial investment policy of the government, an Industrial Investment Schedule for two years (1976-1978) for the private sector has recently been announced. The strong expectation is that this will stimulate private enterprises and investment and accelerate the pace of industrialization in Bangladesh.

133. The policy also attached considerable importance to the development of labour-intensive small and medium sized industries for creating employment opportunities and producing essential commodities within the country. Further, the geographical distribution of industry will be controlled so as to discourage growth in the industrially developed areas of Dacca, Chittagong and Khulna and stimulate the growth of industries in the relatively less developed areas, particularly the northern part of Bangladesh.

134. The emergence of Bangladesh radically changed the industrial scene of the country. The Government took over all units owned by non-locals as abandoned units and then nationalized all units in the large-scale manufacturing industries. The scope of private enterprise was strictly restricted. Within this framework, industry in Bangladesh suffered from a number of difficulties since independence, such as inexperienced management, disrupted

marketing, shortages of foreign exchange, inadequate infrastructure and frequent labour unrest.

135. The present Government has most recently taken a number of important steps to stimulate and promote industrial development and investment in Bangladesh including (i) the raising of the ceiling on private investment from Taka 30 million (US\$ 2 million) to Taka 100 million (US\$ 7 million), (ii) the reorganization of the sector corporations by combining some of them and the formulation of guidelines and the rules of business according to which the corporations and the autonomous bodies will operate (iii) the payment of compensation to the former owners of nationalized enterprises according to an announced schedule; (iv) the reactivation of all institutions supporting industries both in the public and private sector and (v) the disinvestment of public enterprises, where possible, to private entrepreneurs. In short, the sphere of private enterprise has been considerably widened. The investment schedule has been revised for this purpose. All institutions supporting industry are also being reactivated. The Ministry of Industry has been reorganized so as to ensure a homogeneity and coordination of the different aspects of the industrial policy.

136. With the new favourable climate for economic development in general and for industrial development in particular, it is strongly expected that industrial development which is being and will be supported in various ways will play an increasingly important role in the economy of Bangladesh.

Implementation

137. At the national level, there is Plan Implementation Bureau which oversees the implementation of the national plan of which the industrial plan is a part. In the private sector, it is the Department of Industry under a Director-General, which is responsible for the implementation of the industrial programme through the issue of the Industrial Investment Schedule for the plan period. For bigger industrial projects, the approval of the Board of Investment of which the Department of Industry acts as the Secretariat is necessary. It is the Department of Industry which receives, processes and evaluates all applications for development projects and acts in cooperation with other sponsoring agencies till the projects are approved for implementation. The mechanism has already been described in Chapter IV. In the whole process, the Department of Industry, the Board of Investment, the Small and Cottage Industries Corporation and the financing agencies play their important respective roles.

138. In the public sector, it is the concerned sector corporation which is responsible for the development of and implementation of projects, subject to the approval of the Ministry concerned. The projects are implemented through annual development programmes.

139. Disinvestment of selected industrial projects to private enterprise if suitable business parties with the necessary financial and managerial resources are available has been a significant element in the present policy of the sector corporations. The approval of the Dis-investment Board working for the Ministry of Industry for this purpose is necessary. The abandoned units are handed over to the purchasers who are actually the highest bidders. Quite a few industrial units have already been disinvested by the sector corporations.

VI. ANALYSIS OF THE MAIN CONSTRAINTS ON THE DEVELOPMENT OF INDUSTRY

A coherent and well-defined industrial development policy

140. The short history of industrial development in Bangladesh may be divided into three distinct stages: (i) the period from 1947-1970 during which the country was a part of Pakistan as East Pakistan; (ii) the period from 1971 to 1975, that is, from the establishment of Bangladesh until the political change that took place towards the end of 1975; and (iii) the period since 1976 marked by significant changes taking place in industrial development and investment policies.

141. The first period is characterized by the growth of a few major industries based primarily on the availability of local raw materials under private enterprise stimulated by a considerable degree of State enterprise through the development of an institutional arrangement which substantially aided the growth of these industries. This period witnessed the predominance of private enterprise in trade and industry - a pattern in which the State played a catalytic role.

142. The second period starting from the establishment of Bangladesh right up to the major political change towards the end of 1975 was accompanied by radical changes in industrial organization and ownership. During this period the predominantly private enterprise industrial economy was too swiftly transformed into a public enterprise industrial economy by an indiscriminate Government policy of the wholesale nationalization of the major industries in its attempt to create the so-called socialistic society. Thus a fundamental change was abruptly brought about in the pattern of industrial organization and ownership. This period was characterized by an utter inefficiency in industrial management, labour unrest, complete dislocation of production and marketing and heavy losses. Private enterprise was throttled and had hardly any role to play. Many of the mistakes of this period were being gradually realized and steps were already being taken by the Government to remedy the situation by adopting the practices of sound business administration for the nationalized sector and appropriate action in favour of a more active role for private enterprise - a process of change which was hastened by the political changes from mid-1975 to the end of 1975 which eventually brought the new administration into power. Thus the way was paved for the new policies actively initiated during the third period. The new changes in industrial development policies, investment

and administration were already described in Section V. There was thus a lack of coherent, consistent and well-thought-out industrial development and investment policies in Bangladesh for which the country's industrialization had no doubt received setbacks.

Financial resources

143. The industrial development programme during the First Plan aimed at broadening the industrial base for generating industrial surplus, creating additional employment and income and building up a self-reliant economy. The provision for the three-year hard-core programme (1975-1978) and allocation for the first two years of the Plan (1973-1975) for the public sector industries worked out to be Taka 791.68 crore of which probably about 50 per cent would have been required in foreign exchange. The programme included on-going but not yet completed projects, new industrial projects, balancing, modernization and replacement along with reconstruction and rehabilitation of the industrial assets; and research and development including feasibility studies and provision of certain technical institutions in the industrial sector.

144. The performance of the manufacturing sector during the First Five-Year Plan period, though showing substantial improvement over the benchmark level of 1972-1973 in some sectors, had fallen short of expectation due to financial and other constraints. The First Plan was formulated on a weak base and optimistic assumptions. The economy of the country, particularly the industrial economy, was such that industrial output in the base year was about 23 per cent below the normal output of the pre-liberation period. In addition, damages and dislocation suffered by industrial enterprises during the war with Pakistan took a longer time to recoup than expected. Also, the investment programmes of the Plan ran into serious difficulties due to severe resource constraints arising from strains and stresses of world wide inflation, oil crisis and instability of the world economy. Because of these difficulties, the Plan's much emphasized balancing, modernization and replacement programme fell short of expectation.

145. There are specialized financial institutions to provide industrial finance such as Bangladesh Shilpa Bank (Bangladesh Industrial Development Bank), Bangladesh Shilpa Rin Sangetha (Bangladesh Industrial Credit and Investment Bank), Bangladesh Small and Cottage Industries Corporation, and the newly established Investment Corporation of Bangladesh. Some of these institutions, particularly the Bangladesh Shilpa Bank, have been active in financing industrial projects by

giving credit, but have been quite inadequate to meet the requirements of industry. Moreover, the existing industries were, for various reasons, unprofitable and the new enterprises were also not very promising and hence the industrial operations were not credit-worthy from the point of view of the development banks. In respect of the provision of working capital also the commercial banks were reluctant to advance loan as the industrial ventures were not efficient and hence unattractive from the credit point of view. Thus, whereas the financial resources for investment in industry from institutional sources were inadequate, it was not easy for inefficient industry to attract whatever resources they had. Institutional arrangements for the provision of industrial finance have been described in Chapter IV.

146. A more fundamental reason for the scarcity of financial resources is that the volume of domestic investment as a proportion of the gross domestic product is very low. It was 9-10 per cent of GNP in the late sixties. It is much lower than that today and it is doubtful if it can be raised substantially by 1980. The per capita income of the people is low and as such their saving capacity is very low. Savings from small incomes are rarely possible in an inflation-ridden poor society. High population growth, social customs and conditions have also served as an additional brake on savings.

147. While the prospects for internal financial resources are not bright, foreign aid is only of limited help in the provision of industrial capital. The country suffers from a chronic balance of payments deficit and a good deal of foreign aid is spent on importing food alone. The scarcity of financial resources then acts as a powerful impediment to the industrial development of the country. The early seventies had been a particularly trying time for Bangladesh as the war-ravaged economy further witnessed natural calamities, famine, drought, etc. Investment as a proportion of GDP is much lower than 10 per cent and is not expected to be more than 12 per cent or so by 1980.

Infrastructure

148. Infrastructure refers to the underlying foundation consisting especially of the basic installations and facilities on which the continuance and growth of a community, state, industry, etc., depends, such as roads, schools, power plants, transportation and communication systems, etc. It may be of several types such as physical, economic, financial, social or psychological infrastructure providing the basic requirements for a purpose, for example, the development of

industry here, in which efficient transport, the supply of energy and water and education and training play a very important role. Bangladesh is unfortunately poor in these infrastructures.

Transport

149. Reconstruction and rehabilitation of the war-damaged transport system was an utmost necessity. The transport system of the country by rail, road and water was disrupted and dislocated during the war. Vital river bridges and culverts were destroyed. The main objective of the investment programme in the transport sector was to provide cheap, adequate and efficient transport services for movement of people and goods by speedy rehabilitation and reconstruction of war-damaged transport system and to augment capacity in selected modes of transport. The present transport facilities in Bangladesh are inadequate, and the operational efficiency of road, rail and water transport remains to be improved through better maintenance and management. There is particularly an inadequacy of feeder roads linking the rural areas to the urban areas and as such transport acts as a bottleneck to rural industrialization.

Energy

150. The construction and rehabilitation of the war-damaged power system, correction of imbalance between regions and between generation and distribution facilities and rural electrification were the main objectives of power development programmes during the Plan. In practice the unequal expenditure among the various components of the power sector during the Plan has retarded its balanced growth. The physical achievement of the power sector also shows unbalanced development. Achievement of the Plan target in generation capacity is more than the distribution capacity. The number of villages actually electrified has exceeded the target by about 6 per cent, while about 12 per cent of the target number of pumps, an important part of rural electrification programmes, were electrified during the Plan. The energy situation has presently improved, although industry still suffers from irregular supply of electricity and frequent breakdowns affecting production.

Water

151. Water is an almost indispensable input for all industries. It is needed for a variety of individual human uses and for the population in general and

for many industrial purposes. The availability of water in the quantity and quality required for industrial purposes is, therefore, an essential requirement. In Bangladesh, the supply of water does not appear to be a barrier to industrial development and right locations can be found for specific industrial projects requiring large quantities of water of the right quality. The supply of water in the rural areas is, of course, a problem.

Education and training

152. General education and training play an important role in the economic, more specifically, in the industrial development of any country. The rate of literacy in Bangladesh is only about 20 per cent and this low level of literacy itself is a handicap to progress. A real breakthrough in education yet remains to be made. During the Plan period, expenditure on education was incurred mainly on reconstruction of war-damaged schools and colleges, construction of physical facilities and scholarships and stipends and the situation in this respect as such remains more or less stationary. Compulsory free primary education on a national scale is not yet in sight. Further, the standard of general education given at the school, college or university has qualitatively fallen and there ought to be an arrangement providing for the entry of only the top-quality students into general education at the university level. Moreover, education should be science-and-technology-oriented. Technical education and vocational training must form an essential part of the educational system and must be extensively given. At the moment the facilities providing for on-the-job training in various branches of industry and crafts and in industrial management are extremely limited and outmoded. In Bangladesh, a lot remains to be done in this direction and practical education and limited training facilities are a handicap to industrial development.

Entrepreneurs, qualified managers and skilled personnel

153. Development implies a number of things such as (i) the introduction of a new good or of a new quality of a good; (ii) the introduction of a new method of production; (iii) the opening of a new market; (iv) the conquest of a new source or supply of raw materials or half-manufactured goods; and (v) the carrying out of the new organization of any industry, like the creation of a monopoly position or the breaking up of a monopoly position. In any society developed or developing, there are people who perform these important development

functions who are called the "entrepreneurs". They are the persons who may or may not be the suppliers of capital; they are the persons who take the initiative in industrial development by seeking out the profitable fields of investment in the country. They may be entrepreneurs in the classical sense in that they may also be the suppliers of capital, but in the modern sense; they are the salaried trained executives or managers taking important business decisions and breaking new ground for industrial opportunities. The role of this class of professional people, "the entrepreneurs", is relevant to any type of society, capitalist or socialist, industrially developed or undeveloped.

154. Bangladesh, which came into existence in 1971 as an independent country, had no industrial background before 1947 since which time it was a part of Pakistan as East Pakistan. The country was essentially agricultural, and between 1950 and 1971, there was some measure of industrialization in which public investment and state enterprise played a dominant role. Indigenous entrepreneurs were extremely limited in number, although during this period the supply of entrepreneurial management and skill had also been gradually increasing. But the events following the creation of Bangladesh in 1971 acted as a check to this trend. Private enterprise was mostly superseded by State enterprise and there were a few opportunities left for individual entrepreneurs. There are now changes in evidence in favour of an active role to be played by free enterprise in the industrial and commercial development of the country. In fact, there are now both a large public industrial enterprise sector as well as a sizeable private industrial enterprise sector in the economy of Bangladesh, in which the entrepreneurs in their roles as capitalists, promoters and business executives, have an important part to play.

155. In the present context of Bangladesh, what is important is to formulate measures and introduce programmes with a view to promoting the growth of entrepreneurship. These will include the introduction of (a) appropriate programmes for entrepreneurship development and (b) various incentive measures to induce the young and energetic entrepreneurs to set up industries in the desired areas of the country.

Qualified managers

156. There is undoubtedly a shortage of managerial skill in Bangladesh and, after liberation in 1971, qualified and experienced managers who were non-locals, but worked in various industrial establishments in Bangladesh, left

the country creating a virtual vacuum in management. The major industries which were all hastily nationalized were thus short of qualified, trained and experienced managers, accountants and industrial administrators. Many others were attracted to other countries because of much better salaries and conditions of work. The only solution of this problem lies in training an increasing number of people in management and administration, both within the country and outside. The availability of qualified managers still constitutes a real difficulty.

Skilled personnel

157. It is not true that only the entrepreneurs and qualified managers are important for industrial development. Personnel or key workers with the requisite training, skill, and practical experience are equally important for increasing industrial production and productivity which is low in Bangladesh. Unless skilled personnel are available, it will be difficult for Bangladesh industry to be competitive in productive efficiency. There should be a corps of key workers in every industry who must train labour on a regular basis. As the productivity of labour is low in Bangladesh industries, there is every case for adopting appropriate measures to improve their efficiency by increasing labour productivity.

Growth rates of other sectors, i.e. agriculture

158. Industry is only one sector of the economy and it is common knowledge that the growth of the different sectors of the economy are interrelated. The growth of one sector is linked with, or dependent upon, that of other sectors. This interrelationship is even closer between industry and agriculture. The development of industry provides a market for agriculture raw materials like cotton, jute, sugar cane, oil seeds, etc., and provides valuable inputs like fertilizers, pesticides, etc. It provides all the equipment needed by different transport industries. It provides the market for energy as well as the equipment needed by energy-producing industries. Thus the development of industry makes possible the all-round growth of the economy.

159. The development of agriculture and the generation of a surplus in agriculture are again fundamentally important for furthering industrial development. As shown earlier, agriculture is the occupation of 78 per cent of the total labour force; the vast majority of the people are therefore dependent on agriculture

for their livelihood; and about 52 per cent of the gross domestic product comes from agriculture. It is only the high level of demand backed up by the purchasing capacities or income generated in the agriculture sector that alone can sustain a high rate of industrial development by offering an adequate and regular demand for industrial goods. A part of the surplus generated in the agricultural sector should also flow into industrial investment needed for accelerated industrial growth. If, however, the agriculture sector is stagnant and if there is no substantial income generated here, the whole economy, particularly the industrial economy, also remains stagnant for lack of effective demand for the products of industry coming from the predominant agricultural sector. This has actually been the situation prevailing in Bangladesh for a number of years.

160. Deficiency in aggregate demand has been a bottleneck to industrial development and, consequently, there is a sizeable underutilization of capacity in several industries. The situation in this respect is likely to be worse if the pattern of industrialization has not conformed to the production of the basic needs commodities and services of the community, the demand for which is bound to be satisfied first. This fact emphasizes the need for Bangladesh to concentrate on production of the appropriate package or basket of goods and services catering to the requirements of the common people.

Excessive industrial concentration

161. The history of industrial development in Bangladesh dates from the establishment of Pakistan in 1947, since which time the country was a part of Pakistan as East Pakistan. In a way, therefore, Bangladesh shared a common experience with Pakistan in respect of industrial development. The remarkable industrial growth of Pakistan up to 1969-1970 was due to a successful combination of private initiative and Government intervention in support of industrialization. Economic incentives, capable and stable administration, favourable economic policies affecting the private sector, effective planning of public investment and enlarged capacities to import accounted for the remarkable industrial growth record of Pakistan, based mainly on the easy substitution of domestic manufactures for imported consumer goods.

162. Private initiative manifested itself first in response to the very high profit opportunities in the domestic production of cotton textiles, footwear, cigarettes and other consumer goods. The early entrepreneurs were attracted to

industry from a group that had hitherto produced few businessmen. Profits were large and a large fraction of these profits were reinvested not only in the expansion of consumer goods production, but later in metal working, building materials and machinery.

163. It is true that the early industrial enterprises were initiated by the public sector, when private investment was not available and was not forthcoming in any considerable quantities. But public investment in Pakistan has largely emphasized infrastructure, railways, road, port facilities, power plants and irrigation projects, partial benefits of which went to Bangladesh (then East Pakistan). Moreover, some early public sector plants were sold to private interests. Thus industrialization in both parts of Pakistan was a private enterprise affair.

164. But then the industrialization process and its mechanism led to excessive concentration of ownership in the hands of a few families and the situation was no different in this respect in Bangladesh (East Pakistan). Some 20 wealthy families or so controlled and owned the vast proportion of the industrial interests in Pakistan. The prices of domestic manufactured goods protected by high tariff walls were high and the consumers were hardest hit. The industrial establishments of Bangladesh were mostly owned by the non-local capitalists and entrepreneurs. There was thus a high degree of concentration of ownership, although it could not be quantified for lack of detailed regional statistics. A monopolistic or an oligopolistic situation was certainly created and it was not easy for outsiders to enter freely into the large-scale industrial sector. Competition was severely restricted and monopoly profits were earned by the manufacturers at the cost of the consumers. There was excessive industrial concentration in the ownership sense, but whether this facilitated or retarded industrial growth is a debatable matter. Some consider that this mechanism facilitated industrial growth.

165. Since 1973, however, there have been basic changes in industrial ownership and organization in Bangladesh. All major industries were nationalized and their ownership and management rested with the State, although more recently a number of steps was taken to stimulate private investment through the offer of monetary and fiscal incentives and the disinvestment policy of the present Government. Excessive concentration of private ownership in industry is no longer a problem. On the other hand, undue concentration of industrial ownership and management in the State has perhaps been a retarding factor in the growth of industry.

Size of productive units

166. Annual censuses of manufacturing industry in Bangladesh give some idea about the structure of manufacturing industry, although the information is not complete. The censuses do not cover factories employing less than ten workers as well as cottage industries. Moreover, there may be changes in the coverage in successive censuses. In Table 27, information is given from the provisional results of the 1971-1971 census. The table probably does not cover more than two-thirds of industrial output.

167. The importance of the jute textiles industry is overwhelming both as a source of employment and value added in 1970-1971, as is apparent from Table 27. It is responsible for about half the total fixed capital invested in industry and for about the same proportion of employment, although it produces only one-third of the value added. Next to jute manufacturing, cotton manufacture is important in terms of employment and value added. Chemical manufacturing is already comparatively well represented in Bangladesh, other industries such as paper, cement, food, sugar, metal products, etc., are also prominent.

168. In Table 27, information is given on the number of establishments in manufacturing industries, fixed assets, employment and value added. On the basis of the information in Table 27, the fixed assets per employee, the fixed assets per establishment, the number of employees per establishment and the value added per worker are shown in Table 28. From Table 28, it is evident that the production of petroleum, paper and basic metals is very capital-intensive. In a good number of industries, namely, electrical products, cotton textiles, jute textiles, tobacco, beverages and food, fixed assets per employee vary between Taka 8,000.00 and Taka 11,000.00. Fixed assets per employee in the rest of the sectors are below Taka 5,000.00.

169. As regards the average size of an establishment as measured by the number of employees, it is highest in the jute manufacturing industry with 2,206 employees. The only petroleum factory employs 400 workers. The establishments in tobacco, in cotton textiles, and food employ, on average, more than 100 workers. In the rest of the sectors, the establishments employ much fewer than 100 workers each. In Bangladesh, undoubtedly, the small industrial establishments predominate. The table also gives useful information on fixed assets per establishment as well as on value added per employee, in the different sectors of industry.

Size of domestic market

170. Adam Smith said as far back as 1776 that the division of labour which increases industrial production "is limited by the extent of the market". Although Bangladesh is geographically small, the country is inhabited by some 80 million people who themselves constitute a big market. The large size of population offers a large demand for a variety of commodities and services, some of which could be produced on a large scale with all the economies of such production. In fact, however, the picture is different. The people of Bangladesh are generally poor. Some 60 per cent of the people are below the poverty line; the per capita income is very low; the per capita consumption on food, clothing, etc., is low; and the per capita expenditures on medical care, education and sanitation are also very low, judged by all standards. The result of this underdevelopment and the low level of living is that the level of effective demand of the people for goods and services arising from the higher purchasing power or income is limited. In this sense, the size of domestic market in Bangladesh is limited and this limited market is a constraint on industrial development and expansion. In fact, in Bangladesh the demand for many things goes unsatisfied as the people do not have enough money income to buy them. Underutilization of capacity in many existing industries also arises from the insufficiency of demand or the low income of the vast majority of the people. Industrial growth will be facilitated if a high growth rate could be achieved, particularly in the agricultural sector and high incomes generated in that sector on which the vast majority of the people depend.

Income distribution

171. Statistical information on income distribution in Bangladesh is extremely scarce. A World Bank report states that in 1969, the highest quintile, that is the top one-fifth of the population, owned 40 per cent, whereas the lowest quintile of one-fifth of the population owned only 9 per cent of the national income. This implies that the other 60 per cent of the population owned 51 per cent of the national income. Another source shows that in Pakistan including Bangladesh (in 1969-1970), the percentage of income received by the top 5 per cent of households was 18 and the percentage of population with an income of below US \$50 per annum was 32.5 per cent.^{1/} All this evidence is a factual

^{1/} United Nations, Economic and Social Survey of Asia and the Pacific, Bangkok, 1977, page 59, Table 32.

demonstration of the existence of considerable inequalities in the distribution of national income among the different income groups in the country.

172. Further, in the Bangladesh rural setting, inequality is mainly a question of land ownership. About 60 per cent of Bangladesh's rural population live below the minimum subsistence level. The majority of the farmers are small and medium farmers. The number of landless labourers is estimated to be around 30 per cent of the total. Only 10 per cent are surplus farmers. Sixty-six per cent of the total farm families fall within the range of 0.50 to 2.50 acres of land and own 24 per cent of the total cultivable land. Twenty-nine per cent of the farm families which can be termed as medium-scale farmers own parcels of land varying from 2.50 to 7.50 acres and own 53 per cent of the total cultivable area. The rest, 4 per cent, of the farm families owning 24 per cent of the total land are considered to be big farmers. The pattern of unequal distribution of land ownership has significantly contributed to the existing poverty of an acute nature in Bangladesh.

173. The poverty of the people arising from an unequal distribution of income has served as a bottleneck to industrial development because their demand for industrial goods and services due to their low income is very meagre. They have no saving margin and can, therefore, make no contribution also to capital formation in industry.

VII. REVIEW OF PROSPECTS AND POTENTIAL FOR INDUSTRIAL DEVELOPMENT

Raw material endowment

174. The production of some important crops in Bangladesh like jute, sugar cane and tobacco contributed to her industrial development in the initial stages. Other crops include potatoes, pulses, fruits and vegetables. The output of the principal crops per acre which is at present very low can be substantially increased by the application of more efficient methods of production and can be utilized for further industrial development in the traditional fields or may be exported. There is still scope for industrial expansion in the traditional fields based on local raw materials except the major industry, namely, the jute manufacturing industry which is not a growth industry, looking at it from the international market point of view. Other domestic resources available for industrial purposes are fish, leather, timber, gas, clay, limestone and livestock products. The domestic industrial resources base of Bangladesh is rather narrow and this sets a limit to her industrial growth. In spite of this limitation, there are prospects and potential for industrial development in certain fields which the country needs to exploit.

175. The fields for industrial expansion in the future lie in a number of directions. First, the cotton textile sector may be a natural line for further development. This is an import substitution sector at present based on imported raw materials. In the future the imported raw materials may partially be replaced by locally produced synthetics such as rayon, P.A.C.N., and even polyester. In view of a large unsatisfied demand, it may be possible to exploit economies of scale and also to disperse production units geographically. Secondly, besides jute, the development of industries with export possibilities lies in leather or finished leather, fish or processed fish, and tea. Thirdly, the major industrial resource of Bangladesh is natural gas which has not yet been fully exploited. There is a possibility of expanding fertilizer capacity together with the production of P.V.C. and synthetic fibres. The magnitude of the investment in this field will be justified for two reasons: (i) the project will reduce import dependence; and (ii) it will make possible the setting up of many small labour-intensive units in a dispersed manner. Employment creation will be facilitated and the small-scale industries sector will benefit. The industrial sector based on natural gas should be the leading or prime-mover industrial sector in Bangladesh. Fourthly, the prospects and potential for the growth of

the engineering industries in Bangladesh are very promising. Linkage effects create demand for spares and components, or for agricultural tools and irrigation equipment, or for components for the transport industry or for electrical accessories or equipment. The demands are sizeable, but investment and skill in this field are necessary for success. Fifthly, the existing steel enterprise must be reorganized and made efficient, because steel is a basic material for construction and manufacture. Steel must therefore be available at reasonable prices. At the moment the only steel enterprise in the country is very inefficient. Sixthly, there are industries which can be developed further; the paper industry can be expanded by using such raw materials as bagasse from the sugar mills, straw from rice and jute sticks; the cement industry can be expanded by using domestic limestone partially; and the food industries such as producing coarse sugar, rice-processing, the production of edible oils and the preservation of fruits, fish and vegetables have a promising future, as population further increases. Further the pharmaceutical industry has a promising future. Thus far this industry has grown as a tableting and phialing activity not concerned with basic manufacture. The foreign partners have made only a marginal investment to protect their markets and have made high profits, but have not taken to the production of the basic ingredients. Bangladesh has a big actual and potential market for the pharmaceutical products and should manufacture the essential basic drugs for the most common diseases and sell these by generic rather than trade name.

Small industry

176. Furthermore, the small industry sector must be looked upon as an important sector. Small industrial units should be set up in whatever field these are economically viable, commercially profitable, financially sound and technically feasible. Small industries have their protected markets and can sell low-cost, low-quality goods. The small industry sector can also exist side by side with the modern large-scale manufacturing sector, by modernizing the production of traditional products, and ensuring quality control. It can initiate and stimulate modern industrial development. Certain areas for small-scale industries lie in handloom production, metal working and metal products, ceramics, cane and bamboo products.

Energy potential

177. Energy as part of a nation's economic infrastructure is of paramount importance in the economic development of a country. As for industries, some are energy-intensive and some are not; but no industry can be developed without energy or power. Due to the recent crisis, energy has become very costly also. The high cost of energy has been a world phenomenon and Bangladesh industry has been badly affected by the crisis. It depends on hydro-power and gas from domestic sources and imported oil, as a source of energy. The country has no coal. Searches for oil - surveys and drilling - have been carried out both on land and in the Bay of Bengal, but no tangible results have yet been found about the oil potential. The sources of energy are at present strictly limited. The figures below show the physical performances of the energy sector during the Plan, 1973-1978, which are far behind the target set, in every respect, except the number of villages electrified in which case also the development has been unbalanced because there was a substantial shortfall in the number of pumps electrified.

Physical performance during the Plan
(1975-1978)

Item	FFYP target	FFYP achievement (up to March 1977)	Percentage of target achieved
Generation capacity (MW)	451	223.75	50
Transmission line (miles)	563	314	56
33 KV lines (miles)	1,888	1,081	57
Distribution line (miles)	10,622	2,594	24
Thana electrified (number)	293	158	51
Village electrified (number)	1,000	1,056	106
Pumps electrified (number)	20,250	1,214	12

Source: The Two-Year Approach Plan.

Qualified manpower

178. In Bangladesh there is no dearth of ordinary manpower, but there is certainly a dearth of qualified manpower which implies persons with higher levels of education and training available to work in industry. The country is short of skilled manpower and this shortage is made worse by the "brain drain", i.e. by the migration of trained personnel to other developing and developed countries, and by the inefficient use of skilled workers within the country.

179. There are four stages in generating industrial skills: (i) suitable elementary education aimed at furthering pupils' versatility and adaptability; (ii) secondary education that includes some broadly-based vocational subjects; (iii) initial job training in close co-operation with the employers; and (iv) up-grade refresher courses and retraining schemes which are also the responsibility of industry. Alternatively, industrial personnel falls under three categories for training purposes: lower-level, middle-level and higher-level. Lower-level personnel may be trained at vocational schools, vocational training centres or by the industrial enterprises themselves. On-the-job training in this respect seems to be the most efficient method. Middle-level personnel may be trained in technical institutes and under within-industry training programmes. The training of higher-level personnel in engineering and technological skills also leaves much to be desired and additional practical training is required. Higher administrative and managerial staff should be trained in management development centres. In addition, there should be special courses for industrial development administrators who are responsible for the administration of Government policies. In Bangladesh, the number of vocational schools and the opportunities for training in skill and management development are very limited and as such there are shortages of people with high levels of education and skill needed by industry. The situation in those respects could be improved by increasing industrial training facilities for an increasing number of young people with basic general education. The present scarcity of qualified manpower for industry in Bangladesh is, therefore, not a permanent handicap.

Import substitution potential

180. The whole history of industrial development in Bangladesh so far has been one of import substitution, i.e. some of the goods previously imported from abroad are now produced domestically to feed the home market. This is the case with most

industrial products such as cotton textiles, sugar, matches, drugs, soap, paper, footwear, fertilizers, etc. The only major export industry that grew up on the basis of domestic raw materials is the jute manufacturing industry the finished products of which, together with raw jute, account for most of the total foreign exchange earnings of Bangladesh. Unlike many other developing countries, however, Bangladesh could not go very far in respect of import substitution, i.e. to the extent of making itself self-sufficient in some products and producing surpluses in some others. This is partly due to the fact that the country is short of raw materials and other industrial materials and capital goods which need to be imported too, to further the development of even established industries. Foreign exchange resources are very scarce.

181. Further import substitution must proceed, in a less developing and poor country like Bangladesh, in terms of the production of the basic needs of life of the majority of the people and the availability of the still unutilized domestic raw materials. The basket of goods and services needed by the vast majority of the people may be determined by their requirements arising from food, clothing, shelter, minimum education, medical treatment and care including the needs for population control or family planning. The relevant industries that can be mentioned in this context include different types of food processing, yarn and artificial fibres production, ordinary plastic products, cement, pre-fabricated construction materials, roofing materials and other building materials, electrical goods, parts and components, drugs, and contraceptive products for birth control on a national scale. Further the country has to be made self-sufficient in food and as such all industries needed for an intensive production of food from agriculture such as all agricultural inputs such as fertilizer, seeds, pesticides, irrigation, and farm tools and implements and irrigation machinery, both ordinary and mechanized, must be given the highest priority. A third area of industrial activities emerges from the need to build up or develop infrastructural facilities of a varied type such as the supply of water in the rural areas, the construction of feeder roads on a durable basis, the supply of transport vehicles, the electrification of the rural areas, the setting up of training schools or centres for practical work, the construction of market centres, the setting up of small industrial estates for the location of small-scale industries, etc. The industries for the manufacture of water pumps, road construction machines, transport vehicles, electrical goods and parts and components, building materials, etc., are quite in order in this context and these have further import substitution potential.

Linkage potentials within the manufacturing sector and with other sectors, i.e. agriculture, construction

182. Inter-sectoral linkages have been referred to in Chapter II. In the absence of input-output statistics for Bangladesh, the direction of future industrial development on the basis of possible linkages may be indicated. The country has about 74 modern jute manufacturing factories. The jute industry offers a demand for parts and components and machinery, but the growth of the industry has not led to a jute machinery industry on any scale. Even with imported raw materials and local skill, Bangladesh has the prospect of developing a jute textile machinery industry. For the same reason, it should develop cotton textile machinery, parts and components. The same argument may be applicable to other cases. The developed industries should lead to the growth of related industrial activities supplying the former with simple machines, parts, components and tools.

183. Secondly, Bangladesh has a known reserve of 9 trillion cubic feet of natural gas which contains 98 per cent or more of methane. This is a major industrial resource of the country on the basis of which other possible industries should be developed. At present, natural gas is used to produce urea, to help to generate electricity and to substitute for other fuels in industries and households. There has been a long standing proposal to set up an industrial chemical complex in Bangladesh. Three main products, namely urea, fibres, and P.V.C. are desirable and in the future the demand for them from various sources will increase. The complex will produce by-products such as bleaching powder, caustic soda and soda ash, methanol, acetone, formalin and other allied products for which a country with a large population like Bangladesh will offer adequate demands. There is a potential for large firms in industrial complexes, for example, petrochemicals, plastics and synthetics.

184. Thirdly, the engineering industries have a promising future in Bangladesh and there are already some units in this sector. These will produce agricultural machinery and machine tools for industrial workshops and are linked with the power sector through the production of electrical equipment and accessories. They will produce spare parts and components for textile machinery and for the transport industry. They will also produce precision products like clocks, typewriters, calculating machines and the like. There are already shipbuilding and repairing facilities. These yards may eventually produce craft and boats if inputs are made available to them.

185. Fourthly, industries supplying inputs to agriculture have a great potential because agricultural production particularly food grains must be increased and as there is no scope for expansion of cultivable land, the emphasis must be on intensive cultivation through the application of improved inputs like fertilizer, pesticides, irrigation, seeds, credit facilities, etc. Agricultural inputs including agricultural implements such as pumps and pipes for irrigation, tools, tillers, sprayers, ploughs, burrows, simple hand-tools, non-motorized transport equipment, machinery repairing services, etc., are expanding areas for new industrial opportunities. Existing industries providing these inputs are very limited.

186. Fifthly, the linkage potential between the large industrial sector and the small industrial sector may be substantial. The supply of a basic raw material, for instance, yarn or steel, produced on a large scale, could create production and employment in many small units geographically scattered over the country. Certain industrial tasks, that is, the production of particular industrial products required by a number of large enterprises may be subcontracted to particular firms which can produce them more efficiently. Thus the interdependence between large and small firms is more than real. The linkages between agriculture and industry, for instance, are considerable and can surely be strengthened and increased. To demonstrate this, agricultural inputs supplies by industry and industrial materials by agriculture need to be identified and shown in an input-output table. Approximate intersectoral purchases should also be quantified. The extent to which they are locally produced and imported can be shown. Again, construction inputs like cement, etc., are supplied by industry and construction of different types offer a demand for all types of industrial goods. The interrelationship between the two sectors is obvious.

Location of country in relation to markets in industrialized countries

187. Transport relations of a country with the rest of the world in respect of both the import of required raw materials such as inputs for its industry as well as the export of finished products to other countries of the world constitute an important industrial advantage. It is, in fact, not the distance of a country from other countries, but the transport relations with them, i.e. the ease or facility and cheapness with which transport and communications can be carried on that matter. For instance, in the earlier years of its industrialization, Japan, by virtue of its convenient insular position, was able to import raw materials and machinery for its industries by relatively cheap sea transport

from its suppliers and could similarly export finished products to other countries of the world. She had and still has an important advantage in transport relations or cost. The city state of Singapore is another example in point.

188. Bangladesh, through its ports of Chittagong and Khulna, has easy access by sea to countries of the Middle East and South East Asia and to other South Asian countries, namely India, Ceylon and Pakistan. It imports fuel from the Middle East countries and machinery from Japan and machinery and some raw materials and finished products from India, two industrialized countries. Bangladesh sends its main exports, raw jute and manufactured jute products, by sea to industrialized countries of the west, including the United States and tea to Pakistan and other countries.

189. Bangladesh is not badly located as far as sea transport is concerned, in relation to markets in industrialized countries. The question, however, is what industrial products the country can possibly produce, which will have a market in industrialized countries. For instance, the processing of prawns exported to the United States is being done. One possible field lies in the processing of crab meat, frog legs and eels. Another possibility lies in developing some labour-intensive (labour being relatively cheap) industries producing ready-made garments and apparel and assembly-type electrical goods and electronics, provided that foreign participation in the form of investment and training is available. Irrespective of the location of Bangladesh in relation to markets in industrialized countries, the country is well-located in relation to the markets of South Asia, South East Asia and the Middle East.

Industrial climate and living conditions to attract foreign investment

190. Any developing or developed country which needs, and wants to attract foreign capital to accelerate the pace of its industrial development must make systematic efforts to improve or better conditions constituting what may be called the industrial climate. The creation or improvement of the industrial climate favouring foreign investment depends on conditions such as (i) the attitudes and policies of government towards private business, foreign capital and personnel and industrial problems in general; (ii) taxation, including rates, exemptions and procedures; (iii) import and tariff policies such as protection for new industries, import duty relief on capital goods and materials; (iv) foreign exchange controls affecting imports and repatriation of capital and

earnings; (v) immigration rules affecting the inflow of skilled personnel; (vi) the availability of domestic finance and its cost as well as the availability of labour and skills and their costs and laws affecting employment of labour and the attitude of labour itself; (vii) the infrastructure of power, fuel, transport, water and communication facilities and their pricing; (viii) the availability of plant sites and their cost; and (ix) the availability of services needed by industry.

191. In Bangladesh, the latest Government policy concerning foreign investment as described in Chapter V, continues to be one of welcoming foreign investment for both public and private industry on mutually advantageous terms and appropriate action covering most of the conditions mentioned in the earlier paragraph has been taken by the Government. Foreign investment is acceptable to Bangladesh on reasonable terms and conditions in all civilian industries and the Government has taken steps to promote and facilitate such investment through advisory services and publicity measures.

192. The living conditions of a country should also be satisfactory enough so as to attract foreign investors and technical personnel. Housing and other modern facilities should be available for the personnel and their families. The climate of a place is also considered to be an important factor. Housing and other modern facilities for living are available in Bangladesh where the climate is also agreeable.

VIII. REGIONAL, SUB-REGIONAL AND BILATERAL CO-OPERATION
AGREEMENTS RELATED TO INDUSTRIAL DEVELOPMENT

Regional or sub-regional industrial programming

193. There is no element of regional or sub-regional co-operation in the industrial planning and programming of Bangladesh as it is not a member of any group of countries like ASEAN or RCD. The latest industrial development policy of the Government of Bangladesh refers only to the setting up of joint industrial ventures which implies only bilateral co-operation between itself and any other country or countries willing to set up joint industrial ventures. Such bilateral co-operation takes the form of an agreement between a local company and a foreign company on the terms and conditions according to which such a joint venture will be set up and run in the interest of both parties concerned.

194. It may be recalled that in Bangladesh all the major industries were nationalized in 1971-1972. They all became public sector enterprises and in this sector there is no such scheme for which Bangladesh has entered into any form of co-operation with any developing country of Asia. In the private sector, however, the following two projects were permitted for promotion in collaboration with the countries of Asia.

Name and address of the project	Location	Sector	Country of foreign investment	Investment (Taka in Lacs)		
				Internal	External	Total
M/S A.K. Khan and Company, Ltd. Batali, Hill, Chittagong	Batali Hill	Catching and processing of fish	Japan	20.00	58.00	78.00
M/S Hôsaf Fishing Company, (Pvt.) Ltd.	Cittagong	Catching and processing of fish	Korea	50.00	127.50	177.50

195. There are some projects operated jointly between Bangladesh and developed countries, More information on this will have to be collected. Bangladesh has, however, participated in regional or sub-regional co-operation relevant to industrial development in certain ways, such as, in the setting up of the Regional Centre for Technology Transfer, the Regional Network for Agricultural Machinery, the formulation of industrial strategies and policies, etc.

196. Bangladesh is a member of the British Commonwealth of Nations and as such is entitled to certain commercial advantages in relation to some of these countries. It is likely that a Commonwealth Regional Centre for Rural Technology will be set up in Dacca as a co-operative project.

Special trade agreement for export of manufactured goods

197. The technique of selective trade liberalization plays an important role in promoting regional co-operation. ESCAP has succeeded in bringing together a number of countries of the region, which have agreed to embark on a programme of trade liberalization in selected goods. This agreement is known as the Bangkok Agreement. Bangladesh is a signatory to the Agreement. Other signatories to the Agreement are India, Lao People's Democratic Republic, the Philippines, the Republic of Korea, Sri Lanka and Thailand.

198. In terms of this Agreement, each participating State shall apply such tariff and non-tariff concessions in favour of the goods originating in all other participating States as are set out in its respective national lists of concessions. These national lists of concessions may be of help in the identification of industrial subsectors or products where joint industrial projects on a subregional basis may be feasible and fruitful. The list of concessions of Bangladesh is given in Table 29.

IX. REVIEW OF THE PARTICIPATION OF THE PUBLIC SECTOR, DOMESTIC PRIVATE SECTOR AND MULTINATIONAL IN INDUSTRIAL DEVELOPMENT

Ownership pattern - Public Sector and Private Sector

199. To understand the present pattern of industrial ownership and organization in Bangladesh, it is necessary to refer to a few factors responsible for the industrial development of Bangladesh between 1947 and 1970 (then East Pakistan). As Bangladesh had little background of modern industrialism, there was hardly a class of local entrepreneurs available to take the initiative in industrial development and as such the part played by this non-local entrepreneurs and certain institutions was very important. In the initial years of industrialization, entrepreneurship came mainly from among the non-locals who migrated from India, with considerable resources in terms of finances and experience. The institution which pioneered the development of manufacturing industries in association with private enterprise, was the Pakistan Industrial Development Corporation (later known as the East Pakistan Industrial Development Corporation and still later as the Bangladesh Industrial Development Corporation). Many of the jute mills were set up in association with PIDC/EPIDC/BIDC. Almost all sugar and paper mills were built by PIDC/EPIDC/BIDC and the same applied to the setting up of fertilizer and cement factories. Private enterprise was dominant in cotton, in other textile, in leather, tobacco, pharmaceuticals, in other chemicals, in tea, food and beverages. Heavy industries such as the steel mill and shipbuilding were in the public sector, whereas light engineering and electric accessories were in the private sector.

200. In the process of industrialization, the so-called non-locals played a dominant role as owners, entrepreneurs, managers and technicians. They not only provided capital and entrepreneurship but also valuable managerial and administrative skill. In many cases they provided the skilled workers and, in certain cases, unskilled labour as well. It was only during the later stages of the EPIDC-sponsored enterprises that the local managerial class was growing under the supervision of the public sector. This situation was clearly demonstrated by the large number of abandoned industrial units taken over by the Bangladesh Government when their owners had left the country with the termination of the civil war in 1971.

201. The Pakistan Industrial Development Corporation served as a catalyst and facilitated the growth of large scale industrial enterprises

by participating in industrial development jointly with private enterprise. Public sector ownership was restricted to the few units in the heavy engineering and chemical industries, in the paper, cement and steel industries and to the sugar industry where the public sector had a virtual monopoly. After having successfully promoted the industrial units, the Corporation intended to disinvest some of these on the accepted principle of a mixed economy in which the public sector was to supplement and not to supplant the private sector.

202. The Pakistan Industrial Development Corporation was later bifurcated into West Pakistan Industrial Development Corporation and East Pakistan Industrial Development Corporation later known as Bangladesh Industrial Development Corporation after the establishment of Bangladesh in 1971. While the Corporation was the major institution participating in and stimulating the industrialization of the country, there were other institutions rendering supporting facilities or services to industries, both private and public, in their respective areas. Some of these institutions later were initially set up like the Corporation on an all-Pakistan basis, but were later bifurcated into two, one to serve each wing of Pakistan.

203. The National Planning Commission was responsible for the preparation and co-ordination of the industrial plan as part of the overall plan for the country. The Ministry of Industry was responsible for the formulation of the overall industrial policy and its implementation in detail through the various agencies and organs of the ministry. Industry was supported by many institutions.

204. The whole industrial system operated in a framework of mixed economy in which the private sector played the dominant role and the public sector was restricted to the traditional and a few selected areas and was designed to facilitate the working of the private sector by developing infrastructures and acting as a catalyst and promoter in the field of manufacturing industry.

Changes brought about after the emergence of Bangladesh

205. With the emergence of Bangladesh in 1971 as a separate status, the new government changed the whole framework of industrial ownership and policy. All industrial units owned by the non-locals were taken over by

the government as abandoned units. All units in the jute, textile and sugar sectors were nationalized. Sectoral corporations were established for jute, textiles, sugar, engineering and shipbuilding, steel, paper and board, chemicals, fertilizers and pharmaceuticals, food and allied products, gas, oil and minerals and tanneries in addition to a fisheries, forest products and small industries corporation. A cottage industries corporation was set up. Nearly 250 enterprises with 89 per cent of all industrial fixed assets were brought under public ownership. This action was part of the government's policy to create socialism which was one of the objectives of the state policy under the constitution, which was to allow private property within limits and co-operative ownership within the legal framework of the country. The industrial policy of the government accordingly aimed to encourage the private sector within small limits set in terms of fixed assets for any single unit of enterprise. It allowed foreign private investment as a minority shareholder in association with a public corporation. The investment and promotional activities of the government were restricted to the small-scale industries sector.

206. The Bangladesh Industrial Development Corporation was allowed to disintegrate and, by a Presidential Order in 1972, the sector corporations were set up. Thus the public sector in Bangladesh came to own or control a very large number of enterprises. In early 1973, some 620 enterprises with assets valued at Takas 3,774 million were under state ownership or control. The distribution of these enterprises is shown as follows:

	<u>Number of enterprises</u>	<u>Value of fixed assets (Taka in million)</u>
A. CORPORATIONS		
1. Bangladesh Jute Mill (BJMC)	76	1,784.00 (for 73 units)
2. Bangladesh Textile Mill (BTMC)	52	391.70 (for 45 units)
3. Bangladesh Sugar Mill (BSMC)	15	235.30
4. Bangladesh Steel (BSC)	8	473.74
5. Bangladesh Engineering and Shipbuilding (BESC)	17	26.48 (for 7 units)
6. Bangladesh Fertilisers, Chemicals and Pharma- ceuticals (BFCPC)	9	56.64
7. Bangladesh Food and Allied Product (BFAPC)	16	38.56
8. Bangladesh Paper & Board (BPBC)	10	489.60
9. Bangladesh Oil, Gas and Minerals (BOGMC)	6	28.30 (for 5 units)
10. Bangladesh Forest Industries (BFIC)	6	35.00
11. Bangladesh Tanneries (BTC)	30	10.00
B. FOUNDATIONS		
1. Sena Kalyan Samitha	20	22.40
2. Freedom Fighters Foundation	15	11.30
C. DISINVESTMENT BOARD		
	<u>340</u>	<u>170.00 (approx.)</u>
D. TOTAL		
	<u><u>620</u></u>	<u><u>3,773.92</u></u>

Source: E.A.C. Robinson and Keith Griffin: The Economic Development of Bangladesh within a Socialist Framework, (1973), page ...

Transformation of a predominant private enterprise industrial economy to a predominant public enterprise economy

27. The change mentioned above meant the transformation of a predominantly private enterprise industrial economy to an almost complete public

enterprise economy with all its attendant complexities and problems concerning the operation and management of the public corporations as well as of the enterprises themselves.

208. Ten sector corporations were created and the government brought nearly 250 enterprises with 89 per cent of all industrial fixed assets under public ownership. With the creation of such an enlarged public sector in industry, the need for working out an institutional framework which could guarantee efficient management became paramount in policy planning. The Bangladesh Industrial Development Corporation was replaced by the new sector corporations.

209. The corporation thus became the focal point of management in the nationalised sector, but the relations between the various tiers responsible for the nationalised sector remained undefined. The enterprises were originally conceived to be the primary base for the public sector. They were to be left free to manage their operations on a commercial basis, with a view to attaining their commercial viability through freedom to buy, sell, hire and raise funds from the state-owned banking system. The chief executive of the enterprise would be responsible to the corporation which retained the authority to appoint him. The corporation was thus to act as a supervisory organisation, to evaluate the performance of the enterprises, co-ordinate personnel, finances and commercial policies where necessary and to deal with specific problems which were beyond the capacity of the individual enterprise. The corporation was in turn to be responsible to the government for the efficient performance of the enterprises under it. The immediate problem became one of defining the relations as between corporation and government. The chairman of the corporations were to be directly responsible to the Minister for Industries and would in effect function as his secretariat in all matters pertaining to their respective industries. The Minister was to be served by a small secretariat of his own in the Ministry of Industries, to be known as the Nationalized Industries Division (NID), under a secretary. This was to be staffed by a small body of professionals designed to provide specific technical assistance to the Minister in dealing with the corporations' diverse problems.

210. The guiding principle was to be to free corporations from the interference of the bureaucracy. The principle of accountability on which

the system was to rest demanded this freedom of action for the chairman. In order to get people who were worthy of this responsibility and could fit into the concept of a commercially-oriented public sector, it was aimed to recruit professionally competent executives with a background of commercial and managerial experience.

211. Another idea was to involve workers in the affairs of the nationalized sector in an effort to improve relations between labour and management. Elected representatives of the workers would sit on the management boards of all enterprise and workers would participate equally in the factory workers' committees and would get a share in the profits to ensure the smooth performance of the enterprises.

Problems faced

212. While these were the principles to be formulated to guide public corporations and enterprises, in practice, they were faced with many problems. Although, the sector corporations were set up and the principles on which these should be organized were engaging the attention of the responsible quarters, the nationalized sector was faced with a number of difficulties. First, in spite of the fact that some corporation chairman and directors with outstanding professional, administrative and managerial abilities were appointed, there was a general shortages of trained managerial personnel at the enterprise level. A vacuum was created in the field of entrepreneurship and management by the departure of the non-locals. The biggest problems in this respect has been faced in the abandoned units.

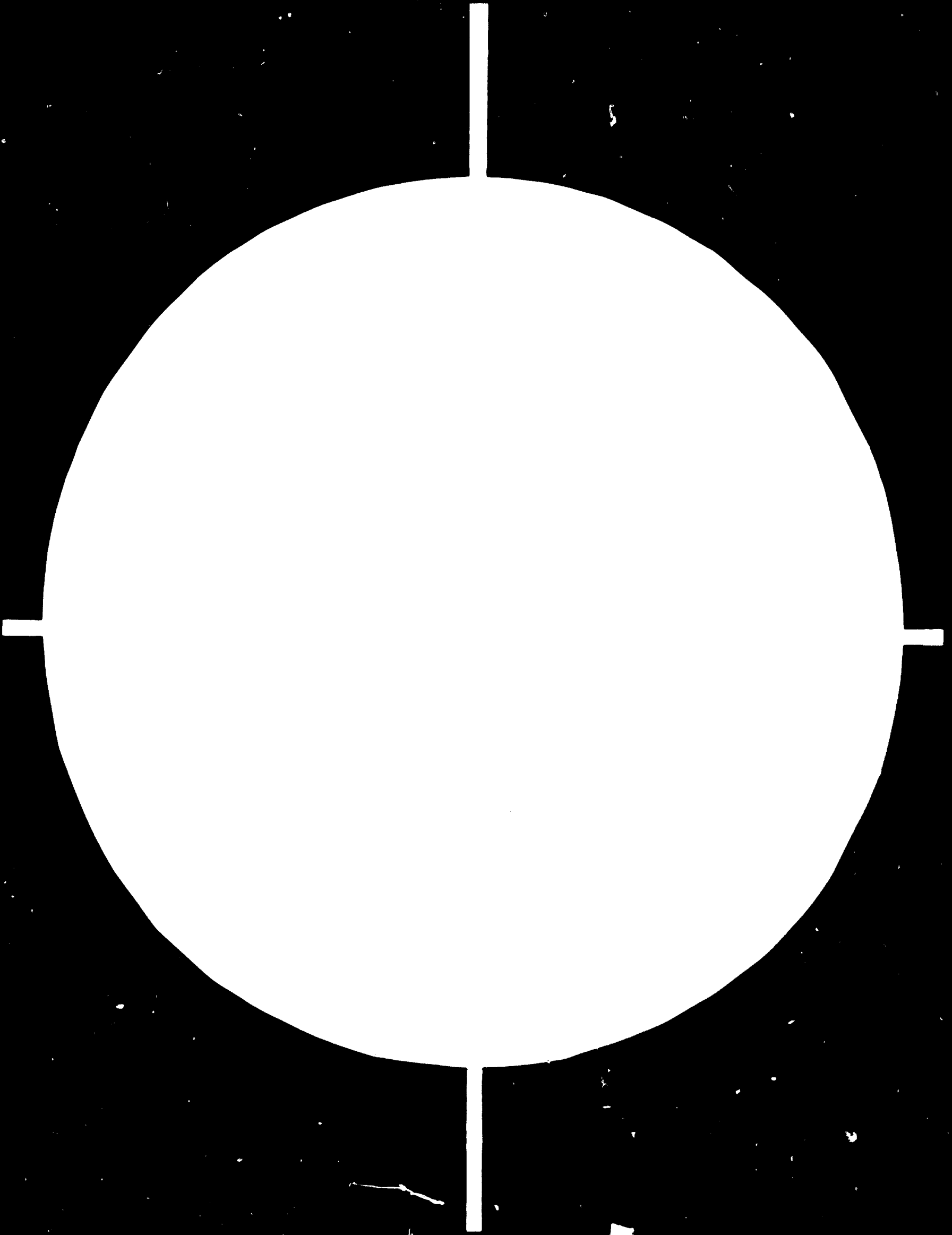
213. Secondly, while the problem of trained manpower scarcities persisted, no income policy for the nationalized sector emerged, although the original intention of giving both workers and managers a stake in performance existed. No effective incentive system had been worked out. Nationalized industries were faced with persistent scarcity of spare parts and raw materials, very low inventories, lack of foreign exchange and consequent delay in the issue of import licences, inadequacies in transport, power, banking and finance. All these factors created production problems.

214. Thirdly, all enterprises have been chronically plagued with labour unrest in the form of workers' demand to extract large sums either as ad hoc benefits or in terms of higher wages and benefits. Increase in

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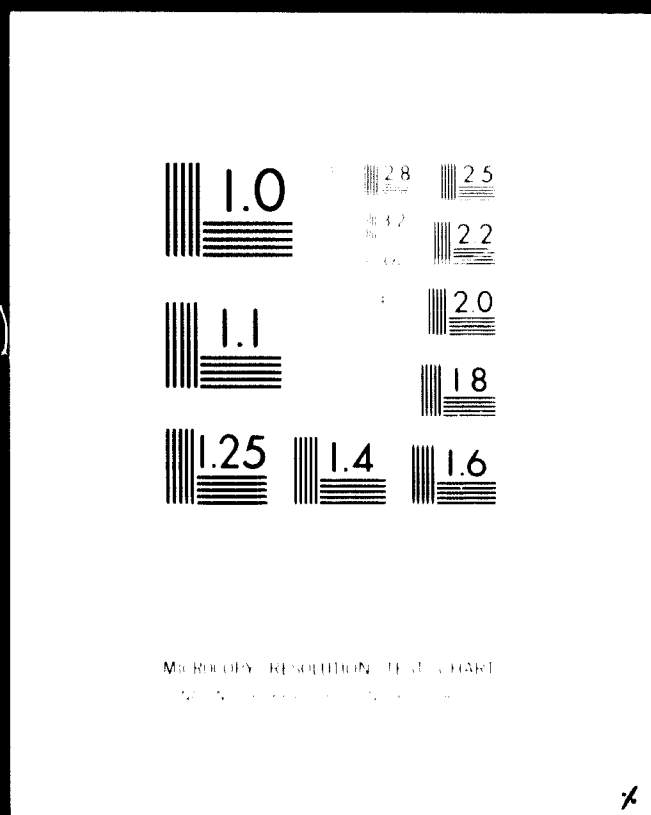


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workers' indiscipline and their consequent reduced efficiency had affected the enterprises very unfavourably. Such indiscipline had perhaps its roots in the acute economic crisis that developed in Bangladesh in the post-liberation period. Further no well-defined labour policy existed in the country.

215. Fourthly, although the sector corporations were formed and the public sector was so substantially enlarged no guidelines defining the relations between the various tiers of the nationalized sector and the operation of the corporations and the public enterprises were formulated. The administration and management of the corporations and of the public enterprises were not placed on a sound footing. Lastly, the pricing problem plagued the nationalized industries. Fixation of prices should have been made the responsibilities of the corporations and the enterprises. They would have been guided by the market and profits considerations. But the prices of many products were centrally determined by the government and kept below cost to the enterprises which were forced to incur heavy losses.

216. The efficient performance of the large public sector in Bangladesh is of crucial importance but a lot remains to be done in this field by adopting appropriate measures to deal with the problems of the nationalized industries pointed out above. The nationalized industries have been beset with many difficulties, although their performance as often judged by their present performance in the production field as compared with the 1969-70 position, has not been altogether discouraging. What is, however, valid is not only the comparison of their performance with the 1969-70 situation, but also the paramount need for their increasing contribution to the Bangladesh economy in the post-liberation years and also for their establishment on a sound administrative, economic and financial basis.

217. All large scale industrial enterprises were nationalized and the sector corporations were set up. The ceiling for a private sector enterprise was restricted to an investment below Takas 2.5 million. The sphere of private ownership and management in industry was thus strictly limited although the present Government has again widened the scope for private enterprise in industry. This subject has already been discussed in Chapter V.

Participation of multinationals in industrial development

218. The participation of the multinationals in the industrial development of the country is very limited. There are a number of multinational corporations operating their branches in Bangladesh, namely, Lever Brothers Ltd. (in soap and chemicals), Imperial Chemical Industries (in chemicals and drugs), Shell and Esso Groups (in petrochemicals). They usually run their local branches based mainly on raw materials and know-how obtained from their parent factories and sell their products in the local market.

Regional distribution of industry by ownership (public and private)

219. The regional distribution of investment has an important effect on the dispersal of income and employment and as such a major objective of the industrial development policy of the Government has been the geographical dispersal of industrial units both public and private.

220. The Bangladesh industries have shown a marked tendency towards geographical concentration and thus demonstrated differential industrial growth rates among the various areas of the country. The distribution of industry is governed by a variety of considerations such as availability of factory sites or premises, availability of labour both skilled and unskilled, easy access to raw materials and markets for finished products, nearness to port, nearness to headquarters, the availability of power and other fuels such as coal, oil or gas, the supply of water, living conditions and climate, access to government decision-making authorities and relationship to the entire system of linkages between a given industrial enterprise and other industries and location of physical infrastructure. Besides all these economic considerations, social and political factors play a part in the determination of the location of industrial enterprises, particularly that of public industrial enterprises. Furthermore, Government policy plays an important part and Bangladesh like many other countries intervenes in the location of industrial units, private or public.

221. The pattern of the geographical distribution of industry in Bangladesh is as follows:

- (1) The district of Dacca is the leading industrial centre of Bangladesh with large industrial complexes at Narayanganj, Daura, Tongi, Joydevpur, Ghorasal and

Narsingdi. Although cotton textiles show a wide dispersal not for manufacturing units but because of handloom factories, these are still mainly concentrated in this district. Other industries in the Dacca district are fruit processing, oil milling, matches, fertilizer, pharmaceuticals and other chemicals, paper and paper board, basic metal industry, metal products, non-metallic products, engineering industries and transport equipments and miscellaneous industries, printing and publishing, leather, jute textiles and moderately diversified and intermediate products.

- (ii) Next to Dacca comes the district of Chittagong. Industries located in this district mainly are cotton textiles, salt, fish processing, fertilizer, chemicals, paper and paper board (Hill tracts), basic metal industry, non-metallic products, engineering industries and transport equipment, printing and publishing, leather, jute textiles, cotton textiles and moderately diversified and intermediate products.
- (iii) The districts of Khulna and Sylhet are the other two concentrations. Industries located in Khulna include fish processing, matches, paper and paper board, engineering industries and transport equipment, leather and jute textiles. Tea is concentrated in Sylhet.
- (iv) The rest of the districts fall much below the average degree of concentration. In the Noakhali district, industries located are salt, fish processing and oil-milling, metal products, printing and publishing and leather.
- (v) Needless to say that the areas where industries are not located are also areas with poor transportation facilities and poor supply, whereas industrial areas have all these facilities with good markets for products.
- (vi) With the exception of a few industries such as sugar, tea, jute pressing and cement, most other industries are market-oriented. Industries generally have tended to

concentrate in some areas which have developed a tradition of manufacturing activity, have skill, entrepreneurs and administrative and service facilities.

222. As already indicated, all major industries of Bangladesh are nationalized. The three major industrial areas have got an appreciable share of the nationalized industries, although the Dacca industrial area would naturally top the list in this respect. Small industries belonging to the private sector are more widely dispersed, although they have also tended to locate themselves in or near the main industrial areas due to the proximity of large markets. Some of industrial units both public and private have been located in the economically backward districts due to the Government policy of promoting development there though the licensing procedure and the offer of certain incentives such as tax holidays, loan at cheaper interest, provision of infrastructural facilities through the setting up of industrial estates etc.

Major industrial investment projects completed or budgeted for the near future

223. Bangladesh Economic Survey 1976-77 gives some information about the development projects in several industrial sub-sectors for which allocations were already made during 1976-'77. More information on this item remains to be collected. The emphasis in the industrial sector is on the completion of major on-going projects like Ashuganj Fertiliser Factory, several cotton mills, Machine Tools Factory, etc. -^{/1}

^{/1} Department of Films and Publications, Ministry of Information and Broadcasting, Government of the People's Republic of Bangladesh: Main Features of the Two-Year Plan, (1978-'80), p.10.

X. REVIEW OF TECHNICAL ASSISTANCE PROJECTS RECENTLY COMPLETED OR IN PROGRESS IN RELATION TO INDUSTRIAL DEVELOPMENT OBJECTIVES

224. Bangladesh is a least developed country and obtains technical assistance from various international organizations and bilateral sources to support her overall development programme. The Government of Bangladesh attaches considerable importance to the development of the country's industrial sector in their efforts to reduce its dependence on agriculture by bringing about a diversification of its economic activities through the development of industries ranging from cottage type manufacturing to sophisticated engineering factories. Industrial development will open up opportunities for the generation of income in new fields based on hitherto unutilized, or newly discovered, resources and on factors of production in which the country has a comparative advantage, namely, a plentiful supply of cheap labour. The industrial sector offers the major significant opportunity to absorb the growing labour force. The priorities of the Government are therefore to support labour-intensive industries; industries which will diversify the country's export earnings; those which will substitute for imports; industries which will manufacture essential consumers goods for the local market; industries which will use domestic agricultural raw materials; and those which will increase the production of agricultural inputs. Rural industrialization is also treated as very important from the point of view of achieving diversification of rural employment opportunities through the creation of non-farm activities. Measures are being taken to promote rural industrialization.

225. Although public sector industry predominates, the Government have announced their policy of enhancing the area of private sector industry and investment and have followed a policy of disinvesting some of the nationalized units to private enterprise. To improve the efficiency of both public sector and private sector industry, appropriate management practices and training facilities are being introduced with technical assistance from various sources.

United Nations Industrial Development Organization (UNIDO)

226. UNIDO has a number of technical assistance projects in Bangladesh as follows:

1. Prefeasibility study of the establishment of an export processing zone - a consultancy requirement by a consultant.

2. In-plant group training programmes. These include various in-plant training programmes organized by UNIDO with funds from bilateral sources.
3. Utilization of natural gas for synthetic fibre production -- a feasibility study by a short-term consultant.
4. Utilization of natural gas for vinylchloride and PVC production -- a feasibility study by a short-term consultant.
5. Commissioning of boilers for Bangladesh Sugar and Food Industries Corporation -- a short-term consultancy.
6. Leather industries preparatory mission -- consultancy.

Present UNDP Programme

227. The total resources under IPF available for Bangladesh from January 1977 to June 1980 are expected to be US\$43.2 million. In addition there was a carry over from the unspent 1976 ceiling of US\$1.5 million.

228. On-going projects to be carried over from the First to the Second Country Programme have been reviewed at several stages to reflect the strategy of the Government. These were requested, formulated and started in the First Country Programme, but they have been made consistent with the approach of the Second Country Programme.

Industry Projects

228. a) Present UNDP Programme
- | | | |
|--------|---|--------------------------------------|
| 72/025 | - | Plastics Processing |
| 73/043 | - | Jute Industry |
| 73/047 | - | Shilpa (Industrial Development) Bank |
| 73/049 | - | Textile Industries (PA) |
| 73/056 | - | Small Scale Industries |
| 73/058 | - | Metalworking |
| 74/011 | - | Management Development (PA) |
| 74/026 | - | Cottage Industries (PA) |
| 75/002 | - | Linkage Studies |
| 75/009 | - | Food Industries |
| 75/013 | - | Jute Technological Research |
| 75/020 | - | Sponge Iron Technology |

229. The estimated total Government inputs for these projects from January 1977 to June 1980 are 4,123 thousand Taka, whereas the estimated total UNDP inputs come to US\$2,476 thousand.

230. b) Projects or project extensions under preparation
- 73/049 - Textile Industries
 - 74/026 - Cottage Industries
 - 75/030 - Basic Chemical Industry
 - 75/005 - Ceramics Industry

231. The total estimated UNDP inputs come to US\$1,959 thousand. The figures for the Government inputs are not yet available.

232. c) Prospective areas for UNDP assistance
- Leather Industry
 - Extraction of Aluminium from Clay
 - Improvement of Glassware Production
 - Improvement of the Design of Ceramics Pottery and Furniture
 - Feasibility Studies for the Production of National Gas based Products
 - Market Studies for Machine Tools, Electric Equipment and Jute Carpets
 - Assistance to the Steel Corporation
 - Study of Potential for setting up new industries based on Indigenous Raw Materials
 - Assistance to Machine Tools Factory
 - Assistance to the Pulp and Paper Industries
 - Assistance to Safety Match Industry
 - Standardisation and Enforcing Quality Products
 - Assistance for Improvement of Packaging Industries
 - Assistance for Formulation of Projects for Production of Aluminium Products
 - Feasibility Studies for Project Identification for Second Five-Year Plan.

233. One important on-going UNDP/UNIDO project "Jute Industry Development", seeks to help revitalisation of the jute industry. The project is concerned with (i) production planning, (ii) quality control, (iii) productivity and (iv) management assistance.

234. A CIDA (Canadian International Development Agency) team conducted a feasibility study for establishing a Central Workshop for manufacturing spare parts for the Jute Mills Corporation. In response to the suggestion made in the study, M/S Galfra Habib has been transferred from Bangladesh Engineering and Shipbuilding Corporation to Bangladesh Jute Mills Corporation. Under an agreement Galfra Habib is expected to receive financial assistance for balancing and modernization from CIDA.

235. Bangladesh has received and expects to receive a substantial amount of technical assistance from the Colombo Plan, U.S.A., U.K., India, West Germany, Holland, Sweden, Soviet Union, Bulgaria, Czechoslovakia, Ford Foundation, UNICEF, UNFA, etc. Without a detailed analysis of the components of their assistance, it is not possible to say how much of the assistance from these international and bilateral sources has a bearing on the country's industrial development. Assistance to facilitate management development training and technical training is surely relevant to industrial development.

XI. POTENTIAL AREAS OF FUTURE UNIDO CO-OPERATION WITH BANGLADESH

236. Bangladesh is a least developed country and it needs a good deal of technical assistance in many areas and in various forms for the promotion and acceleration of its industrialization. Technical assistance activities are financed mainly by the United Nations Development Programme (UNDP), partly under its allocations to assist national development programmes and UNIDO acts as an executing agency for UNDP. UNDP also makes an allocation of fund annually for the Special Industrial Services (SIS) programme devised by UNIDO as a way of meeting emergencies or other needs for which no other budgeting provision has been made. Out of this UNDP allocation, US\$ 1 million is expected to be used on behalf of the least developed countries.

237. UNIDO already has half a dozen technical assistance projects in Bangladesh, as earlier indicated. The present UNDP programme consists of 12 industrial projects, in addition to 4 more industrial projects or project extensions which are under preparation. Furthermore, the Government have listed another 15 industrial projects in the second UNDP country programme for Bangladesh from January 1977 to June 1980. All these have been indicated in Chapter X. The Programme was placed before the Governing Council of UNDP in its 26th Session held in Geneva in June 1978, for its approval. It is expected that the total resources under the IPF (Indicative Planning Figure) available for Bangladesh from January 1977 to June 1980 will be about US\$43.2 million, in addition to a carry over of US\$1.5 million from the unspent 1976 ceiling. The total thus comes to US\$44.7 million. The share of industry in GDP in Bangladesh is about 10 per cent and the industry's share in the total financial resources under the second country programme may be taken to be approximately US\$4.5 million. What is of utmost importance is to formulate programmes, more specifically projects, for the full utilization of these resources.

Country programming

238. There seems to be genuine interest in Dacca to utilise UNIDO's assistance to the largest possible extent. Bangladesh, however, needs active assistance from UNIDO in developing detailed industrial programming for UNIDO finance as early as possible. The UNDP office in Dacca is understaffed and is necessarily burdened with many responsibilities and industrial programming is only one among its many functions. Moreover, industrial

programming is a specialized job. In view of the urgent need for industrial development and other associated facilities, the traditional bureaucratic methods will not be helpful and as such a machinery or organization should be created there, which will demonstrate the initiative, drive and dynamism needed for the development, formulation, appraisal and implementation of industrial projects.

239. In the UNDP office, Dacca, there must be an efficient UNIDO cell under the supervision of a Senior UNIDO Official with supporting staff. The post of a UNIDO Senior Industrial Field Adviser in Dacca has now been created, but none has been recruited yet. The proposed cell or unit attached to UNDP would be responsible for developing a detailed industrial programme for UNIDO assistance. It will of course have to work in close co-ordination and co-operation with appropriate designated authority of the Government of Bangladesh. Such an arrangement on the Government side should be created within the Planning Ministry. The function of this unit or the Government counterpart will be to have regular consultations within the concerned government agencies, departments and public corporations in non-traditional ways and to see that suitable industrial projects are identified and developed and evaluated for inclusion in the country programme for UNIDO assistance. The Government counterpart will, of course, work in close co-operation and co-ordination with the UNIDO unit and there should be a constant interchange of views between the two organs of the machinery for the common purpose. This machinery will ensure the speed and efficiency with which work could be done at both ends and facilitate the necessary follow-up work connected with the formulation, approval and implementation of the projects.

240. Many of the projects conceived have not been approved as yet. Most projects have to be worked out in some detail. The order of priority of the projects remains to be determined. This is a matter to which the strengthened machinery has to give the utmost attention.

241. A few considerations are in order here. First, the order of priority should be determined in view of the present requirements of the country. The requirements are many and varied, but in view of the prevailing food situation in the country, the projects related to food production directly or indirectly should receive the topmost priority. An attempt should be made to find projects related food production in co-operation with concerned organizations, such as the Ministry of Agriculture, the Ministry of Food and the Food and Allied Industries Corporation.

242. Secondly, the major modern industrial sub-sectors belong to the nationalized sector. The major problem there is the management of these industries to deal with the bottlenecks and speed up production. Any project contributing to this area should be given a very high priority. The jute manufacturing industry, in particular, which is still the main foreign exchange earner is beset with many problems and any assistance to a scheme for the reorganization of the industry will be of paramount importance.

243. Thirdly, in any priority scheme, the stimulation of exports must be a dominant consideration and hence the need to give preference to export projects. Fourthly, unemployment is a serious problem and labour-intensive projects using mainly domestic raw materials should be encouraged. A comprehensive small industry development programme should be designed with this and in view. Lastly, institution-building to service industries also deserve priority, in this case there is the need to improve the efficiency of the existing institutions wherever possible as a first consideration and to promote new institutions.

244. The above important considerations should be taken into account in determining the order of priority of the projects to which UNIDO assistance could be given. This is one of the main tasks which the strengthened machinery as suggested earlier will have to attend to. The Planning Ministry as well as the UNDP office in Dacca would support the creation of such a machinery. The UNDP office in Dacca is keen to have UNIDO assistance whereas the Planning Ministry which acts as a liaison organization would welcome the idea. Practical steps should, therefore, be taken to bring about this arrangement. UNIDO has a regional advisory services system attached to the Division of Industry, Housing and Technology, ESCAP, Bangkok as well as an effective inter-regional advisory services system at Headquarters in Vienna. It should be possible for UNDP and the UNIDO unit in Dacca to utilize their services, if necessary.

245. Finally, while it is not easy to get the services of experts, an effort should be made at both ends (UNDP-UNIDO as well as Government level) to speed up the procedural matters in regard to the recruitment of experts. The delay in the approval of their appointments affects the development and execution of projects. The present reasonably good living conditions in Dacca including housing should not discourage experts from accepting

assignments in Bangladesh. If there are transportation difficulties, UNDP, Dacca could take up the matter with the Government and urge them to facilitate the purchase of cars.

Redeployment Prospects

246. The ESCAP Ministerial Meeting on Industrialization-^{/1}, the Lima Declaration and Plan of Action-^{/2} and the UN General Assembly at its Seventh Special Session laid emphasis on the redeployment of industries from the developed to developing countries as one of the means of bringing about a new international division of labour. At the outset the term redeployment was defined as the transfer of manufacturing capacities from a developed to a developing country on the basis of mutual interest of the parties involved. The concept of redeployment is however broad and may be interpreted to imply the following:

- (i) the establishment of subsidiaries in developing countries;
- (ii) the transfer of technology and know-how to developing countries;
- (iii) the transfer of equipment, including in many instances, used equipment, to the developing country;
- (iv) the training of nationals from developing countries;
- (v) the provision of management services to the developing country;
- (vi) the transfer of entire existing plants to the developing countries;
- (vii) capital investment in the developing country.

247. From a recent UNIDO investigation in this area covering a large number of companies in a number of developed countries, it was possible to identify some 243 specific industrial project proposals for redeployment to the developing countries. Almost half of these projects were to be found in the metal products and machinery industries (ISIC 28) with 104 projects, followed by the textiles, and wearing apparel, leather and footwear industry sector (ISIC 32) with 44 projects, the chemical industries (ISIC 35) and the food processing industries (ISIC 31) represent 26 and 25 projects respectively. The remaining 44 projects are distributed over various other sectors. The projects have also been classified into 17 major groups of industries as

^{/1} UNIDO: Industrialization in Asia and the Pacific Region - Declaration adopted by the Meeting of Ministers of Industry of Developing Countries in Asia and the Pacific Region, Bangkok, 1974.

^{/2} UNIDO: Lima Declaration and Plan of Action on Industrial Development and Co-operation, March, 1975.

shown in Table 30 with a view to obtaining a more disaggregated picture of the various branches of industry suitable for redeployment. Again the machinery, metal products and mechanical engineering industries come to the fore with 71 projects, followed by textiles and clothing (34 projects), food processing (25 projects), chemical products (18 projects), precision industry (18 projects) in that order, the remaining 77 projects being distributed over 12 sectors with none exceeding 15 projects.^{/1}

248. The foregoing information throws some light on the industrial redeployment prospects in Bangladesh. The country welcomes foreign investors to set up subsidiaries in Bangladesh on the basis of the available local raw materials, imported raw materials and domestic market -- foreign investors who will bring along with them technical know-how, capital and management skill. Bangladesh has a comparative advantage in the availability of cheap labour, both male and female, which is trainable in the required skills within a reasonable time. The country has an easy access to Asian and other markets by sea. Her industrial redeployment prospects may lie in the location or relocation of assembly type industries like engineering and electronics, food processing, chemical products, pharmaceutical products, leather and footwear products, textiles and clothing and metal products. UNIDO may assist Bangladesh in this field.

Investment Promotion

249. Bangladesh is an investment resource-scarce country. Her domestic resources are not adequate, although these yet remain to be fully mobilized for investment in industry and other productive purposes. The country obtains an annual foreign assistance of about US\$500 million on average. The urgent task in Bangladesh is to encourage industrial investment, stimulate entrepreneurship and extend advisory and consultancy services in respect of the carrying out of pre-feasibility and feasibility studies of industrial projects. With the change of the industrial development and investment policy in favour of private enterprise, since 1976, the Investment Advisory Centre

^{/1} The first two paragraphs are based on information contained in a UNIDO paper presented to Meeting of Eminent Persons Preparatory to the ESCAP Meeting of Ministers of Industry (Conference Room Paper 9), 20 August 1977, Bangkok.

of Bangladesh has been revived. The Investment Corporation of Bangladesh has also been set up. The development of the stock market in Dacca is being encouraged to mobilize capital. The credit and investment operations of the industrial development banks are being strengthened. UNIDO is in a position to support the activities of those organizations with technical advice and guidance so as to enable them to enhance and strengthen their operations as well as by assisting them in organizing investment promotion training programmes.

250. UNIDO can also assist Bangladesh in obtaining external financing for industrial projects. It has set up a promotion service with an office in Brussels, to facilitate contacts and consultations between businessmen from developing countries and their counterparts in European industrial and financial organizations. The office promotes investment in proposed projects and renders help in many related matters. Bangladesh may seek UNIDO assistance in obtaining industrial investment from outside sources.

Rural Industrialisation

251. In the present rural development or integrated rural development programmes in almost all countries, including Bangladesh, there is the concentration on agricultural development and related activities alone. There is rarely any emphasis placed on industrial development in such programme. There is, however, a recognition on the part of the countries that industry should be an important component of an integrated rural development programme in view of the fact that there is a great need for introducing non-agricultural activities in the rural areas to diversify the occupations of their people. To illustrate this point, the neediest section of the rural population in these countries consists of the landless labourers, about 30 per cent of the total agricultural labour force in Bangladesh, who have yet to be brought within the purview of rural development by creating employment opportunities.

252. The United Nations Industrial Development Organization (UNIDO) could usefully establish its liaison with (i) the national focal point, namely, the Director-General, IRD, Bangladesh, who is in charge of the rural development or integrated rural development as well as with (ii) the national institution in charge of the development of small-scale and cottage industries, namely, the Small Scale and Cottage Industries Corporation, Bangladesh. It is

by establishing contacts at these two points that a dialogue may be started between UNIDO and Bangladesh on the desirability, feasibility, and implementation of an industrial development programme as an essential component of the non-agricultural sector. UNIDO has supported small scale industries development programmes in many of the developing countries and has provided technical assistance in many forms in this field. It will, therefore, seem appropriate for UNIDO to extend its activities to the field of rural industrialization in the developing countries.

253. Once the liaison, as mentioned above, has been established, UNIDO technical assistance in the following main areas should be made available.

- (i) survey of the areas to be developed to assess their human and material resources and to ascertain their infrastructural needs;
- (ii) identification of industrial activities suitable for incorporation in the industrial programmes of the areas;
- (iii) project preparation and evaluation;
- (iv) ways and means of making financial or credit support available;
- (v) technical and marketing support;
- (vi) industrial research and studies on relevant subjects such as rural entrepreneurship, appropriate technology, rural environment etc.;
- (vii) industrial training programmes and industrial extension work;
- (viii) arrangements for study-tours or visits to facilitate in other developing countries and for exchange of officials;
- (ix) arrangements to collect, exchange and distribute information among developing countries;
- (x) exchange of experts among developing countries;
- (xi) exchange of trainees among developing countries;
- (xii) supporting and facilitating the provision of advice and assistance in the needed areas by the developed countries to the developing countries, such as meeting the travel expenses of the experts and the trainees.

254. The list of the areas of assistance is only illustrative and could be lengthened. In every country office of the Resident Representative, UNDP, there is or should be a small cell dealing with UNIDO matters, which may take up the question of rural industrialisation with the government of the

country and the relevant institutions dealing with integrated rural development as well as rural industrialization.

255. A programme for rural industrialization must be integrated with the rural development programmes and in this process the Bangladesh Small Scale and Cottage Industries Corporation can play an important role. The United Nations Industrial Development Organization can play an extremely important role in supporting and assisting the national institutions like the Small Scale and Cottage Industries Corporation in the identification and utilization of industrial opportunities in the areas selected for integrated rural development, and in the formulation of industrial development programmes for the areas. With the completion of the rural electrification programme taken up by the Government, it is expected that the tempo of an integrated development of agricultural and industrial or non-farm activities in the rural areas will gain momentum.

256. UNIDO has recently undertaken work on industrialization in relation to integrated rural development. An Expert Group Meeting on the subject was held in Vienna in December 1977 under the auspices of the Regional and Country Studies Section of the International Centre for Industrial Studies of UNIDO. The meeting facilitated exchanges of views on the subject among the participants and threw light on the future lines of action in this field. UNIDO is presently engaged in developing policies and finding ways of assisting the developing countries in this particular field. In this context, country case studies in integrated rural development are a useful step forward to determine how appropriate industrial development could be an important component of an integrated rural development programme. Research activities of this kind may produce fruitful results.

APPENDIX A: COUNTRY DATA

Table 1

Growth Rates in Bangladesh

	Rates (%)	GDP (Tk crores) (at 1959/60 FC)	<u>Industries Sector</u>	
			Rates (%)	Value added at 1959/60 FC in Tk crores
1964/65	1.0	1,796.5	3.9	121.0
1965/66	3.4	1,856.9	18.4	143.3
1966/67	1.0	1,873.4	7.4	153.9
1967/68	8.6	2,034.6	7.7	165.8
1968/69	4.4	2,124.4	8.5	179.9
1969/70	5.0	2,231.7	10.8	199.3

Sources: The Planning Commission, Government of the People's Republic of Bangladesh.

Table 2
Break-up of Sectoral Allocation in the Five-Year
Plan and the Hard-Core Programme
(in crore Taka)

<u>S e c t o r s</u>	<u>Five-Year Plan</u>		<u>Three Year Hard Core Programme</u>	
	<u>Allocation</u>	<u>Percentage</u>	<u>Allocation</u>	<u>Percentage</u>
1. Agriculture, Water resources and rural development	1,041	26.30	1,100	29.72
2. Industries	738	18.70	754	20.38
3. Power, natural resources and STR	522	13.20	568	15.36
4. Transport	528	13.60	500	13.51
5. Communication	114	2.9	128	3.46
6. Physical planning and housing	315	8.0	215	5.81
7. Education, manpower and training	316	8.0	183	4.95
8. Health and social welfare	220	5.6	127	3.43
9. Family planning and population control	70	1.8	90	2.43
10. Others	88	2.0	35	0.95
	3,952	100.0	3,700	100.0

Source: The Planning Commission, Government of the People's Republic of Bangladesh: The Two-Year Plan, 1978, p. 21.

Table 3

Investments (Development Programs) in Bangladesh

	<u>Government Sector</u>	
	<u>Total</u>	<u>Industries Sector</u>
	(Tk in Croren)	
1972/73 (Revised budget)	402	34
1973/74 (revised budget)	464	53
1974/75 (Revised budget)	525	65
1975/76 (Revised budget)	950	136
1977/78 (ADF)	1,200	246

Source: The Planning Commission, Government of the People's Republic of Bangladesh.

Table 4

Growth Rates in Bangladesh

	<u>GDP</u> <u>Rates (%)</u>	<u>(1972/73 Prices)</u>	<u>Industries Sector</u> <u>Rates (%)</u>
1972/73	-	4,530.0	-
1973/74	9.4	4,960.0	14.7
1974/75	2.0	5,059.8	-1.3
1975/76	9.7	5,530.3	5.6
1976/77 (projected)	5.0	5,827.8	11.6
1977/78 (projected)	5.6	6,153.0	8.8

Source: The Planning Commission, Government of the People's of Bangladesh.

Table 5
Sectoral Shares of Gross Domestic Product
(at constant factor cost)
of Bangladesh

<u>Sectors</u>						
1. Agriculture	59.4	58.5	56.0	55.2	52.1	-
(i) Crops	45.0	45.4	43.6	44.2	41.1	-
(ii) Forestry	2.8	2.7	2.2	2.0	2.0	1.0
(iii) Livestock	5.1	4.6	4.5	4.0	4.1	4.0
(iv) Fisheries	6.5	5.8	5.7	5.0	4.9	-
2. Mining and quarrying	0.002	0.004	0.002	0.002	0.003	-
3. Industry	6.6	6.9	10.8	10.1	11.2	-
(i) Large scale	4.3	4.5	6.0	5.6	6.2	-
(ii) Small scale	2.3	2.4	4.8	4.5	5.0	-
4. Construction	3.5	3.5	3.6	3.0	3.5	3.5
5. Power, gas, Water, and sanitary services	0.3	0.2	0.2	0.2	0.3	-
6. Transport, storage and communication	4.9	4.5	4.4	4.9	5.6	5.1
7. Trade services	8.7	10.4	11.4	13.3	13.4	-
8. Housing services	5.6	4.9	4.7	4.4	4.4	4.4
9. Public sector and defence	2.2	2.6	2.4	2.3	2.7	-
10. Banking and insurance	1.3	1.0	0.9	0.8	0.8	-
11. Professional and miscellaneous services	7.5	7.5	5.6	5.7	6.1	8.1
12. GDP at market price	100.0	100.0	100.0	100.0	100.0	24.1

Source: Bangladesh Bureau of Statistics: Statistical Pocket Book of Bangladesh, 1978, p. 237.

Table 6

Gross domestic product of Bangladesh at constant price of 1972-1973
(Taka million)

1. Agriculture	26,100	28,827	28,537	31,865	30,650
(i) Crops	19,761	22,352	22,212	25,477	24,208
(ii) Forestry	1,240	1,230	1,134	1,183	1,183
(iii) Livestock	2,230	2,267	2,303	2,326	2,380
(iv) Fisheries	2,869	2,878	2,888	2,879	2,879
2. Mining and quarrying	1	2	1	1	1
3. Industry	2,895	3,402	5,481	5,857	6,597
(i) Large scale	1,870	2,224	3,051	3,258	3,624
(ii) Small scale	1,025	1,178	2,450	2,619	2,973
4. Construction	1,529	1,713	1,833	1,742	2,057
5. Power, gas, water and sanitary services	130	95	86	135	163
6. Transport, storage and communication	2,152	2,424	2,242	2,824	3,281
7. Trade services	3,829	5,142	5,814	7,653	7,907
8. Housing services	2,454	2,417	2,383	3,519	2,585
9. Public administration and defence	949	1,296	1,239	1,346	1,589
10. Banking and insurance	559	469	450	465	475
11. Professional and miscellaneous services	3,300	3,678	2,841	3,281	3,577
12. GDP at market price	43,698	49,888	50,907	57,698	58,588
13. (—) Indirect tax net of subsidies	1,061	1,528	926	3,129	3,034
14. GDP at constant factor cost	42,837	47,755	49,981	54,569	55,848
15. Net factor income from rest of the world	366	214	294	306	436
16. GNP at constant cost	43,203	47,969	50,275	54,875	56,284
17. Population (in million)	74.0	76.2	78.2	80.4	8.27
18. Per capita GNP at factor cost	589	630	643	683	681
19. Annual rise of GDP at constant market price-	12.3	3.3	13.3	2.1	
20. Annual rise of GDP at factor cost	-	11.5	4.7	9.2	2.3
21. Annual rise of GNP at factor cost	-	11.0	4.8	9.2	2.6
22. National income deflator	100	142	245	185	177

Source: Bangladesh of statistics: statistical pocket book of Bangladesh, 1978, pp. 235-236.

Table 7

Gross Domestic Product of Bangladesh at current price

(Taka Million)

Sectors	1972- 1973	1973- 1974	1974- 1975	1975- 1976	1976- 1977
1. Agriculture	26,100	41,501	78,623	57,339	52,910
(i) Crops	19,761	33,215	67,401	45,114	39,411
(ii) Forestry	1,240	1,728	2,311	2,094	2,112
(iii) Livestock	2,230	3,137	4,137	4,332	4,494
(iv) Fisheries	2,869	3,421	4,774	5,799	6,893
2. Mining & Quarrying	1	2	2	2	2
3. Industry	2,895	4,265	8,376	8,173	9,341
(i) Large scale	1,870	2,787	4,632	4,519	5,132
(ii) Small scale	1,025	1,478	3,744	3,654	4,209
4. Construction	1,529	2,899	5,665	5,514	5,807
5. Power, Gas, Water and Sanitary Services	130	119	131	189	231
6. Transport, Storage and Communication	2,152	3,102	4,452	6,304	7,271
7. Trade Services	3,829	6,508	10,982	10,747	10,384
8. Housing Services	2,454	4,090	7,362	8,945	8,024
9. Public Administration and Defence	949	1,803	2,461	2,820	3,350
10. Banking and Insurance	559	653	1,011	974	1,002
11. Professional and Miscellaneous Services	3,300	4,878	5,486	6,122	6,898
12. GDP at Market Prices	43,898	69,820	124,551	107,129	105,218
13. Indirect Tax net of Subsidies (--)	1,061	2,109	1,792	6,065	5,746
14. GDP at Current Factor Cost	42,837	67,711	122,759	101,064	99,472
15. Net Factor income from rest of the World ()	366	214	294	306	436
16. GNP at Current Factor Cost	43,203	67,925	123,053	101,370	99,908
17. Population in Million	74.0	76.2	78.2	80.4	82.7
18. Per Capita Income (GNP) in Taka	584	891	1,574	1,261	1,208

Sources: Bangladesh Bureau of Statistics: Statistical Pocket Book of Bangladesh, 1978, pp. 238-239.

Table 8

Annual Compound Growth Rates of GDP, Target and Achievement
During the First Five-Year Plan Period (1973-1978)

		<u>Annual Compound Growth Rates</u>	
		<u>Target</u>	<u>Achievement</u>
1.	Agriculture	8.4	4.8
2.	Manufacturing	15.4	9.2
3.	Construction	13.7	13.0
4.	Power and Gas	11.0	16.6
5.	Housing	4.1	3.6
6.	Trade, Transport and Other Services	7.2	7.2
7.	GDP	8.8	6.1
8.	Real Per Capita GDP (Taka)	5.7	3.1

Source: The Planning Commission, Government of the People's Republic of Bangladesh:
The Two-Year Plan, 1978, p. 23.

Table 9

Structure of GDP

(Percentage)

Sector	1972-1973	1977-1978	Contribution to Growth in GDP (1973-1978)
1. Agriculture	60.09	56.78	47.10
2. Manufacturing	7.28	8.44	11.78
3. Construction	3.18	4.37	7.86
4. Power and Gas	0.42	0.67	1.42
5. Housing	5.21	4.61	2.89
6. Trade, Transport and other services	23.82	25.14	28.95
	100.00	100.00	100.00

Source: The Planning Commission, Government of the People's Republic of Bangladesh:
The Two-Year Plan, 1978, p. 25.

Table 10

Output, Labour Force and Productivity in 1972/1973

	<u>Value Added</u>		<u>Labour Force</u>		<u>Value Added Per Worker</u>	
	<u>US \$</u> <u>in</u> <u>million</u>	<u>%</u>	<u>Million</u>	<u>%</u>	<u>US \$</u>	<u>%</u>
Agriculture	3,403	60	20.5	78	166	-
Industry	412	7	1.8	7	229	-
Services	1,887	33	3.9	15	484	-
Unallocated	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total Average	<u>5,702</u>	<u>100</u>	<u>26.2</u>	<u>100</u>	<u>217</u>	<u>100</u>

Source: The World Bank: Bangladesh: Current Economic Situation and Development
Policy Issues, May 19, 1977, p.1 of 2 Pages.

Note on Total Labour Force: Unemployed workers are allocated to sector of their normal
occupation "Unallocated" consists mainly of unemployed workers
seeking their first job.

Table 11

NUMBER OF REGISTERED FACTORIES BY MAJOR INDUSTRIAL GROUPS

Industrial Groups	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
1. Food manufacturing	408	455	462	484	543	449	473	572
2. Beverage	6	7	7	7	5	6	6	6
3. Tobacco	26	63	47	47	24	28	28	29
4. Textiles	792	876	553	1,166	450	464	492	516
5. Footwear, other wearing apparel and made up textiles	206	204	208	213	190	204	204	206
6. Wood, Cork and allied products	14	14	15	20	20	25	23	26
7. Furniture and Fixture	70	104	68	71	69	59	59	59
8. Paper and Paper Products	33	37	30	32	47	37	37	40
9. Printing Publishing and allied Industries	141	141	139	140	140	148	148	141
10. Leather and leather products	149	190	192	202	200	158	158	147
11. Rubber products	3	5	5	6	8	3	3	3
12. Chemical and Chemical Products	572	683	764	733	759	610	579	576
13. Petroleum and coal products	3	5	5	4	4	3	4	3
14. Non-metallic mineral products	53	59	56	54	61	57	63	66
15. Basic metal Industries	35	40	46	43	45	44	44	48
16. Metal products except Machinery and equipment	257	263	254	253	252	215	219	228
17. Machinery except electrical machinery	88	100	88	93	107	94	94	114
18. Electrical machinery, apparatus appliances and supplies	34	42	29	32	36	37	37	38
19. Transport equipments	65	66	63	60	79	54	46	39
20. Other manufacturing Industries	166	387	165	150	151	124	124	123
TOTAL	3,124	3,704	3,556	3,810	3,190	2,826	2,854	2,976

Source: Bangladesh Bureau of Statistics: Statistical Pocket Book of Bangladesh, 1978, pp. 176-177.

Note: 1969-70 to 1972-73 includes figures for hand-loom factories.

Table 12

GROSS VALUE ADDED BY MANUFACTURE BY MAJOR INDUSTRIAL GROUPS

Industrial Groups	1969-70	1970-71	1971-72	1972-73	1973-74 ^a	1974-75 ^a	1975-76 ^a
Food manufacturing	239,911	234,345	54,929	107,496	305,703	539,589	656,295
Beverage	11,476	11,260	3,754	10,002	39,777	40,329	57,462
Tobacco	225,123	184,502	213,546	272,933	1,104,846	990,886	1,132,181
Textiles	680,102	748,974	666,131	617,442	1,487,515	1,483,800	1,644,347
Footwear, other wearing apparel and made up textiles	11,476	4,963	5,906	11,545	22,198	47,634	48,922
Wood, cork and allied products	961	63	38	881	146	2,549	4,904
Furniture and fixtures	1,961	1,564	953	3,183	3,888	5,347	6,621
Paper and paper products	25,873	20,971	9,302	33,228	25,516	75,070	66,783
Printing, publishing and allied industries	12,775	8,824	8,453	12,405	15,583	26,501	29,649
Leather and leather products	14,331	13,773	14,008	15,097	22,661	41,012	106,114
Rubber products	91	63	61	93	25	330	233
Chemicals and chemical products	145,920	133,148	132,463	156,065	428,058	564,163	608,606
Petroleum and coal products	5,592	17,005	-	-	-	11,098	83,315
Non-metallic mineral products	9,436	16,386	5,633	7,054	44,219	74,100	81,676
Basic metal Industries	39,880	18,514	5,126	20,424	833,685	206,248	291,644
Metal products except machinery and transport equipment	15,514	7,776	11,047	30,993	36,540	70,922	64,998
Machinery except electric machinery	14,684	16,144	8,632	11,619	11,435	27,277	29,254
Electric machinery, apparatus, appliances and supplies	17,979	2,882	11,501	18,369	18,782	52,744	94,726
Transport equipment	19,133	20,912	1,585	7,873	10,923	53,786	69,483
Other manufacturing industries	40,507	-	9,257	37,355	31,769	36,206	45,958
TOTAL	1,533,763	1,490,887	1,162,405	1,374,057	3,948,217	4,349,591	5,122,994

Source: Bangladesh Bureau of Statistics: Statistical Pocket Book of Bangladesh, 1978, pp. 190-191

Note: (a) The figures of handloom factories are not included in 1973-74 to 1975-76.

Table 13
AVERAGE DAILY EMPLOYMENT BY MAJOR INDUSTRIAL GROUPS

Industrial Group	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
Food manufacturing	23,468	22,540	11,653	18,117	26,312	35,391	45,925
Beverage	391	587	364	425	647	628	462
Tobacco	2,556	4,835	4,920	5,261	4,840	5,542	5,984
Textiles	93,574	189,943	145,815	123,564	225,189	206,807	226,358
Footwear, other wearing apparel and made up textiles	1,291	1,548	1,313	1,632	2,486	4,692	3,657
Wood, cork and allied products	212	18	134	39	34	435	509
Furniture and figurines	277	577	354	558	487	861	1,257
Paper and paper products	3,049	2,245	2,402	3,130	2,729	7,735	11,189
Printing, publishing and allied products	1,816	2,643	1,719	2,192	2,004	2,954	3,585
Leather and leather products	1,563	2,193	1,528	1,576	1,984	2,842	1,957
Rubber products	9	29	36	33	7	58	55
Chemicals and chemical products	1,263	15,879	14,585	11,597	21,545	33,851	27,298
Petroleum and coal products	21	391	-	-	-	471	462
Non-metallic mineral products	2,263	2,790	1,879	1,090	3,921	6,001	4,168
Basic metal Industries	2,093	2,475	1,190	1,673	5,695	8,452	12,134
Metal products except machinery and transport equipment	3,191	3,902	2,721	4,567	3,881	7,383	6,448
Machinery except electric machinery	2,189	1,924	1,587	2,165	2,178	3,335	3,528
Electric machinery, apparatus, appliances etc.	1,380	1,399	973	1,129	811	1,908	2,654
Transport equipment	886	763	646	1,289	1,196	4,985	11,126
Other manufacturing industries	2,192	2,011	1,176	1,895	1,458	2,735	3,175
TOTAL	143,744	258,692	194,986	182,092	307,404	337,066	373,933

Source: Bangladesh Bureau of Statistics: Statistical Pocket Book of Bangladesh, 1978, pp. 192-193

Note: The figures of handloom factories are not included in 1973-74 to 1975-76.

Table 14. Targets of industrial products

	1976-1977	1977-1978
1. Jute goods (thousand tons)	513.0	560.0
2. Cotton textiles (million pounds)	109.0	115.0
3. Sugar (thousand tons)	97.0	110.0
4. Steel ingots (thousand tons)	125.0	140.0
5. Newsprint (thousand tons)	24.0	27.0
6. Paper (thousand tons)	32.5	35.0
7. Fertilizer (thousand tons)	358.0	390.0
8. Cement (thousand tons)	190.0	210.0
9. Petroleum products (thousand tons)	1,000.0	1,000.0
10. Cigarettes (million sticks)	13,000.0	13,600.0
11. Shipbuilding (thousand steel-tons)	4.3	5.1
12. Matches (thousand G. boxes)	9,000.0	9,100.0
13. Glass sheet (thousand square feet)	7,500.0	7,500.0

Source: The Planning Commission, Government of the People's Republic of Bangladesh.

Table 15

Average Size of Establishments in Selected Industry Groups

	<u>No. of Establishment</u>	<u>Employment</u>	<u>Average Size</u>
Food	216	22,500	104
Jute textiles	65	143,400	2,206

Source: Bangladesh Bureau of Statistics: Statistical Year Book of Bangladesh, 1975, p.

Table 16

Census of Manufacturing Industries, 1970-71

	<u>Np. of Establish- ments</u>	<u>Fixed assets (million Taka)</u>	<u>Employment (thousands)</u>	<u>Value added (million Taka)</u>
Food	216	228	22.5	234
Beverages	7	6	0.6	11
Tobacco	27	53	4.8	184
Textiles				
Jute	65	1,165	143.4	546
Other	461	381	46.5	203
Footwear and apparel	104	5	1.5	5
Furniture and fittings	31	4	0.5	2
Paper products	16	160	2.2	21
Printing and publishing	106	12	2.6	9
Leather products	98	9	2.2	14
Rubber products	-	-	-	-
Chemical products	263	94	15.9	133
Products of petroleum and coal	1	109	0.4	17
Non-metallic minerals	33	29	2.8	16
Basic metal industries	27	48	2.5	29
Metal products including machinery	114	13	3.9	18
Machinery except electrical machinery	54	8	1.9	8
Electrical products	16	12	1.4	16
Transport equipment	19	4	0.8	3
Total (including miscellaneous)	<u>1,727</u>	<u>2,368</u>	<u>258.7</u>	<u>1,491</u>

Source: Bangladesh Bureau of Statistics: Statistical Year Book of Bangladesh, 1975, p.

Table 17

Number of Workers in Major Industries

Industry	1969	1970	1972	1973	1974	1975
Cotton	58,808	59,500	59,700	61,000	65,000	73,900
Jute	160,090	163,000	169,300	179,000	180,000	192,200
Sugar	13,464	17,500	17,700	17,700	17,500	16,950
Cement Lime and Potterias	812	1,400	1,500	1,500	1,500	2,000
Glass	3,320	2,000	2,600	3,000	3,000	3,000
Matches	12,000	11,300	11,350	11,500	11,500	10,050
Paper	5,000	4,900	5,250	5,500	6,000	6,750
Engineering	31,883	40,500	42,400	41,000	41,000	41,500
TOTAL	285,377	300,100	309,800	319,500	325,500	345,950

Source: Bangladesh Bureau of Statistics: Statistical Pocket Book of Bangladesh, 1978, p. 324.

Table 18

Number of Persons Employed in Establishments (a) by Type of Establishment 1965-1974

Type of establishment	1967	1968	1969	1970	1971	1972	1973	1974
Shops	68,499	80,278	70,974	62,262	67,669	66,355	70,693	73,002
Commercial (c)	36,198	42,601	39,318	35,830	40,570	37,779	38,652	39,655
Industrial (b)	24,794	30,509	28,494	24,183	25,278	22,073	22,640	23,414

Notes: (a) The above figures cover only those establishments on which Bangladesh shops and Establishments Act is applicable.

(b) Figures of employees in industrial establishments cover those establishments employing less than 10 persons

(c) Figures of employees in commercial establishments cover those of the public entertainment and recreation establishments

Source: Chief Inspector of Factories and Establishments, Ministry of Labour.

Table 19
Production by Certain Key Industries

Industrial Product	Unit	Annual Production				Capacity utilisation 1974-75 (estimated)
		1969-70	1972-73	1973-74	1974-75 (estimated)	
Juts textiles	Thousand tons	561	446	500	450	62
Cotton yarn	Million lb.	106	81	91	105	78
Cotton cloth	Million yards	60	58	79	94	70
Steel	Thousand tons	54	68	74	77	31
Newsprint	Thousand tons	35	27	27	33	66
Paper	Thousand tons	42	23	24	29	50
Sugar	Thousand tons	93	19	88	98	58
Cement	Thousand tons	53	31	51	135	35
Cigarettes	Million	17,786	10,879	11,895	14,900	23
Fertiliser urea	Thousand tons	94	207	274	n.a.	61 ^{1/2}

Source: Based mainly on Annual Plan for 1974-75, Dacca, 1974 and White Paper on Economic Situation in Bangladesh, Dacca, September 1975

^{1/2} Utilisation in 1973-74

Table 20
Principal Commodities imported into Bangladesh from foreign countries

(Value in crore Taka)

Commodities	1973-74		1974-75		1975-76		1976-77		% change in (c) over (a)
	(a)	(b)	(a)	(b)	(b)	(c)	(c)		
1. Feed and live animal	337.92		458.12	567.61	567.61	245.52	245.52	-56.8	-46.4
(a) Wheat	299.35		374.56	315.89	315.89	158.72	158.72	-49.8	-57.6
(b) Rice	38.57		83.52	251.72	251.72	86.80	86.80	-65.4	+3.9
2. Machinery and Transport Equipment	103.32		119.45	330.67	330.67	399.90	399.90	+20.9	+234.0
3. Mineral fuels, lubricants and related materials	57.52		92.52	213.69	213.69	223.82	223.82	+4.7	+41.9
4. Chemical, drugs and medicine	57.90		98.27	182.99	182.99	166.76	166.76	-8.9	+69.7
5. Manufactured goods classified chiefly by materials	95.65		144.20	176.90	176.90	161.34	161.34	-8.8	+11.9
6. Crude materials, inedible oil except fuel	47.92		101.76	145.98	145.98	95.41	95.41	-34.6	-6.2
7. Animal and vegetable oil and fats	16.70		29.55	144.70	144.70	98.81	98.81	-31.7	+234.4
8. Beverage and Tobacco	5.12		5.62	6.68	6.68	6.47	6.47	-3.1	+15.1
9. Miscellaneous manufactured articles	9.41		12.43	59.83	59.83	18.99	18.99	-68.2	+52.8
10. Others	0.54		22.32	147.70	147.70	71.60	71.60	-51.5	+220.8
Total	732.00		1,084.24	1,976.75	1,976.75	1,486.62	1,486.62	-24.7	+37.3

Source: Bangladesh Bureau of Statistics

Note: Figures for 1976-77 are provisional (Planning Commission)

The exchange rate of different years are shown as follows: (a) 1973-74 and 1974-75 Tk. 8.00 = US\$ 1
(b) 1975-76 Tk. 15.50 = US\$ 1
(c) 1976-77 Tk. 15.50 = US\$ 1

Table 21

Volume of Principal Commodities Exported from Bangladesh to Foreign Countries

Commodities	Unit	1973-74	1974-75	1975-76	1976-77 (July/April)
1. Jute manufacture	Tons (lakh)	4.38	3.79	4.39	3.96
2. Raw Jute	Tons (lakh)	4.61	3.07	4.09	3.80
3. Mecta Raw	Tons	338.00	784.00	1,601.00	873.00
4. Tea	Crore lbs.	4.88	4.43	5.15	6.34
5. Leather	Tons	1,503.00	-	12,722.00	4,432.00
6. Hides and Skins	Tons	-	5,894.00	-	5,076.00
7. Fish	Cwt.	136,971.00	64,214.00	75,461.00	39,494.00
8. Newsprint	Tons	2,037.00	7,645.00	4,660.00	5,729.00
9. Paper	Tons	311.00	483.00	852.00	1,748.00
10. Hard Board	Tons	159.00	440.00	140.00	272.00
11. Spices	Cwt.	12,455.00	4,363.00	66,975.00	36,388.00
12. Bone	Tons	1,622.00	1,184.00	1,691.00	675.00
13. Raw cotton	Tons	360.00	305.00	1,585.00	204.00
14. Rayon	lbs. (lakh)	13.59	1.79	5.68	6.18

Source: Bangladesh Bureau of Statistics

Note: Figures for item nos. 5,6,7 and 10 to 14 are shown for the period of July - December, 1976-77 only

Table 22

Bangladesh Balance of Payments 1976-77

	(Taka in crore)
1. Merchandise Imports (c.i.f.)	1,488.6
2. Merchandise Exports (f.o.b.)	638.9
3. Services (a) Payment 1	-144.0
(b) Receipts 2	160.0
4. Balance on Current Account	833.7
5. Capital, Transfer and other loans/grants	889.7
(a) Food	209.3
(b) Commodity	354.9
(c) Project	248.0
(d) Cash	77.5
6. Debt Repayment	-64.8
(a) Long term	-31.0
(b) Short term	-33.8
7. Private Transfers	71.5
8. I.M.F.	
(a) Account drawings	71.3
(b) Payments	-67.2
9. Change in net Foreign Exchange Reserve (- increase)	-66.8

Note: 1. Including I.M.F. service charges, interest on foreign loans
2. Including I.D.A./A.D.B. re-imbusement
3. Saudi Arabia Grant of US\$ 50 million
4. Including U.S.S.R. wheat account of \$ 6 million
5. Refund of Kuwait deposit of \$ 21.8 million

Table 23

Financial Performance of Public Sector Corporations

(Taka million)

<u>Sector Corporation</u>	<u>Net Profits/Losses</u>			
	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>
Jute (BJMC)	-325	-332	-239	-285
Textile (BTMC)	100	163	125	60
Paper (BPFC)	-34	-33	-53	-125
Steel (BSTMC)	-26	19	42	53
Engineering (BESC)	8	41	45	21
Chemicals (BPCFC)	15	63	-181	-67
Food (BFAIC)	15	25	53	-14
Sugar (BSGMC)	-37	39	54	0
Tanning (BTC)	-9	-6	-3	3
Total	6	31	51	—
	<u>-287</u>	<u>10</u>	<u>-106</u>	<u>-354</u>

Source: The World Bank: Bangladesh: Current Economic Situation and Development Policy Issues, May 1977, p. 45

Table 24

Commitment of Foreign Economic Assistance to Bangladesh,

1971-72 to 1976-77

(Million US\$)

	Commitment					
	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
Grants: Non-project aid	265,974	309,011	77,361	307,231	253,372	231,116
project aid	97,716	44,003	18,205	52,974	159,642	106,966
Total	363,690	353,014	95,566	360,205	413,014	338,082
Loans: Non-project aid	69,532	349,718	254,353	775,069	358,534	187,799
project aid	75,636	229,404	164,809	288,231	143,755	122,485
Total	145,168	579,122	419,162	1,063,300	502,289	310,284
Total Grants and Loans:						
Non-project aid	335,506	658,729	331,714	1,082,300	611,906	518,915
project aid	173,352	273,407	183,014	941,205	303,397	229,451
Export Credit/Suppliers Credit:						
Non-project aid	-	-	-	-	-	-
Project aid	-	-	-	62,794	15,142	1,000
Total	-	-	-	62,794	15,142	1,000
Grand Total	508,858	932,136	514,728	486,299	930,445	749,366

/Table 24 continued

Table 24 (contd.)

Disbursement of Foreign Economic Assistance to Bangladesh, 1971-72 to 1976-77

(Million U.S.Dollar)

	Disbursement					
	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
Grants:						
Non-project aid	137,122	283,285	130,608	321,931	205,384	183,934
Project aid	-	20,764	62,934	62,977	31,791	45,393
Total	137,122	304,049	193,542	384,908	237,175	229,327
Loans--						
Non-project aid	-	13,305	176,998	430,468	473,455	168,488
Project aid	6,900	39,958	47,589	62,440	79,860	69,400
Total	6,900	53,263	224,587	492,908	553,315	237,888
Total Grants and Loans:						
Non-project	137,122	296,590	307,606	752,399	678,839	352,422
Project aid	6,900	60,722	110,523	125,417	111,651	114,793
Export Credit/Suppliers Credit:						
Non-project aid	-	-	-	2,028	6,173	2,755
Project aid	-	-	-	18,365	17,403	32,012
Total	-	-	-	20,393	23,576	34,767
Grand Total	144,022	357,312	418,129	898,209	814,066	501,982

Source: External Resources Division, Ministry of Planning.

Table 25

Major Physical Targets of the First Five-Year Plan (1973-1978) in the
Industrial Sector

	Unit	Benchmark level	Terminal year level	Percentage increase
1	2	3	4	5
Jute textiles	Thousand tons	587.0	766.0	30
Textile yarn	Lakh lbs.	863.0	1,975.0	129
Cloth	Lakh yards	2,792.0	7,530.0	170
Engineering goods	Thousand tons	112.2	425.1	279
Shipbuilding	Lakh Taka	245.50	810.0	230
Steel	Thousand tons	80.0	450.0	463
Fertilizer	Thousand tons	216.0	1,032.0	378
Petrochemical	Thousand tons	-	493.0	-
Paper and pulp	Thousand tons	59.3	108.9	84
Sugar	Thousand tons	106.5	148.0	39
Leather	Lakh sq. ft.	626.0	1,694.0	171
Telephone	Thousand units	66.0	136.0	106
Buses in operation	Nos.	7,200	10,030	39
Trucks in operation	Nos.	11,100	14,590	31

Source: The Five-Year Plan, from Table 11-6 pp. 23-24

Table 26

Industrial Production in Certain Sectors

	<u>1969-70</u>	<u>1973-74</u>	<u>1976-77</u>	Unit
Jute goods	561	500.0	490	'000' tons
Cotton yarn	105	91.3	82.4 (109.0)	lbs. million
Cotton cloth	59.1	79.3	68.1	yds. million
Sugar	88.0	88.0	140	'000' tons
Motor Vehicles	455.0	2,268.0	931	No.
Newsprint	36	27	15	'000' tons
Paper	11	4	(24)	'000' tons
Cement	53	52	(32.5) 308	'000' tons
Cigaretts	17,786	11,895	11,631	'million'
Matches	13,964	6,207	7,564 (9,000)	'000' Gross Boxes

Source: The Planning Commission and the Bangladesh Bureau of Statistics, Government of the People's Republic of Bangladesh.

Note: Figures in parenthesis indicate the targets set.

Table 27

Census of Manufacturing Industries 1970-1

(Provisional)

	No. of Establishments	Fixed assets (million Taka)	Employment (thousands)	Value added (million Taka)
Food	216	228	22.5	234
Beverages	7	6	0.6	11
Tobacco	27	53	4.8	184
Textiles				
Jute	65	1,165	143.4	546
Other	461	381	46.5	203
Footwear and apparel	104	5	1.5	5
Furniture and fittings	31	4	0.5	2
Paper products	16	160	2.2	21
Printing and publishing	106	12	2.6	9
Leather products	98	9	2.2	14
Rubber products	-	-	-	-
Chemical products	263	94	15.9	133
Products of petroleum and coal	1	109	0.4	17
Non-metallic minerals	33	29	2.8	16
Basic metal industries	27	48	2.5	29
Metal products excluding machinery	114	13	3.9	18
Machinery except electrical machinery	54	8	1.9	8
Electrical products	16	12	1.4	16
Transport equipment	19	4	0.8	3
Total (including miscellaneous)	<u>1,727</u>	<u>2,368</u>	<u>258.7</u>	<u>1,461</u>
Total (excluding miscellaneous)	<u>1,658</u>	<u>2,340</u>	<u>256.4</u>	<u>1,469</u>

Source: Census of Manufacturing Industries 1970-1 (Provisional)

Table 28

Industrywise fixed assets per employee, fixed assets per establishment,
the number of employees per establishment and the value added per worker

	Fixed assets per employee	Fixed assets per establishment (thousands)	Employees per establishment	Value added per worker
Food	10,133	1,056	104	10,400
Beverages	10,000	857	86	18,333
Tobacco	11,042	1,963	178	38,333
Textiles				
Jute	8,124	17,923	2,206	3,808
Other	8,194	827	101	4,366
Footwear and apparel	3,333	48	14	3,333
Furniture and fittings	8,000	129	16	4,000
Paper products	72,727	10,000	136	9,546
Printing and publishing	4,615	113	25	3,462
Leather products	4,091	92	22	6,364
Rubber products	-	-	-	-
Chemical products	5,912	357	61	8,365
Products of petroleum and coal	272,500	109,000	400	42,500
Non-metallic minerals	10,357	879	85	5,714
Basic metal industries	19,200	1,778	93	11,600
Metal products excluding machinery	3,333	114	34	4,615
Machinery except electrical machinery	4,211	148	35	4,211
Electrical products	8,571	750	88	11,429
Transport equipment	5,000	211	42	3,750

Source: Compiled from Table 27

Table 29

National List of Concessions

BANGLADESH

No.	BTN	Product Description	Present rate of duty (%)	Tariff rate offered
1.	Ex. 04.02	Milk and cream, preserved, concentrated or sweetened, in solid form, such as block or powder	25%	25% (Bound)
2.	Ex. 08.01	Coconuts, fresh or dried	50%	50% reduction on the total tariff rate
3.	Ex. 13.02	Seed lac and stick lac	50%	30%
4.	ex. 13.02	Shellac and other lacs excluding seed lac and stick lac; natural gums, resins, gum-rains and balsams	65%	55%
5.	Ex. 15.07	Coconut (copra) oil	60%	50%
6.	25.04	Natural graphits	30%	20%
7.	Ex. 25.23	Clinkers	20%	10%
8.	Ex. 29.07	Naphthol (dyes) (Permissible items only)	35%	30%
9.	Ex. 32.05	Synthetic organic dyestuffs (including pigment dyestuffs); synthetic organic products of a kind used as luminophores; products of the kind known as optical bleaching agents, substantive to the fibre; natural indigo (permissible items only)	35%	30%
10.	Ex. 32.07	Other colouring matter; inorganic products of a kind used as luminophores (permissible items only)	65%	60%
11.	38.11	Disinfectants, insecticides, fungicides, weed-killers, anti-spouting products, rat poisons and similar products, put up in forms or packagings for sale by retail or as preparations or as articles (for example, sulphur-treated bands, wicks, candles, fly-papers)	75%	35% (To be considered for tariff quota)
12.	Ex. 40.11	1. Rubber tyres, tyre cases, interchangeable tyre treads, inner tubes and tyre flaps, used exclusively for aeroplanes	Free	Free (Bound)

Table 29 (continued)

National List of Concessions

BANGLADESH

No.	BTN	Product Description	Present rate of duty (%)	Tariff rate offered
13.	Ex. 40.11	II. Rubber tyres, tyre cases, interchangeable tyre treads, inner tubes and tyre flaps, used exclusively for tractors	15%	13%
14.	55.05	Cotton yarn, not put up for retail sale	75%	60%
15.	59.04	Twine, cordage, ropes and cables, plaited or not	55%	40%
16.	Ex. 61.01	Man's and boys' outer garments of silk or man-made fibres, not rubberized, ciled or of similar water-proof materials	300%	275%
17.	68.10	Gypsum boards plaster	125%	75%
18.	69.10	Sinks, wash basins, bidets, water closet pans, urinals baths and like sanitary fittings	175%	125%
19.	Ex. 84.16	Rubber rollers	50%	25%
20.	Ex. 84.17	Tea driers	50%	25%
21.	Ex. 84.25	Tea stalk extractors	50%	25%
22.	85.24	Carbon brushes, arc-lamp carbons, battery carbons, carbon electrodes and other carbon articles of a kind used for electrical purposes	100%	60%
23.	94.04	Mattress supports, articles of bedding or similar furnishing fitted with springs or stuffed or internally fitted with any material or of expanded, foam or sponge rubber or expanded, foam or sponge artificial plastic material, whether or not covered (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows)	125%	60%

/Table 29 (contd.)

Table 29 (continued)

List of Special Concessions by Bangladesh to Laos

No.	BTN	Product Description	Present rate of duty (%)	Tariff rate offered
1.	09.01	Coffee whether or not roasted or freed of caffeine; coffee husks and skins; coffee substituted containing in any proportion a. Coffee and coffee substitutes containing coffee b. coffee husks and skins	 150% 150%	 70% 70%
2.	Ex. 09.08	Cardamoms	100%	92 $\frac{1}{2}$ %
3.	Ex. 13.02	Shellac and other lacs excluding seed lac and stick lac; natural gums, resins, gum-resins and balsams	65%	50%
4.	Ex. 24.01	Unmanufactured tobacco i. Less than 3 TK/lb. ii. 3 + 4 TK/lb. iii. 4 or 5 TK/lb. (Tobacco suited for manufacturing cigarettes)	TK 1/lb. TK 1.25/lb. TK 1.50/lb.	Ps. 50/lb. Ps. 62.5/lb. Ps. 75/lb.
5.	55.01	Cotton, not carded or combed (Specifications to be exchanged later)	Ps. 55/lb.	Ps. 27.5/lb.

Table 30

Number of redeployment projects/companies identified during the
study by major groups of industries

Machinery, metal products and mechanical engineering	71
Textiles and clothing	34
Food processing	25
Chemical products	18
Precision industry	18
Electrical engineering	12
Paper products, printing	11
Basic metals	11
Pharmaceutical products	6
Leather	5
Wood based products	4
Footwear	3
Photographic equipment	3
Tanneries	2
Rubber products	2
Toys	4
Other	14
	<hr/>
Total	243
	<hr/> <hr/>

APPENDIX B

LIST OF DOCUMENTS AND BOOKS

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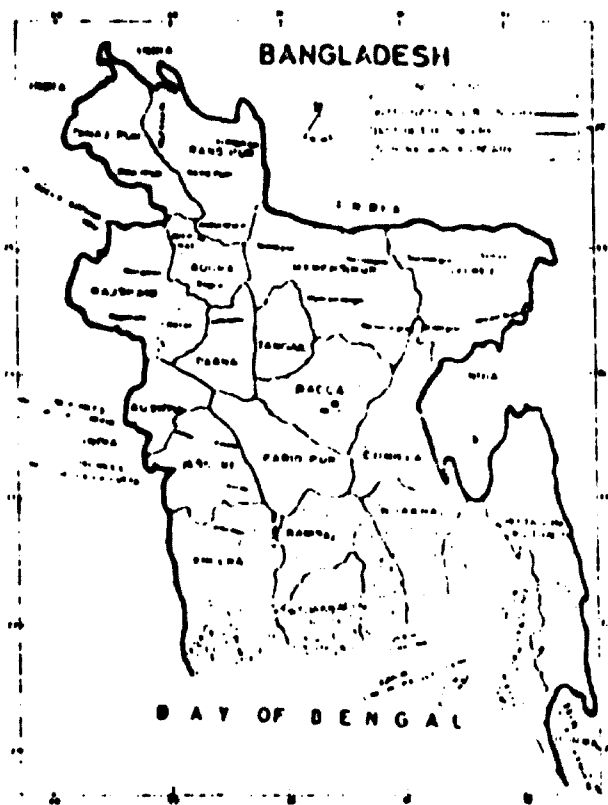
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APPENDIX C



APPENDIX D

INDUSTRY UNDER THE TWO-YEAR PLAN (1978-79 TO 1979-80)

An annual growth rate of 7.3 per cent is expected in the manufacturing sector. The emphasis in this sector will be on better utilization of capacities through balancing and modernization and completion of major on-going projects like Ashuganj Fertilizer Factory, several cotton mills, Machine Tools Factory, etc. A comprehensive scheme for development of rural industries will be initiated during the Plan period. The output of jute goods will rise from 0.605 million tons in 1977-78 to 0.667 million tons in 1979-80; cotton cloth from 505.6 million yards to 656.8 million yards, fertilizer from about 0.4 million tons to 0.456 million tons, and sugar from 0.15 million tons to 0.16 million tons.

The Plan provides for an allocation of Tk. 8,160 million for investment in the Industry sector. Out of this, Tk. 5,700 million has been allocated for public sector and the remaining Tk. 2,460 million has been earmarked for private sector.

Out of the public sector allotment of Tk. 5,700 million, Tk. 5,000 million has been allocated for on-going projects and only Tk. 700 million has been earmarked for new projects.

Among the sub-sectors, the largest share of Tk. 2,481.8 million or 44 per cent of total allocation goes to fertilizer and chemicals. This is followed by steel and engineering, cotton-textiles, and jute textiles, representing 16 per cent, 15 per cent and 10 per cent respectively of the total public sector allocation.

Private investment is expected to be made in small industries based on modern technology, such as food processing, specialized textiles and garment making; leather goods, chemicals and pharmaceuticals, metal products, furniture, etc. It is expected that there will be some foreign private investment consequent upon liberal Government policy to welcome foreign private participation. Expeditious action would be taken to set up a Free Trade Processing Zone at Chittagong to boost up foreign private investment and exports.

APPENDIX E

Industrial objectives of the Two-Year Plan, 1978-80

In the manufacturing sector, the Two-Year Plan aims at achieving the following principal objectives:

- (i) To accelerate the growth of the manufacturing sector;
- (ii) To increase production of essential wage-goods such as coarse cloth and common diseases medicine to ensure their minimum supply to the masses;
- (iii) To improve management efficiency of the public sector industrial enterprises;
- (iv) To further stimulate the private sector particularly in export and agro-based industries;
- (v) To achieve socially desirable equity in income distribution through promotion of cottage and rural industry;
- (vi) To ensure balanced geographical distribution of industries and encourage regional co-operation in industrial development;
- (vii) To increase production of capital goods particularly those which have strong linkage with agriculture and infrastructure development;
- (viii) To promote export oriented and import substitution industries.

APPENDIX F

Industrial strategies and priorities of the Two-Year Plan, 1978-80

With a view to realising the objectives, the Plan follows certain strategies and priorities which among others are as follows:

(a) Increase in Industrial Output:

- (i) Fuller utilization of existing capacity in industrial unit has been given the highest emphasis. This will be ensured through adequate and regular supply of both local and imported raw materials, spares and power and improvement in managerial and technical skill.
- (ii) Sick and inefficient industrial units will be improved through balancing and modernisation with emphasis on improvement in quality and product diversification. The units having no potential for improvement will be eliminated.
- (iii) Aided on-going projects will be assigned high priority to make as many of them productive as possible by the end of the Two-Year Plan to enable the economy to get the promised benefits out of them.
- (iv) Efforts to improve management of public sector enterprises will continue through re-organization and decentralization of authority in decision making and better labour-management relationship.

(b) Employment:

Except in areas where modern capital-intensive technology and large-scale operations are guided by overriding technical and economic considerations, choice has been made in favour of labour-intensive technology, and small and cottage industries.

(c) As far as practicable frequent change of key personnel of Development Ministries/Divisions/Agencies and Chairman and Directors of Public Sector Industrial Development Corporations should be avoided in the interest of development work.

(d) Location:

In order to promote regional development, locations of industries will be dispersed in different regions through incentive and administrative

directives except in the case of industries where overriding technical and economic considerations do not favour such dispersal.

(e) Public and Private Sector:

As is the features of mixed economy, public sector and private sector will co-exist complementing each other. The policy of allowing private sector to play legitimate role in industrial development will be pursued vigorously.

(f) Industrial Research and Quality Control:

Development of skill and technology is an essential element in making industrial growth progressive and sustaining. Research for development of skill and technology has been emphasised in the Plan. Quality control measures particularly in the export oriented industries will be strengthened.

(g) Import Substitution and Export Promotion:

Gradual substitution of imports and vigorous expansion of export are essential for attainment of a self reliant economy. For the support and promotion of import substitution industries a Committee namely "Import Substitutes Co-ordination Committee" with the Minister of Planning as Chairman has been constituted by the Government. The Committee has already started work to maximise utilization of existing capacities for import substitution and also to explore the new areas for import substitution. The Government efforts towards rapid promotion of exports through diversification of production, cost reduction, quality improvement and promotion of Bangladesh products abroad will be further strengthened.

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81.08.19